

THE UNITED STATES ATTORNEY'S OFFICE
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Department of Justice

U.S. Attorney's Office

District of Massachusetts

FOR IMMEDIATE RELEASE

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Biotech Company Employee Pleads Guilty to Securities Fraud Charges

BOSTON – An employee of PixarBio Corp., a Boston-based biotech company, pleaded guilty yesterday to securities fraud charges in connection with a scheme to defraud investors and manipulate the company's shares.

M. Jay Herod, 52, of Cambridge, pleaded guilty to one count of securities fraud and one count of obstruction of an agency proceeding. In April 2018, Herod was initially charged by criminal complaint and arrested with co-defendant Frank Reynolds, the former chief executive officer of PixarBio. Reynolds has pleaded not guilty.

Herod admitted that, beginning in or about December 2016, he engaged in manipulative trades in PixarBio stock that were intended to simulate market demand for the stock and thereby artificially inflate its price and trading volume. The trades included overlapping orders to buy and sell PixarBio shares at the same price per share (a manipulative technique known as "matched trading"), as well as small purchases submitted shortly before the market closed that were intended to boost the closing price (a technique known as "marking the close"). Herod admitted to sharing the proceeds of his trading with Reynolds and PixarBio itself.

Herod also admitted that, between January 2017 and September 2017, he made materially false statements to the Securities and Exchange Commission (SEC) and provided a back-dated document to the SEC, with the intent to obstruct the SEC's investigation of trading in PixarBio shares.

The charges of securities fraud provide for a sentence of no greater than 20 years in prison, three years of supervised release, and a fine of \$5 million or twice the gross gain/loss, whichever is greater. The charge of obstruction of an agency proceeding provides for a sentence of no greater than five years in prison, one year of supervised release, and a fine of \$250,000. Sentences are imposed by a federal district court judge based on the U.S. Sentencing Guidelines and other statutory factors.

United States Attorney Andrew E. Lelling; Joseph R. Bonavolonta, Special Agent in Charge of the Federal Bureau of Investigation, Boston Field Division; and Carl W. Hoecker, Inspector General of the U.S. Securities and Exchange Commission Office of Inspector General, made the announcement today. Assistant U.S. Attorney Sara Miron Bloom of Lelling's Securities and Financial Fraud Unit is prosecuting the case.

The details contained in the court documents are allegations. The remaining defendant is presumed innocent unless and until proven guilty beyond a reasonable doubt in a court of law.

Component(s):

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