

SETTLEMENT AGREEMENT

This Settlement Agreement (“Agreement”) is made and entered into by and between the United States of America, acting through the United States Department of Justice and the Drug Enforcement Administration (“DEA”) (collectively, the “United States”); and Covetrus North America, LLC (“Covetrus NA”) (hereafter Covetrus NA and the United States are the “Parties”), through their authorized representatives.

RECITALS

A. Covetrus NA is a company that distributes veterinary medicine to customers worldwide. Covetrus NA has a distribution center located at 3820 Twin Creeks Drive, Columbus, Ohio 43204. Covetrus NA is a DEA registrant with assigned Certificate of Registration #RB0395219.

B. Each DEA registrant is required to conduct its operation in accordance with the Controlled Substances Act, 21 U.S.C. § 801, *et seq.* (the “Act”), and the regulations promulgated thereunder. For manufactures and distributors of opioids, failure to maintain effective controls against diversion of controlled substances, including opioids, is a violation of 21 U.S.C. § 842(c)(1)(B)(ii). In addition, registered distributors of opioids are required to review quarterly information provided by the Attorney General in the Automated Reports and Consolidated Ordering System (“ARCOS”), and to keep an accurate record of each controlled substance manufactured, received, sold, delivered, or otherwise disposed of. 21 U.S.C. § 842(c)(1)(B)(ii). Failure to do so are violations of the Act and DEA regulations. *Id.* Similarly, registered distributors are required to report to the DEA any theft or significant loss of controlled substances, including hydrocodone, and failure to do so is a violation of 21 U.S.C. § 842(a)(5) and 21 C.F.R. § 1301.74(c). The Act provides for civil penalties for registrants that violate these reporting and recordkeeping requirements.

C. The DEA is the Department of Justice agency primarily responsible for enforcing the Act and is vested with the responsibility of investigating violations of the Act.

D. The United States Attorney General, through the United States Attorney's Office, has primary authority to bring civil actions to enforce the Act. *See* 21 U.S.C. § 871 and 28 C.F.R. § 0.55(c).

E. Covetrus NA admits, acknowledges, and accepts responsibility for the following facts:

a. From March 29, 2016, through June 18, 2019, the internal suspicious order monitoring ("SOM") system of Covetrus NA (an entity formed as a result of the February 2019 spin-merger of Henry Schein Inc.'s animal health business) flagged as suspicious thirty-five separate orders of hydrocodone-homatropine 5mg tablets ("Orders") from a veterinary office in West Barnstable, Massachusetts (the "Veterinary Office"). Covetrus NA released each of the Orders and sent them to the Veterinary Office. Upon request by DEA, Covetrus NA provided evidence that its SOM personnel conducted follow-up inquiries related to the orders, including telephone calls to the Veterinary Office to determine whether there was a basis to clear the Orders. Covetrus NA did not sufficiently document the results of the telephone calls to the Veterinary Office.

b. DEA investigators spoke with the Office Manager from the Veterinary Office, who admitted that she diverted drugs from the Orders for her own personal use. See *United States v. Melissa Paradise*, Crim. No. 21-cr-10170 (D. Mass.).

c. In March of 2018, an order of hydrocodone-homatropine 5mg tablets fulfilled by Covetrus NA was lost in-transit to the Veterinary Office. Covetrus NA failed to

notify DEA of a significant loss of a controlled substance, as required by 21 U.S.C. § 842(a)(5) and 21 C.F.R. § 1301.74(c).

d. From January 2015, through July 2023, Covetrus NA did not properly review the most recent information made available in ARCOS, as required by 21 U.S.C. § 827(f).

The foregoing conduct is referred to as the “Covered Conduct.”

F. The United States contends that it has claims for civil monetary penalties and injunctive relief against Covetrus NA under the Act and its implementing regulations based upon the Covered Conduct.

In consideration of the mutual promises and obligations of this Agreement, the Parties agree and covenant as follows:

TERMS AND CONDITIONS

1. Covetrus NA shall pay to the United States the sum of one million, one hundred and twenty-five thousand dollars (\$1,125,000), plus interest at a rate of 4.875% per annum from June 26, 2024 and continuing through the date of payment (the “Settlement Amount”). Of the Settlement Amount, none is restitution. Covetrus NA shall pay the Settlement Amount pursuant to written instructions to be provided by the Office of the United States Attorney for the District of Massachusetts, no later than thirty (30) days after the Effective Date of this Agreement.

2. No later than five business days after the Effective Date of this Agreement, Covetrus NA and the DEA will enter into the one-year Memorandum of Agreement (“MOA”) that is attached as Exhibit A.

3. Subject to the exceptions in Paragraph 4 (concerning reserved claims) below, and conditioned upon Covetrus NA complying with Paragraph 2 (entering into the MOA), the United States releases Covetrus NA (including its predecessors, current and former parents, divisions,

subsidiaries, and assigns) from any civil or administrative claims the United States has, could have, or may assert in the future, related to the Covered Conduct under the Act and associated DEA regulations.

4. Notwithstanding the release given in Paragraph 3 of this Agreement, or any other term of this Agreement, the following claims and rights of the United States are specifically reserved and are not released:

- a. Any liability arising under Title 26, U.S. Code (Internal Revenue Code);
- b. Any criminal liability;
- c. Any administrative liability or enforcement right, including the suspension and debarment rights of any federal agency, other than the DEA as to the Covered Conduct;
- d. Any liability to the United States (or its agencies) for any conduct other than the Covered Conduct;
- e. Any liability based upon obligations created by this Agreement; or
- f. Any liability of any individuals.

5. The United States reserves the right to seek injunctive relief pursuant to 21 U.S.C. § 843(f), to the extent that injunctive relief is available under the circumstances, if Covetrus NA fails to pay the Settlement Amount or comply with the obligations of the MOA.

6. Covetrus NA waives and shall not assert any defenses it may have to any criminal prosecution relating to the Covered Conduct that may be based in whole or in part on a contention that, under the Double Jeopardy Clause in the Fifth Amendment of the Constitution, or under the Excessive Fines Clause in the Eighth Amendment of the Constitution, this Agreement bars a remedy sought in such criminal prosecution or administrative action.

7. Covetrus NA fully and finally releases the United States and its agencies, officers, agents, employees, and servants from any claims (including for attorneys' fees, costs, and expenses of every kind and however denominated) that Covetrus NA has asserted, could have asserted, or may assert in the future against the United States or its agencies, officers, agents, employees, or servants, related to the Covered Conduct and the United States' investigation and prosecution thereof.

8. The obligations imposed upon Covetrus NA pursuant to this Agreement and the MOA are in addition to, and not in derogation of, all requirements imposed upon Covetrus NA pursuant to all applicable federal, state, and local laws and regulations, including but not limited to the requirements set forth in Title 21 of the United States Code and the regulations promulgated thereunder.

9. Covetrus NA agrees to cooperate fully and truthfully with the United States' investigation of individuals and entities not released in this Agreement. Upon reasonable notice, Covetrus NA shall encourage, and agree not to impair, the cooperation of its directors, officers, and employees, and shall use its best efforts to make available, and encourage, the cooperation of former directors, officers, and employees for interviews and testimony, consistent with the rights and privileges of such individuals. Covetrus NA further agrees to furnish to the United States, upon request, complete and unredacted copies of all non-privileged documents, reports, memoranda of interviews, and records in its possession, custody, or control concerning any investigation of the Covered Conduct that it has undertaken, or that has been performed by another on its behalf.

10. This Agreement is intended to be for the benefit of the Parties only. The Parties do not release any claims against any other person or entity.

11. Each Party shall bear its own legal and other costs incurred in connection with this matter, including the preparation and performance of this Agreement.

12. Each Party and signatory to this Agreement represents that it freely and voluntarily enters into this Agreement without any duress or compulsion.

13. This Agreement is governed by the laws of the United States. The exclusive jurisdiction and venue for any dispute relating to this Agreement is the United States District Court for the District of Massachusetts. For purposes of construing this Agreement, this Agreement shall be deemed to have been drafted by all Parties to this Agreement and, therefore, shall not be construed against any Party for that reason in any subsequent dispute.

14. The Agreement, including the MOA, constitutes the complete agreement between the Parties. The Agreement may not be amended except by written consent of the Parties.

15. The undersigned represent and warrant that they are fully authorized to execute this Agreement on behalf of the persons and entities indicated below.

16. This Agreement may be executed in counterparts, each of which constitutes an original and all of which constitute one and the same Agreement.

17. This Agreement is binding on Covetrus NA's successors, transfers, heirs, and assigns.

18. The Parties may execute this Agreement via facsimile and/or by portable document format (.pdf), both of which shall be deemed the equivalent of an original signature.

19. All Parties consent to the United States' disclosure of this Agreement, and information about this Agreement, to the public, except that Covetrus NA's DEA Registration Number shall be redacted and not disclosed to the public.

20. This Agreement shall become effective on the date of the signature of the last signatory to the Agreement (“Effective Date” of this Agreement).

[SIGNATURE PAGES FOLLOW]

THE UNITED STATES OF AMERICA

Dated: 10/25/24


By: **JULIEN MUNDELE** Digitally signed by
JULIEN MUNDELE
Date: 2024.10.25
13:36:40 -04'00'
JULIEN M. MUNDELE
Assistant U.S. Attorney
United States Attorney's Office
District of Massachusetts

Dated: 10/25/24


By: **Stephen Belleau** Digitally signed by
Stephen Belleau
Date: 2024.10.25
09:38:59 -04'00'
STEPHEN P. BELLEAU
Acting Special Agent in Charge
Drug Enforcement Administration
New England Field Division

COVETRUS NORTH AMERICA, LLC

Dated: 10/18/2024

By: 
Ben Wolin (Oct 18, 2024 08:25 GMT+1)
BENJAMIN WOLIN
President and CEO of Covetrus, Inc.
Authorized Corporate Officer
Covetrus North America LLC

Dated: 10/21/2024

By: 
W. WARREN HAMEL, ESQ.
ANTHONY J. VITTI, ESQ.
Counsel for Covetrus North America, LLC