



08-CV-00178-CMP

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WESTERN DISTRICT OF WASHINGTON
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UNITED STATES DISTRICT COURT
WESTERN DISTRICT OF WASHINGTON
AT SEATTLE

JOE M. PRUITT, on behalf of himself and all
others similarly situated,

Plaintiff,

v.

CELLCYTE GENETICS CORPORATION,
GARY A. REYS, RONALD W.
BERNINGER, ROBERT H. HARRIS, G.
BRENT PIERCE and JAMES L. RAPHOLZ,

Defendants.

No.

C 08-0178 *RL*

**CLASS ACTION COMPLAINT FOR
VIOLATIONS OF THE FEDERAL
SECURITIES LAWS**

JURY TRIAL DEMANDED

I. INTRODUCTION

1. Plaintiff Joe M. Pruitt, individually and on behalf of all other persons similarly situated, by his undersigned attorneys, alleges the following based upon Plaintiff's personal knowledge as to his own acts, and upon information and belief as to all other matters, which includes, *inter alia*, the investigation conducted by and through Plaintiff's attorneys, including a review of relevant public filings made by CellCyte Genetics Corporation ("CellCyte" or the "Company") with the United States Securities and Exchange Commission ("SEC"), as well as regulatory filings and reports, press releases and other public statements issued by the Company, news articles, securities analysts' reports, and media reports concerning the Company. Plaintiff

Sum. FSSU. SEA 15196

1 believes that substantial additional evidentiary support will exist for the allegations set forth
2 herein after a reasonable opportunity for discovery.

3 2. This is a securities class action on behalf of all persons who purchased the
4 publicly traded securities of CellCyte between April 6, 2007 and January 9, 2008, inclusive (the
5 "Class Period"), for violations of the Securities Exchange Act of 1934 (the "Exchange Act").

6 II. JURISDICTION AND VENUE

7 3. Jurisdiction is conferred by § 27 of the Exchange Act. The claims asserted herein
8 arise under §§ 10(b) and 20(a) of the Exchange Act and SEC Rule 10b-5.

9 4. Venue is proper in this District pursuant to § 27 of the Exchange Act. Many of the
10 Company's false and misleading statements were made in this District, and the Company's main
11 offices are located in the District.

12 5. In connection with the acts, conduct, and other wrongs alleged in this Complaint,
13 Defendants, directly or indirectly, used the means and instrumentalities of interstate commerce,
14 including, but not limited to, the United States mails, interstate telephone communications, and
15 the national securities exchanges.

16 III. THE PARTIES

17 6. Plaintiff Joe M. Pruitt purchased the securities of CellCyte Genetics Corporation
18 at artificially inflated prices during the Class Period and has been damaged thereby. The details
19 of Mr. Pruitt's purchase are set forth in the accompanying certification, which he incorporates by
20 reference herein.

21 7. Defendant CellCyte was incorporated as Shepard Inc. on March 9, 2004 in the
22 state of Nevada and changed its name to CellCyte Genetics Corporation effective February 16,
23 2007, when it was acquired by CellCyte Genetics Inc. for approximately \$1 million as a vehicle
24 to go public without using the usual IPO process. The Company's headquarters is at 1725 220th
25 Street SE, Bothell, Washington 98021. The Company's shares are traded on the over-the-
26 counter (OTC) market under the symbol CCYG and on Germany's Frankfurt Stock Exchange.

1 8. Defendant Gary A. Reys ("Reys") served as CellCyte Genetics Corporation's
2 Chairman, President, Chief Executive Officer, Principal Executive Officer and a director during
3 the Class Period. Mr. Reys owns 18,625,000 shares or 31.2% of the Company based on
4 59,649,225 shares of the Company outstanding as of March 30, 2007. According to the
5 Company's prospectus effective July 11, 2007, Reys may be considered a "promoter" of the
6 Company.

7 9. Defendant Dr. Ronald W. Berninger, Ph.D. ("Berninger") served as CellCyte
8 Genetics Corporation's Secretary, Treasurer, Executive Vice-President and a director during the
9 Class Period. Mr. Berninger owns 18,625,000 shares or 31.2% of the Company based on
10 59,649,225 shares of the Company outstanding as of March 30, 2007. According to the
11 Company's prospectus effective July 11, 2007, Berninger may be considered a "promoter" of the
12 Company.

13 10. Defendant Robert H. Harris was a director of the Company from December 5,
14 2006 until April 16, 2007 when he resigned. According to a filing on Form 8-K with the SEC,
15 the Board of Directors of Shepard Inc. accepted the consent to act as director of the Company
16 from Robert Harris, effective as of December 5, 2006. From October 2003 to present, Harris had
17 been self-employed in Vancouver, British Columbia, Canada as a management and
18 administration consultant in the private business sector with an emphasis on corporate financial
19 reporting. From April 2001 to September 2003, Harris was a director and the secretary/treasurer
20 of inCall Systems, Inc., a publicly traded company on the Over-the-Counter Bulletin Board with
21 a wholly-owned operating subsidiary in Singapore that provided outsourced call center services
22 and specialized in live online sales assistance for the Internet and digital media. Harris also
23 acted as senior executive assistant to the chief executive officer of inCall Systems, coordinating
24 and managing corporate presentations in addition to coordinating bookkeeping and audit teams
25 in Vancouver and Singapore for quarterly reviews, audits and regulatory filings. For twenty-five
26 years, Harris was active in the music and recording industry, specializing in concert and event

1 production, artist management and representation, and the production and marketing of recorded
2 musical works. He also was active in the sports entertainment industry, specifically in
3 connection with sports information technology used in Major League Baseball and PGA Golf.
4 Harris has obtained a certificate in "Organizing and Managing a Public Company" from the
5 Securities Program, Faculty of Business Administration, Simon Fraser University Harbour
6 Centre in Vancouver. Mr. Harris sold over 18 million shares of the Company in March of 2007
7 but retained 2,250,000 shares or 3.8% of the Company based on 59,649,225 shares of the
8 Company outstanding as of March 30, 2007. According to the Company's prospectus effective
9 July 11, 2007, Harris may be considered a "promoter" of the Company.

10 11. Defendant G. Brent Pierce is a Canadian stock promoter, and president of
11 Stockgroup AG, a stock-promotion firm based in Zurich, with offices in Bellingham,
12 Washington. Pierce is a Canadian citizen barred by the B.C. Securities Commission from
13 trading shares or acting as an officer of any B.C. public company until 2008. In the 1993
14 settlement that led to the ban, he acknowledged presenting false documents to the commission
15 and diverting funds from a small public stock offering to his own use. According to the
16 Company's prospectus effective July 11, 2007, Pierce owned or controlled 1,666,666 shares of
17 the Company, or 2.7%, as an officer of Newport Capital Corp., and his wife, Dana Pierce, owned
18 333,332 shares. Those shares were worth about \$12.2 million in early October 2007, with Dana
19 Pierce's shares worth an additional \$2.5 million. Pierce's firm was behind a colorful 12-page
20 mailer distributed since early October to potential U.S. buyers of the Company's stock entitled
21 "*James Rapholz's Economic Advice*." By virtue of his promotional conduct, Pierce was a
22 primary participant in the sale of Company stock.

23 12. Defendant James L. Rapholz ("Rapholz") is an investment newsletter publisher
24 and editor of *Economic Advice*, who "offers his subscribers his best recommendations for select
25 stocks. His newsletter highlights company financials, as well as important detailed information
26 to make prudent investment decisions. Subscribers also receive timely buy-sell-hold

1 recommendations and exclusive market commentary and forecasts.” His place of business is
2 3907 N. Federal Hwy #185, Pompano Beach, FL 33064-9889. He is also president of Raphaelz
3 Silver, Inc. Raphaelz was paid \$445,000 by Pierce to produce and distribute *James Raphaelz’s*
4 *Economic Advice*. His economic advice was used to sell the Company’s stock.

5 13. Defendants Reys, Berninger, Harris, Pierce and Raphaelz are, collectively, the
6 “Individual Defendants.”

7 14. The Individual Defendants who were officers and/or directors of the Company, by
8 virtue of their position with the Company, had access to the adverse undisclosed information
9 about the Company’s business, operations, operational trends, financial statements, markets and
10 present and future business prospects via access to internal corporate documents (including the
11 Company’s operating plans, budgets and forecasts and reports of actual operations compared
12 thereto), conversations and connections with other corporate officers and employees, attendance
13 at management and Board of Directors meetings and committees thereof and via reports and
14 other information provided to them in connection therewith.

15 15. The Individual Defendants are pled as a group based on the presumption that the
16 false, misleading and incomplete information conveyed in the Company’s public filings, press
17 releases and other publications as alleged herein are the collective actions of the narrowly
18 defined group of Defendants identified above. Each of the above officers of CellCyte Genetics
19 Corporation, by virtue of their high-level positions with the Company, directly participated in the
20 management of the Company, can be presumed to have been directly involved in the day-to-day
21 operations of the Company at the highest levels and was privy to confidential proprietary
22 information concerning the Company and its business, operations, growth, financial statements,
23 and financial condition, as alleged herein. The non-officer/director Defendants had access to the
24 truth by virtue of their close positions to the officer/director Defendants.

25 16. As officers and controlling persons of a publicly-held company whose common
26 stock was, and is, registered with the SEC pursuant to the Exchange Act, and was, and is, traded

1 publicly, and governed by the provisions of the federal securities laws, the Individual Defendants
2 who were company officers and/or directors each had a duty to disseminate promptly, accurate
3 and truthful information with respect to the Company's financial condition and performance,
4 growth, operations, financial statements, business, markets, management, earnings and present
5 and future business prospects, and to correct any previously-issued statements that had become
6 materially misleading or untrue, so that the market price of the Company's publicly-traded
7 common stock would be based upon truthful and accurate information. The Individual
8 Defendants' misrepresentations and omissions during the Class Period violated these specific
9 requirements and obligations.

10 17. The Individual Defendants participated in the drafting, preparation, and/or
11 approval of the various public and shareholder and investor reports and other communications
12 complained of herein and were aware of, or recklessly disregarded, the misstatements contained
13 therein and omissions therefrom, and were aware of their materially false and misleading nature.
14 As to the officers or Board Members, because of their Board membership and/or executive and
15 managerial positions with CellCyte Genetics Corporation, each of these Individual Defendants
16 had access to the adverse undisclosed information about CellCyte Genetics Corporation's
17 business prospects and financial condition and performance as particularized herein and knew (or
18 recklessly disregarded) that these adverse facts rendered the positive representations made by or
19 about CellCyte Genetics Corporation and its business issued or adopted by the Company
20 materially false and misleading.

21 The Individual Defendants who were officers or directors, because of their positions of control
22 and authority as officers and/or directors and/or ownership of the Company, were able to and did
23 control the content of the various SEC filings, press releases and other public statements
24 pertaining to the Company during the Class Period. Each Individual Defendant was provided
25 with copies of the documents alleged herein to be misleading prior to or shortly after their
26 issuance and/or had the ability and/or opportunity to prevent their issuance or cause them to be

1 corrected. Accordingly, each of the Individual Defendants is responsible for the accuracy of the
2 public reports and releases detailed herein and is therefore primarily liable for the representations
3 contained therein.

4 IV. THE SUBSTANTIVE ALLEGATIONS

5 18. CellCyte is a publicly-traded corporation which became public through the
6 acquisition of Shepard Inc. in a reverse merger.

7 19. The background to the reverse merger is as follows. According to its Form 10-
8 QSB filed on November 14, 2006, Shepard Inc. was incorporated in Nevada, on March 9, 2004.
9 Pursuant to an agreement dated June 9, 2004, the Company acquired a 100% interest, subject to a
10 2.5% production royalty, in a mineral prospect located in the Northwest Territories, Canada, for
11 cash consideration of \$2,053 and conducted a work program of \$5,000. Since the Company had
12 not established the commercial feasibility of the mineral claims, the acquisition and exploration
13 costs were expensed. During the period from March 9, 2004 (inception) to December 31, 2004,
14 the Company issued a total of 5,570,000 common shares for total cash proceeds of \$35,000. The
15 Company authorized the issuance of 75,000,000 common shares with a par value of \$0.001. For
16 the period ending September 30, 2006, it had a loss of \$18,814.00 and since inception a loss of
17 \$42,350. The Company expected to spend an additional \$16,500.00 over the next 12 months.

18 20. On December 5, 2006, Defendant Harris became a director of the Company, then
19 known as Shepard Inc., and shortly thereafter filed a report on Form 4 showing that he had
20 become the owner of 3,000,000 shares of Shepard Inc. stock, which represented 53.9% of all
21 outstanding shares and, therefore, control of the Company. Michael Eyre, the President and a
22 director of Shepard Inc., filed a Form 4 indicating on the same date (December 1, 2007) he
23 disposed of his 1,500,000 shares for \$7,000, as did Glen MacDonald, the Secretary and Treasurer
24 and a director. Presumably Harris paid \$14,000 for control of the Company.

25 21. On January 2, 2007, the Company, through Harris, filed with the SEC a Form 8-K
26 indicating a 7 for 1 stock split increased from 75,000,000 common shares to 525,000,000

1 common shares, and the Company's issued and outstanding common stock was increased from
2 5,570,000 common shares to 38,990,000 common shares. The par value of the Company's
3 common shares, which \$0.001 per common share, was not changed. Harris' shares thus
4 increased to 21 million shares.

5 22. On February 2, 2007, the Company filed with the SEC a Form 8-K announcing
6 that it had entered into an agreement in principle with CellCyte Genetics, Inc. to merge the
7 companies.

8 23. On February 16, 2007, the Company filed with the SEC a Form 8-K announcing
9 that Shepard had merged with what was by then its wholly-owned subsidiary, CellCyte Genetics
10 Corporation, and began trading on the OTC under the new trading symbol CCYG. The Form 8-
11 K stated in part,

12 On February 13, 2007, Shepard Inc. (the "Company") filed Articles of
13 Merger with the Secretary of State of Nevada in order to effectuate a
14 merger whereby Shepard Inc. would merge with its wholly-owned
15 subsidiary, CellCyte Genetics Corporation, as a parent/subsidiary merger
16 with the Company as the surviving corporation. This merger, which
17 became effective as of February 16, 2007, was completed pursuant to
18 Section 92A.180 of the Nevada Revised Statutes ("NRS"). Shareholder
19 approval to this merger was not required under Section 92A.180 of the
20 NRS. Upon completion of this merger the Company's name has been
21 changed to "CellCyte Genetics Corporation" and the Company's Articles
22 of Incorporation have been amended to reflect this name change.

23 In connection with this name change to CellCyte Genetics Corporation, as
24 of the open of business on February 16; 2007, the Company has the
25 following new CUSIP number and trading symbol:

26 New CUSIP Number. 15116P 10 3.

New Trading Symbol: CCYG

The Company decided to change its name to "CellCyte Genetics Corporation" because, as disclosed in the Company's Current Report on Form 8-K dated January 26, 2007 (the "January 26, 2007 Current Report"), the Company entered into an agreement in principle (the "Agreement in Principle") on January 26, 2007 with CellCyte Genetics, Inc. ("CellCyte") and a shareholder of CellCyte (together with the other shareholders of CellCyte that are to be parties to a formal agreement to

1 replace the Agreement in Principle, the "Vendors") in connection with the
2 proposed acquisition by the Company from the Vendors of all of the
3 issued and outstanding shares of CellCyte. A summary of such
4 Agreement in Principle is provided in the Company's January 26, 2007
5 Current Report, and a copy of such Agreement in Principal has been filed
6 as an exhibit to the Company's January 26, 2007 Current Report.

7 The Company is informed that CellCyte, a Washington State company, is
8 an emerging biotechnology company that is in the principal business of
9 the discovery and development of breakthrough stem cell enabling
10 therapeutics products.

11 24. Trading data for the Company's stock commenced on February 15, 2007 when
12 the Company's stock is reported to trade at a stock price of \$5 per share on a volume of 800
13 shares.

14 25. According to the Company's SEC filings, the first trade in the Company's
15 common stock occurred on or about March 23, 2007, meaning that all prior trades were by
16 insiders. As of the Company's first prospectus, filed on July 16, 2007, there were only 100
17 registered shareholders of the Company's stock, including each of the Individual Defendants.

18 26. On April 6, 2007, the Company filed with the SEC a Form 8-K, in which it
19 announced completion of "the acquisition of all of the issued and outstanding shares (the
20 "Purchased Shares") of CellCyte (the "Closing") pursuant to a Share Exchange Agreement
21 among CellCyte, the shareholders of CellCyte (the "Vendors") and the Company dated as fully
22 executed on March 14, 2007 (the "Share Exchange Agreement")." This "reverse merger"
23 represented a change in control of the Company. The Company was thereafter no longer in the
24 mining business, but had purportedly become "a company focused on the discovery and
25 development of stem cell enabling therapeutic products." The April 6, 2007 Form 8-K stated
26 that, as of the Closing, Reys became Chairman, President, Chief Executive Officer, Principal

1 Executive Officer and a director, and Berninger became Secretary, Treasurer, Executive Vice-
2 President and a director of the Company.

3 27. CellCyte's April 6, 2007 Form 8-K also stated the following with respect to Mr.
4 Reys' credentials:

5
6 *Mr. Reys brings over 30 years of experience with both international*
7 *Fortune 100 and 500 publicly traded companies and emerging-growth*
8 *companies in the pharmaceutical, biotechnology and medical device*
9 *sectors. He held executive positions with Pfizer and with Rhone Poulenc*
10 *Rorer (now Aventis), North America. Mr. Reys was one of the pioneers in*

11 the generic pharmaceutical industry as part of a five member founding
12 executive team forming Schein Pharmaceutical, taking the company
13 through an IPO and the acquisition by Bayer AG. Mr. Reys served in
14 various capacities for Goldline Laboratories, positioning the company for
15 the acquisition by IVAX, an international pharmaceutical holding
16 company (now Teva Pharmaceutical), retiring from IVAX as Vice
17 President of Business Development in 1993. Mr. Reys served as
18 Executive Vice President and Chief Financial Officer of IBV
19 Technologies, a division of the McKesson Corporation from May 1994 to
20 December 1997. Mr. Reys served as Chief Executive Officer and
21 President of Genespan, a cell expansion and DNA biotechnology company
22 from January 1998 to February 2000. Mr. Reys served as Chief Executive
23 Officer, President and Chief Financial Officer for Clear Medical from
24 February 2000 to March 2001, where he positioned the company as the
25 first FDA approved high-level disinfectant re-processor of medical
26 devices. Mr. Reys co-founded and served as the President and Chief
Executive Officer of Cennapharm, a biopharmaceutical company from
April 2001 to May 2003. Mr. Reys co-founded CellCyte Genetics in June
2003. Mr. Reys attended the University of Washington where he majored
in finance, later receiving a CPA designate. Mr. Reys is a past member of
the Washington Society of Certified Public Accountants. He also serves
as a member of the University of Washington's Graduate School, M.B.A.
Mentor Advisory Board. [Emphasis added.]

28. On July 16, 2007, the Company filed with the SEC a prospectus on Form 424B1,
in which the Company offered to the public 9,523,448 shares of its common stock.

29. The prospectus repeated Mr. Reys' purported qualifications.

1 30. During the next several months, Cellcyte's stock price increased from \$4.25 per
2 share in mid-July 2007 to more than \$7.00 per share in early December 2007.

3 31. On December 9, 2007 (corrected on December 25, 2007), *The Seattle Times*
4 published an article in which it questioned this stock price increase:

5
6 For years, the founders of CellCyte Genetics relied on infusions from
7 angel investors to keep their tiny startup afloat. But after Kirkland-based
8 CellCyte combined with a moribund public company, its shares caught
9 fire this fall in the loosely regulated over-the-counter (OTC) market, and
10 on Germany's Frankfurt Stock Exchange.

11 A wave of glossy brochures and seam faxes, touting CellCyte with lofty
12 claims, has helped propel the company's total market value to more than
13 \$440 million. That's greater than many local biotechs that are far more
14 advanced in developing therapies. Suddenly, the two founders each have a
15 stake worth about \$137 million.

16 The barrage of hype has been bankrolled, to the tune of hundreds of
17 thousands of dollars, by an outside stockholder - a man whom British
18 Columbia securities regulators have barred from their industry for 15
19 years.

20 CellCyte Genetics Chief Executive Gary Reys says he is not concerned
21 about that history, and insists he has no role in the promotional push.

22 He says the skyrocketing trading volume is simply an "amazing" show of
23 investor confidence in his company's technology for manipulating stem
24 cells, which is still a year away from its first early-stage clinical trials.

25 A former mining stock

26 CellCyte bought an inactive B.C. mining company whose stock trades in
the OTC market in the U.S., and completed a private placement that let a
well-known Canadian promoter of penny stocks acquire millions of
shares. A few months later, the spamming began.

That's a pattern familiar to the B.C. Securities Commission, which is
trying to crack down on stock-promotion schemes. It "is not untypical of
the problem we're facing," said Martin Eady, head of corporate finance at
the B.C. Securities Commission.

The commission is writing new rules to restrict what Eady calls a
"subculture" of pump-and-dump stock promoters that have thrived in B.C.

1 by taking a large position in an inexpensive stock, hyping it, and
2 unloading it onto unsuspecting investors.

3 Reys maintains that the acquisition of a shell company is a legitimate way
4 of tapping investors while the firm prepares to enter a major regulated
5 market such as Nasdaq. He said CellCyte isn't a fly-by-night company,
6 it's a "brick-and-mortar organization" with experienced researchers and
7 patented technology.

8 As for the spam activity, he said, "We have no control over it."

9 Spammed

10 Last month, investors participating in German stock message boards began
11 asking questions about an unsolicited fax they'd received promoting
12 CellCyte. The fax reproduced a positive story about the company from
13 the weekly newsmagazine Focus Money, based in Offenburg.

14 There was also a handwritten note in German: "This is the stock that's
15 about to take off! Greetings, Paul."

16 In a copy of the fax obtained by *The Seattle Times*, dated Nov. 19, the fax
17 sender is identified as Stockgroup AG. That's a stock-promotion firm
18 based in Zurich, with offices in Bellingham, according to Swiss
19 government records.

20 The firm's president, G. Brent Pierce, is a Canadian citizen barred by the
21 B.C. Securities Commission from trading shares or acting as an officer of
22 any B.C. public company until 2008. In the 1993 settlement that led to the
23 ban, he acknowledged presenting false documents to the commission and
24 diverting funds from a small public stock offering to his own use.

25 Pierce controls about 1.66 million shares of CellCyte through a company
26 called Newport Capital Group, according to a regulatory fling with the
Securities and Exchange Commission. Those shares were worth about
\$12.2 million as of Friday, and his wife, Dana Pierce, owns shares worth
an additional \$2.5 million.

Pierce's firm is also behind a colorful 12-page mailer distributed since
early October to potential U.S. buyers of the stock.

Titled "James Rapholz's Economic Advice," the brochure says CellCyte
shares "could be the chance of your lifetime to turn \$10,000 into \$4
million, maybe even \$15 million!"

1 "This could be the most astonishing investment opportunity since the
2 microchip," it says elsewhere. "This truly could be the most astonishing
3 and important medical breakthrough in your lifetime!"

4 The fine print at the back of the brochure discloses that Stockgroup AG,
5 Pierce's company, paid Rapholz \$445,000 to produce and distribute the
6 mailer. Rapholz, who is based in Florida, didn't return several calls
7 seeking comment.

8 The article reproduced in the German spam faxes, meanwhile, cited a
9 research report by an analyst named Matthias Redenbach of Midas
10 Research.

11 The report itself discloses that Midas was paid to write it by Michael
12 Drepper Communications, of Mannheim, Germany. Drepper's name
13 appears alongside that of Brent Pierce as an investor-relations contact in
14 many Frankfurt-traded companies.

15 Reys said he was aware of Rapholz's newsletter, but had never seen the
16 fax in German, though it is easily found on the German chat boards
17 discussing CellCyte stock.

18 His lawyers investigated Pierce and found nothing wrong, Reys added.

19 A review of regulatory filings shows Pierce's Stockgroup AG has also
20 promoted other U.S. companies with low-priced shares where he
21 controlled a large block of stock.

22 One was oil exploration firm Lexington Resources, whose worth
23 plummeted from about \$40 million in the summer of 2006 to less than \$1
24 million as of Friday. Another, Morgan Creek Energy, saw its share price
25 drop to 32 cents after trading as high as \$5.30 in October 2006. Both
26 companies traded on the OTC and in German stock exchanges.

Pierce did not respond to messages left at his company's Bellingham
office.

On a separate front, CellCyte's auditor also has regulatory issues. Just
months after the firm, Williams & Webster of Spokane, signed off on
CellCyte's 2006 financial statements, the national Public Company
Accounting Oversight Board in June took the unusual step of barring one
of its two name partners from associating with any accounting firm, and
suspended the other for a year, over inadequate scrutiny of a different
public company.

1 32. The twelve-page brochure financed by Pierce and written and distributed by
2 Raphaelz repeated the claims of Reys' experience, using language similar to that contained in the
3 Company's April 6, 2007 Form 8-K.

4 33. During the first week in January, CellCyte removed from its website claims made
5 about Reys's experience after an inquiry by *The Seattle Times*. When this happened, the
6 Company's shares began to plummet as investors questioned the Company's credibility.

7 34. On January 9, 2008, *The Seattle Times* published the article entitled, "CellCyte
8 shares plummet; questions raised about CEO's bio," which stated in part:

9
10 Shares in fledgling biotechnology company CellCyte Genetics, whose
11 market value soared to more than \$400 million last fall after being hyped
12 by offshore shareholders, plunged 55 percent Monday and Tuesday in
 heavy selling.

13 The sharp drop coincided with changes made on the company's Web site
14 after *The Seattle Times* inquired late last week about the accuracy of
15 statements in the biography of CellCyte chief executive and co-founder
 Gary Reys.

16 Claims removed from the Web site include statements that Reys had led
17 his previous company "from conception to early human clinical trials in
18 18 months," and that he had helped an early generic pharmaceuticals
 company through an initial stock offering and a sale to a drug-industry
 giant.

19 Reys said any inaccuracies in his profile were unintentional.

20 "We at CellCyte strive to be ... truthful and endeavor to display integrity to
21 the public and insist (on) that with our personnel," he wrote in an e-mail.
22 "If an error is brought to our attention we correct it immediately..."

23 But other misleading statements remain on the company's site and in the
24 filing it made with the Securities and Exchange Commission to begin
 trading its shares.

25 Both documents state that he "attended the University of Washington and
26 majored in finance." According to university records, however, he
 enrolled in autumn 1965 and withdrew within weeks; he did not receive
 any credits toward a degree.

1 Asked about the discrepancy, Reys said in an e-mail that he attended some
2 night-school business classes at the university and was forced to withdraw
3 from the full-time program due to financial hardship. He said he later
4 enrolled at Auerswald's Business University, a one-time Seattle business
5 college.

6 Both documents say Reys received a "CPA designate," and until late last
7 week the Web site said he was a past member of the Washington Society
8 of Certified Public Accountants. But the Washington state Board of
9 Accountancy says he is not registered as a certified public accountant, nor
10 does it have any record that Reys took the CPA test in the state.

11 Reys said that in 1967 he passed the test on his second try after enrolling
12 in a CPA coaching course at Auerswald's, and became a member of the
13 Washington Society of CPAs until 1969. He added that he never claimed
14 to be "a practicing CPA."

15 Reys' membership in the association couldn't be verified because the
16 association's records, unlike the Board of Accountancy's, do not extend
17 back to the 1960s.

18 The SEC filing says that in addition to being chairman, president and CEO
19 at CellCyte, Reys is its chief financial officer and principal accounting
20 officer.

21 The background of executives plays an outsized role in biotech
22 companies' bid to attract investors, said Paul Latta, a Seattle-based analyst
23 with McAdams Wright Ragen.

24 "If you can bring management to the table who has a track record of
25 getting drugs through the process, it automatically brings credibility," he
26 said.

Conversely, inaccurate biographical information in SEC filings could open
the door to legal action from shareholders, said University of Washington
law professor Sean O'Connor. "Whatever you disclose to the SEC has to
be correct, and can't be misleading," said O'Connor, a specialist on
securities law. "Often the company was sold to investors based on the
strength of the founders."

Major stockholder

Reys owns about a third of CellCyte's shares after a transaction last
February when the then-private company combined with a shell company
with shares trading in the loosely regulated OTC Bulletin Board and in
Frankfurt.

1 Some 2 million shares of CellCyte are controlled by G. Brent Pierce, a
2 stock promoter banned by the British Columbia Securities Commission,
3 who paid hundreds of thousands of dollars for a campaign of spam faxes
4 and glossy mailers touting the company's stem-cell technology in the U.S.
5 and Germany.

6 A regulator in B.C. said last month that such tactics are commonly used in
7 "pump-and-dump" schemes to inflate a small company's shares before
8 selling out.

9 Reys said CellCyte is not responsible for the promotional activity, and that
10 its foray into alternative markets is a legitimate step on its way to a major
11 trading floor like Nasdaq.

12 The company employs 16 people and recently moved from its startup
13 offices in Kirkland to a larger facility in Bothell.

14 In a November interview, Reys said investors' faith in the company's
15 patented technology was the reason for its large market capitalization,
16 which at the time made it the area's fourth-most-valuable biotech.

17 But as of Tuesday, stockholders seemed to have had a change of mind.
18 The company's value was more than halved in two days, to \$188 million.
19 Selling volume Tuesday was the highest in the company's eight-month
20 history of trading.

21 Pharmaceutical background

22 Reys' CellCyte profile refers to executive stints with Pfizer and Rhone
23 Poulenc Rorer. But it also describes him as part of a "five member
24 founding executive team forming Schein Pharmaceutical, taking the
25 company through an IPO and the acquisition by Bayer AG."

26 Reys said he was the Western sales manager when Schein Pharmaceutical
was formed in 1985. But he acknowledged that *he'd left before Bayer
bought a 28 percent stake in 1994 and the 1998 IPO.*

"In my profile the wording was meant to state events about Schein and has
been reworded since," he said by e-mail. "This was not meant to deceive
anyone, just a mistake in sequences and, indeed, I was not with Schein at
the time of those events."

That claim was absent from the company's Web site Monday, but was
back on there as of Tuesday.

CellCyte also eliminated some references to Reys' role in bringing his
previous company, Cennapharm, to early clinical trials in humans. Reys'

1 tenure at the company ended in 2003, and was followed by a bitter legal
2 dispute with the company's founders; court documents in that dispute say
3 the company never tested its product on people. [Emphasis added.]

4 35. As the truth was disclosed, CellCyte's stock plummeted with these changes from
5 a high of \$7.02 on January 4, 2008 to as low as \$2.20 on January 9, 2008.

6 36. The market for CellCyte Genetics Corporation's common stock was open, well
7 developed and efficient at all relevant times. As a result of these materially false and misleading
8 statements and failures to disclose, CellCyte Genetics Corporation's common stock traded at
9 artificially inflated prices during the Class Period. Plaintiff and other members of the Class
10 purchased or otherwise acquired CellCyte Genetics Corporation common stock relying upon the
11 integrity of the market price of CellCyte Genetics Corporation's common stock and market
12 information relating to CellCyte Genetics Corporation, and have been damaged thereby.

13 37. During the Class Period, Defendants materially misled the investing public,
14 thereby inflating the price of CellCyte Genetics Corporation's common stock, by publicly
15 issuing false and misleading statements and omitting to disclose material facts necessary to make
16 Defendants' statements, as set forth herein, not false and misleading. Said statements and
17 omissions were materially false and misleading in that they failed to disclose material adverse
18 information and misrepresented the truth about the Company, its business and operations, as
19 alleged herein.

20 38. At all relevant times, the material misrepresentations and omissions particularized
21 in this Complaint directly or proximately caused or were a substantial contributing cause of the
22 damages sustained by Plaintiff and other members of the Class. As described herein, during the
23 Class Period, Defendants made or caused to be made a series of materially false or misleading
24 statements about CellCyte Genetics Corporation's business, prospects and operations. These
25 material misstatements and omissions had the cause and effect of creating in the market an
26 unrealistically positive assessment of CellCyte Genetics Corporation and its business, prospects
and operations, thus causing the Company's common stock to be overvalued and artificially

1 inflated at all relevant times. Defendants' materially false and misleading statements during the
2 Class Period resulted in Plaintiff and other members of the Class purchasing the Company's
3 common stock at artificially inflated prices, thus causing the damages complained of herein.

4 V. ADDITIONAL SCIENTER ALLEGATIONS

5 39. As alleged herein, Defendants acted with scienter in that Defendants knew that
6 the public documents and statements issued or disseminated in the name of the Company were
7 materially false and misleading; knew that such statements or documents would be issued or
8 disseminated to the investing public; and knowingly and substantially participated or acquiesced
9 in the issuance or dissemination of such statements or documents as primary violations of the
10 federal securities laws. As set forth elsewhere herein in detail, Defendants, by virtue of their
11 receipt of information reflecting the true facts regarding CellCyte Genetics Corporation, their
12 control over, and/or receipt and/or modification of CellCyte Genetics Corporation's allegedly
13 materially misleading misstatements and/or their associations with the Company which made
14 them privy to confidential proprietary information concerning CellCyte Genetics Corporation,
15 participated in the fraudulent scheme alleged herein.

16 VI. APPLICABILITY OF PRESUMPTION OF RELIANCE: FRAUD ON THE 17 MARKET DOCTRINE

18 40. At all relevant times, the market for CellCyte Genetics Corporation's common
19 stock was an efficient market for the following reasons, among others:

20 41. CellCyte Genetics Corporation stock met the requirements for listing, and was
21 listed and actively traded on the OTC, a highly efficient and automated market;

22 42. As a regulated issuer, CellCyte Genetics Corporation filed periodic public reports
23 with the SEC;

24 43. CellCyte Genetics Corporation regularly communicated with public investors via
25 established market communication mechanisms, including through regular disseminations of
26 press releases on the national circuits of major newswire services and through other wide-

1 ranging public disclosures, such as communications with the financial press and other similar
2 reporting services; and

3 44. CellCyte Genetics Corporation regularly communicated with public investors via
4 established market communication mechanisms, including through regular disseminations of
5 press releases on the national circuits of major newswire services and through other wide-
6 ranging public disclosures, such as communications with the financial press and other similar
7 reporting services; and

8 45. As a result of the foregoing, the market for CellCyte Genetics Corporation's
9 common stock promptly digested current information regarding CellCyte Genetics Corporation
10 from all publicly available sources and reflected such information in CellCyte Genetics
11 Corporation's stock price. Under these circumstances, all purchasers of CellCyte Genetics
12 Corporation's common stock during the Class Period suffered similar injury through their
13 purchase of CellCyte Genetics Corporation's common stock at artificially inflated prices and a
14 presumption of reliance applies.

15 VII. INAPPLICABILITY OF SAFE HARBOR

16 46. The statutory safe harbor provided for forward-looking statements under certain
17 circumstances does not apply to any of the allegedly false statements pleaded in this complaint.
18 Many of the specific statements pleaded herein were not identified as "forward-looking
19 statements" when made. To the extent there were any forward-looking statements, there were no
20 meaningful cautionary statements identifying important factors that could cause actual results to
21 differ materially from those in the purportedly forward-looking statements. Alternatively, to the
22 extent that the statutory safe harbor does apply to any forward-looking statements pleaded herein,
23 Defendants are liable for those false forward-looking statements because at the time each of those
24 forward-looking statements was made, the particular speaker knew that the particular forward-
25 looking statement was false, and/or the forward-looking statement was authorized and/or approved
26 by an executive officer of Cellcyte who knew that those statements were false when made.

1 to the parties and the Court. Throughout the Class Period, CelCytte's common stock was traded
2 on the OTC. While the exact number of Class members is unknown to Plaintiff at this time and
3 can only be ascertained through appropriate discovery, Plaintiff believes that there are hundreds,
4 if not thousands, of members of the proposed Class. Class members can be identified from
5 records maintained by the Company or its transfer agent and can be notified of the pendency of
6 this action by mail and published notice.

7 52. Plaintiff's claims are typical of the claims of the members of the Class as all
8 members of the Class were similarly affected by Defendants' wrongful conduct in violation of
9 the federal securities laws that are complained of herein.

10 53. Plaintiff will fairly and adequately protect the interests of the members of the
11 Class and has retained counsel competent and experienced in class action and securities
12 litigation.

13 54. Common questions of law and fact exist as to all members of the Class and
14 predominate over any questions solely affecting individual members of the Class. Among the
15 questions of law and fact common to the Class are: (a) whether the federal securities laws were
16 violated by Defendants' acts as alleged herein; (b) whether statements made by Defendants to the
17 investing public during the Class Period misrepresented material facts about the business,
18 operations, and financial condition of the Company; (c) whether Defendants acted knowingly or
19 recklessly in making materially false and misleading statement during the Class Period; (d)
20 whether the market price of the Company's common stock was artificially inflated or distorted
21 during the Class Period because of Defendants' conduct complained of herein; and (e) to what
22 extent the members of the Class have sustained damages and the proper measure of those
23 damages.

24 55. A class action is superior to all other available methods for the fair and efficient
25 adjudication of this controversy since joinder of all members is impracticable. Furthermore, as
26 the damages suffered by individual Class members may be relatively small, the expense and

1 burden of individual litigation make it impossible for members of the Class to individually
2 redress the wrongs done to them. There will be no difficulty in the management of this action as
3 a class action.

4 **COUNT I**

5 **Violation of Exchange Act § 10(b) and Rule 10b-5 Promulgated Thereunder (Against All**
6 **Defendants)**

7 56. Plaintiff repeats and realleges each and every allegation contained above as if
8 fully set forth herein.

9 57. During the Class Period, Defendants carried out a plan, scheme, and course of
10 conduct which was intended to and, throughout the Class Period, did: (i) deceive the investing
11 public, including Plaintiff and other Class members, as alleged herein; and (ii) cause Plaintiff and
12 other members of the Class to purchase Celcyte's shares at artificially inflated prices. In
13 furtherance of this unlawful scheme, plan, and course of conduct, Defendants, and each of them,
14 took the actions set forth herein.

15 58. Defendants (a) employed devices, schemes, and artifices to defraud; (b) made
16 untrue statements of material fact and/or omitted to state material facts necessary to make the
17 statements not misleading; and (c) engaged in acts, practices, and a course of business which
18 operated as a fraud and deceit upon the purchasers of the Company's shares in an effort to
19 maintain artificially high market prices for CellCyte's shares in violation of Section 10(b) of the
20 Exchange Act and Rule 10b-5. All Defendants are sued either as primary participants in the
21 wrongful and illegal conduct charged herein or as controlling persons as alleged below.

22 59. Defendants, individually and in concert, directly and indirectly, by the use, means,
23 or instrumentalities of interstate commerce and/or of the mails, engaged and participated in a
24 continuous course of conduct to conceal adverse material information about CellCyte as
25 specified herein.

1 60. These Defendants employed devices, schemes, and artifices to defraud, while in
2 possession of material adverse non-public information, which included the making of, or the
3 participation in the making of, untrue statements of material facts and omitting to state material
4 facts necessary in order to make the statements made about CellCyte in light of the circumstances
5 under which they were made, not misleading, as set forth more particularly herein, and engaged in
6 transactions, practices, and a course of business which operated as a fraud and deceit upon the
7 purchasers of CellCyte's shares during the Class Period.

8 61. Each of the Individual Defendants' primary liability, and controlling person
9 liability, arises from the following facts: (i) the Individual Defendants were high-level executives
10 and/or directors at the Company during the Class Period and members of the Company's
11 management team or had control thereof; (ii) each of these Defendants, by virtue of his
12 responsibilities and activities as a senior officer and/or director of the Company, was privy to and
13 participated in the creation, development, and reporting of the Company's financial condition;
14 (iii) each of these Defendants enjoyed significant personal contact and familiarity with the other
15 Defendants and was advised of and had access to other members of the Company's management
16 team, internal reports, and other data and information about the Company's finances, operations,
17 and sales at all relevant times; and (4) each of these Defendants was aware of the Company's
18 dissemination of information to the investing public which they knew or recklessly disregarded
19 was materially false and misleading.

20 62. The Defendants had actual knowledge of the misrepresentations and omissions of
21 material facts set forth herein, or acted with reckless disregard for the truth, in that they failed to
22 ascertain and to disclose such facts, even though such facts were available to them. Such
23 Defendants' material misrepresentations and/or omissions were done knowingly or recklessly and for
24 the purpose and effect of concealing facts about CellCyte from the investing public and
25 supporting the artificially inflated price of its shares. As demonstrated by Defendants'
26 misstatements and/or omissions throughout the Class Period, Defendants, if they did not have

1 actual knowledge of the misrepresentations and omissions alleged, were reckless in failing to
2 obtain such knowledge by deliberately refraining from taking those steps necessary to discover
3 whether those statements were false or misleading.

4 63. As a result of the dissemination of the materially false and misleading information
5 and failure to disclose material facts, as set forth above, the market price of CellCyte's shares
6 was artificially inflated during the Class Period. In ignorance of the fact that market prices of
7 CellCyte's shares were artificially inflated, and relying directly or indirectly on the false and
8 misleading statements made by Defendants, or upon the integrity of the market in which the
9 shares trade, and/or on the absence of material adverse information that was known to or
10 recklessly disregarded by Defendants but not disclosed in public statements by Defendants
11 during the Class Period, Plaintiff and the other members of the Class acquired CellCyte shares
12 during the Class Period at artificially high prices and were damaged thereby.

13 64. At the time of said misrepresentations and omissions, Plaintiff and other members
14 of the Class were ignorant of their falsity, and believed them to be true. Had Plaintiff and the
15 other members of the Class and the marketplace known the truth regarding CellCyte, which was
16 not disclosed by Defendants, Plaintiff and other members of the Class would not have purchased
17 or otherwise acquired their CellCyte shares, or, if they had acquired such shares during the Class
18 Period, they would not have done so at the artificially inflated prices which they paid.

19 65. By virtue of the foregoing, Defendants have violated Section 10(b) of the
20 Exchange Act and Rule 10b-5 promulgated thereunder.

21 66. As a direct and proximate result of Defendants' wrongful conduct, Plaintiff and
22 the other members of the Class suffered damages in connection with their respective purchases
23 and sales of the Company's shares during the Class Period.

24 67. This action was filed within two years of discovery of the fraud and within five
25 years of Plaintiff's purchases of securities giving rise to the cause of action.

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COUNT II

Violation of Exchange Act § 20(a) (Against the Individual Defendants)

68. Plaintiff repeats and re-alleges each and every allegation contained above as if fully set forth herein.

69. The Individual Defendants acted as controlling persons of CellCyte within the meaning of § 20(a) of the Exchange Act as alleged herein. By reason of their high-level positions with the Company, and their ownership and contractual rights, participation in, and/or awareness of the Company's operations and/or intimate knowledge of the false statements filed by the Company with the SEC and disseminated to the investing public, the Individual Defendants had the power to influence and control and did influence and control, directly or indirectly, the decision-making of the Company, including the content and dissemination of the various statements which Plaintiff contends are false and misleading. The Individual Defendants were provided with or had unlimited access to copies of the Company's reports, press releases, public filings and other statements alleged by Plaintiff to be misleading prior to and/or shortly after these statements were issued and had the ability to prevent the issuance of the statements or cause the statements to be corrected.

70. In particular, each of these Defendants had direct and supervisory involvement in the day-to-day operations of the Company and, therefore, is presumed to have had the power to control or influence the particular transactions giving rise to the securities violations as alleged herein, and exercised the same.

71. As set forth above, the Individual Defendants each violated § 10(b) and Rule 10b-5 by their acts and omissions as alleged in this Complaint.

72. By reason of such conduct and their positions as controlling persons, the Individual Defendants are liable pursuant to § 20(a) of the Exchange Act.

1 73. As a direct and proximate result of Defendants' wrongful conduct, Plaintiff and the
2 other members of the Class suffered damages in connection with their purchases of the
3 Company's shares during the Class Period.

4 74. This action was filed within two years of discovery of the fraud and within five
5 years of Plaintiff's purchases of securities giving rise to the cause of action.

6 **PRAYER FOR RELIEF**

7 WHEREFORE, Plaintiff prays for relief and judgment, as follows:

8 A. Determining that the instant action may be maintained as a class action under
9 Rule 23 of the Federal Rules of Civil Procedure, designating Plaintiff as a Lead Plaintiff and
10 certifying Plaintiff as a Class Representative, and his counsel as Lead Counsel for the Class;

11 B. Requiring Defendants to pay damages sustained by Plaintiff and the other Class
12 members by reason of the acts and transactions alleged herein, in an amount to be established at
13 trial;

14 C. Awarding Plaintiff and the other members of the class prejudgment and post-
15 judgment interest, as well as their reasonable attorneys' fees, expert fees, and other costs and
16 expenses; and

17 D. Such other and further relief as the Court may deem just and proper.

18 **JURY DEMAND**

19 Pursuant to Rule 38(b) of the Federal Rules of Civil Procedure, Plaintiff hereby demands
20 a trial by jury of all issues that may be so tried.

21 Dated this 1st day of February, 2008.

22 
KELLER ROHRBACK, L.L.P.

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Attorneys for Plaintiff

CERTIFICATION OF PLAINTIFF
PURSUANT TO FEDERAL SECURITIES LAWS

I, Joe M. FRUITT, ("Plaintiff") declare, as to the claims asserted under the federal securities laws, that:

1. I have reviewed a class action complaint asserting securities claims against CellCyte Genetics Corp. ("CCYG"), and wish to join as a plaintiff retaining Cohen, Milstein, Hausfeld & Toll, P.L.L.C. as my counsel.
2. Plaintiff did not purchase the security that is the subject of this action at the direction of plaintiff's counsel or in order to participate in this private action.
3. Plaintiff is willing to serve as a representative party on behalf of the class, including providing testimony at deposition and trial, if necessary.
4. My transactions in CCYG during the Class Period of April 6, 2007 – January 9, 2008 were as follows:

<u>DATE</u>	<u>TRANSACTION (buy/sell)</u>	<u>NO. OF SHARES</u>	<u>PRICE PER SHARE</u>
1/23/07	BUY (\$5,081.25)	800	\$6.22
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

5. During the three years prior to the date of this Certificate, Plaintiff has not sought to serve or served as a representative party for a class in any action under the federal securities laws except as follows:

6. Plaintiff will not accept any payment for serving as a representative party on behalf of the class beyond plaintiff's pro rata share of any recovery, except such reasonable costs and expenses (including lost wages) directly relating to the representation of the class as ordered or approved by the court.

I declare under penalty of perjury that the foregoing true and correct.

Executed this 28 Day of JAN., 2008.

Joe M. Frutt

