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Department of Justice

U.S. Attorney's Office

District of Massachusetts

FOR IMMEDIATE RELEASE

Thursday, February 20, 2020

Biotech Company Employee Sentenced for Securities Fraud

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

M. Jay Herod, 52, of Cambridge, was sentenced by U.S. Senior District Court Judge Douglas P. Woodlock to six months in prison, three years of supervised release with 400 hours of community service per year, and ordered to pay forfeiture/restitution of \$120,000. In February 2020, Herod pleaded guilty to one count of securities fraud and one count of obstruction of an agency proceeding and agreed to cooperate with the government. In April 2018, Herod was charged with co-defendant Frank Reynolds, the former chief executive officer of PixarBio. Reynolds was convicted by a federal jury in October 2019, and sentenced earlier this week to seven years in prison.

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.

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. Attorneys Sara Miron Bloom and Leslie A. Wright of Lelling's Securities and Financial Fraud Unit prosecuted the case.

Topic(s):

Securities, Commodities, & Investment Fraud

Component(s):
USAO - Massachusetts

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