



Department of Justice

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CEO of Publicly Traded Health Care Company Charged for Insider Trading Scheme

First Insider Trading Prosecution Based Exclusively on Use of Rule 10b5-1 Trading Plans

An indictment was unsealed today charging Terren S. Peizer, the CEO and Chairman of the Board of Directors of Ontrak Inc., a publicly traded health care company, for allegedly engaging in an insider trading scheme in which he fraudulently used Rule 10b5-1 trading plans to trade Ontrak stock.

“Today’s groundbreaking insider trading indictment demonstrates that the Department of Justice, together with our law enforcement partners, will not allow corrupt executives to misuse 10b5-1 plans as a shield for insider trading,” said Assistant Attorney General Kenneth A. Polite, Jr. of the Justice Department’s Criminal Division. “As this case shows, we have embraced the use of data to proactively identify and investigate fraud as we continue to ensure that ordinary investors are on an equal playing field with corporate insiders.”

According to court documents, between May and August 2021, Peizer, 63, a resident of Puerto Rico and Santa Monica, California, allegedly avoided more than \$12.5 million in losses by entering into two Rule 10b5-1 trading plans while in possession of material, nonpublic information concerning the serious risk that Ontrak’s then-largest customer would terminate its contract. In May 2021, Peizer allegedly entered into his first 10b5-1 trading plan shortly after learning that the relationship between Ontrak and the customer was deteriorating and that the customer had expressed serious reservations about continuing its contract with Ontrak. The indictment alleges that Peizer later learned that the customer informed Ontrak of its intent to terminate the contract. Then, in August 2021, Peizer allegedly entered into his second 10b5-1 trading plan approximately one hour after Ontrak’s chief negotiator for the contract confirmed to Peizer that the contract likely would be terminated.

In establishing his 10b5-1 plans, Peizer allegedly refused to engage in any “cooling-off” period – the time between when he entered into the plan and when he sold stock – despite warnings from two brokers. Instead, Peizer allegedly began selling shares of Ontrak on the next trading day after establishing each plan. On Aug. 19, 2021, just six days after Peizer adopted his August 10b5-1 plan, Ontrak announced that the customer had terminated its contract and Ontrak’s stock price declined by more than 44%.

“Mr. Peizer is accused of using his insider knowledge as CEO of a publicly traded company to line his own pockets in violation of his duty to his company and its shareholders,” said U.S. Attorney Martin Estrada for the Central District of California. “Mr. Peizer allegedly exploited material nonpublic information and tried to shield himself with a rule designed to ensure a fair and level playing field for all investors. With this indictment, we again affirm that the law applies equally to all and that corporate executives who unlawfully denigrate the integrity of our financial markets will be held accountable.”

“The FBI and our partners are committed to holding insiders accountable at all levels, including those who act in bad faith when establishing trading plans in order to evade regulations,” said Assistant Director in Charge Donald Alway of

the FBI Los Angeles Field Office. “Americans must have trust in the marketplace and that can only be achieved when offenders who violate their obligations are held responsible.”

Peizer is charged with one count of engaging in a securities fraud scheme and two counts of securities fraud for insider trading. If convicted, he faces a maximum penalty of 25 years in prison on the securities fraud scheme charge and 20 years in prison on each of the insider trading charges.

The indictment represents the first time that the Department of Justice has brought criminal insider trading charges based exclusively on an executive’s use of 10b5-1 trading plans. The investigation is part of a data-driven initiative led by the Fraud Section to identify executive abuses of 10b5-1 trading plans.

Rule 10b5-1 trading plans can offer an executive a defense to insider trading charges. However, the defense is unavailable if the executive is in possession of material, nonpublic information at the time he or she enters into the 10b5-1 trading plan. Additionally, a plan does not protect an executive if the trading plan was not entered into in good faith or was entered into as part of an effort or scheme to evade the prohibitions of Rule 10b5-1.

The FBI is investigating the case.

Trial Attorneys Matthew Reilly and Christina McGill of the Criminal Division’s Fraud Section and Assistant U.S. Attorney Ali Moghaddas for the Central District of California are prosecuting the case.

If you believe you are a victim in this case, please contact the Fraud Section’s Victim Witness Unit toll-free at (888) 549-3945 or by email at victimassistance.fraud@usdoj.gov. For additional information and case event updates, please visit www.justice.gov/criminal-vns/case/united-states-v-terren-s-peizer.

An indictment is merely an allegation. All defendants are presumed innocent until proven guilty beyond a reasonable doubt in a court of law.

Attachment(s):

[Download Indictment](#)

Topic(s):

Financial Fraud

Securities, Commodities, & Investment Fraud

Component(s):

[Criminal Division](#)

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