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J. [Signature]
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22 UNITED STATES DISTRICT COURT
23 SOUTHERN DISTRICT OF CALIFORNIA

24 BRUCE B. McKAY, Individually and On
25 Behalf of All Others Similarly Situated,

26 Plaintiff,

27 vs.

28 SERACARE LIFE SCIENCES, INC.,
MICHAEL F. CROWLEY, JR., JERRY L.
BURDICK, CRAIG A. HOOSON, BARRY
D. PLOST, and ROBERT J. CRESCI,

Defendants.

Case No.

05CV 2369IEG

WMC

CLASS ACTION COMPLAINT

JURY TRIAL DEMANDED

2

1 Plaintiff alleges the following based upon the investigation of Plaintiff's counsel, which
2 included, among other things, a review of the defendants' public documents, conference calls and
3 announcements made by defendants, United States Securities and Exchange Commission ("SEC")
4 filings, wire and press releases published by and regarding SeraCare Life Sciences, Inc. ("SeraCare"
5 or the "Company") securities analysts' reports and advisories about the Company, and information
6 readily obtainable on the Internet.
7

8 NATURE OF THE ACTION AND OVERVIEW

9
10 1. This is a federal class action on behalf of purchasers of the publicly traded securities
11 of SeraCare between February 9, 2005 and December 19, 2005 (the "Class Period"), seeking to
12 pursue remedies under the Securities Exchange Act of 1934 (the "Exchange Act").

13 2. SeraCare engages in the manufacture and provision of biological products and
14 services for the diagnostic, therapeutic, drug discovery, and research organizations worldwide.

15
16 3. The complaint alleges that defendants' Class Period representations regarding
17 SeraCare's financial statements, business, and prospects were materially false and misleading when
18 made. Specifically, the defendants failed to disclose: (1) that the Company, in violation of its own
19 revenue recognition accounting policies and practices, improperly recognized revenue which served
20 to materially inflate the Company's financial results; (2) that the accounting for and valuation of the
21 Company's inventory was faulty; (3) that the defendants failed to prevent certain board members
22 from exerting undue influence on the Company's financial reporting process and on the audit
23 process; (4) that throughout the Class Period, the timeliness, quality and completeness of the
24 Company's implementation and testing of its internal controls over financial reporting was lacking,
25 such that the Company lacked adequate internal control; and (5) that the Company's financial
26 statements were presented in violation of Generally Accepted Accounting Principles ("GAAP").
27
28

1 4. On December 14, 2005, SeraCare filed a current report on Form 8-K wherein it stated
2 that the Company was unable, without unreasonable effort and expense, to file its annual report on
3 Form 10-K for its fiscal year ended September 30, 2005.
4

5 5. Then, on December 20, 2005, before the market opened, SeraCare shocked the market
6 when it announced an internal review by its Audit Committee. More specifically, the Company
7 stated:

8 SeraCare Life Sciences, Inc. (Nasdaq: SRLS), today announced that the chairman of
9 the Company's audit committee has received a letter from Mayer Hoffman McCann
10 P.C. (MHM), the Company's independent auditors, in which MHM raised concerns
11 with respect to the Company's financial statements, accounting documentation and
12 the ability of MHM to rely on representations of the Company's management.
13 Specifically, the letter sets forth concerns by MHM with respect to:

- 14 * certain of the Company's revenue recognition accounting policies and practices,
- 15 * the accounting for and valuation of the Company's inventory,
- 16 * MHM's perception that certain board members were exerting undue influence on
17 the Company's financial reporting process and on the audit process, and
- 18 * the timeliness, quality and completeness of the Company's implementation and
19 testing of its internal control over financial reporting.

20 The audit committee has reviewed this letter and has determined to conduct an
21 internal review of the concerns raised by MHM in the letter. The audit committee has
22 retained independent legal counsel and accountants to assist it in this review. As the
23 review is in its preliminary stages, the Company is unable at this point to estimate
24 when the audit of its financial statements for fiscal 2005 will be completed or when
25 the corresponding Form 10-K will be filed. The Company expects to release its
26 earnings for its fiscal fourth quarter and year ended September 30, 2005 after the
27 audit committee completes its internal review and the Company's auditors complete
28 their audit of the Company's financial statements.

 In contemplation of the delay in filing its Form 10-K, the Company:

- * has initiated discussions with the lenders under its Credit Facility to obtain a waiver
 of the requirement that it provide the lenders with audited financial statements within
 90 days after the completion of its fiscal year,
- * has sent a notice to its transfer agent and the persons listed as selling security

1 holders under its Registration Statement on Form S-3, alerting such persons that the
2 Company will not be able to timely file its Form 10-K and that accordingly, sales
3 may not be made under the Form S-3 until the Form 10-K has been filed, and

4 * expects to postpone its annual shareholders meeting, previously scheduled for
5 February 9, 2006.

6 In addition, the Company understands that because the Company no longer expects
7 to file its Form 10-K by December 29, 2005, Nasdaq may, in accordance with its
8 rules, initiate delisting proceedings. In such event, an "E" will be appended to the
9 Company's trading symbol during the pendency of delisting proceedings. The
10 Company intends to work with Nasdaq to seek to maintain its status as a Nasdaq
11 National Market company.

12 6. In reaction to this announcement, the price of SeraCare stock fell dramatically, from
13 \$19.30 per share on December 19, 2005 to \$10.04 per share on December 20, 2005, a one-day drop
14 of 47.98 percent on unusually heavy trading volume.

15 JURISDICTION AND VENUE

16 7. The claims asserted herein arise under and pursuant to Sections 10(b) and 20(a) of
17 the Exchange Act, (15 U.S.C. §§ 78j(b) and 78t(a)), and Rule 10b-5 promulgated thereunder (17
18 C.F.R. §240.10b-5).

19 8. This Court has jurisdiction over the subject matter of this action pursuant to §27 of
20 the Exchange Act (15 U.S.C. §78aa) and 28 U.S.C. § 1331.

21 9. Venue is proper in this Judicial District pursuant to §27 of the Exchange Act, 15
22 U.S.C. § 78aa and 28 U.S.C. § 1391(b). Many of the acts and transactions alleged herein, including
23 the preparation and dissemination of materially false and misleading information, occurred in
24 substantial part in this Judicial District. Additionally, the Company maintains a principal executive
25 office in this Judicial District.

26 10. In connection with the acts, conduct and other wrongs alleged in this complaint,
27 defendants, directly or indirectly, used the means and instrumentalities of interstate commerce,
28

1 including but not limited to, the United States mails, interstate telephone communications and the
2 facilities of the national securities exchange.

3
4 **PARTIES**

5 11. Plaintiff, as set forth in the accompanying certification, incorporated by reference
6 herein, purchased SeraCare securities at artificially inflated prices during the Class Period and has
7 been damaged thereby.

8 12. Defendant SeraCare is a California corporation with its principal place of business
9 located at 1935 Avenida del Oro, Suite F, Oceanside, California.

10 13. Defendant Michael F. Crowley, Jr. ("Crowley") was, at all relevant times, the
11 Company's Chief Executive Officer.

12 14. Defendant Jerry L. Burdick ("Burdick") was, the Company's acting Chief Financial
13 Officer until late May 2005.

14 15. Defendant Craig A. Hooson ("Hooson") was, Chief Financial Officer of SeraCare
15 since late May 2005.

16 16. Defendant Barry D. Plost ("Plost") is the Company's Chairman of the Board of
17 Directors. Defendant Plost signed, or authorized the signing of the Company's Registration
18 Statement pursuant to the Secondary Offering which contained the Company's false and misleading
19 financial statements.

20 17. Defendant Robert J. Cresci ("Cresci") is a director of the Company. Defendant Cresci
21 signed, or authorized the signing of the Company's Registration Statement pursuant to the Secondary
22 Offering which contained the Company's false and misleading financial statements.

23 18. Defendants Crowley, Burdick, Hooson, Plost, and Cresci are referred to hereinafter
24 as the "Individual Defendants." The Individual Defendants, because of their positions with the
25
26
27
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1 Company, possessed the power and authority to control the contents of SeraCare's quarterly reports,
2 press releases and presentations to securities analysts, money and portfolio managers and
3 institutional investors, i.e., the market. Each defendant was provided with copies of the Company's
4 reports and press releases alleged herein to be misleading prior to or shortly after their issuance and
5 had the ability and opportunity to prevent their issuance or cause them to be corrected. Because of
6 their positions and access to material non-public information available to them, each of these
7 defendants knew that the adverse facts specified herein had not been disclosed to and were being
8 concealed from the public and that the positive representations which were being made were then
9 materially false and misleading. The Individual Defendants are liable for the false statements
10 pleaded herein, as those statements were each "group-published" information, the result of the
11 collective actions of the Individual Defendants.
12

13
14 **SUBSTANTIVE ALLEGATIONS**

15
16 **Materially False And Misleading
Statements Issued During The Class Period**

17 19. The Class Period commences February 9, 2005. At that time, SeraCare reported
18 financial results for the fiscal 2005 first quarter ended December 31, 2004. More specifically, the
19 Company stated:
20

21 Sales for the fiscal 2005 first quarter increased 161% to \$13.0 million compared with
22 \$5.0 million in the year-ago period. The increase in sales was principally due to
23 contributions from acquisitions completed in fiscal 2004, as well as from organic
24 growth. SeraCare's continued focus on higher margin products increased gross profit
25 to \$5.9 million (45%) from \$1.9 million (38%) in the year-ago period. Selling,
26 general and administrative expenses increased by \$1.2 million, but declined as a
27 percentage of sales to 20% from 26% in the year ago period, underscoring
28 efficiencies being created though the integration of the company's expanded
operations. Income from operations rose over five-fold to \$3.3 million in the first
quarter of fiscal 2005 from \$0.6 million in the year-ago period.

Reflecting acquisition-related borrowings, interest expense rose to \$0.6 million in the

1 FY 2005 first quarter, compared to \$0.02 million a year-ago. Commencing with the
2 FY 2005 first quarter SeraCare's operating results are now taxed at 38%.
3 Accordingly, its FY 2005 first quarter included income tax expense of \$1.0 million,
4 versus an income tax benefit of \$0.2 million in the year-ago period.

5 Despite higher interest expense and income tax provisions, net income for the first
6 quarter of fiscal 2005 more than doubled to \$1,680,000, or \$0.15 per diluted share,
7 as compared with net income of \$767,000, or \$0.09 per diluted share, in the first
8 quarter of fiscal 2004. The Company's weighted average diluted share count
9 increased approximately 24% to 11.0 million in the first quarter of fiscal 2005,
10 compared to 8.9 million in the first quarter of fiscal 2004.

11 Michael F. Crowley, Jr., President and CEO of SeraCare Life Sciences, said, "In the
12 first full quarter following our acquisition of the BBI Diagnostics and BBI Biotech
13 Research Laboratories assets, SeraCare reaped the benefits of our business model and
14 acquisition strategy by achieving record sales, operating income and net income. Our
15 near term focus remains on integrating our new operations, products, facilities and
16 customer relationships. Through this process, which is proceeding on plan, we aim
17 to extract the greatest possible service and product benefits for our customers, while
18 also driving sales, marketing and cost synergies throughout the organization. We
19 continue to seek acquisitions that will be accretive to earnings and fall within our
20 core competencies."

21 SeraCare Reiterates Fiscal 2005 Guidance:

22 Mr. Crowley added, "SeraCare continues to expect sales of approximately \$55-60
23 million, and diluted earnings per share of \$0.65 to \$0.70 for the full fiscal 2005 year."

24 20. Also on February 9, 2005, SeraCare filed its quarterly report with the SEC on Form
25 10-Q. The Company's Form 10-Q was signed and certified by defendants Crowley and Burdick.
26 In addition to repeating and reaffirming the same, or substantially similar, positive statements
27 regarding the Company's financial performance, SeraCare stated:

28 In the opinion of management, the accompanying unaudited financial statements
contain all adjustments (consisting only of normal and recurring accruals) necessary
to present fairly the financial position of SeraCare Life Sciences, Inc. (the
"Company" or "we") as of December 31, 2004 and the results of its operations and
cash flows for the three months ended December 31, 2004 and 2003. These results
have been determined on the basis of accounting principles generally accepted in the
United States of America and applied consistently with those used in the preparation
of the audited financial statements for the fiscal year ended September 30, 2004
included in our Annual Report on Form 10-K filed with the Securities and Exchange

1 Commission.

2 ***

3 CRITICAL ACCOUNTING POLICIES

4 To prepare the financial statements in conformity with accounting principles
5 generally accepted in the United States, management is required to make significant
6 estimates and assumptions that affect the reported amounts of assets and liabilities
7 and disclosure of contingent assets and liabilities at the date of the financial
8 statements and the reported amounts of revenues and expenses during the reporting
9 period. In particular, we provide for estimates regarding revenue recognition, returns,
10 the collectibility of accounts receivable, the net realizable value of our inventory, the
11 recoverability of long-lived assets, as well as our deferred tax asset valuation
12 allowance. On an ongoing basis, we evaluate our estimates based on historical
experience and various other assumptions that we believe to be reasonable under the
circumstances, the results of which form the basis for making judgments about the
carrying values of assets and liabilities that are not readily apparent from other
sources. Future financial results could differ materially from current financial results
based on management's current estimates.

13 Revenue Recognition. We recognize revenue in accordance with SEC Staff
14 Accounting Bulletin No. 104 "Revenue Recognition, Corrected Copy," (SAB 104).
15 SAB 104 requires that four basic criteria be met before revenue can be recognized:
16 (1) pervasive evidence that an arrangement exists; (2) delivery has occurred; (3) the
17 selling price is fixed and determinable; and (4) collectibility is reasonably assured.
18 We record any material up-front payments as deferred revenue in accrued expenses
19 on the balance sheet and recognize revenue upon shipment of the product to the
20 customer and when the four criteria noted above are met.

21 Returns. We will accept return of goods, if prior to returning goods, the purchaser
22 contacts us and requests a Return Authorization Number, clearly stating the reason
23 for the return. Request for replacements or credit must be received within 10 days
24 after shipment. We are not liable for products that become unusable due to improper
25 storage, improper treatment, or expiration. Certain returns are subject to a 15%
26 handling and restocking charge. Biopharmaceutical products will only be accepted
27 with a Return Authorization Number and a letter stating adherence to Prescription
28 Drug Marketing Act Storage Compliance. Items that are nonreturnable include frozen
items, custom orders, products that have been altered in any manner from their
original state or not in their original containers, and biopharmaceutical items for use
by diagnostic customers. Returns are estimated and accrued at the time information
is available.

Accounts receivable. We perform ongoing credit evaluations of our customers and
adjust credit limits based on payment history and the customers' current buying
habits. We monitor collections and payments from our customers and maintain a

1 provision for estimated credit losses based on historical experience and any specific
2 customer collection issues that have been identified.

3 Inventory. Inventory is carried at the lower of cost or market. We review inventory
4 for estimated obsolescence or unmarketable inventory and provide an amount to
5 reduce inventory to its net realizable value based on the assumptions about future
6 demand and market conditions. At the point of the loss recognition, a new, lower-cost
7 basis for that inventory is established, and subsequent changes in facts and
8 circumstances do not result in the restoration or increase in that newly established
9 cost basis. If actual market conditions are less favorable than those conditions
10 assumed by management, additional inventory provisions may be required.

11 21. The Company's February 9, 2005 Form 10-Q also attested to the sufficiency of the
12 Company's controls and procedures, as follows:

13 ITEM 4. CONTROLS AND PROCEDURES

14 As of the end of the fiscal quarter ended December 31, 2004, we carried out an
15 evaluation, under the supervision and with the participation of our Chief Executive
16 Officer and Acting Chief Financial Officer, of the effectiveness of our disclosure
17 controls and procedures, as such term is defined in Rule 13a-15(e) and 15d-15(e)
18 promulgated under the Securities and Exchange Act of 1934, as amended. Based on
19 that evaluation, our Chief Executive Officer and Acting Chief Financial Officer
20 concluded that our disclosure controls and procedures were effective as of December
21 31, 2004 to ensure that information required to be disclosed by us in reports that we
22 file or submit under the Securities and Exchange Act of 1934 is recorded, processed,
23 summarized and reported within the time periods specified in Securities and
24 Exchange Commission rules and forms. There was no change in our internal controls
25 over financial reporting during our quarter ended December 31, 2004 that materially
26 affected, or is reasonably likely to materially affect, our internal controls over
27 financial reporting.

28 22. On May 3, 2005, SeraCare announced revenue and earnings for the fiscal 2005 second
quarter ended March 31, 2005. More specifically, the Company stated:

Sales for the second quarter of 2005 were \$14.8 million. This is an increase of 129%
compared with \$6.5 million in the year-ago period, and an increase of 14% compared
with \$13.0 million in the first quarter of 2005. This increase is the result of the
acquisitions completed in 2004 and organic growth.

Gross profit for the second quarter of 2005 increased 207% to \$6.7 million, or 46%
of sales, from \$2.2 million, or 34% of sales, in the year-ago period, and 14% from
\$5.9 million, or 45% of sales, in the first quarter of 2005. Gross profit increased in

1 the current quarter both as a result of the increase in revenues and the improvement
2 in gross margins resulting from changes in product mix.

3 Operating income for the second quarter of 2005 increased 236% to \$3.8 million
4 from \$1.1 million in the year-ago period, and from \$3.3 million in the first quarter
5 of 2005. The increase in operating income is the result of the increase in revenues as
6 well as the increase in gross profit percentage over the prior year period. Those
7 increases were partially offset by an increase in selling, general and administrative
8 expenses, reflecting an expansion of sales and marketing activities resulting from the
9 2004 acquisitions as well as increased auditing, legal and other professional fees
10 associated with public company reporting and related requirements.

11 Net income for the second quarter of 2005 increased 126% to \$2.0 million from \$0.9
12 million in the year ago period, and 18% from \$1.7 million in the first quarter of 2005,
13 despite an increase in interest expense resulting from borrowings to fund the 2004
14 acquisitions and a tax rate of 38% in the second quarter of 2005 as compared to a
15 19% tax rate in the year-ago period, and a 38% tax rate in the first quarter of 2005.

16 Diluted earnings per share for the second quarter of 2005 was \$0.18 as compared to
17 \$0.10, in the year-ago period and \$0.15 in the first quarter of 2005, based on
18 fully-diluted shares of 11.0 million, 9.1 million and 11.0 million, respectively.

19 SeraCare Updates Fiscal 2005 Guidance:

20 Michael F. Crowley, Jr., President and Chief Executive Officer of SeraCare Life
21 Sciences, Inc., said, "SeraCare had previously reported its expectation of sales of
22 approximately \$55-60 million, and diluted earnings per share of \$0.65 to \$0.70 for
23 the full fiscal 2005 year. Reflecting SeraCare's performance over the first two
24 quarters of fiscal 2005, SeraCare now expects that its sales and diluted earnings per
25 share will be at the upper end of that range."

26 23. On May 5, 2005, SeraCare filed its quarterly report with the SEC on Form 10-Q. The
27 Company's Form 10-Q was signed and certified by defendants Crowley and Burdick. In addition
28 to repeating and reaffirming the same, or substantially similar, positive statements regarding the
Company's financial performance, SeraCare stated:

In the opinion of management, the accompanying unaudited financial statements
contain all adjustments (consisting only of normal and recurring accruals) necessary
to present fairly the financial position of SeraCare Life Sciences, Inc. (the
"Company" or "we") as of March 31, 2005, the results of its operations for the three
and six months ended March 31, 2005 and 2004, and cash flows for the six months
ended March 31, 2005 and 2004. These results have been determined on the basis of

1 accounting principles generally accepted in the United States of America and applied
2 consistently with those used in the preparation of the audited financial statements for
3 the fiscal year ended September 30, 2004 included in our Annual Report on Form
10-K filed with the Securities and Exchange Commission.

4 ***

5 CRITICAL ACCOUNTING POLICIES

6 To prepare the financial statements in conformity with accounting principles
7 generally accepted in the United States, management is required to make significant
8 estimates and assumptions that affect the reported amounts of assets and liabilities
9 and disclosure of contingent assets and liabilities at the date of the financial
10 statements and the reported amounts of revenues and expenses during the reporting
11 period. In particular, we provide for estimates regarding revenue recognition, returns,
12 the collectibility of accounts receivable, the net realizable value of our inventory, the
13 recoverability of long-lived assets, as well as our deferred tax asset valuation
14 allowance. On an ongoing basis, we evaluate our estimates based on historical
experience and various other assumptions that we believe to be reasonable under the
circumstances, the results of which form the basis for making judgments about the
carrying values of assets and liabilities that are not readily apparent from other
sources. Future financial results could differ materially from current financial results
based on management's current estimates.

15 Revenue Recognition. We recognize revenue in accordance with SEC Staff
16 Accounting Bulletin No. 104 "Revenue Recognition, Corrected Copy," (SAB 104).
17 SAB 104 requires that four basic criteria be met before revenue can be recognized:
18 (1) pervasive evidence that an arrangement exists; (2) delivery has occurred; (3) the
19 selling price is fixed and determinable; and (4) collectibility is reasonably assured.
We record any material up-front payments as deferred revenue in accrued expenses
on the balance sheet and recognize revenue upon shipment of the product to the
customer and when the four criteria noted above are met.

20 Returns. We will accept return of goods, if prior to returning goods, the purchaser
21 contacts us and requests a Return Authorization Number, clearly stating the reason
22 for the return. Request for replacements or credit must be received within 10 days
23 after shipment. We are not liable for products that become unusable due to improper
24 storage, improper treatment, or expiration. Certain returns are subject to a 15%
25 handling and restocking charge. Biopharmaceutical products will only be accepted
26 with a Return Authorization Number and a letter stating adherence to Prescription
27 Drug Marketing Act Storage Compliance. Items that are nonreturnable include frozen
28 items, custom orders, products that have been altered in any manner from their
original state or not in their original containers, and biopharmaceutical items for use
by diagnostic customers. Returns are estimated and accrued at the time information
is available.

1 Accounts receivable. We perform ongoing credit evaluations of our customers and
2 adjust credit limits based on payment history and the customers' current buying
3 habits. We monitor collections and payments from our customers and maintain a
4 provision for estimated credit losses based on historical experience and any specific
customer collection issues that have been identified.

5 Inventory. Inventory is carried at the lower of cost or market. We review inventory
6 for estimated obsolescence or unmarketable inventory and provide an amount to
7 reduce inventory to its net realizable value based on the assumptions about future
8 demand and market conditions. At the point of the loss recognition, a new, lower-cost
9 basis for that inventory is established, and subsequent changes in facts and
circumstances do not result in the restoration or increase in that newly established
cost basis. If actual market conditions are less favorable than those conditions
assumed by management, additional inventory provisions may be required.

10 24. The Company's May 5, 2005 Form 10-Q also attested to the sufficiency of the
11 Company's controls and procedures, as follows:

12 ITEM 4. CONTROLS AND PROCEDURES

13
14 As of the end of the fiscal quarter ended December 31, 2004, we carried out an
15 evaluation, under the supervision and with the participation of our Chief Executive
16 Officer and Acting Chief Financial Officer, of the effectiveness of our disclosure
17 controls and procedures, as such term is defined in Rule 13a-15(e) and 15d-15(e)
18 promulgated under the Securities and Exchange Act of 1934, as amended. Based on
19 that evaluation, our Chief Executive Officer and Acting Chief Financial Officer
20 concluded that our disclosure controls and procedures were effective as of December
21 31, 2004 to ensure that information required to be disclosed by us in reports that we
22 file or submit under the Securities and Exchange Act of 1934 is recorded, processed,
summarized and reported within the time periods specified in Securities and
Exchange Commission rules and forms. There was no change in our internal controls
over financial reporting during our quarter ended December 31, 2004 that materially
affected, or is reasonably likely to materially affect, our internal controls over
financial reporting.

23 25. On May 24, 2005, the Company filed its Prospectus/Registration Statement pursuant
24 to its offering of 3.5 million shares of its stock. This included 3.024 million shares sold by the
25 Company, 200,000 shares by defendant Plost and 276,000 shares by defendant Cresci. The
26 Company, Plost and Cresci also offered an additional 525,000 shares as part of an over-allotment,
27 which were also sold. Thus, SeraCare sold 3,477,600 shares for gross proceeds of \$42.6 million and
28

1 defendant Plost sold 230,000 shares for gross proceeds of \$2.81 million. Defendant Cresci sold at
2 least 276,000 shares for gross proceeds of \$3.38 million. The Prospectus included the Company's
3 fiscal 2004 financial statements and also included the Company's second quarter fiscal 2005
4 financial results, for which the Prospectus stated:
5

6 Net sales totaled \$11.4 million and \$27.8 million for the six months ended March 31,
7 2004 and 2005, respectively. Net income for the six months ended March 31, 2004
8 totaled \$1.6 million versus net income of \$3.7 million for the six months ended
9 March 31, 2005. Net sales totaled \$23.2 million and \$28.4 million for the years ended
10 September 30, 2003 and 2004, respectively. Net income for the year ended
11 September 30, 2003 totaled \$2.6 million versus net income of \$4.2 million for the
12 year ended September 30, 2004. The increase in net sales for the six months ended
13 March 31, 2005 was principally due to contributions from acquisitions completed in
14 the second half of 2004, as well as from internal growth.

15 26. On August 10, 2005, SeraCare reported financial results for the fiscal 2005 third
16 quarter ended June 30, 2005. More specifically, the Company stated:
17

18 Sales for the fiscal 2005 third quarter increased 123% to \$14.2 million compared
19 with \$6.4 million in the year-ago period. This \$7.8 million increase in sales for the
20 three months ended June 30, 2005 is primarily the result of acquisitions completed
21 in 2004, as well as organic growth.

22 The company's gross profit for its fiscal 2005 third quarter increased to \$6.7 million,
23 or 47% of sales from \$2.4 million, or 38% of sales in the year- ago period. The
24 increase in gross profit is a result of improved margins generated by a shift in product
25 mix in both the biopharmaceutical and diagnostic segments, primarily as a result of
26 the acquisitions completed in 2004.

27 Net income for the third quarter of fiscal 2005 increased 114% to \$1.9 million, or
28 \$0.16 per diluted share, as compared to net income of \$0.9 million, or \$0.10 per
diluted share, in the third quarter of fiscal 2004, despite an increase in interest
expense resulting from borrowings to fund the 2004 acquisitions and a tax rate of
38% in the third quarter as compared to a 22.9% tax rate in the year ago period. The
Company's weighted average diluted share count increased approximately 30% to
12.2 million in the third quarter of fiscal 2005, compared to 9.4 million in the third
quarter of fiscal 2004.

Michael F. Crowley, Jr., President and Chief Executive Officer of SeraCare Life
Sciences, said, "The third quarter was an important quarter for the Company. We
showed significant improvement in operating results reflecting the progress made in

1 the integration of the acquisitions completed in 2004. Also, during our third quarter,
2 we completed a public offering of our common stock, raising gross proceeds of \$42.6
3 million, which allowed us to pay-down our revolving credit line by \$9.6 million and
has provided a cash resource for our pursuit of acquisition opportunities.”

4 27. Also on August 10, 2005, SeraCare filed its quarterly report with the SEC on Form
5 10-Q. The Company’s Form 10-Q was signed and certified by defendants Crowley and Hooson. In
6 addition to repeating and reaffirming the same, or substantially similar, positive statements regarding
7 the Company’s financial performance, SeraCare stated:
8

9 In the opinion of management, the accompanying unaudited financial statements
10 contain all adjustments (consisting only of normal and recurring accruals) necessary
11 to present fairly the financial position of SeraCare Life Sciences, Inc. (the
12 “Company” or “we”) as of June 30, 2005, the results of its operations for the three
13 and nine month periods ended June 30, 2005 and 2004, and cash flows for the nine
14 month periods ended June 30, 2005 and 2004. These results have been determined
15 on the basis of accounting principles generally accepted in the United States of
America and applied consistently with those used in the preparation of the audited
16 financial statements for the fiscal year ended September 30, 2004 included in our
Annual Report on Form 10-K filed with the Securities and Exchange Commission.

17 ***

18 CRITICAL ACCOUNTING POLICIES

19 To prepare the financial statements in conformity with accounting principles
20 generally accepted in the United States, management is required to make significant
21 estimates and assumptions that affect the reported amounts of assets and liabilities
22 and disclosure of contingent assets and liabilities at the date of the financial
23 statements and the reported amounts of revenues and expenses during the reporting
24 period. In particular, we provide for estimates regarding revenue recognition, returns,
25 the collectibility of accounts receivable, the net realizable value of our inventory, the
recoverability of long-lived assets, as well as our deferred tax asset valuation
allowance. On an ongoing basis, we evaluate our estimates based on historical
26 experience and various other assumptions that we believe to be reasonable under the
27 circumstances, the results of which form the basis for making judgments about the
28 carrying values of assets and liabilities that are not readily apparent from other
sources. Future financial results could differ materially from current financial results
based on management’s current estimates.

Revenue Recognition. We recognize revenue in accordance with SEC Staff
Accounting Bulletin No. 104 “Revenue Recognition, Corrected Copy,” (SAB 104).
SAB 104 requires that four basic criteria be met before revenue can be recognized:

1 (1) pervasive evidence that an arrangement exists; (2) delivery has occurred; (3) the
2 selling price is fixed and determinable; and (4) collectibility is reasonably assured.
3 We record any material up-front payments as deferred revenue in accrued expenses
4 on the balance sheet and recognize revenue upon shipment of the product to the
5 customer and when the four criteria noted above are met.

6 Returns. We will accept return of goods, if prior to returning goods, the purchaser
7 contacts us and requests a Return Authorization Number, clearly stating the reason
8 for the return. Request for replacements or credit must be received within 10 days
9 after shipment. We are not liable for products that become unusable due to improper
10 storage, improper treatment, or expiration. Certain returns are subject to a 15%
11 handling and restocking charge. Biopharmaceutical products will only be accepted
12 with a Return Authorization Number and a letter stating adherence to Prescription
13 Drug Marketing Act Storage Compliance. Items that are nonreturnable include frozen
14 items, custom orders, products that have been altered in any manner from their
15 original state or not in their original containers, and biopharmaceutical items for use
16 by diagnostic customers. Returns are estimated and accrued at the time information
17 is available.

18 Accounts receivable. We perform ongoing credit evaluations of our customers and
19 adjust credit limits based on payment history and the customers' current buying
20 habits. We monitor collections and payments from our customers and maintain a
21 provision for estimated credit losses based on historical experience and any specific
22 customer collection issues that have been identified.

23 Inventory. Inventory is carried at the lower of cost or market. We review inventory
24 for estimated obsolescence or unmarketable inventory and provide an amount to
25 reduce inventory to its net realizable value based on the assumptions about future
26 demand and market conditions. At the point of the loss recognition, a new, lower-cost
27 basis for that inventory is established, and subsequent changes in facts and
28 circumstances do not result in the restoration or increase in that newly established
cost basis. If actual market conditions are less favorable than those conditions
assumed by management, additional inventory provisions may be required.

28. The Company's August 10, 2005 Form 10-Q also attested to the sufficiency of the

Company's controls and procedures, as follows:

ITEM 4. CONTROLS AND PROCEDURES

As of the end of the fiscal quarter ended December 31, 2004, we carried out an
evaluation, under the supervision and with the participation of our Chief Executive
Officer and Acting Chief Financial Officer, of the effectiveness of our disclosure
controls and procedures, as such term is defined in Rule 13a-15(e) and 15d-15(e)
promulgated under the Securities and Exchange Act of 1934, as amended. Based on

1 that evaluation, our Chief Executive Officer and Acting Chief Financial Officer
2 concluded that our disclosure controls and procedures were effective as of December
3 31, 2004 to ensure that information required to be disclosed by us in reports that we
4 file or submit under the Securities and Exchange Act of 1934 is recorded, processed,
5 summarized and reported within the time periods specified in Securities and
6 Exchange Commission rules and forms. There was no change in our internal controls
over financial reporting during our quarter ended December 31, 2004 that materially
affected, or is reasonably likely to materially affect, our internal controls over
financial reporting.

7 29. The statements contained in ¶¶ 19-28 were materially false and misleading when
8 made because defendants failed to disclose or indicate the following: (1) that the Company, in
9 violation of its own revenue recognition accounting policies and practices, improperly recognized
10 revenue which served to materially inflate the Company's financial results; (2) that the accounting
11 for and valuation of the Company's inventory was faulty; (3) that the defendants failed to prevent
12 certain board members from exerting undue influence on the Company's financial reporting process
13 and on the audit process; (4) that throughout the Class Period, the timeliness, quality and
14 completeness of the Company's implementation and testing of its internal controls; and (5) that the
15 Company's financial statements were presented in violation of GAAP.
16
17

18 The Truth Begins to Emerge

19 30. On August 25, 2005, SeraCare announced that it had appointed Mayer Hoffman
20 McCann P.C. as its new Independent Registered Public Accounting Firm, replacing KPMG LLP,
21 whom the Company dismissed effective August 22, 2005.
22

23 31. On October 5, 2005, SeraCare announced a substantial addition to its credit facility.
24 More specifically, the defendants stated:

25 SeraCare Life Sciences, Inc. has entered into an amendment to its Revolving/Term
26 Credit and Security Agreement with Brown Brothers Harriman & Co. and Union
27 Bank of California, N.A.

28 The amendment allows for a substantial increase in the aggregate revolving loan

1 commitment by \$15,000,000 from \$10,000,000 to \$25,000,000. Additionally it adds
2 a swing line facility in the amount of \$2,000,000 and makes certain other
3 modifications to the agreement.

4 Michael F. Crowley, Jr., President and CEO of SeraCare Life Sciences, said,

5 “We are pleased that our financial partners, Brown Brothers Harriman and Union
6 Bank, have shown this commitment in SeraCare through an expansion of our credit
7 agreement.”

8 Craig A. Hooson, SeraCare’s CFO added, “This gives us the financial flexibility to
9 further our growth, organically and through acquisition, so that we can continue to
10 implement our business plan in an opportunistic manner.”

11 32. The statement contained in ¶ 31 was materially false and misleading for the reasons
12 stated in ¶ 29, *supra*.

13 33. On December 14, 2005, SeraCare filed a current report on Form 8-K wherein it stated
14 that the Company was unable, without unreasonable effort and expense, to file its annual report on
15 Form 10-K for its fiscal year ended September 30, 2005.

16 34. Then on December 20, 2005, before the market opened, SeraCare shocked the market
17 when it announced an internal review by its Audit Committee. More specifically, the Company
18 stated:

19 SeraCare Life Sciences, Inc. (Nasdaq: SRLS), today announced that the chairman of
20 the Company’s audit committee has received a letter from Mayer Hoffman McCann
21 P.C. (MHM), the Company’s independent auditors, in which MHM raised concerns
22 with respect to the Company’s financial statements, accounting documentation and
23 the ability of MHM to rely on representations of the Company’s management.
24 Specifically, the letter sets forth concerns by MHM with respect to:

- 25 * certain of the Company’s revenue recognition accounting policies and practices,
- 26 * the accounting for and valuation of the Company’s inventory,
- 27 * MHM’s perception that certain board members were exerting undue influence on
28 the Company’s financial reporting process and on the audit process, and
- * the timeliness, quality and completeness of the Company’s implementation and

1 testing of its internal control over financial reporting.

2 The audit committee has reviewed this letter and has determined to conduct an
3 internal review of the concerns raised by MHM in the letter. The audit committee has
4 retained independent legal counsel and accountants to assist it in this review. As the
5 review is in its preliminary stages, the Company is unable at this point to estimate
6 when the audit of its financial statements for fiscal 2005 will be completed or when
7 the corresponding Form 10-K will be filed. The Company expects to release its
8 earnings for its fiscal fourth quarter and year ended September 30, 2005 after the
9 audit committee completes its internal review and the Company's auditors complete
10 their audit of the Company's financial statements.

11 In contemplation of the delay in filing its Form 10-K, the Company:

12 * has initiated discussions with the lenders under its Credit Facility to obtain a waiver
13 of the requirement that it provide the lenders with audited financial statements within
14 90 days after the completion of its fiscal year,

15 * has sent a notice to its transfer agent and the persons listed as selling security
16 holders under its Registration Statement on Form S-3, alerting such persons that the
17 Company will not be able to timely file its Form 10-K and that accordingly, sales
18 may not be made under the Form S-3 until the Form 10-K has been filed, and

19 * expects to postpone its annual shareholders meeting, previously scheduled for
20 February 9, 2006.

21 In addition, the Company understands that because the Company no longer expects
22 to file its Form 10-K by December 29, 2005, Nasdaq may, in accordance with its
23 rules, initiate delisting proceedings. In such event, an "E" will be appended to the
24 Company's trading symbol during the pendency of delisting proceedings. The
25 Company intends to work with Nasdaq to seek to maintain its status as a Nasdaq
26 National Market company.

27 35. In reaction to this announcement, the price of SeraCare stock fell dramatically, from
28 \$19.30 per share on December 19, 2005 to \$10.04 per share on December 20, 2005, a one-day drop
of 47.98 percent on unusually heavy trading volume.

**DEFENDANTS' VIOLATION OF GAAP RULES
IN ITS QUARTERLY AND ANNUAL REPORTS FILED WITH THE SEC**

36. These financial statements and the statements about the Company's financial results
were false and misleading, as such financial information was not prepared in conformity with GAAP,

1 nor was the financial information a fair presentation of the Company's operations due to the
2 Company's improper accounting for and disclosure about its revenues, in violation of GAAP and
3 SEC rules.
4

5 37. GAAP are those principles recognized by the accounting profession as the
6 conventions, rules and procedures necessary to define accepted accounting practice at a particular
7 time. Regulation S-X (17 C.F.R. §210.4-01(a)(1)) states that financial statements filed with the SEC
8 which are not prepared in compliance with GAAP are presumed to be misleading and inaccurate.
9 Regulation S-X requires that interim financial statements must also comply with GAAP, with the
10 exception that interim financial statements need not include disclosure which would be duplicative
11 of disclosures accompanying annual financial statements. 17 C.F.R. §210.10-01(a).
12

13 38. Given these accounting irregularities, the Company announced financial results that
14 were in violation of GAAP and the following principles:
15

16 (a) The principle that "interim financial reporting should be based upon the same
17 accounting principles and practices used to prepare annual financial statements" was violated (APB
18 No. 28, ¶10);
19

20 (b) The principle that "financial reporting should provide information that is useful to
21 present to potential investors and creditors and other users in making rational investment, credit, and
22 similar decisions" was violated (FASB Statement of Concepts No. 1, ¶34);
23

24 (c) The principle that "financial reporting should provide information about the economic
25 resources of an enterprise, the claims to those resources, and effects of transactions, events, and
26 circumstances that change resources and claims to those resources" was violated (FASB Statement
27 of Concepts No. 1, ¶40);
28

(d) The principle that "financial reporting should provide information about an

1 enterprise's financial performance during a period" was violated (FASB Statement of Concepts No.
2 1, ¶42);

3 (e) The principle that "completeness, meaning that nothing is left out of the information
4 that may be necessary to insure that it validly represents underlying events and conditions" was
5 violated (FASB Statement of Concepts No. 2, ¶79);

6 (f) The principle that "financial reporting should be reliable in that it represents what it
7 purports to represent" was violated (FASB Statement of Concepts No. 2, ¶¶58-59); and

8 (g) The principle that "conservatism be used as a prudent reaction to uncertainty to try
9 to ensure that uncertainties and risks inherent in business situations are adequately considered" was
10 violated. (FASB Statement of Concepts No. 2, ¶95).

11 39. The adverse information concealed by defendants during the Class Period and
12 detailed above was in violation of Item 303 of Regulation S-K under the federal securities law (17
13 C.F.R. 229.303).

14 **PLAINTIFF'S CLASS ACTION ALLEGATIONS**

15 40. Plaintiff brings this action as a class action pursuant to Federal Rule of Civil
16 Procedure 23(a) and (b)(3) on behalf of a Class, consisting of all those who purchased the securities
17 of SeraCare between February 9, 2005 and December 19, 2005, inclusive (the "Class Period") and
18 who were damaged thereby. Excluded from the Class are defendants, the officers and directors of
19 the Company, at all relevant times, members of their immediate families and their legal repre-
20 sentatives, heirs, successors or assigns and any entity in which defendants have or had a controlling
21 interest.

22 41. The members of the Class are so numerous that joinder of all members is imprac-
23 ticable. Throughout the Class Period, SeraCare's securities were actively traded on the NASDAQ.
24
25
26
27
28

1 While the exact number of Class members is unknown to Plaintiff at this time and can only be
2 ascertained through appropriate discovery, Plaintiff believes that there are hundreds or thousands of
3 members in the proposed Class. Record owners and other members of the Class may be identified
4 from records maintained by SeraCare or its transfer agent and may be notified of the pendency of this
5 action by mail, using the form of notice similar to that customarily used in securities class actions.
6

7 42. Plaintiff's claims are typical of the claims of the members of the Class as all members
8 of the Class are similarly affected by defendants' wrongful conduct in violation of federal law that
9 is complained of herein.
10

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

13 44. 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:
16

17 (a) whether the federal securities laws were violated by defendants' acts as alleged
18 herein;

19 (b) whether statements made by defendants to the investing public during the Class
20 Period misrepresented material facts about the business, operations and management
21 of SeraCare; and
22

23 (c) to what extent the members of the Class have sustained damages and the proper
24 measure of damages.

25 45. A class action is superior to all other available methods for the fair and efficient
26 adjudication of this controversy since joinder of all members is impracticable. Furthermore, as the
27
28

1 damages suffered by individual Class members may be relatively small, the expense and burden of
2 individual litigation make it impossible for members of the Class to individually redress the wrongs
3 done to them. There will be no difficulty in the management of this action as a class action.
4

5 **UNDISCLOSED ADVERSE FACTS**

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

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

20 48. 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 SeraCare's business, prospects and operations. These material misstatements and
25 omissions had the cause and effect of creating in the market an unrealistically positive assessment
26 of SeraCare and its business, prospects and operations, thus causing the Company's securities to be
27
28

1 overvalued and artificially inflated at all relevant times. Defendants' materially false and misleading
2 statements during the Class Period resulted in Plaintiff and other members of the Class purchasing
3 the Company's securities at artificially inflated prices, thus causing the damages complained of
4 herein.
5

6 LOSS CAUSATION

7 49. Defendants' wrongful conduct, as alleged herein, directly and proximately caused the
8 economic loss suffered by Plaintiff and the Class.
9

10 50. During the Class Period, Plaintiff and the Class purchased securities of SeraCare at
11 artificially inflated prices and were damaged thereby. The price of SeraCare common stock declined
12 when the misrepresentations made to the market, and/or the information alleged herein to have been
13 concealed from the market, and/or the effects thereof, were revealed, causing investors' losses.
14

15 ADDITIONAL SCIENTER ALLEGATIONS

16 51. As alleged herein, defendants acted with scienter in that defendants knew that the
17 public documents and statements issued or disseminated in the name of the Company were
18 materially false and misleading; knew that such statements or documents would be issued or
19 disseminated to the investing public; and knowingly and substantially participated or acquiesced in
20 the issuance or dissemination of such statements or documents as primary violations of the federal
21 securities laws. As set forth elsewhere herein in detail, defendants, by virtue of their receipt of
22 information reflecting the true facts regarding SeraCare, their control over, and/or receipt and/or
23 modification of SeraCare's allegedly materially misleading misstatements and/or their associations
24 with the Company which made them privy to confidential proprietary information concerning
25 SeraCare, participated in the fraudulent scheme alleged herein.
26

27 52. Defendants knew and/or recklessly disregarded the falsity and misleading nature of
28

1 the information which they caused to be disseminated to the investing public. The ongoing
 2 fraudulent scheme described in this complaint could not have been perpetrated over a substantial
 3 period of time, as has occurred, without the knowledge and complicity of the personnel at the highest
 4 level of the Company, including the Individual Defendants.
 5

6 53. Moreover, defendants were able to complete a public offering of 4,025,000 shares
 7 of its common stock at a public offering price of \$12.25 per share. 3,477,600 shares were sold by the
 8 company and 547,400 shares were sold by certain selling shareholders. Additionally, defendant Plost
 9 sold 230,000 shares of his SeraCare stock in the Secondary Offering for gross proceeds of \$2.81
 10 million. Defendant Cresci sold at least 276,000 shares of his SeraCare stock in the Secondary
 11 Offering for gross proceeds of \$3.381 million.
 12

13 54. Moreover, the Company was able to enter into a substantial addition to its credit
 14 facility during the Class Period.
 15

16 55. In addition, defendant Crowley, with the Company's stock trading at artificially
 17 inflated prices, disposed of 100,000 shares of stock, as described below:

18 NAME	DATE	SHARES/PRICE	GROSS PROCEEDS
19 Michael F. Crowley, Jr.	09/15/2005	15,000 @ \$17.588	\$263,820.00
	09/20/2005	15,000 @ \$17.818	\$267,270.00
	09/27/2005	15,000 @ \$17.450	\$261,750.00
	10/04/2005	15,000 @ \$17.724	\$265,860.00
	10/11/2005	15,000 @ \$17.747	\$266,205.00
	10/18/2005	15,000 @ \$17.473	\$262,095.00
	10/25/2005	10,000 @ \$18.724	\$187,240.00
		Total Shares Sold: 100,000	Total Gross Proceeds: \$1,774,240.00

26 **Applicability Of Presumption Of Reliance:**
 27 **Fraud-On-The-Market Doctrine**

28 56. At all relevant times, the market for SeraCare securities was an efficient market for

1 the following reasons, among others:

2 (a) SeraCare stock met the requirements for listing, and was listed and actively traded
3 on the NASDAQ, a highly efficient and automated market;

4 (b) As a regulated issuer, SeraCare filed periodic public reports with the SEC and
5 the NASDAQ;

6 (c) SeraCare regularly communicated with public investors via established market
7 communication mechanisms, including through regular disseminations of press
8 releases on the national circuits of major newswire services and through other wide-
9 ranging public disclosures, such as communications with the financial press and other
10 similar reporting services; and

11 (d) SeraCare was followed by several securities analysts employed by major
12 brokerage firms who wrote reports which were distributed to the sales force and
13 certain customers of their respective brokerage firms. Each of these reports was
14 publicly available and entered the public marketplace.

15
16
17
18 57. As a result of the foregoing, the market for SeraCare securities promptly digested
19 current information regarding SeraCare from all publicly-available sources and reflected such
20 information in SeraCare stock price. Under these circumstances, all purchasers of SeraCare securities
21 during the Class Period suffered similar injury through their purchase of SeraCare securities at
22 artificially inflated prices and a presumption of reliance applies.

23
24 **NO SAFE HARBOR**

25 58. The statutory safe harbor provided for forward-looking statements under certain
26 circumstances does not apply to any of the allegedly false statements pleaded in this complaint.
27 Many of the specific statements pleaded herein were not identified as "forward-looking statements"
28

1 when made. To the extent there were any forward-looking statements, there were no meaningful
2 cautionary statements identifying important factors that could cause actual results to differ
3 materially from those in the purportedly forward-looking statements. Alternatively, to the extent that
4 the statutory safe harbor does apply to any forward-looking statements pleaded herein, defendants
5 are liable for those false forward-looking statements because at the time each of those forward-
6 looking statements was made, the particular speaker knew that the particular forward-looking
7 statement was false, and/or the forward-looking statement was authorized and/or approved by an
8 executive officer of SeraCare who knew that those statements were false when made.
9
10

11 **FIRST CLAIM**
12 **Violation Of Section 10(b) Of**
13 **The Exchange Act And Rule 10b-5**
14 **Promulgated Thereunder Against All Defendants**

15 59. Plaintiff repeats and realleges each and every allegation contained above as if fully
16 set forth herein.

17 60. During the Class Period, defendants carried out a plan, scheme and course of conduct
18 which was intended to and, throughout the Class Period, did: (i) deceive the investing public,
19 including Plaintiff and other Class members, as alleged herein; and (ii) cause Plaintiff and other
20 members of the Class to purchase SeraCare securities at artificially inflated prices. In furtherance
21 of this unlawful scheme, plan and course of conduct, defendants, and each of them, took the actions
22 set forth herein.

23 61. Defendants (a) employed devices, schemes, and artifices to defraud; (b) made untrue
24 statements of material fact and/or omitted to state material facts necessary to make the statements
25 not misleading; and (c) engaged in acts, practices, and a course of business which operated as a fraud
26 and deceit upon the purchasers of the Company's securities in an effort to maintain artificially high
27
28

1 market prices for SeraCare securities in violation of Section 10(b) of the Exchange Act and Rule
2 10b-5. All defendants are sued either as primary participants in the wrongful and illegal conduct
3 charged herein or as controlling persons as alleged below.
4

5 62. Defendants, individually and in concert, directly and indirectly, by the use, means or
6 instrumentalities of interstate commerce and/or of the mails, engaged and participated in a
7 continuous course of conduct to conceal adverse material information about the business, operations
8 and future prospects of SeraCare as specified herein.
9

10 63. These defendants employed devices, schemes and artifices to defraud, while in
11 possession of material adverse non-public information and engaged in acts, practices, and a course
12 of conduct as alleged herein in an effort to assure investors of SeraCare value and performance and
13 continued substantial growth, which included the making of, or the participation in the making of,
14 untrue statements of material facts and omitting to state material facts necessary in order to make the
15 statements made about SeraCare and its business operations and future prospects in the light of the
16 circumstances under which they were made, not misleading, as set forth more particularly herein,
17 and engaged in transactions, practices and a course of business which operated as a fraud and deceit
18 upon the purchasers of SeraCare securities during the Class Period.
19

20 64. Each of the Individual Defendants' primary liability, and controlling person liability,
21 arises from the following facts: (i) the Individual Defendants were high-level executives and/or
22 directors at the Company during the Class Period and members of the Company's management team
23 or had control thereof; (ii) each of these defendants, by virtue of his responsibilities and activities
24 as a senior officer and/or director of the Company was privy to and participated in the creation,
25 development and reporting of the Company's internal budgets, plans, projections and/or reports;
26 (iii) each of these defendants enjoyed significant personal contact and familiarity with the other
27
28

1 defendants and was advised of and had access to other members of the Company's management
2 team, internal reports and other data and information about the Company's finances, operations, and
3 sales at all relevant times; and (iv) each of these defendants was aware of the Company's
4 dissemination of information to the investing public which they knew or recklessly disregarded was
5 materially false and misleading.
6

7 65. The defendants had actual knowledge of the misrepresentations and omissions of
8 material facts set forth herein, or acted with reckless disregard for the truth in that they failed to
9 ascertain and to disclose such facts, even though such facts were available to them. Such defendants'
10 material misrepresentations and/or omissions were done knowingly or recklessly and for the purpose
11 and effect of concealing SeraCare's operating condition and future business prospects from the
12 investing public and supporting the artificially inflated price of its securities. As demonstrated by
13 defendants' overstatements and misstatements of the Company's business, operations and earnings
14 throughout the Class Period, defendants, if they did not have actual knowledge of the
15 misrepresentations and omissions alleged, were reckless in failing to obtain such knowledge by
16 deliberately refraining from taking those steps necessary to discover whether those statements were
17 false or misleading.
18
19

20 66. As a result of the dissemination of the materially false and misleading information
21 and failure to disclose material facts, as set forth above, the market price of SeraCare securities was
22 artificially inflated during the Class Period. In ignorance of the fact that market prices of SeraCare's
23 publicly-traded securities were artificially inflated, and relying directly or indirectly on the false and
24 misleading statements made by defendants, or upon the integrity of the market in which the securities
25 trades, and/or on the absence of material adverse information that was known to or recklessly
26 disregarded by defendants but not disclosed in public statements by defendants during the Class
27
28

1 Period, Plaintiff and the other members of the Class acquired SeraCare securities during the Class
2 Period at artificially high prices and were damaged thereby.

3
4 67. At the time of said misrepresentations and omissions, Plaintiff and other members
5 of the Class were ignorant of their falsity, and believed them to be true. Had Plaintiff and the other
6 members of the Class and the marketplace known the truth regarding the problems that SeraCare was
7 experiencing, which were not disclosed by defendants, Plaintiff and other members of the Class
8 would not have purchased or otherwise acquired their SeraCare securities, or, if they had acquired
9 such securities during the Class Period, they would not have done so at the artificially inflated prices
10 which they paid.
11

12 68. By virtue of the foregoing, defendants have violated Section 10(b) of the Exchange
13 Act, and Rule 10b-5 promulgated thereunder.

14 69. As a direct and proximate result of defendants' wrongful conduct, Plaintiff and the
15 other members of the Class suffered damages in connection with their respective purchases and sales
16 of the Company's securities during the Class Period.
17

18 **SECOND CLAIM**
19 **Violation Of Section 20(a) Of**
20 **The Exchange Act Against the Individual Defendants**

21 70. Plaintiff repeats and realleges each and every allegation contained above as if fully
22 set forth herein.

23 71. The Individual Defendants acted as controlling persons of SeraCare within the
24 meaning of Section 20(a) of the Exchange Act as alleged herein. By virtue of their high-level
25 positions, and their ownership and contractual rights, participation in and/or awareness of the
26 Company's operations and/or intimate knowledge of the false financial statements filed by the
27 Company with the SEC and disseminated to the investing public, the Individual Defendants had the
28

1 power to influence and control and did influence and control, directly or indirectly, the decision-
2 making of the Company, including the content and dissemination of the various statements which
3 Plaintiff contends are false and misleading. The Individual Defendants were provided with or had
4 unlimited access to copies of the Company's reports, press releases, public filings and other
5 statements alleged by Plaintiff to be misleading prior to and/or shortly after these statements were
6 issued and had the ability to prevent the issuance of the statements or cause the statements to be
7 corrected.
8

9
10 72. In particular, each of these defendants had direct and supervisory involvement in the
11 day-to-day operations of the Company and, therefore, is presumed to have had the power to control
12 or influence the particular transactions giving rise to the securities violations as alleged herein, and
13 exercised the same.

14
15 73. As set forth above, SeraCare and the Individual Defendants each violated Section
16 10(b) and Rule 10b-5 by their acts and omissions as alleged in this Complaint. By virtue of their
17 positions as controlling persons, the Individual Defendants are liable pursuant to Section 20(a) of
18 the Exchange Act. As a direct and proximate result of defendants' wrongful conduct, Plaintiff and
19 other members of the Class suffered damages in connection with their purchases of the Company's
20 securities during the Class Period.
21

22 **WHEREFORE**, Plaintiff prays for relief and judgment, as follows:

23 (a) Determining that this action is a proper class action, designating Plaintiff as Lead
24 Plaintiff and certifying Plaintiff as a class representative under Rule 23 of the Federal Rules of Civil
25 Procedure and Plaintiff's counsel as Lead Counsel;

26 (b) Awarding compensatory damages in favor of Plaintiff and the other Class
27 members against all defendants, jointly and severally, for all damages sustained as a result of
28

1 defendants' wrongdoing, in an amount to be proven at trial, including interest thereon;

2 (c) Awarding Plaintiff and the Class their reasonable costs and expenses incurred in
3 this action, including counsel fees and expert fees; and
4

5 (d) Such other and further relief as the Court may deem just and proper.

6 **JURY TRIAL DEMANDED**

7 Plaintiff hereby demands a trial by jury.

8 Dated: December 28, 2005

Respectfully submitted,

9 **GLANCY BINKOW & GOLDBERG LLP**

10
11 By: 

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21 **POMERANTZ HAUDEK BLOCK**

GROSSMAN & GROSS LLP

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26 **Attorneys for Plaintiff**

**CERTIFICATION OF NAMED PLAINTIFF
PURSUANT TO FEDERAL SECURITIES LAWS**

I, Bruce B. McKay, ("Plaintiff") declare the following claims asserted under the federal securities laws, that:

1. Plaintiff has reviewed the complaint and authorized its filing. Plaintiff retains the Law Offices of Bruce G. Murphy, P.C. and such co-counsel it deems appropriate to associate with to pursue such action on a contingent fee basis.

2. Plaintiff did not acquire the securities that are the subject of this action at the direction of plaintiff's counsel or in order to participate in this private action or any other litigation under the federal securities laws.

3. Plaintiff is willing to serve as a Named and/or Lead Plaintiff either individually or as a representative party on behalf of the class, including providing testimony at deposition and trial, if necessary.

4. Plaintiff has made the following transaction(s) during the Class Period in the securities that are the subject of this action:

No. of Shares	Securities Symbol	Buy/Sell	Date	Price Per Share
<u>50</u>	<u>SRLS</u>	<u>Buy</u>	<u>12/16/2005</u>	<u>21.96</u>
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____

Please list other transactions on a separate sheet of paper, if necessary.

These securities were acquired or held in (check all that apply): General (non-retirement account) Merger/acquisition/distribution Gift IRA Employer-sponsored plan (401k, 403b, etc.)

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 an action filed under the federal securities laws except as detailed below:

none

6. The Plaintiff will not accept any payment for serving as a representative party on behalf of the class beyond the 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 is true and correct.

Executed this 28 day of December, 2005.

Bruce B. McKay
Signature

Bruce B. McKay
Print Name

CIVIL COVER SHEET

The JS-44 civil cover sheet and the information contained herein neither replace nor supplement the filing and service of pleadings or other papers as required by law, except as provided by local rules of court. This form, approved by the Judicial Conference of the United States in September 1974, is required for the use of the Clerk of Court for the purpose of initiating the civil docket sheet. (SEE INSTRUCTIONS ON THE SECOND PAGE OF THIS FORM.)

FILED

I (a) PLAINTIFFS

Bruce B. McKay, Individually and On Behalf of All Others Similarly Situated, RIVERSIDE

(b) COUNTY OF RESIDENCE OF FIRST LISTED PLAINTIFF (EXCEPT IN U.S. PLAINTIFF CASES)

DEFENDANTS

SeraCare Life Sciences Inc, Michael F. Crowley, Jr., Jerry L. Burdick, Craig A. Hooson, Barry D. Plosts and Robert J. Cresci

COUNTY OF RESIDENCE OF FIRST LISTED DEFENDANT (IN U.S. PLAINTIFF CASES ONLY)

NOTE: IN LAND CONDEMNATION CASES, USE THE LOCATION OF THE TRACT OF LAND INVOLVED

(c) ATTORNEYS (FIRM NAME, ADDRESS, AND TELEPHONE NUMBER)

Lionel Z. Glancy, Glancy Binkow & Goldberg LLP, 1801 Ave of the Stars #311, LA, CA 90067 (310) 201-9150

ATTORNEYS (IF KNOWN)

05CV 2369 IEG WMC

II. BASIS OF JURISDICTION (PLACE AN X IN ONE BOX ONLY)

- 1 U.S. Government Plaintiff, 2 U.S. Government Defendant, Federal Question (U.S. Government Not a Party), Diversity (Indicate Citizenship of Parties in Item III)

III. CITIZENSHIP OF PRINCIPAL PARTIES (PLACE AN X IN ONE BOX FOR PLAINTIFF AND ONE BOX FOR DEFENDANT)

Table with columns for Plaintiff and Defendant citizenship options: Citizen of This State, Citizen of Another State, Citizen or Subject of a Foreign Country, Incorporated or Principal Place of Business in This State, Incorporated and Principal Place of Business in Another State, Foreign Nation.

IV. CAUSE OF ACTION (CITE THE US CIVIL STATUTE UNDER WHICH YOU ARE FILING AND WRITE A BRIEF STATEMENT OF CAUSE. DO NOT CITE JURISDICTIONAL STATUTES UNLESS DIVERSITY).

Securities Exchange Act of 1934.

28:1331 SV JMC

V. NATURE OF SUIT (PLACE AN X IN ONE BOX ONLY)

Large table with columns: CONTRACT, REAL PROPERTY, PERSONAL INJURY, CIVIL RIGHTS, TORTS, PRISONER PETITIONS, FORFEITURE/PENALTY, LABOR, BANKRUPTCY, SOCIAL SECURITY, FEDERAL TAX SUITS, OTHER STATUTES.

VI. ORIGIN (PLACE AN X IN ONE BOX ONLY)

- Original Proceeding, Removal from State Court, Remanded from Appellate Court, Reinstated or Recopened, Transferred from another district (specify), Multidistrict Litigation, Appeal to District Judge from Magistrate Judgment

VII. REQUESTED IN COMPLAINT:

CHECK IF THIS IS A CLASS ACTION UNDER f.r.c.p. 23

DEMAND \$ 0

JURY DEMAND: YES X NO

VIII. RELATED CASE(S) IF ANY (See Instructions):

JUDGE

Docket Number

DATE

12/28/05

SIGNATURE OF ATTORNEY OF RECORD

[Signature]

Handwritten notes: PD \$250.00 12/29/05 #119893 VB