

UNITED STATES DISTRICT COURT
FOR THE WESTERN DISTRICT OF TENNESSEE

James Miles, On Behalf of Himself and All
Others Similarly Situated,

Plaintiff,

vs.

ACCREDO HEALTH, INC., DAVID STEVENS,
JOHN GROW and JOEL KIMBROUGH,

Defendants.

No.

CLASS ACTION COMPLAINT

JURY TRIAL DEMANDED

Plaintiff, by his attorneys, as and for his Class Action Complaint, alleges the following upon personal knowledge as to himself and his acts and as to all other matters upon information and belief based upon, inter alia, the investigation made by and through his attorneys, including a review of the public filings of Accredo Health, Inc. ("Accredo Health " or the "Company") with the Securities and Exchange Commission ("SEC"), published reports and news articles.

JURISDICTION AND VENUE

1. This Court has jurisdiction over the subject matter of this action pursuant to Section 27 of the Securities Exchange Act of 1934 (the "Exchange Act"), 15.U.S.C. §78aa and 28 U.S.C. §1331. The claims asserted herein arise under Sections 10 (b) and 20 (a) of the Exchange Act, 15 U.S.C. §78j (b) and §78t (a), and Rule 10b-5, 17 C.F.R. §240.10b-5, promulgated thereunder by the SEC.

2. Venue is proper in this judicial district pursuant to Section 27 of the Exchange Act and 28 U.S.C. §1391(b). Many of the acts and transactions giving rise to the violations of law complained of herein, including the preparation and dissemination to

the investing public of false and misleading information, occurred in this judicial district. In addition, defendant Accredo Health maintains executive offices in this judicial district.

3. In connection with the acts, conduct and other wrongs alleged in this Complaint, defendants, directly and indirectly, used the means and instrumentalities of interstate commerce, including the mails, telephone communications and the facilities of national securities exchanges.

SUMMARY OF THE ACTION

4. This is a securities class action on behalf of public investors who purchased Accredo Health common stock (the "Class") between June 16, 2002 and April 7, 2003, inclusive (the "Class Period").

5. Accredo Health is a Delaware corporation headquartered at 1640 Century Center Parkway, Suite 101, Memphis, Tennessee 38134, providing specialized pharmacy services, clinical services, reimbursement services and delivery services. On June 12, 2002, Accredo Health announced that its shareholders approved the acquisition of the Specialty Pharmaceutical Services ("SPS") Division of Gentiva Health Services, Inc. ("Gentiva")

6. During the Class Period, defendants perpetrated a scheme to artificially inflate Accredo Health's stock price by issuing a series of materially false and misleading financial statements and press releases that it was reporting record results inclusive of Gentiva when in fact it was failing to timely record an impairment in the value of certain receivables that it had acquired in the Gentiva acquisition.

THE PARTIES

7. Plaintiff James Miles purchased Accredo Health publicly traded securities as detailed in the attached Certification and was damaged thereby.

8. Defendant Accredo Health is a provider of specialized pharmacy services in the United States. Its services include specialized pharmacy services, clinical services, reimbursement services and delivery services.

9. Defendant David D. Stevens (“Stevens”) has served as Chief Executive Officer of Accredo Health since it was acquired from LeBonheur Health Systems Inc. (LHS) in 1996 and has served as a Director of Accredo Health since June 1997. Defendant Stevens signed the 2002 10-K.

10. Defendant John R. Grow (“Grow”) has served as President of Accredo Health since it was acquired from LHS in 1996 and has served as a Director of Accredo Health since June 1997. Defendant Grow signed the 2002 10-K.

11. Defendant Joel R. Kimbrough (“Kimbrough”) has served as Senior Vice President and Chief Financial Officer and Treasurer of Accredo Health since it was acquired from LHS in 1996. Defendant Kimbrough signed the 2002 10-K and the 10-Q for the first quarter ended September 30, 2002.

12. Defendants Stevens, Grow and Kimbrough are sometimes referred to herein as the “Individual Defendants.”

13. During the Class Period while in possession of undisclosed material information, the Individual Defendants sold substantial amounts of Accredo Health stock at artificially inflated prices reaping millions of dollars of profits. On or about August 28, 2002, defendant Stevens sold 60,000 shares of Accredo Health common stock for more than \$3,018,000. At the same time, defendant Kimbrough, on or about August 28, 2002, sold 22,500 shares of Accredo Health common stock for more than \$1 million. On or about November 7,

2002, defendant Grow sold 30,000 shares of Accredo Health common stock for more than \$1,671,600.

14. Because of the Individual Defendants' positions with the Company, they had access to the adverse undisclosed information about the Company's business, operations, operational trends, financial statements, markets and present and future business prospects via access to internal corporate documents (including the Company's operating plans, budgets and forecasts and reports of actual operations compared thereto), conversations and contacts with other corporate officers and employees, attendance at management and Board of Directors meeting and committees thereof and via reports and other information provided to them in connection therewith.

15. It is appropriate to treat the Individual Defendants as a group for pleading purposes and to presume that the false, misleading and incomplete information conveyed in the Company's public filings, press releases and other publications as alleged herein are the collective actions of the narrowly defined group of defendants identified above. Each of the above officers/directors of Accredo Health, by virtue of their high-level positions with the Company, directly participated in the management of the Company, was directly involved in the day-to-day operations of the Company at the highest levels and was privy to confidential proprietary information concerning the Company and its business, operations, growth, financial statements, and financial condition, as alleged herein. Said defendants were involved in drafting, producing, reviewing and/or disseminating the false and misleading statements and information alleged herein, were aware, or recklessly disregarded, that the false and misleading statements were being issued concerning the Company, and approved or ratified these statements, in violation of the federal securities laws.

16. As officers and controlling persons of a publicly held company whose common stock was, and is, registered with the SEC pursuant to the Exchange Act, and was traded on the NASDAQ National Market (“NASDAQ”), and governed by the provisions of the federal securities laws, the Individual Defendants each had a duty to promptly disseminate accurate and truthful information with respect to the Company's financial condition and performance, growth, operations, financial statements, business, markets, management, earnings and present and future business prospects, and to correct any previously issued statements that had become materially misleading or untrue, so that the market price of the Company's publicly traded securities would be based upon truthful and accurate information. The Individual Defendants' misrepresentations and omissions during the Class Period violated these specific requirements and obligations.

17. The Individual Defendants participated in the drafting, preparation, and/or approval of the various public and shareholder and investor reports and other communications complained of herein and were aware of, or recklessly disregarded, the misstatements contained therein and omissions therefrom, and were aware of their materially false and misleading nature. Because of their Board membership and/or executive and managerial positions with Accredo Health, each of the Individual Defendants had access to the adverse undisclosed information about Accredo Health's business prospects and financial condition and performance as particularized herein. Defendants knew (or recklessly disregarded) that these adverse facts rendered the positive representations, made by or about Accredo Health and its business issued or adopted by the Company, materially false and misleading.

18. The Individual Defendants, because of their positions of control and authority as officers and/or directors of the Company, were able to and did control the content of the various SEC filings, press releases and other public statements pertaining to the Company which were

made during the Class Period. Each Individual Defendant was provided with copies of the documents alleged herein to be misleading prior to or shortly after their issuance and/or had the ability and/or opportunity to prevent their issuance or cause them to be corrected. Accordingly, each of the Individual Defendants is responsible for the accuracy of the public reports and releases detailed herein and is therefore primarily liable for the representations contained therein.

19. Each of the defendants is liable as a participant in a fraudulent scheme and course of business that operated as a fraud or deceit on purchasers of Accredo Health common stock by disseminating materially false and misleading statements and/or concealing material adverse facts. The scheme deceived the investing public regarding Accredo Health's business, operations, management and the intrinsic value of Accredo Health common stock and caused plaintiff and other members of the Class to purchase Accredo Health securities at artificially inflated prices.

20. Each of the Individual Defendants and Accredo Health is liable in that each of them inflated the price of Accredo Health stock by making false and misleading statements and omitting material adverse information. The defendants' wrongful course of business (i) artificially inflated the price of Accredo Health's stock during the Class Period; (ii) falsely induced the investing public, including plaintiff and other Class members, into acquiring Accredo Health's securities at artificially inflated prices; and (iii) permitted Accredo Health to grow and benefit economically from the wrongful course of conduct.

CLASS ACTION ALLEGATIONS

21. Plaintiff brings this case as a class action pursuant to Rule 23 of the Federal Rules of Civil Procedure, on behalf of himself and all other persons who purchased or otherwise acquired Accredo Health publicly traded securities (the "Class") on the open market between

June 16, 2002 and April 7, 2003, inclusive (the “Class Period”). Excluded from the Class are the defendants, Accredo Health’s officers and directors, members of the immediate families of the Individual Defendants, and any affiliates or entities in which any of the defendants has a controlling interest, and the legal representatives, heirs, successors, predecessors in interest, or assigns of any of the defendants.

22. The members of the Class are so numerous that joinder of all members is impracticable. The disposition of their claims in a class action will provide substantial benefits to the parties and the Court.

23. There is a well-defined community of interest in the questions of law and fact involved in this case. Questions of law and fact common to the members of the Class which predominate over questions which may affect individual Class members include:

- (a) Whether the 1934 Act was violated by defendants;
- (b) Whether defendants omitted and/or misrepresented material facts;
- (c) Whether defendants' statements omitted material facts necessary to make the statements made, in light of the circumstances under which they were made, not misleading; and
- (d) Whether defendants knew or recklessly disregarded that their statements were false and misleading.

24. Plaintiff’s claims are typical of the claims of the members of the Class as all members of the Class are similarly affected by defendants’ wrongful conduct in violation of federal law that is complained of herein.

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

26. A class action is superior to all available methods for the fair and efficient adjudication of this controversy since joinder of all members is impracticable. Further, as the damages suffered by individual Class members may be relatively small, the expense and burden of individual litigation make it impossible for members of the Class to individually redress the wrongs done to them. There will be no difficulty in the management of this action as a class action.

SUBSTANTIVE ALLEGATIONS

25. Accredo Health and its two wholly owned subsidiaries, Hemophilia Health Services, Inc. and Nova Factor, Inc., provide specialized contract pharmacy and related services pursuant to agreements with biopharmaceutical drug manufacturers relating to the treatment of patients with certain costly, chronic diseases. The Company's services include collection of timely drug utilization and patient compliance information, patient education and monitoring through the use of written materials and telephonic consultation, reimbursement expertise and overnight drug delivery.

26. On May 13, 2002, Accredo Health announced that the SEC had declared effective its pending acquisition of the Specialty Pharmaceutical Services ("SPS") division of Gentiva, pending shareholder approval of both companies.

27. Gentiva's SPS division includes the distribution of all eight of the major product lines distributed by Accredo Health. In addition, Accredo Health announced that it will add eight Gentiva products as new Accredo Health product lines.

28. In the May 13, 2002, press release disseminated by Accredo Health, the Company announced that the SPS division of Gentiva recorded \$739 million in revenues for its calendar year 2001 and that Accredo Health intended to retain

approximately 75 percent of those revenues and the acquisition would be immediately accretive to earnings.

29. In June 2002, Accredo Health issued record estimates for the fiscal year ended June 30, 2003, including the results of the SPS division of Gentiva. Subsequently in April 2003, the Company announced that it would be lowering those estimates due to the inadequacy of reserves of the accounts receivable that it acquired in the Gentiva acquisition.

Defendants' Misleading Statements and Material Omissions During The Class Period

30. Subsequently, on June 12, 2002, Accredo Health announced that its shareholders approved the acquisition of the SPS division of Gentiva and that the acquisition had closed. On June 16, 2002, Accredo Health announced that it was updating its financial estimates for fiscal year 2003 because its previously announced financial estimates did not include estimated results from the operation of the SPS division. With the inclusion of the SPS division's estimated results, Accredo Health's revenues for fiscal 2003 were projected to be in the range of \$1.45 billion to 1.5 billion up from the previous estimates of \$760,000,000 to \$780,000,000.

31. Also on June 16, 2002, defendant Stevens stated:

We are extremely excited about the increased strategic and financial value this acquisition has created for Accredo Health Health. The addition of Gentiva's employees, payor contracts, new products and pharmaceutical manufacturer relationships to Accredo Health's current operations substantially improve our market position. We believe this acquisition positions Accredo Health as the premier biopharmaceutical specialty pharmacy provider in the United States.

32. At the same time, defendant Kimbrough stated:

We are excited about the financial outlook for the combined companies and the immediate accretive value of the acquisition. The acquisition of

the SPS division should create broader revenue diversification, higher gross profit margin percentages and increased cash provided from operations for the Company. Assuming a continuing consistent supply of hemophilia and IVIG products, we are also increasing our estimate of gross profit margin to a range of 19 to 20 percent from the previous range of 16 to 17 percent. The estimates for fiscal 2003 assume no new indications for current product lines, new product launches or future acquisitions.

33. In a press release dated August 26, 2002, Accredo Health announced its results for the quarter and fiscal year ended June 30, 2002, including the SPS division of Gentiva. Revenues for the quarter increased 51 percent to \$188,242,000 compared to \$124,413,000 for the same period in fiscal 2001. For the year, revenues increased 41 percent to \$653,573,000 compared to \$462,140,000 in fiscal 2001. The Company also confirmed its previous estimate for fiscal year 2003.

34. In that same press release, defendant Stevens said: “ We are very pleased with the record revenue and earnings achieved in the fourth quarter as we again exceeded our estimates. . . . The [SPS] division immediately began contributing to our results on June 14, adding approximately \$1.3 million net income in the June quarter.”

35. Also in the August 26, 2002, press release, defendant Kimbrough stated that: “we are confirming our previously announced FY 2003 estimates. We estimate that for our fiscal year ending June 30, 2003, we will achieve revenues in the \$1,450,000,000 to \$1,500,000,000 range and earnings per share of \$1.87 to \$1.97.”

36. On September 30, 2002, the Company filed its Form 10-K for its fiscal year ended June 30, 2002 (“2002 10-K”), signed by the Individual Defendants, in which it repeated the financial results as set forth in the Company’s Press Release dated August 26, 2002. In addition, the September 30, 2002 Form 10-K represented that the Company's financial statements were prepared in accordance with GAAP.

37. The statements set forth above were each materially false and misleading when made as they misrepresented and/or omitted the following adverse facts which then existed and the disclosure of which was necessary to make the statements not false and/or misleading, including, but not limited to, the reported 2002 revenue and net income were artificially inflated because of the deteriorating quality of the Company's receivables that it acquired as part of the acquisition of the SPS division of Gentiva and the failure to timely record an impairment in the value of those impaired accounts receivables. Defendants knew or should have known that the accounts receivables acquired were impaired and uncollectible. The Company's financial statements failed to reflect this impairment, through charges against income, as required by GAAP. In this regard, defendants caused the Company to improperly carry uncollectible receivables as valuable assets on its financial statements in contravention of GAAP, thereby inflating the Company's financial results.

38. On November 4, 2002, Accredo Health disseminated a press release that reported record results for its first quarter ended September 30, 2002. The Company announced that its net earnings increased 138 percent to \$13,970,000 or \$0.43 per diluted share for the quarter ended September 30, 2002, compared to \$5,877,000, or \$0.22 per diluted share, for the same period in fiscal 2002 and that its revenues for the quarter increased 154 percent to \$321,765,000 compared to \$126,648,000 for the same period in fiscal 2002.

39. In the November 4, 2002 press release, defendant Stevens was quoted as saying: "The results generated by the SPS acquisition continue to exceed our expectations."

40. On November 14, 2002, the Company filed its Form 10-Q for the first quarter ended September 30, 2002 ("1Q 2003 10-Q"), signed by defendant Kimbrough, in which it repeated the financial results as set forth in the Company's Press Release dated November 4, 2002. In addition, the November 14, 2002 Form 10-Q represented that the Company's financial statements were prepared in accordance with GAAP.

41. The statements set forth above were each materially false and misleading when made as they misrepresented and/or omitted the following adverse facts which then existed and the disclosure of which was necessary to make the statements not false and/or misleading, including, but not limited to, the reported 2002 revenue and net income were artificially inflated because of the deteriorating quality of the Company's receivables that it acquired as part of the acquisition of the SPS division of Gentiva and the failure to timely record an impairment in the value of those impaired accounts receivables. Defendants knew or should have known that the accounts receivables acquired were impaired and uncollectible. The Company's financial statements failed to reflect this impairment, through charges against income, as required by GAAP. In this regard, defendants caused the Company to improperly carry uncollectible receivables as valuable assets on its financial statements in contravention of GAAP, thereby inflating the Company's financial results.

42. On February 3, 2003, Accredo Health disseminated a press release reporting its results for the second quarter ended December 31, 2002. Net earnings increased 136% to \$17,049,000 or \$0.35 per diluted share, for the quarter ended December 31, 2002, compared to \$7,217,000 or \$0.18 per diluted share for the same period in fiscal 2002. Revenues for the quarter increased 127% to \$364,402,000 compared to \$160,186,000 for the same period in fiscal 2002.

43. Also in that February 3, 2003 press release, the Company announced that it was lowering its previous guidance of the fiscal year ending June 30, 2003 to achieve revenues in the \$1.40 to 1.45 billion range as opposed to the \$1.45 to 1.50 billion guidance previously provided. The company cited lowered anticipated sales for MedImmune Inc.'s Synagis treatment for infant lung infections and Biogen Inc.'s Avonex drug for multiple sclerosis.

44. The statements set forth above were each materially false and misleading when made as they misrepresented and/or omitted the following adverse facts which then existed and the disclosure of which was necessary to make the statements not false and/or misleading, including, but not limited to, the reported 2002 revenue and net income were artificially inflated because of the deteriorating quality of the Company's receivables that it acquired as part of the acquisition of the SPS division of Gentiva and the failure to timely record an impairment in the value of those impaired accounts receivables. Defendants knew or should have known that the accounts receivables acquired were impaired and uncollectible. The Company's financial statements failed to reflect this impairment, through charges against income, as required by GAAP. In this regard, defendants caused the Company to improperly carry uncollectible receivables as valuable assets on its financial statements in contravention of GAAP, thereby inflating the Company's financial results.

The Truth Revealed

45. On April 8, 2003, Accredo Health disseminated a press release in which it announced that it was revising its previously announced fiscal year 2003 revenue estimate of a range of \$1.4 billion to a range of \$1.35 billion to \$1.37 billion and its previously announced fiscal year 2003 earnings per share estimate of a range of \$1.33

to \$1.38 to a range of \$1.20 to \$1.25 per share based on its preliminary results from its fiscal third quarter ending March 31, 2003.

46. The Company also announced that it is examining the adequacy of the reserves of the accounts receivable that it acquired in June 2002 as part of its purchase of the SPS division of Gentiva and that it is in discussions with Gentiva management and Accredo Health's external auditors concerning the adequacy of the reserves.

47. Further, the Company reported that this review could result in an adjustment to the purchase price recorded by the Company or in a charge against the Company's fiscal 2003 earnings. The revised estimates did not take into account any potential results of this review.

48. As a result of this announcement, Accredo Health's shares closed on April 8, 2003 at \$14.29, down \$11.11, or 43.7% from the previous days closing price.

49. Despite defendants' representations to the contrary, Accredo Health's financial statements during the Class Period failed to comply with GAAP.

50. GAAP encompass the rules, conventions and practices recognized and employed by the accounting profession for the preparation of financial statements. Statements of Financial Accounting Standards ("FAS") are promulgated by the profession's Financial Accounting Standards Board, and are considered the highest authority of GAAP. Other authoritative pronouncements include Accounting Principles Board Opinions ("APB") and Statements of Position of the American Institute of Certified Public Accountants ("SOP"). Financial statements filed in any documents with the Securities and Exchange Commission are required by Regulation S-X (17 CFR 210.4-01(a)(1)) to conform to GAAP. Accredo Health's financial

statements which were included in the public filings were not prepared in accordance with GAAP for, inter alia, the following reasons:

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

(b) The principle that financial reporting should provide information about the economic resources of an enterprise, the claims to those resources, and the effects of transactions, events, and circumstances that change resources and claims to those resources (FASB Statement of Concepts No. 1, ¶40);

(c) The principle that financial reporting should provide information about how management of an enterprise has discharged its stewardship responsibility to owners (stockholders) for the use of enterprise resources entrusted to it. To the extent that management offers securities of the enterprise to the public, it voluntarily accepts wider responsibilities for accountability to prospective investors and to the public in general (FASB Statement Concepts No. 1, ¶50);

(d) The principle that financial reporting should provide information about an enterprise's financial performance during a certain time period. Investors and creditors often use information about the past to help in assessing the prospects of an enterprise. Thus, although investment and credit decisions reflect investors' expectations about future enterprise performance, those expectations are commonly based at least partly on evaluations of past enterprise performance (FASB Statement of Concepts No. 1, ¶42);

(e) The principle that financial reporting should be reliable in that it represents what it purports to represent. That information should be reliable as well as relevant is a notion that is central to accounting (FASB Statement of Concepts No. 58-59);

(f) The principle of completeness, which means that nothing is left out of the information that may be necessary to insure that it validly represents underlying events and conditions (FASB Statement of Concepts No. 2, ¶79); and

(g) The principle that conservatism be used as a prudent reaction to uncertainty to try to ensure that uncertainties and risks inherent in business situations are adequately considered. The best way to avoid injury to investors is to try to ensure that what is reported represents what it purports to represent (FASB Statement of Concepts No. 2, ¶95, 97).

51. The reports, releases and statements set forth above were materially false and misleading because, throughout the Class Period, each defendant herein knew or recklessly disregarded that Accredo Health's true financial stability and liabilities were not as represented, because in order to produce the appearance of prospering performance and financial results, defendants had to, and did resort to violation of GAAP. As a result of these false and misleading statements, the Company's shares were trading at artificially inflated prices causing damage to the Plaintiff and the class when the truth was finally revealed.

52. Throughout Class Period, the defendants disseminated press releases, financial statements and reports that falsely portrayed Accredo Health's artificially inflated earnings and revenue, in violation of GAAP. These documents contained untrue statements of material fact, and omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading, as set forth above.

SCIENTER ALLEGATIONS

53. As alleged herein, defendants acted with scienter in that defendants knew that the public documents and statements issued or disseminated in the name of the Company were materially false and misleading; knew that such statements or documents would be issued or disseminated to the investing public; and knowingly and substantially participated or acquiesced in the issuance or dissemination of such statements or documents and thereby committed primary violations of the federal securities laws. As set forth elsewhere herein in detail, defendants, by virtue of their receipt of information reflecting the true facts regarding Accredo Health, their control over, and/or receipt and/or modification of Accredo Health's allegedly materially misleading misstatements and/or their associations with the Company which made them privy to confidential proprietary information concerning Accredo Health, participated in the fraudulent scheme alleged herein.

Applicability Of Presumption Of Reliance: Fraud-On-The-Market Doctrine

54. At all relevant times, the market for Accredo Health's securities was an efficient market for the following reasons, among others:

(a) Accredo Health's stock met the requirements for listing, and was listed and actively traded on the NASDAQ, a highly efficient and liquid market;

(b) As a regulated issuer, Accredo Health filed periodic public reports with the SEC and the NASD;

(c) Accredo Health regularly communicated with public investors via established market communication mechanisms, including through regular disseminations of press releases on the national circuits of major newswire services and through other wide-

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

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

55. As a result of the foregoing, the market for Accredo Health's securities promptly digested current information regarding Accredo Health from all publicly available sources and reflected such information in Accredo Health's stock price. Under these circumstances, all purchasers of Accredo Health's securities during the Class Period suffered similar injury through their purchase of Accredo Health's securities at artificially inflated prices and a presumption of reliance applies.

NO SAFE HARBOR

56. The statutory safe harbor provided for forward-looking statements under certain circumstances does not apply to any of the allegedly false statements pleaded in this complaint. Many of the specific statements pleaded herein were not identified as "forward-looking statements" when made. To the extent there were any forward-looking statements, there were no meaningful cautionary statements identifying important factors that could cause actual results to differ materially from those in the purportedly forward-looking statements. Alternatively, to the extent that the statutory safe harbor does apply to any forward-looking statements pleaded herein, defendants are liable for those false forward-looking statements because at the time each of those forward-looking statements was made, the particular speaker knew that the particular forward-looking statement was false, and/or the forward-looking statement was authorized

and/or approved by an executive officer of AstroPower who knew that those statements were false when made.

COUNT I

VIOLATIONS OF SECTION 10(b) OF THE EXCHANGE ACT AND RULE 10b-5 PROMULGATED THEREUNDER AGAINST ALL DEFENDANTS

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

58. During the Class Period, defendants disseminated or approved the false statements specified above, which they knew or recklessly disregarded were materially false and misleading in that they contained material misrepresentations and failed to disclose material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading.

59. Defendants violated §10(b) of the 1934 Act and Rule 10b-5 in that they:

(a) Employed devices, schemes and artifices to defraud;

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

(c) Engaged in acts, practices and a course of business that operated as a fraud or deceit upon plaintiff and others similarly situated in connection with their purchases of Accredo Health publicly traded securities during the Class Period.

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

maintain artificially high market prices for Accredo Health's securities in violation of Section 10(b) of the Exchange Act and Rule 10b-5. All defendants are sued either as primary participants in the wrongful and illegal conduct charged herein or as controlling persons as alleged below.

61. Defendants, individually and in concert, directly and indirectly, by the use, means or instrumentalities of interstate commerce and/or of the mails, engaged and participated in a continuous course of conduct to conceal adverse material information about the business, operations and future prospects of Accredo Health as specified herein.

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

63. Each of the Individual Defendants' primary liability, and controlling person liability, arises from the following facts: (i) the Individual Defendants were high-level executives and/or directors at the Company during the Class Period and members of the Company's management team or had control thereof; (ii) each of these defendants, by virtue of his responsibilities and activities as a senior officer and/or director of the Company was privy to and

participated in the creation, development and reporting of the Company's internal budgets, plans, projections and/or reports; (iii) each of these defendants enjoyed significant personal contact and familiarity with the other defendants and was advised of and had access to other members of the Company's management team, internal reports and other data and information about the Company's finances, operations, and sales at all relevant times; and (iv) each of these defendants was aware of the Company's dissemination of information to the investing public which they knew or recklessly disregarded was materially false and misleading.

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

65. As a result of the dissemination of the materially false and misleading information and failure to disclose material facts, as set forth above, the market price of Accredo Health's securities was artificially inflated during the Class Period. In ignorance of the fact that market prices of Accredo Health's publicly traded securities were artificially inflated, and relying directly or indirectly on the false and misleading statements made by defendants, or upon the

integrity of the market in which the securities trade, and/or on the absence of material adverse information that was known to or recklessly disregarded by defendants but not disclosed in public statements by defendants during the Class Period, plaintiff and the other members of the Class acquired Accredo Health securities during the Class Period at artificially high prices and were damaged thereby.

66. At the time of said misrepresentations and omissions, plaintiff and other members of the Class were ignorant of their falsity, and believed them to be true. Had plaintiff and the other members of the Class and the marketplace known the truth regarding the problems that Accredo Health was experiencing, which were not disclosed by defendants, plaintiff and other members of the Class would not have purchased or otherwise acquired their Accredo Health securities, or, if they had acquired such securities during the Class Period, they would not have done so at the artificially inflated prices which they paid.

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

68. As a direct and proximate result of defendants' wrongful conduct, plaintiff and the other members of the Class suffered damages in connection with their respective purchases and sales of the Company's securities during the Class Period.

COUNT II

VIOLATION OF SECTION 20(a) OF THE EXCHANGE ACT AGAINST THE INDIVIDUAL DEFENDANTS

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

70. The executive officers of Accredo Health prepared, or were responsible for preparing, the Company's press releases and SEC filings. The Individual Defendants controlled

other employees of Accredo Health. Accredo Health controlled the Individual Defendants and each of its officers, executives and all of its employees. By reason of such conduct, defendants are liable pursuant to §20(a) of the 1934 Act.

71. The Individual Defendants acted as controlling persons of Accredo Health within the meaning of Section 20(a) of the Exchange Act as alleged herein. By virtue of their high-level positions, participation in and/or awareness of the Company's operations and/or intimate knowledge of the false financial 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.

72. 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.

73. As set forth above, Accredo Health and the Individual Defendants each violated Section 10(b) and Rule 10b-5 by their acts and omissions as alleged in this Complaint. By virtue of their positions as controlling persons, the Individual Defendants are liable pursuant to Section 20(a) of the Exchange Act. As a direct and proximate result of defendants' wrongful conduct,

plaintiff and other members of the Class suffered damages in connection with their purchases of the Company's securities during the Class Period.

PRAYER FOR RELIEF

WHEREFORE, plaintiff demands judgment:

1. Determining that the instant action is a proper class action maintainable under Rule 23 of the Federal Rules of Civil Procedure;
2. Awarding compensatory damages and/or rescission as appropriate against defendants, in favor of plaintiff and all members of the Class for damages sustained as a result of defendants' wrongdoing;
3. Awarding plaintiff and members of the Class the costs and disbursements of this suit, including reasonable attorneys', accountants' and experts' fees; and
4. Awarding such other and further relief as the Court may deem just and proper.

JURY DEMAND

Plaintiff hereby demands a trial by jury.

DATED: April 10, 2003

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