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UNITED STATES DISTRICT COURT

WESTERN DISTRICT OF WASHINGTON

AT SEATTLE

C09-1262 RSM

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

vs.

GARY A. REYS,

Defendant.

Civil Action No. _____

COMPLAINT

Plaintiff Securities and Exchange Commission ("Commission" or "SEC") alleges:

SUMMARY OF ACTION

1. During 2007, CellCyte Genetics Corporation ("CellCyte"), a fledgling biotechnology company based in Bothell, Washington, and its CEO and Chairman Gary Reys, repeatedly misled the investing public about CellCyte's key product, a purported stem cell therapy to treat and repair damaged organs. CellCyte claimed it had received approval from the U.S. Food and Drug Administration ("FDA") and was on the verge of beginning human clinical trials with a special stem cell compound to repair the heart. Contrary to these claims, CellCyte did not even know how to produce the stem cell compound and had not satisfied any of the FDA requirements to begin human clinical trials.

2. In late 2005, CellCyte paid $90,000 to license very early-stage stem cell technology. No research had been done using the technology since 2002. CellCyte failed in its efforts to raise money to begin conducting research, so it completed a reverse merger with a shell company controlled by a Canadian stock promoter to become a public company in March 2007. Reys agreed that the stock promoter would receive 15 million supposedly "freely tradeable" CellCyte shares, about 90% of CellCyte's public float, in exchange for about $6 million in funding.

3. CellCyte then made false and misleading statements in several SEC filings and other materials distributed to potential investors about the Company's purportedly late-stage stem cell research and imminent clinical trials. During fall 2007, the stock promoter conducted a promotional campaign on behalf of CellCyte that included millions of spam emails, blast faxes, and newsletters containing false and misleading statements, some of which originated from CellCyte's own investor materials. Reys communicated with the stock promoter about the campaign and specifically approved some of the false and misleading statements in the promotional materials. Reys then denied his involvement in the promotional campaign to others at CellCyte and in an interview with a Seattle Times reporter in December 2007.

4. The misleading stock promotion campaign caused CellCyte's stock price to soar to a high of $7.50 per share, with a 50-fold increase in trading volume. At its peak, CellCyte had a market capitalization of nearly $450 million. The stock now trades at less than $0.08 per share, leaving investors who were deceived by the fraudulent materials with massive losses.

5. The Commission seeks an order enjoining Reys from future violations of the federal securities laws, requiring him to pay a civil monetary penalty, barring him from serving as an officer or director of a public company, and providing other appropriate relief.

JURISDICTION AND VENUE

6. This Court has jurisdiction over this action pursuant to Sections 20(b), 20(d) and 22(a) of the Securities Act of 1933 ("Securities Act") [15 U.S.C. §§ 77t(b), 77t(d) and 77v(a)] and Sections 21(d), 21(e) and 27 of the Securities Exchange Act of 1934 ("Exchange

Act") [15 U.S.C. §§ 78u(b), 78u(e) and 78aa]. Defendant, directly or indirectly, has made use of the means and instrumentalities of interstate commerce, or of the mails, in connection with the acts, practices and courses of business alleged in this Complaint.

7. Venue in this District is proper pursuant to Section 22(a) of the Securities Act [15 U.S.C. § 77v(a)] and Section 27 of the Exchange Act [15 U.S.C. § 78aa]. Certain of the transactions, acts, practices and courses of conduct alleged in this Complaint occurred within the Western District of Washington.

8. Assignment to the Seattle Division is appropriate pursuant to Local Rule 5(1) because a substantial part of the events that give rise to the claims occurred in Snohomish County. In addition, defendant resides in Island County and CellCyte's principal place of business is located in Snohomish County.

DEFENDANT

9. Defendant Gary A. Reys, age 64, of Freeland, Washington, co-founded CellCyte in 2005 and served as Chief Executive Officer and Chairman of CellCyte's Board of Directors through 2008. Reys also served as CellCyte's Principal Accounting Officer until 2008. Before founding CellCyte, Reys was CEO of three other privately-held biotechnology companies. According to CellCyte's SEC filings, Reys has "over 30 years of experience with both international Fortune 100 and 500 publicly traded companies and emerging-growth companies in the pharmaceutical, biotechnology and medical device sectors."

RELEVANT ENTITY

10. CellCyte Genetics Corporation, formerly Shepard Inc., is a Nevada corporation that maintains its principal place of business in Bothell, Washington. CellCyte purported to be engaged in stem cell research until July 1, 2008, when it suspended operations and placed all employees on unpaid leave. CellCyte's stock is quoted on the OTC Bulletin Board under the symbol CCYG.

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FACTUAL ALLEGATIONS

A. CellCyte Is Formed and Licenses Very Early-Stage Stem Cell Technology.

11. In 2004, Reys learned from a former colleague who had worked for Reys at two biotechnology companies that a scientist had made a stem cell-related discovery that might be available for licensing.

12. In 2001 and 2002, the scientist had observed in fewer than ten mice that a specially formulated compound, when injected into the bloodstream before a dose of stem cells, appeared to cause the stem cells to migrate to specific organs and remain there in significant concentrations. Normally, stem cells that are injected into the bloodstream do not remain in any particular organ and are quickly flushed out of the body. The special compound was supplied by a European biotechnology company, which also funded the scientist's research.

13. In 2002, before the scientist could perform additional research using the compound, the biotechnology company stopped funding the research and supplying the special compound. The scientist performed no further research using the compound after 2002.

14. Reys and his former colleague, who became CellCyte's Chief Scientific Officer ("CSO"), formed CellCyte as a private company in early 2005 for the purpose of acquiring the rights to the scientist's discovery.

15. Reys and CellCyte's CSO met with the scientist for several days in January 2005 to review the details of her research findings. At the meetings and in discussions thereafter, the scientist told Reys and CellCyte's CSO that she had only conducted preliminary research.

16. The scientist also told Reys and CellCyte's CSO that she had never conducted research on the compound using mice with injured organs, and therefore had no data showing that the stem cells could repair or improve function in injured organs. The scientist also disclosed that she had not yet done any toxicology studies, and that the mixture of the

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compound and stem cells had killed some mice during her research. Further, the scientist told Reys and CellCyte's CSO that CellCyte would need to obtain or develop a supply of the special compound before any further research could begin.

17. In October 2005, CellCyte paid $90,000 to license the scientist's discovery. The license agreement required CellCyte to raise an additional $5.5 million within one year to demonstrate that it was capable of conducting active research and development of the technology. At least by the time CellCyte entered into the license agreement, Reys and CellCyte's CSO were aware that the scientist had only achieved positive results in a small number of mice, and that CellCyte would need to conduct extensive further research and testing on much larger numbers of mice before preparing an investigational new drug ("IND") application for FDA approval to begin any human clinical trials.

18. Also in October 2005, CellCyte entered into a cooperative research and development agreement ("CRADA") that required CellCyte to pay $300,000 up front and then an estimated $2 million over a two-year period to conduct research and testing for an IND application. Under the CRADA, the scientist who made the discovery would conduct the research for CellCyte, while CellCyte would pay to equip the lab, provide the special compound, and pay all other expenses. The CRADA contemplated research involving more than 900 healthy mice to validate the findings of the scientist's preliminary research.

19. During 2006, CellCyte was not able to raise money to begin funding the research. CellCyte failed to make the $300,000 payment to begin work under the CRADA and failed to obtain a supply of the special compound. In late 2006, the CRADA lapsed and CellCyte decided to attempt to conduct the research without the scientist. Under the terms of the license agreement, CellCyte still needed to raise $5.5 million in order to retain the license.

B. CellCyte Merges With a Public Shell Company and Attempts To Conduct Research.

20. In late 2006, while unsuccessfully trying to raise the $5.5 million CellCyte required to retain the license and begin research, Reys met a Canadian stock promoter who

controlled a public shell company. Reys and the stock promoter conducted a reverse merger between CellCyte and the shell company, thereby making CellCyte a public company.

21. In connection with the reverse merger, CellCyte received about $6 million from the stock promoter and other investors, and the stock promoter received about 15 million purportedly "freely tradeable" CellCyte shares. As a result, the stock promoter controlled about 90% of CellCyte's public float (the shares outstanding and available for trading by the public).

22. CellCyte's stock was first quoted on the Over The Counter (OTC) Bulletin Board on February 16, 2007, and the reverse merger officially closed on March 30, 2007.

23. In March 2007, CellCyte began searching for lab space and hiring personnel, including a Vice President of Research & Development who reported to CellCyte's CSO.

24. In May 2007, CellCyte began attempting to formulate the special compound itself for the first time. Within a few months, the Vice President of Research & Development raised concerns to Reys and CellCyte's CSO that the compound was not properly formulated and could not be used to successfully develop the stem cell technology.

25. In October 2007, CellCyte began conducting experiments using the compound in mice. Those experiments failed to produce any of the results necessary to support an IND application. CellCyte conducted additional experiments using mice in November 2007 and March 2008, which also failed.

C. CellCyte Makes False and Misleading Statements About Its Research.

26. After CellCyte became a public company in March 2007, it made false and misleading statements about its research and development efforts and business prospects in SEC filings and in other materials that were distributed to potential investors.

27. CellCyte made false and misleading statements in four different SEC filings, including a Form 8-K current report filed April 5, 2007, a Form 10-Q quarterly report filed May 18, 2007, a Form SB-2 registration statement filed June 29, 2007, and a Form 10-Q quarterly report filed August 14, 2007. Reys signed all of these filings as CellCyte's CEO

and Principal Accounting Officer. In connection with the May and August 2007 Form 10-Q reports, Reys signed certifications stating that he had reviewed the reports and that they did not contain any untrue statements of a material fact or omit to state any material facts necessary to make the statements made, in light of the circumstances under which the statements were made, not misleading.

i. CellCyte Falsely Claimed That Its Stem Cell Drugs Were Already in FDA-Approved Clinical Trials.

28. In the SEC filings listed in paragraph 27 above and in other investor materials that Reys approved, CellCyte stated that its stem cell discoveries "are the first stem cell enabling drugs to enter Investigational New Drug ('IND') supported by the United States Food and Drug Administration ('FDA') clinical trials."

29. In reality, Reys knew that CellCyte never filed an IND application for the stem cell technology and therefore never received FDA approval to begin clinical trials. Reys also knew that CellCyte did not obtain the necessary ingredients to attempt to formulate the special compound until May 2007, and did not begin conducting experiments using the compound in mice until October 2007. Reys knew or was reckless in not knowing that the statement was materially false and misleading.

ii. CellCyte Misled Investors About the Advanced Stage of Its Research and Development.

30. In the SEC filings listed in paragraph 27 above and other materials distributed to potential investors, CellCyte portrayed its stem cell research as having been "proven in extensive late-stage animal studies."

31. In reality, Reys knew that the preliminary experiments in 2001 and 2002 had achieved positive results in a small number of mice and that no additional research had been conducted using the special compound since 2002. Reys had agreed to the CRADA in 2005, which called for two years of research on the compound at a cost of $2 million to validate the preliminary research in larger numbers of healthy mice. CellCyte did not fund any research

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under the CRADA and had not even begun attempting to formulate the special compound when it began stating that the technology was "proven in extensive late-stage animal studies." Reys knew or was reckless in not knowing that the statement was materially false and misleading.

iii. CellCyte Falsely Stated That It Was Within Months of Starting Clinical Trials To Repair the Heart.

32. In the SEC filings listed in paragraph 27 above and other materials distributed to potential investors, CellCyte claimed that "the company is advancing [the heart compound] into human trials for repair of the heart with an IND submission scheduled for the second half of 2007."

33. In reality, Reys knew that CellCyte never attempted any research nor achieved any results to prove that its stem cell technology could repair the heart in mice, a prerequisite to beginning any clinical trial to repair the heart in humans. Indeed, in June 2006, CellCyte's CSO told Reys that CellCyte's target was to complete research and testing for an IND submission involving the heart in two years, i.e. by June 2008. Reys also knew that CellCyte needed to formulate the special compound before any research could be done, and that CellCyte did not attempt to formulate the compound until May 2007. Reys knew or was reckless in not knowing that the statement was materially false and misleading.

iv. CellCyte Falsely Stated That It Was Working Closely With Swedish Medical Center.

34. In the SEC filings listed in paragraph 27 above and other materials distributed to potential investors, CellCyte claimed to be "working closely with Swedish Medical Center in Seattle and their internationally recognized organ transplant group" on the stem cell technology.

35. In reality, Reys had merely spoken to an acquaintance at Swedish Medical Center, a leading health care provider in the Pacific Northwest, about the possibility of conducting joint research in the future. Reys knew that CellCyte was not actually working

with Swedish Medical Center. Reys knew or was reckless in not knowing that the statement was materially false and misleading.

v. CellCyte Falsely Stated That Its Drugs Had Been Shown To Improve Bone Marrow Engraftment.

36. In the SEC filings listed in paragraph 27 above and other materials distributed to potential investors, CellCyte claimed that during its research using the special compound, "the stem cells migrated directly to the bone marrow, therefore increasing the effective dose of stem cells available for engraftment."

37. In reality, Reys knew that the preliminary research on the compound had not shown stem cells migrating to the bone marrow. CellCyte never conducted any research involving bone marrow, and it had no data showing that the compound caused stem cells to localize in bone marrow or improved bone marrow engraftment. Reys knew or was reckless in not knowing that the statement was materially false and misleading.

D. CellCyte Makes Material Omissions About Its Research and Operations.

38. CellCyte also omitted critical information from its public statements about its research. Most significantly, CellCyte failed to disclose that it was unable to obtain the specially formulated compound from the European biotechnology company that had originally funded the stem cell research, and that CellCyte had not determined how to properly formulate the special compound from material that CellCyte obtained from other sources. Reys knew that CellCyte needed to have a sufficient supply of the special compound before it could begin conducting the extensive additional research that was required to determine whether an IND application could be filed to begin human clinical trials.

39. CellCyte touted a lack of safety and toxicity concerns about the special compound, but failed to state that no safety or toxicology studies had been done or that some mice had died during the scientist's preliminary research, suggesting that some doses of the compound and stem cells were in fact toxic and even fatal.

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40. CellCyte also failed to disclose that its experiments in mice between October 2007 and March 2008 were unsuccessful.

41. The information omitted by CellCyte, and the false and misleading statements described in paragraphs 28 to 36 above, were material to investors because they concerned the Company's ultimate likelihood of success in developing stem cell technology to repair damaged organs.

E. Reys Makes False and Misleading Statements About His Previous Companies.

42. In the April 2007 Form 8-K and June 2007 Form SB-2 filings, in other materials distributed to potential investors, and on CellCyte's website, Reys falsely represented that he was part of the executive team that took a pharmaceutical company through an initial public offering ("IPO") and subsequent acquisition by a large multinational company. In reality, Reys was a sales manager for the pharmaceutical company and had left the company years before its IPO and subsequent acquisition.

43. In materials distributed to potential investors and on CellCyte's website, Reys also falsely represented that he took one of the privately-held biotechnology companies for which he previously served as CEO "from conception to early human clinical trials in 18 months." In reality, that company terminated Reys, and Reys did not lead the company to human clinical trials.

F. The Stock Promoter Conducts a Widespread Promotional Campaign.

44. In April 2007, Reys and others at CellCyte met with the Canadian stock promoter to discuss investor relations, a marketing budget, and the stock promoter's efforts to raise additional capital for CellCyte. CellCyte gave the stock promoter investor materials, which contained the false and misleading statements described in paragraphs 28 to 36 above, to use in preparing promotional materials.

45. In May 2007, Reys signed a consulting agreement with one of the stock promoter's companies for the company to perform investor relations services for CellCyte.

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46. In August 2007, Reys told others at CellCyte that the stock promoter was ready to launch a promotional campaign for CellCyte and would spend $2 million on the campaign in exchange for additional stock in a future offering. Less than a week later, Reys gave his written approval of text for a promotional newsletter that included false and misleading statements that originated from previous CellCyte investor materials.

47. Between August and December 2007, the stock promoter distributed millions of spam emails, blast faxes, and newsletters that contained false and misleading statements about CellCyte, some of which were included in the text that Reys had approved. During the promotional campaign, CellCyte's stock price rose from around $4.00 to $7.50, and its daily trading volume increased from 2,000 to more than 100,000 shares. At one point during the campaign, CellCyte's market capitalization reached nearly $450 million.

48. Reys received copies of some of the promotional materials and continued to be informed about the stock promoter's campaign through late 2007. One of the stock promoter's associates told Reys in November 2007 that the stock promoter was "continuing to push hard on the market." At a meeting around the same time, the stock promoter told Reys that he could raise additional money for CellCyte if they could increase CellCyte's trading volume above 100,000 shares per day. Reys never attempted to correct any of the false and misleading statements in the promotional materials.

49. Reys denied his involvement in the promotional campaign when others at CellCyte received copies of materials distributed by the stock promoter. Reys also misrepresented to a Seattle Times reporter in December 2007 that CellCyte had no role in the promotional campaign.

50. By the end of January 2008, after the stock promotion campaign had concluded (and after much of the Canadian promoter's stock had been dumped into the market), CellCyte's stock price declined below a dollar. The stock currently trades at around $0.07 per share.

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FIRST CLAIM FOR RELIEF

Violations of Exchange Act Section 10(b) and Rule 10b-5 Thereunder

51. The Commission realleges and incorporates by reference paragraphs 1 through 50.

52. By engaging in the conduct described above, Reys, directly or indirectly, in connection with the purchase or sale of securities, by the use of means or instrumentalities of interstate commerce or of the mails, with scienter:

(a) employed devices, schemes, or artifices to defraud;

(b) made untrue statements of material facts or omitted to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; and

(c) engaged in acts, practices, or courses of business which operated or would operate as a fraud or deceit upon other persons, including purchasers and sellers of securities.

53. By reason of the foregoing, Reys has violated and, unless restrained and enjoined, will continue to violate Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 [17 C.F.R. § 240.10b-5].

SECOND CLAIM FOR RELIEF

Aiding and Abetting Violations of Exchange Act Section 13(a) and Rules 12b-20, 13a-11 and 13a-13 Thereunder

54. The Commission realleges and incorporates by reference paragraphs 1 through 53.

55. By engaging in the conduct described above, CellCyte violated Section 13(a) of the Exchange Act [15 U.S.C. § 78m(a)] and Rules 12b-20, 13a-11 and 13a-13 [17 C.F.R. §§ 240.12b-20, 240.13a-11 and 240.13a-13], which obligate issuers of securities registered pursuant to Section 12 of the Exchange Act [15 U.S.C. § 78*l*] to file with the Commission accurate quarterly and current reports.

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56. By engaging in the conduct described above, Reys knowingly provided substantial assistance to CellCyte's filing of materially false and misleading reports with the Commission.

57. By reason of the foregoing, Reys aided and abetted CellCyte's violations of Section 13(a) of the Exchange Act [15 U.S.C. § 78m(a)] and Rules 12b-20, 13a-11 and 13a-13 [17 C.F.R. §§ 240.12b-20, 240.13a-11 and 240.13a-13]. Unless restrained and enjoined, Reys will continue to aid and abet such violations.

PRAYER FOR RELIEF

WHEREFORE, the Commission respectfully requests that this Court:

I.

Issue an order permanently restraining and enjoining Reys and his agents, servants, employees, attorneys, and assigns, and those persons in active concert or participation with them, from violating, directly or indirectly, Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5] and from aiding and abetting violations of Section 13(a) of the Exchange Act [15 U.S.C. § 78m(a)] and Rules 12b-20, 13a-11 and 13a-13 thereunder [17 C.F.R. §§ 240.12b-20, 240.13a-11 and 240.13a-13].

II.

Issue an order directing Reys to pay a civil monetary penalty under Section 21(d)(3) of the Exchange Act [15 U.S.C. § 78u(d)(3)].

III.

Issue an order barring Reys from serving as an officer or director of any public company, pursuant to Section 21(d)(2) of the Exchange Act [15 U.S.C. § 78u(d)(2)].

IV.

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.

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V.

Grant such other and further relief as this Court may determine to be just and necessary.

Dated: Sept. 8, 2009

Respectfully submitted,

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