

Newsday.com

News | Entertainment | Sports | Jobs | Cars | Real Estate | Apartments | ShopLocal | Place An Ad

am New York

4 admit fraud at now-defunct Able Laboratories

By JEFFREY GOLD
AP Business Writer

March 8, 2007, 4:40 PM EST

NEWARK, N.J. -- Four managers at the now-defunct Able Laboratories Inc. pleaded guilty Thursday to roles in a scheme to falsify data at the generic drug maker, a seven-year plot that ultimately led to the company's collapse.

The highest-ranking of the four, Shashikant Shah, vice president for quality control and regulatory affairs, also pleaded guilty to conspiring to commit securities fraud, admitting that he netted more than \$900,000 by selling company stock while aware of the illegal test practices.

All four implicated the company's chief executive officer, Dhananjay G. Wadekar. He was not named in court and faces no charges to date.

"The investigation is active and ongoing," Assistant U.S. Attorney Robert A. Kirsch said.

The Cranbury-based company had made 46 generic versions of name-brand drugs for pain, inflammation, obesity and cardiovascular conditions.

"The damage from the fraud at Able Labs was devastatingly complete," U.S. Attorney Christopher J. Christie said. "Consumers were put at risk, a company that employed 500 people was destroyed, and shareholders were left with nothing in the end."

The guilty pleas represent the first criminal charges regarding Able, which began its slide in 2005 when federal regulators said the company falsified test results.

The Food and Drug Administration has said Able created data so its drugs



would appear to meet federal standards when they did not. In 41 incidents dating to 2001, drugs were found to have too much or too little of their active ingredients. However, each time their strength was reported to be within legal limits, the FDA said. On nine other occasions, Able failed to issue alerts about impure drugs, the FDA said.

From 1999 _ when the defendants said the plot began _ to 2002, Able's shares traded from 17 cents a share to 55 cents a share. Its stock then climbed dramatically, along with sales and product lines, reaching a record high of \$26.50 in May 2005, prosecutors said.

But later that month, Able announced it was suspending shipments of all drugs, and recalling some of them. The stock dropped 75 percent in a day to \$6.36 a share, a \$340 million meltdown, Kirsch said. All its products were ultimately recalled, he said.

Able filed for bankruptcy reorganization in July 2005, but changed to liquidation in March 2006.

The CEO, Wadekar, resigned after problems emerged in 2005. A listing could not be found for him, and prosecutors declined to comment on whether he had a lawyer.

In pleading guilty to stock fraud, Shah, 65, of Dayton, admitted that his insider trades gave him profits of over \$900,000, and that other executives who got stock options were also aware of data falsification.

In addition to the criminal charges, Shah consented to return ill-gotten gains, with interest and penalties, as part of an insider trading civil action filed by the Securities and Exchange Commission on Thursday. He agreed to be barred for five years from serving as an officer or director of a public company.

Also pleading guilty Thursday to one count of conspiracy to distribute misbranded and adulterated drugs were Jyotin Parikh, 56, of Clifton, who was Able's laboratory manager in its quality control department from mid-2000 through the beginning of 2005; Ashish Macwan, 47, of Tinton Falls, Able's group leader, supervisor, and assistant manager in its quality control department, and Jose Concepcion, 57, of Hazlet, Able's group leader and supervisor in the quality control department.

All four face up to five years in prison and a \$250,000 fine when sentenced July 24 by U.S. District Judge Susan D. Wigenton.

___P>