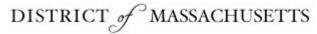
THE UNITED STATES ATTORNEY'S OFFICE



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FOR IMMEDIATE RELEASE

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Biotech Company CEO Sentenced for Securities Fraud and Obstruction

BOSTON – The chief executive officer of PixarBio Corp., a Boston-based biotech company, was sentenced today for defrauding the company's investors and obstructing an SEC investigation.

Frank Reynolds, 57, of Newton, was sentenced by U.S. Senior District Court Judge Douglas P. Woodlock to seven years in prison to be followed by three years of supervised release. Reynolds was also ordered to pay \$280,000 in forfeiture and restitution of approximately \$7.5 million, with the exact amount to be determined at a later date. In October 2019, Reynolds was convicted of by a federal jury, following a three-week trial, of one count of securities fraud and three counts of obstructing an agency proceeding.

The jury convicted Reynolds of defrauding PixarBio investors through manipulative trading of the company's shares and false and misleading statements about the company's finances, the timeline for FDA approval of its key drug, and Reynolds's own background, which he claimed included curing his own paralysis. In fact, the evidence at trial showed that Reynolds was never paralyzed.

Among the false and misleading statements introduced into evidence was a December 2015 email and private placement memorandum, in which Reynolds promised investors that PixarBio's drug, NeuroRelease, would end "thousands of years of morphine and opiate addiction." In fact, the evidence at trial demonstrated that the drug would not end opioid addiction, and was simply an existing drug for which PixarBio claimed to have developed an additional means of delivery in a time-release form for post-operative pain.

In August 2016, Reynolds caused PixarBio to issue a press release announcing that a private securities offering underway at the time was oversubscribed, and that the maximum offering amount would be increased from \$20 million to \$30 million. Two months later, Reynolds caused PixarBio to issue another press release announcing that, due to oversubscription, the maximum offering amount would be increased again from \$30 million to \$40 million. In fact, the evidence at trial showed that the securities offering was never fully subscribed and had raised less than \$10 million.

Reynolds also misrepresented the timeline to FDA approval for NeuroRelease. In a November 2016 securities filing that Reynolds signed as PixarBio's CEO, the company stated that clinical trials were expected to begin "in late 2017 and US FDA approvals for the NeuroRelease 14-day product are expected in 2018," despite the fact that PixarBio managers had told Reynolds that this timeline was not achievable.

Reynolds directed two co-conspirators, Kenneth Stromsland and Jay Herod, to engage in manipulative trading in PixarBio shares that artificially pushed up the stock's trading price. The evidence demonstrated that Herod shared the proceeds of his trading with Reynolds and PixarBio. Reynolds then misled the SEC about the trading and his prior misstatements in sworn testimony, during which he introduced a backdated document as purported evidence that \$300,000 in trading proceeds Herod had given him was actually an investment unrelated to Herod's trading. Reynolds also induced Herod and Stromsland to mislead the SEC in their own sworn testimony. Herod and Stromsland previously pleaded guilty to securities fraud and obstruction charges and testified at the trial.

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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