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10 UNITED STATES DISTRICT COURT
11 EASTERN DISTRICT OF CALIFORNIA
12 SACRAMENTO DIVISION

13 SECURITIES AND EXCHANGE COMMISSION,

14 Plaintiff,

15 v.

16 MATTHEW A. SARAD, JEREMY D. JOBE, AND
17 TELOMOLECULAR CORP.,

18 Defendants.

Case No.

COMPLAINT

19 Plaintiff Securities and Exchange Commission (the "Commission") alleges:

20 **INTRODUCTION**

21 1. Defendants Telomolecular Corporation and its former Chief Executive Officer,
22 Matthew A. Sarad, raised over \$6 million from hundreds of investors across the country through
23 the fraudulent sale of securities in 2006 and 2007. Telomolecular, headquartered in Rancho
24 Cordova, California, and Sarad, of Folsom, California, falsely depicted the company as on the
25 verge of success as a biotechnology firm developing anti-aging treatments and cancer cures.
26 Telomolecular and Sarad told investors that the company hoped to use its technologies to cure
27 cancer in less than 3 years. They also claimed to potential investors that the company was
28 backed by a deep management and scientific team, was generating significant industry interest in

1 its technologies, had substantial institutions ready and willing to infuse capital, and was headed
2 toward enriching investors by quickly becoming a publicly traded company. None of these
3 claims was true.

4 2. Telomolecular relied solely on sales of its stock to investors to fund its operations.
5 Under Sarad's direction, during 2006 and 2007, Telomolecular attracted potential investors with
6 Internet ads, press releases, and the company's website, as well as private placement memoranda
7 ("PPMs") describing the company and its prospects. Telomolecular sold over \$6 million in
8 company stock to approximately 300 investors in 25 states. None of these sales of
9 Telomolecular stock were properly registered with the Commission.

10 3. Telomolecular officers widely solicited potential investors and sold
11 Telomolecular stock under Sarad's direction and using information he provided. Defendant
12 Jeremy D. Jobe, Telomolecular's Director of Investor Relations, personally sold approximately
13 \$2.5 million in Telomolecular stock to investors. Jobe was not registered with the Commission
14 as a broker or dealer or associated with a registered broker-dealer firm for his stock sales.

15 4. The Commission brings this action to enjoin Telomolecular and Sarad from
16 further violations of the antifraud and securities offering registration provisions of the federal
17 securities laws, and to enjoin Jobe from further violations of the securities offering and broker
18 registration provisions. The Commission also seeks an officer and director bar against Sarad,
19 disgorgement of ill-gotten gains from Jobe, civil money penalties against Sarad and Jobe, and
20 other appropriate relief.

21 **JURISDICTION AND VENUE**

22 5. The Commission brings this action pursuant to Sections 20(b) and 20(d) of the
23 Securities Act of 1933 ("Securities Act") [15 U.S.C. §§ 77t(b) and 77t(d)] and Sections 21(d)
24 and 21(e) of the Securities Exchange Act of 1934 ("Exchange Act") [15 U.S.C. §§ 78u(d) and
25 78u(e)].

26 6. This Court has jurisdiction over this action pursuant to Sections 20(d)(1) and
27 22(a) of the Securities Act [15 U.S.C. §§ 77t(d)(1) and 77v(a)] and Sections 21(d)(3), 21(e), and
28 27 of the Exchange Act [15 U.S.C. §§ 78u(d)(3), 78u(e), and 78aa]. Defendants, directly or

1 indirectly, have made use of the means and instrumentalities of interstate commerce or of the
2 mails in connection with the acts, transactions, practices, and courses of business alleged in this
3 complaint.

4 7. Venue is proper in this District pursuant to Section 22(a) of the Securities Act [15
5 U.S.C. § 77v] and Section 27 of the Exchange Act [15 U.S.C. § 78aa]. Telomolecular has its
6 principal place of business in this District and Sarad resides in the District. Also, acts, practices,
7 and courses of business alleged in the complaint occurred in the District. This action has been
8 filed in the Sacramento Division according to Local Rule 3-120(d) because the case arises from
9 acts, practices, and courses of business that occurred in Sacramento County, California.

10 **DEFENDANTS**

11 8. **Telomolecular Corporation** (“Telomolecular” or “the company”) was formed in
12 August 2005 and incorporated in Delaware in November 2005. It is headquartered in Rancho
13 Cordova, California.

14 9. **Matthew A. Sarad** (“Sarad”) age 35, is a resident of Folsom, California. He
15 founded Telomolecular and served as its CEO and Chairman of its Board until June 2008.

16 10. **Jeremy J. Jobe** (“Jobe”), age 31, is a resident of Dallas, Texas. He served as
17 Telomolecular’s Director of Investor Relations until May 2008. He holds a Series 7 securities
18 license.

19 **FRAUDULENT STATEMENTS**

20 11. Sarad founded Telomolecular in August 2005 as a biomedical technology startup
21 with plans to work toward developing anti-aging treatments and cancer cures. By mid-2007,
22 Telomolecular had approximately 12 employees and operated an office and laboratory facility
23 near Sacramento, California. Since its founding, the company has grossed less than \$100,000 in
24 revenue, primarily from selling cosmetic skin cream over the Internet.

25 12. Telomolecular obtained operating funds by selling its stock from approximately
26 January 2006 through September 2007, raising approximately \$6.5 million. As described below,
27 the company and Sarad misrepresented and omitted key facts in promoting the stock to investors.
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A. False Representations About Telomolecular’s Progress Toward Profitable Public Trading

13. From the outset of stock sales, Telomolecular’s PPMs and other stock offering materials authored by Sarad informed potential investors that Telomolecular sought to become publicly traded, starting on the Pink Sheets and then progressing to the OTC Bulletin Board and the Nasdaq. Shareholders were highly eager for trading to start, and beginning no later than mid-2006, Sarad repeatedly assured shareholders that Telomolecular was on track toward becoming publicly traded within a few weeks or months.

14. To show Telomolecular’s promise as a publicly trading company, Sarad drafted an email claiming that “Wall Street market makers” believed the company’s stock could trade “at a market cap of approximately \$400 million without revenues.” Under Sarad’s direction, this email was regularly sent to potential investors in 2006 and 2007. However, no Wall Street market maker or other independent investment expert had valued the company as Sarad claimed.

15. Sarad held regular conference calls with existing shareholders, using the calls to persuade shareholders to buy more Telomolecular stock and to convince others to invest in the company. Starting in approximately mid-2006 and continuing through at least September 2007, Sarad repeatedly told shareholders in conference calls and written updates that securities firms had agreed to act as a market maker for Telomolecular stock. A market maker would have facilitated public trading by standing ready to buy and sell the company’s stock on a regular and continuous basis at publicly quoted prices. In truth, Telomolecular approached two firms about being a market maker starting in late 2006, but neither agreed to do so.

16. Until at least May 2007, Sarad managed Telomolecular’s attempt to initiate public trading on his own, with no assistance from attorneys or other persons with expertise in the area. Attempting to facilitate public trading of Telomolecular stock, Sarad prepared and publicly filed a Form 10-SB for Telomolecular with the Commission in November 2006, making Telomolecular a public reporting company. However, Telomolecular thereafter failed to file any required quarterly or annual periodic reports with the Commission.

1 17. In January 2007, Sarad prepared a Form SB-2 registration statement for
2 Telomolecular and publicly filed it with the Commission. A registration statement is a document
3 that provides the investing public with information about a proposed offering of securities for
4 sale. Telomolecular's Form SB-2 registration statement was supposed to be used to raise funds
5 from sales of company stock that could later be actively traded in the public markets. After the
6 registration statement drew numerous negative comments from the Commission's reviewing
7 staff, Telomolecular withdrew the registration statement in November 2007, and it never became
8 effective.

9 18. In January 2008, Telomolecular announced that certain financial statements
10 prepared by Sarad and contained in the registration statement and the Form 10-SB were not
11 reliable and would need to be restated.

12 19. To date, Telomolecular securities have never traded publicly.

13 20. Sarad knew, or was reckless in not knowing, that the statements to investors
14 concerning Telomolecular's valuation and its progress toward having its stock traded publicly
15 were false and misleading.

16 **B. False Statements that an "Investment Bank" Backed Telomolecular with \$10**
17 **Million**

18 21. During 2006 and 2007, Sarad claimed in PPMs, the registration statement, and
19 shareholder conference calls that a firm he called an "investment bank" and "a large bank" had
20 pledged to invest \$10 million in Telomolecular once the company's stock began publicly trading.

21 22. The "bank" Sarad was referring to was a sole proprietorship with no assets,
22 located in Greenwood, Mississippi (population approximately 20,000). The firm's proprietor
23 first approached Telomolecular in early 2006 when she was bereft over her grandmother's death
24 from cancer and wanted to do something to fight the disease. The proprietor informed Sarad that
25 she was just starting her firm on her own and did not have \$10 million to invest in
26 Telomolecular. The proprietor kept Sarad informed as she thereafter failed in her repeated
27 attempts to secure funds to invest in Telomolecular.
28

1 23. Sarad knew, or was reckless in not knowing, that the sole proprietor’s firm was
2 not any form of “bank” and did not have the ability to fund a \$10 million investment in
3 Telomolecular.

4 **C. False Claims About Telomolecular’s Finance, Legal, and Scientific Staff**

5 24. To impress potential investors, Telomolecular and Sarad falsely claimed in 2006
6 and 2007 that the company was backed by financial and legal professionals and enjoyed robust
7 research and development capabilities through its control of many scientists. During a
8 shareholder conference call in 2006, Sarad stated that the company hoped to use its technologies
9 “to eradicate and cure the problem of cancer within 2.5 years.”

10 25. The registration statement and Telomolecular PPMs authored by Sarad named an
11 individual as the company’s Chief Financial Officer (“CFO”), stating that she had oversight of
12 “financial accounting, reporting, and transparency.” In truth, a Telomolecular employee held the
13 CFO title, but she never performed any CFO duties and did no work for the company at all after
14 February 2007.

15 26. The registration statement and PPMs also named a purported financial
16 management and consulting firm as the company’s “accountant.” Sarad had approached this
17 outside firm to help Telomolecular with financial reporting, but Sarad never made use of its
18 services. Instead, Sarad alone handled the preparation of the company’s financial statements and
19 financial reporting.

20 27. Telomolecular did not disclose to potential investors or shareholders that Sarad
21 (who has no accounting training) was performing all the accounting duties for Telomolecular,
22 instead of the financial professionals touted in the offering documents.

23 28. Telomolecular press releases authored by Sarad in early 2006, PPMs he authored,
24 and the registration statement named an individual as Telomolecular’s “general counsel” and
25 “legal counsel.” These materials described the individual as a co-founder of an Internet
26 company that had a highly successful initial public offering. The press releases further
27 maintained that the individual would help Telomolecular achieve its own successful IPO.
28

1 29. In reality, Telomolecular paid the individual token compensation to procure the
2 use of his name as general counsel and never used him to work on an IPO or to provide any
3 significant services. From its inception until at least May 2007, Telomolecular did not use the
4 services of any legal counsel.

5 30. Telomolecular never employed more than five scientists. Nonetheless, its Sarad-
6 authored PPMs and the registration statement claimed that “[Telomolecular], through its
7 managers who run other biotechnology corporations, controls collectively 50 scientists in the
8 field of anti-aging and tissue regeneration.”

9 31. The PPMs and registration statement did not identify the “managers” behind this
10 statement. In reality, the statement referred to a single individual who headed his own small
11 medical research firm, which purportedly employed its own scientists. The individual never
12 participated in managing Telomolecular and did not provide Telomolecular with control over any
13 additional scientists.

14 32. The PPMs and registration statement named this same individual as being a
15 member of Telomolecular’s Board of Directors and as its President of Stem Cell Technologies.
16 In truth, the individual never served in these capacities.

17 33. Sarad knew, or was reckless in not knowing, that Telomolecular lacked the
18 foregoing finance and accounting, legal, and scientific staff and support claimed in the PPMs,
19 registration statement, and press releases.

20 **D. False Claims About a Large Biotechnology Company’s Interest in**
21 **Telomolecular**

22 34. During shareholder conference calls in 2006, Sarad claimed that a large,
23 established biotechnology company was so impressed with Telomolecular’s technologies that it
24 had offered to “buy out” Telomolecular. Echoing Sarad, in August 2007 a Telomolecular officer
25 claimed in an email soliciting investors:

26 When Telomolecular's stock get's [sic] up to the [large biotechnology company’s]
27 stock price, your \$9.60 investment (50 shares of common stock) will net you
28 around \$450! Seriously, where else are you going to get that kind of return...?

1 [The large biotechnology company] offered to buy Telomolecular out which
2 speaks volumes about our technologies!

3 35. The large biotechnology company never offered to buy Telomolecular or engage
4 in any transaction or business activity with Telomolecular.

5 36. Sarad knew, or was reckless in not knowing, that the large biotechnology
6 company referenced in communications with investors was not interested in Telomolecular's
7 technologies and was not interested in purchasing Telomolecular.

8 **REGISTRATION VIOLATIONS**

9 **A. Telomolecular Sold Over \$6 Million in Stock in Violation of Offering**
10 **Registration Requirements**

11 37. Telomolecular sold approximately \$6.5 million in stock to approximately 300
12 investors in over 25 states during 2006 and 2007.

13 38. The federal securities laws prohibit offering to sell and selling securities as to
14 which no registration statement is in effect or on file with the Commission and for which no
15 exemption from registration is available.

16 39. Until January 2007, Telomolecular had no registration statement on file with the
17 Commission covering any stock offering. The registration statement Telomolecular filed in
18 January 2007 never became effective. No exemption from registration applied to any of the
19 approximately \$6.5 million of sales of Telomolecular stock.

20 **B. Jobe Sold Over \$2 Million in Stock in Violation of Broker Registration**
21 **Requirements**

22 40. Defendant Jobe was employed as Telomolecular's Director of Investor Relations.
23 The majority of his time was spent soliciting investors to buy stock in the company. Under
24 Sarad's direction, Jobe widely solicited potential investors and personally sold approximately
25 \$2.5 million in Telomolecular stock to investors during 2006 and 2007, earning 10 percent
26 commissions on his sales.

27 41. The federal securities laws require that persons who induce the sale of securities
28 while acting as a broker must be registered with the Commission as a broker or associated with

1 an entity registered with the Commission as a broker. In selling Telomolecular stock, Jobe acted
2 as a “broker” within the meaning of the federal securities laws.

3 42. Jobe failed to register with the Commission as a broker, or ensure that he was
4 associated with a registered broker, for his Telomolecular stock sales.

5 **FIRST CLAIM FOR RELIEF**

6 **Violations of Section 17(a) of the Securities Act by Sarad and Telomolecular**

7 43. The Commission hereby incorporates paragraphs 1 through 42 by reference.

8 44. Sarad and Telomolecular have, by engaging in the conduct set forth above,
9 directly or indirectly, in the offer or sale of securities, by the use of means or instruments of
10 transportation or communication in interstate commerce, or of the mails: (a) with scienter,
11 employed devices, schemes, or artifices to defraud; (b) obtained money or property by means of
12 untrue statements of material fact or by omitting to state material facts necessary in order to
13 make statements made, in the light of the circumstances under which they were made, not
14 misleading; and (c) engaged in transactions, practices, or courses of business which operated or
15 would operate as a fraud or deceit upon the purchasers of such securities.

16 45. By reason of the foregoing, Sarad and Telomolecular have directly or indirectly
17 violated Section 17(a) of the Securities Act [15 U.S.C. § 77q(a)], and unless enjoined will
18 continue to violate this provision.

19 **SECOND CLAIM FOR RELIEF**

20 **Violations of Section 10(b) of the Exchange Act and Rule 10b-5 Thereunder** 21 **by Sarad and Telomolecular**

22 46. The Commission hereby incorporates Paragraphs 1 through 42 by reference.

23 47. Sarad and Telomolecular, by engaging in the conduct set forth above, directly or
24 indirectly, by use of means or instrumentalities of interstate commerce, or of the mails, or of a
25 facility of a national security exchange, with scienter: (a) employed devices, schemes, or
26 artifices to defraud; (b) made untrue statements of material fact or omitted to state material facts
27 necessary in order to make the statements made, in light of the circumstances under which they
28 were made, not misleading; and (c) engaged in acts, practices, or courses of business which

1 operated or would operate as a fraud or deceit upon other persons, in connection with the
2 purchase or sale of securities.

3 48. By reason of the foregoing, Sarad and Telomolecular have directly or indirectly
4 violated Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 [17 C.F.R.
5 §§ 240.10b-5] thereunder and unless restrained and enjoined will continue to violate these
6 provisions.

7 **THIRD CLAIM FOR RELIEF**

8 **Violations of Sections 5(a) and 5(c) of the Securities Act by all Defendants**

9 49. The Commission hereby incorporates Paragraphs 1 through 42 by reference.

10 50. Defendants have, by engaging in the conduct set forth above, directly or
11 indirectly, through use of the means or instruments of transportation or communication in
12 interstate commerce or of the mails, offered to sell or sold securities or carried or caused such
13 securities to be carried through the mails or in interstate commerce, for the purpose of sale or
14 delivery after sale.

15 51. No registration statement was filed with the Commission or was in effect with
16 respect to the securities offered by Defendants prior to the offer or sale of these securities.

17 52. By reason of the foregoing, Defendants have directly or indirectly violated
18 Sections 5(a) and 5(c) of the Securities Act [15 U.S.C. §§ 77e(a) and 77e(c)], and unless
19 restrained and enjoined will continue to violate these provisions.

20 **FOURTH CLAIM FOR RELIEF**

21 **Violations of Section 15(a) of the Exchange Act by Jobe**

22 53. The Commission hereby incorporates Paragraphs 1 through 42 by reference.

23 54. Jobe has, by engaging in the conduct set forth above, while acting as a broker or
24 dealer, effected transactions in and induced and attempted to induce the purchase or sale of
25 securities when he was not registered with the Commission as a broker or dealer or associated
26 with an entity registered with the Commission as a broker or dealer.

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V.

Permanently enjoin Sarad from acting as an officer or director of any issuer that has a class of securities registered pursuant to Section 12 of the Exchange Act [15 U.S.C. § 781] or that is required to file reports pursuant to Section 15(d) of the Exchange Act [15 U.S.C. § 78o(d)].

VI.

Retain jurisdiction of this action in accordance with the principles of equity and the Federal Rules of Civil Procedure in order to implement and carry out the terms of all orders and decrees that may be entered, or to entertain any suitable application or motion for additional relief within the jurisdiction of this Court.

VII.

Grant such other and further relief as this Court may deem just, equitable, and necessary.

Dated: September 25, 2008

Respectfully submitted,

/s/ Thomas J. Eme
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SECURITIES AND EXCHANGE COMMISSION