

1 ERIC GRANT  
United States Attorney  
2 MICHAEL D. ANDERSON  
ADRIAN T. KINSELLA  
3 DAVID E. THEISS  
Assistant United States Attorneys  
4 501 I Street, Suite 10-100  
Sacramento, CA 95814  
5 Telephone: (916) 554-2700  
Facsimile: (916) 554-2900  
6

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EASTERN DISTRICT OF CALIFORNIA

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7 Attorneys for Plaintiff  
8 United States of America

9 IN THE UNITED STATES DISTRICT COURT  
10 EASTERN DISTRICT OF CALIFORNIA

11			
12	UNITED STATES OF AMERICA,	CASE NO.	2:26-cr-0043 DC
13	Plaintiff,	18 U.S.C. § 371 – Conspiracy to Defraud the United	
14	v.	States	
15	STERICYCLE, INC.,		
16	Defendant.		

17  
18 I N F O R M A T I O N

19 INTRODUCTORY ALLEGATIONS

20 At all relevant times:

21 Legal Requirements for Reverse Distributors of Controlled Substances

22 1. Given the inherent risk of diversion and the danger to the public posed by controlled  
23 substances, the handling of controlled substances was tightly circumscribed by the Controlled  
24 Substances Act (“CSA”). The CSA and accompanying regulations created a closed system of  
25 distribution for those authorized to handle controlled substances, which included strict rules for  
26 registration, record-keeping, and security. These rules were designed to minimize the risk of diversion  
27 and to facilitate prompt discovery, reporting, and investigation of theft or significant loss.

28 2. Companies that were registered with the Drug Enforcement Administration (“DEA”) to

1 handle controlled substances were referred to as “registrants,” and were subject to, among other things,  
2 record-keeping and reporting requirements, stringent security controls, and regular inspections of their  
3 registered facilities by the DEA.

4 3. At all relevant times, here from 2015 to 2020, companies such as STERICYCLE, Inc.  
5 (“STERICYCLE”), which were authorized to act as reverse distributors to receive unwanted, unusable,  
6 or expired controlled substances from other registrants, were subject to a number of specific provisions  
7 in the Code of Federal Regulation (“C.F.R.”) regarding their handling of controlled substances. Included  
8 among those regulations was 21 C.F.R. § 1301.74(c), which required registrants to notify their local  
9 DEA Field Division Office, in writing, of the “theft or significant loss of any controlled substances”  
10 within one business day of discovery of the loss or theft. Within 45 days after discovery of the theft or  
11 loss, registrants were required to file a DEA “Form 106” detailing the theft or loss.

12 4. Registrants were also required to complete a DEA “Form 222” when taking possession of  
13 controlled substances and to complete a DEA “Form 41” when disposing of controlled substances.

14 STERICYCLE, Inc.

15 5. STERICYCLE, headquartered in Illinois and incorporated in Delaware, was a business-  
16 to-business company that operated in all 50 states and internationally. STERICYCLE traded publicly on  
17 the Nasdaq Stock Market under “SRCL.”

18 6. STERICYCLE operated various separate business units through which it received and  
19 transported regulated waste, one of which was its Environmental Solutions (“ESOL”) business. ESOL  
20 was comprised of three segments: (1) Manufacturing and Industrial, (2) Healthcare, and (3) Retail.  
21 STERICYCLE’s ESOL business was divested in April 2020.

22 7. Within ESOL’s Retail segment, STERICYCLE operated its Strong-PAK (“SPAK”) DEA  
23 business where STERICYCLE acted as a reverse distributor to collect expired, tainted, excess, or  
24 otherwise unneeded controlled substances from retail pharmacy customers and transport the controlled  
25 substances to destruction.

26 8. From at least May 2016 through February 2020, STERICYCLE’s SPAK DEA business  
27 had five Treatment, Storage, and Disposal (“TSD”) facilities registered with the DEA to handle  
28 controlled substances: Detroit, Michigan; Indianapolis, Indiana; Hatfield, Pennsylvania; Houston, Texas;

1 and Warren, Ohio. In addition, STERICYCLE controlled a nationwide network of approximately 44  
2 10-day transfer facilities (“10-days”) and eight additional TSD facilities.

3 9. Controlled substances were transported to STERICYCLE’s Indianapolis, Indiana facility,  
4 where the controlled substances were temporarily stored before being transported to third-party  
5 destruction facilities.

6 The Offense Conduct

7 10. At all relevant times, STERICYCLE Assistant General Counsel 1, a lawyer in  
8 STERICYCLE’s legal department, was responsible for, among other things, providing advice to  
9 STERICYCLE about the SPAK DEA business. Assistant General Counsel 1 understood how  
10 STERICYCLE operated the SPAK DEA business. Assistant General Counsel 1 further understood the  
11 DEA regulations relevant to the SPAK DEA business. STERICYCLE and its employees often sought  
12 Assistant General Counsel 1’s advice with respect to the SPAK DEA business.

13 11. STERICYCLE’s transportation network utilized temporary storage facilities that were  
14 not registered with the DEA. Because of that, those facilities were not subject to regular inspection by  
15 DEA and security was inadequate in many locations, including at STERICYCLE’s Rancho Cordova,  
16 California, facility. In some locations, STERICYCLE stored controlled substances on unlocked trailers  
17 in fenced-in yards. Some STERICYCLE facilities had cameras, but in more than one facility the  
18 cameras were non-operational.

19 12. STERICYCLE’s Indianapolis, Indiana facility contained multiple suites, including Suite  
20 D and Suite A. Only Suite A maintained a DEA registration to handle controlled substances.  
21 STERICYCLE transported SPAK DEA packages to Suite D in its Indianapolis, Indiana facility prior to  
22 transferring the packages to the adjoining Suite A.

23 13. Stericycle lacked a system for reliably tracking packages throughout its transportation  
24 network and auditing packages arriving in Indianapolis, creating opportunities for diversion. Multiple  
25 Stericycle managers and executives, including Assistant General Counsel 1 and a Senior Vice President  
26 of Safety, Health and Compliance (SVP 1), as well as Stericycle Executive 1 and Stericycle Executive 2  
27 were aware that the lack of reliable tracking created opportunities for diversion. Notwithstanding this  
28 knowledge, Assistant General Counsel 1 provided materially incorrect information to outside counsel to

1 obtain an opinion that was used to support Stericycle's non-compliant practices regarding the handling  
2 and transport of controlled substances. In one example, in an email to outside counsel leading up to the  
3 issuance of this opinion, Assistant General Counsel 1, who cc'd SVP 1, and who had emailed similar  
4 discussion points to Executives 1 and 2 on an earlier date, described the ESOL system as a "secure  
5 transportation system" and claimed the controlled substances were "tracked ... verified and securely  
6 stored until destruction." Assistant General Counsel 1 was aware of prior thefts and losses from  
7 Stericycle at the time she made these representations. And, approximately one hour prior to making the  
8 representations, Assistant General Counsel 1 received an email summarizing the results of an operations  
9 audit at one Stericycle location that concluded that there were shipments of controlled substances that  
10 were not being scanned when they entered the facility, that this was "consistent with what we are seeing  
11 at all other locations," and that "this does not allow for visibility of the [controlled substances] through  
12 our network of locations."

13 *Tarrant, Alabama Letter of Admonition*

14 14. In September 2015, STERICYCLE filed a "Form 106" with DEA reporting a theft of  
15 hundreds of pills and patches of controlled substances from its unregistered facility in Tarrant, Alabama.  
16 After investigating the incident, the DEA issued STERICYCLE a Letter of Admonition ("LOA"), which  
17 warned STERICYCLE that its practice of storing controlled substances in an unregistered facility for  
18 longer than 24 hours violated federal regulations and created a security risk for controlled substances.  
19 The LOA stated that STERICYCLE would need to obtain a separate DEA registration for the Tarrant  
20 facility to store controlled substances at the facility for longer than 24 hours.

21 15. Assistant General Counsel 1 and Executive 1 read the LOA and discussed significant  
22 changes to STERICYCLE's nationwide transportation network. They recognized that the LOA's  
23 statements applied beyond the Tarrant facility and had implications for STERICYCLE's ability to  
24 lawfully operate its nationwide transportation system.

25 16. Assistant General Counsel 1 sent the DEA a formal response to the LOA, in which  
26 STERICYCLE Assistant General Counsel 1 affirmed that STERICYCLE was implementing policies  
27 and procedures so that controlled substances being returned from customers would be shipped directly to  
28 the Indianapolis, Indiana facility via common or contract carriers. Assistant General Counsel 1

1 represented that, should controlled substances be stored for longer than 24 hours, STERICYCLE would  
2 obtain a separate DEA registration.

3 17. STERICYCLE, however, never implemented the operational changes or alternative  
4 program referenced in the company's response to the DEA. Instead, after the Tarrant incident,  
5 STERICYCLE continued to transport DEA controlled substances through its facilities in Alabama and  
6 to store DEA controlled substances at unregistered facilities nationwide. The DEA was not informed.

7 18. In several other instances around the country, STERICYCLE failed to file the "Form  
8 106" with the DEA that was required to document thefts and significant losses of controlled substances,  
9 pursuant to 21 C.F.R. § 1301.74(c). Assistant General Counsel 1, SVP 1, and Executive 1 were  
10 responsible for STERICYCLE's compliance with DEA regulations and offered justifications for not  
11 filing Form 106s on four separate occasions that were unsupported by relevant regulations. In doing so,  
12 Assistant General Counsel 1 and others conspired to avoid filing Form 106s with the specific intent to  
13 defraud the DEA in violation of Title 18, United States Code, Section 371.

14 *Bristol, Tennessee Diversion*

15 19. On May 12, 2016, a STERICYCLE SPAK Driver caused a multi-vehicle car accident in  
16 Bristol, Tennessee while transporting controlled substances in a STERICYCLE truck. Multiple  
17 controlled substances were identified in the driver's blood at the time of the accident, including  
18 Amphetamine, Carisoprodol, and Tramadol. Investigators recovered approximately 1,000 pills from the  
19 cab of the SPAK Driver's truck and concealed on the SPAK Driver's person. The SPAK Driver was  
20 charged with DUI and Reckless Driving and later admitted that the nature of his employment entrusted  
21 him with access to controlled substances.

22 20. As a result of the accident, Assistant General Counsel 1, Executive 1, Executive 2, and  
23 others became aware that the SPAK Driver had diverted controlled substances from pharmacies he was  
24 servicing on behalf of STERICYCLE, and Assistant General Counsel 1 and others discussed whether to  
25 report the diversion to the DEA. Assistant General Counsel 1 and others provided a false justification  
26 for not filing a Form 106 for the Bristol diversion, namely the controlled substances had not been  
27 "received" by the company at the registered location.

28 21. STERICYCLE's decision not to report the driver's theft came just days after the DEA

1 issued the LOA to STERICYCLE in connection with the diversion of controlled substances from  
2 STERICYCLE's Tarrant, AL 10-day facility. On or about May 20, 2016, Assistant General Counsel 1  
3 wrote an email concerning the Bristol diversion: "... we need to be careful from a DEA perspective  
4 because they're sending a letter of admonition on the [Tarrant, Alabama] issue last summer." Assistant  
5 General Counsel 1 and others were concerned that the DEA would further investigate STERICYCLE's  
6 DEA compliance program. Assistant General Counsel 1, Executive 1, and others, in failing to file a  
7 Form 106 for the Bristol incident, prevented the DEA from further investigating STERICYCLE's DEA  
8 programs.

9 Phoenix, Arizona Diversion

10 22. In early September 2016, Assistant General Counsel 1 and several STERICYCLE  
11 managers learned of two thefts at STERICYCLE's unregistered Phoenix, AZ 10-day facility within a  
12 span of two weeks. Details provided to them included that the suspects cut through the perimeter fence  
13 at the facility and stole boxes of controlled substances from the loading dock of the 10-day facility. In  
14 communicating with the employees, Assistant General Counsel 1 acknowledged that the controlled  
15 substances belonged to STERICYCLE. At Assistant General Counsel 1's direction, and in furtherance  
16 of the unlawful objective of impeding the DEA's lawful function of investigating STERICYCLE's  
17 compliance with applicable DEA regulations, STERICYCLE did not notify the DEA or file a Form 106  
18 for the Phoenix diversion.

19 Detroit, Michigan Diversion

20 23. In July 2018, employees at STERICYCLE's DEA-registered Indianapolis, Indiana  
21 facility discovered that approximately 1,147 units of controlled substances in 29 containers of DEA  
22 waste that had been logged as having been received at STERICYCLE's Detroit, Michigan TSD facility  
23 were never received at their final destination in Indianapolis, Indiana. Upon inspection of the Detroit  
24 load, STERICYCLE discovered that certain containers had cut liners and 1,147 controlled substances  
25 had been removed while in the custody of STERICYCLE. The empty containers had been retaped prior  
26 to arriving at STERICYCLE's Indianapolis facility where they were transported en route to destruction.  
27 This incident resulted in the termination of seven STERICYCLE employees.

28 24. At Assistant General Counsel 1's direction, STERICYCLE conducted an internal

1 investigation into the missing controlled substances. The investigation did not identify the actual  
2 disposition or final location of the missing controlled substances. Notwithstanding, Assistant General  
3 Counsel 1 concluded without support that the missing controlled substances were not diverted but,  
4 instead, had been inadvertently destroyed at the Detroit facility rather than shipped to Indianapolis as  
5 they were supposed to have been. Assistant General Counsel 1 wrote to SVP 1 and other employees via  
6 email on or about July 20, 2018, concluding that there were “no diversion concerns” despite the clear  
7 evidence of tampering with containers and missing controlled substances. In the same email, Assistant  
8 General Counsel 1 directed employees in Detroit to complete a Form 41—a form required by DEA to  
9 document the disposal of controlled substances—reflecting that the missing controlled substances  
10 destined for the Indianapolis facility were destroyed by STERICYCLE employees in Detroit.

11 25. In furtherance of the conspiracy, Assistant General Counsel 1 directed STERICYCLE to  
12 not file a Form 106 and instead to complete an inaccurate Form 41 for the Detroit diversion.

13 *Austin, Texas Diversion*

14 26. In or about September 2019, STERICYCLE employees in the company’s DEA-registered  
15 location in Indianapolis discovered a pattern of missing controlled substances and tampered packages  
16 that had travelled through STERICYCLE’s unregistered 10-day facility in Austin, Texas.  
17 STERICYCLE Manager 1 observed that “the root cause may be in Austin,” and specifically identified  
18 STERICYCLE Employee 1 as potentially involved. STERICYCLE Manager 2 inspected the Austin  
19 facility and observed that security at the facility was “non-existent.” Manager 2 identified several  
20 security issues, including: (1) that Manager 2 was able to walk into the facility through unlocked gates  
21 and without being challenged, (2) that controlled substances were in plain sight, that there were no  
22 cameras or alarms in place, and (3) that controlled substances were sitting in the facility for hours  
23 without being secured. Manager 2 observed that the controlled substances were “extremely vulnerable,”  
24 and specifically identified Austin-based STERICYCLE Employee 1 as a potential risk. Despite this  
25 report, STERICYCLE failed to report the potential loss from its Austin facility to the DEA. After a later  
26 federal criminal conviction for an opioid distribution related offense, Employee 1 told law enforcement  
27 how he had been able to steal opioids from STERICYCLE in Austin in the past due to the lack of  
28 security controls.

1 27. STERICYCLE managers were aware that the Company was failing to report diversions  
2 as required and discussed that privately, as captured in a surreptitious recording made by STERICYCLE  
3 Manager 3. In that recording, Manager 3 and Manager 1 discussed missing packages that were not  
4 being reported to DEA and who was likely to face legal consequences if the issue was discovered.  
5 Manager 1 recounted to Manager 3 a conversation she had with STERICYCLE Manager 4 regarding  
6 Assistant General Counsel 1: “And he was like, ‘If we ever got caught out on something by the DEA,  
7 she is goin’ down and nobody else because I have been on several calls with her, and she is just, ‘We’re  
8 not telling the DEA about this because of this’ and she’s found gray areas and blah blah blah.” He’s  
9 like, ‘Nobody’s going down for this shit but her.’”

10 28. Manager 3 and Manager 1 subsequently spoke with Assistant General Counsel 1 about  
11 their concerns regarding STERICYCLE’s compliance with DEA regulations. During the conversation,  
12 which was captured in a surreptitious recording made by Manager 3, Manager 3 asked Assistant General  
13 Counsel 1 “how we make a determination that [missing materials from Ohio and Detroit] shouldn’t be  
14 reported to the DEA.” Assistant General Counsel 1 provided a response she knew to be incorrect,  
15 asserting: “Reporting losses is not in the regulation. So, I’m not quite sure how we approach the  
16 regulations.” In the same conversation, Assistant General Counsel 1 expressed her broader concerns  
17 about STERICYCLE’s process of picking up and transporting controlled substances as part of the SPAK  
18 DEA business.

19 29. Notwithstanding the Bristol diversion, the Phoenix diversion, the Detroit diversion, and  
20 the Austin diversion, as well as other diversions known to the company, STERICYCLE continued to use  
21 the same process to pick up and transport controlled substances nationwide until it sold the ESOL  
22 business on April 6, 2020.

23 30. In furtherance of the conspiracy and to affect the illegal object thereof, Manager 1 did not  
24 file a Form 106 and intentionally failed to notify the DEA to prevent the DEA from further investigating  
25 STERICYCLE’s compliance with DEA regulations.

26 COUNT ONE: [18 U.S.C. § 371 – Conspiracy to Defraud the United States]

27 The United States Attorney charges:

28 1. Paragraphs 1 through 30 of the Introductory Allegations of this Information are realleged

1 and incorporated herein.

2 2. From on or about January 2015, and continuing through on or about April 6, 2020, in  
3 Sacramento County, State and Eastern District of California, and elsewhere the defendant,  
4 STERICYCLE, INC., Assistant General Counsel 1, Executive 1, Manager 1, Senior Vice President of  
5 Safety, Health and Compliance, and with other persons known and unknown to the United States,  
6 knowingly and willfully conspired and agreed together and with each other, to:

7 a) defraud the United States and the Drug Enforcement Administration (DEA), an agency of  
8 the United States, by interfering with and obstructing by means of deceit, craft, and trickery, the  
9 lawful and legitimate governmental functions and rights of the DEA, that is:

10 (i) the right to have its business and its affairs, and the transaction of the official  
11 business of the DEA conducted honestly and impartially, free from corruption, fraud,  
12 improper and undue influence, dishonesty, unlawful impairment and obstruction;

13 (ii) the right to have complete, accurate, and honest information from registrants,  
14 including timely reports by a reverse distributor about theft or significant loss of any  
15 controlled substance within one business day of discovery of the loss or theft, and to file  
16 a DEA "Form 106" within 45 days after discovery of the theft or loss, detailing the theft  
17 or loss, in accordance with 21 C.F.R. § 1301.76(b), and

18 (iii) the right to have registrants properly complete a DEA "Form 222" when taking  
19 possession of controlled substances and to complete a DEA "Form 41" when disposing of  
20 controlled substances.

### 21 **OVERT ACTS**

22 In furtherance of said conspiracy and to accomplish its objects, at least one of the conspirators  
23 committed, or caused to be committed, in the State and Eastern District of California, and elsewhere, the  
24 following overt acts, among others:

25 3. In or about May 2016, Assistant General Counsel 1 and others provided a false  
26 justification for not filing a Form 106 for the Bristol diversion, namely the controlled substances had not  
27 been "received" by the company at the registered location.

28 4. Assistant General Counsel 1 and others offered false or misleading justifications for not

1 filing a Form 106 between in or about September 2016, and continuing through in or about October  
2 2016, related to a diversion of controlled substances discovered on or about September 6, 2016.

3 5. In or about February 2017, Assistant General Counsel 1, with the knowledge of other  
4 managers and executives, provided materially incorrect information to outside counsel to obtain an  
5 opinion that was used to support STERICYCLE's non-compliant practices regarding the handling and  
6 transport of controlled substances.

7 6. Assistant General Counsel 1 and others offered false or misleading justifications for not  
8 filing a Form 106 between in or about July 2018, and continuing through in or about August 2018,  
9 related to the diversion of controlled substances discovered on or about July 11, 2018.

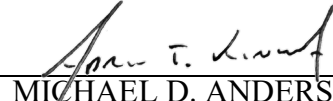
10 7. Managers and/or executives offered false or misleading justifications for not filing a Form  
11 106 between in or about October 2019, and continuing through in or about November 2019, related to  
12 the diversion of controlled substances discovered on or about October 7, 2019.

13 All in violation of Title 18, United States Code, Section 371.

14  
15 Dated:

ERIC GRANT  
United States Attorney

16  
17 By:

  
MICHAEL D. ANDERSON  
ADRIAN T. KINSELLA  
DAVID E. THEISS  
Assistant United States Attorneys

**United States v. Stericycle, Inc.**  
**Penalties for Information**

**Defendant**

Stericycle, Inc.

**COUNT:**

VIOLATION: 18 U.S.C. § 371- Conspiracy to Defraud the United States

PENALTIES: Maximum of 5 years imprisonment; or  
Fine of twice the gross gain or loss; or both fine and imprisonment  
Supervised release of up to three years

SPECIAL ASSESSMENT: \$100 (mandatory)