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IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

MAR 17 2006

MICHAEL W. DOBBINS
CLERK, U.S. DISTRICT COURT

TOPAZ REALTY CORP. and GALAXY)
ELECTRONICS CORP., individually and)
on behalf of all others similarly situated,)

JUDGE MAROVICH

Plaintiffs,)

MAGISTRATE JUDGE NOLAN

v.)

No.

06C 1493

NORTHFIELD LABORATORIES INC.)
and STEVEN A. GOULD,)

Jury Trial Demanded

Defendants.)

MAGISTRATE JUDGE NOLAN

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

Plaintiffs allege the following based upon the investigation of plaintiffs' counsel, which included a review of United States Securities and Exchange Commission ("SEC") filings by Northfield Laboratories Inc. ("Northfield" or the "Company"), as well as regulatory filings and reports, securities analysts reports about the Company, press releases and other public statements issued by the Company, and media reports about the Company, and Plaintiffs believe that substantial additional evidentiary support will exist for the allegations set forth herein after a reasonable opportunity for discovery.

NATURE OF THE ACTION

1. This is a federal class action on behalf of purchasers of the securities of Northfield between February 20, 2004 and February 21, 2006, inclusive (the "Class Period"), seeking to pursue remedies under the Securities Exchange Act of 1934 (the "Exchange Act") and the Securities Act of 1933 (the "Securities Act").

JURISDICTION AND VENUE

2. The claims asserted herein arise under and pursuant to Sections 10(b) and 20(a) of the Exchange Act [15 U.S.C. §§ 78j(b) and 78t(a)] and Rule 10b-5 promulgated thereunder by the SEC [17 C.F.R. § 240.10b-5], and under Sections 11 and 15 of the Securities Act of [15 U.S.C. §§ 77k and 77o].

3. This Court has jurisdiction over the subject matter of this action pursuant to 28 U.S.C. §§ 1331 and 1337 and Section 27 of the Exchange Act [15 U.S.C. § 78aa] and Section 22 of the Securities Act [15 U.S.C. § 77vvv].

4. In connection with the acts alleged in this complaint, defendants, directly or indirectly, used the means and instrumentalities of interstate commerce, including, but not limited to, the mails, interstate telephone communications and the facilities of the national securities markets.

5. Venue is proper in this District pursuant to Section 27 of the Exchange Act, Section 22 of the Securities Act and 28 U.S.C. § 1391(b). Many of the acts charged herein, including the preparation and dissemination of materially false and misleading information, occurred in substantial part in this District. Additionally, defendants maintain their chief executive offices and principal place of business within this District.

PARTIES

Plaintiffs

6. (A) Topaz Realty Corp., as set forth in the accompanying certification, incorporated by reference herein, purchased and sold the calls and put options for contracts for the

common stock of Northfield at artificially inflated prices during the Class Period and has been damaged thereby.

(B) Galaxy Electronics Corp., as set forth in the accompanying certification, incorporated by reference herein, purchased and sold the calls and put options for contracts for the common stock of Northfield at artificially inflated prices during the Class Period and has been damaged thereby.

Defendants

7. Northfield, a Delaware corporation, maintains its principal executive offices at 1560 Sherman Avenue, Suite 1000, Evanston, Illinois 60201. Northfield is a development stage company that engages in the research, development, testing, manufacture, marketing and distribution of hemoglobin-based blood substitute products. The Company primarily develops PolyHeme, an oxygen-carrying blood substitute for the treatment of urgent life-threatening blood loss in trauma and resultant surgical settings. PolyHeme is in Phase III clinical trial. Northfield went public in 1994 and has raised \$194 million in stock offerings. Because PolyHeme is not yet approved by the FDA, Northfield does not have any significant revenues and, therefore, relies heavily on its ability to raise money through stock offerings to fund operations.

8. Steven A. Gould, a medical doctor and co-founder of Northfield, is and has been throughout the Class Period the Chairman and Chief Executive Officer of Northfield. Gould has signed each Northfield SEC Form 10-K and Form 10-Q issued during the Class Period and has signed the certifications required by the Sarbanes-Oxley Act, and each of the Registration Statements, as defined below. Gould is also the principal spokesperson for Northfield. Gould is familiar with all aspects of the clinical trials conducted of PolyHeme by Northfield and all of the data

from the concluded clinical trials of PolyHeme. Gould is also familiar with and has been privy to confidential and proprietary information concerning Northfield and PolyHeme, and had access to material adverse non-public information concerning PolyHeme and Northfield. Because of Gould's possession of such information, he knew or recklessly disregarded the fact that the adverse material facts concerning PolyHeme and their impact on Northfield's current and future business and finances, as specified hereinafter, had not been disclosed to, and were being concealed from, the investing public. Gould controlled and/or possessed the authority to control the contents of Northfield's reports, press releases and presentations to securities analysts and through them, to the investing public and had the opportunity to commit the fraudulent acts alleged herein.

9. Gould is liable as a direct participant in, and a co-conspirator with respect to the wrongs complained of herein. In addition, Gould, by reason of his status as the Chief Executive Officer and Chairman of Northfield, was a "controlling person" of Northfield within the meaning of Section 20 of the Exchange Act and Section 15 of the Securities Act and had the power and influence to cause the Company to engage in the unlawful conduct complained of herein. Because of his position of control, Gould was able to and did, directly control the conduct of Northfield's business and the dissemination of information concerning PolyHeme and Northfield.

PLAINTIFFS' CLASS ACTION ALLEGATIONS

10. Plaintiffs bring this action as a class action pursuant to Federal Rule of Civil Procedure 23(a) and (b)(3) on behalf of a Class, consisting of all those who purchased the securities of Northfield between February 20, 2004 and February 21, 2006, inclusive (the "Class Period") and who were damaged thereby. Excluded from the Class are defendants, the officers and directors of the Company, at all relevant times, members of their immediate families and their legal

representatives, heirs, successors or assigns and any entity in which defendants have or had a controlling interest.

11. The members of the Class are so numerous that joinder of all members is impracticable. During the Class Period, Northfield had more than 20 million shares of common stock outstanding, which were actively traded on the NASDAQ, under the ticker symbol "NFLD," and tens of millions of shares of common stock were traded during the Class Period. In addition, options on Northfield common stock were regularly traded in the open market. While the exact number of Class members is unknown to Plaintiffs at this time and can only be ascertained through appropriate discovery, Plaintiffs believe that there are hundreds or thousands of members in the proposed Class. Record owners and other members of the Class may be identified from records maintained by Northfield or its transfer agent and brokerage firms and may be notified of the pendency of this action by mail, using the form of notice similar to that customarily used in securities class actions.

12. Plaintiffs' 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.

13. Plaintiffs 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.

14. Common questions of law and fact exist as to all members of the Class and predominate over any questions solely affecting individual members of the Class. Among the questions of law and fact common to the Class are:

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

(b) whether statements made by defendants to the investing public during the Class Period misrepresented material facts about the business and operations of Northfield, including the clinical trials of PolyHeme; and

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

15. A class action is superior to all other available methods for the fair and efficient adjudication of this controversy since joinder of all members is impracticable. Furthermore, 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

16. Northfield's sole business is the development of PolyHeme, a blood substitute. As defendants stated in Northfield's SEC Form 10-Q for the period ended November ended November 30, 2005, filed January 9, 2006 ("the January 2006 10-Q"),

Since Northfield's incorporation in 1985, we have devoted substantially all of our efforts and resources to the research, development and clinical testing of our potential product, PolyHeme... We will be required to complete our pivotal Phase III trial and obtain regulatory approval before PolyHeme can be sold commercially.

17. The principal potential benefits of blood substitutes are that they may reduce the risk of hepatitis or HIV infection, eliminate the need to match blood types of donor and recipient, and have a far longer shelf life without refrigeration. However, blood substitutes are very difficult to

develop and, to date, none has been approved for sale. For example, Baxter International Inc. (“Baxter”) halted a U.S. study of its blood substitute HemAssist in 1998, because 24 of 52 trauma patients, or 46%, given HemAssist died compared with only eight of 46, or 17%, who received standard therapy, that is, blood. Shortly before HemAssist failed, Baxter had spent \$190 million to buy another company with a blood substitute in development. After spending an additional \$500 million on that product, it, too, failed. It is believed no company other than Northfield has a blood substitute in Phase III clinical trial.

18. PolyHeme has been in development for quite some time and follows from the long standing effort to develop hemoglobin-based oxygen carriers as alternatives to blood. The United States Army engaged in an unsuccessful project following the Vietnam War. Early preparations of HBOCS were associated with serious adverse effects. Northfield claims, on its website, to have overcome these adverse effects and toxicities with PolyHeme by changing the preparation for PolyHeme. Commencing in the late 1990s, Northfield conducted a Phase III clinical trial of PolyHeme known as the Acute Normovolemic Hemodilution clinical trial (“the ANH clinical trial”). Edward Norris, M.D., was the lead trial investigator. The clinical trial was closed, that is, completed, in 2000. However, to this date, defendants have never permitted the publication of the full study results, a customary and usual event after the close of a Phase III clinical trial. Defendant Gould, in a news story published in *The Wall Street Journal*, titled “Amid Alarm Bells, A Blood Substitute Keeps Pumping,” dated February 22, 2006, is quoted admitting this fact, stating that, “[w]e did not allocate resources to publication. In retrospect, reporting the full study results earlier would have been better.”

19. It is now crystal clear to the market why defendants intentionally did not disclose the full study results of the ANH clinical trial. In that February 22, 2006, story, *The Wall Street Journal* reports that the data available to defendants from the ANH clinical trial, but not to the public, revealed that ten of 81 patients who received PolyHeme suffered a heart attack within seven days, and two of those died. The data further showed defendants that none of the 71 patients in the ANH clinical trial who received real blood were found to have suffered a hear attack. In the aftermath of receiving this data, defendants shut down the ANH clinical study in 2000 and kept this highly material adverse data hidden from public view. In its response to *The Wall Street Journal* revelation, defendants, in a press release dated February 22, 2006, do not dispute the data concerning the patient heart attacks and deaths from the ANH clinical trial data, or that they did not publish the full data upon the closing of the ANH clinical trial. Rather, defendants admit that they did not publish the data concerning the patient heart attacks and deaths, and defendant Gould stated in the press release that “[w]e believe that publishing the full data upon closing the study, would have shown that PolyHeme could not be isolated as the cause of the observed serious adverse events.”

20. The market was stunned by the disclosure of the theretofore secret adverse data from the long-closed ANH clinical trial and the market price of Northfield’s common stock fell with the belated disclosures. On February 21, 2006, the day before the disclosure by *The Wall Street Journal*, Northfield’s common stock closed at a price of \$12.23 per share. On February 22, 2006, on extraordinary volume of more than 4.1 million shares, Northfield’s common stock closed at a price of \$11.64 per share. The price continued to drop as the market absorbed all of the news, including the announcement on February 24, 2006, by United States Senator Charles E. Grassley, chairman of the U.S. Senate Finance Committee, that he has begun an inquiry into the matter. Senator

Grassley was particularly concerned because under FDA regulations, Northfield is permitted to use PolyHeme in the current Phase III clinical trial for trauma without obtaining any consent from the trauma patient. In the aftermath of these disclosures and the resulting dramatic decline in Northfield's common stock price, defendants have announced that Dr. Norris, lead investigator for the ANH clinical trial will present the full ANH clinical trial data and results in April 2006 at an Advancement of Transfusion Alternatives meeting.

21. Since the time defendants learned of the adverse facts concerning the ANH clinical study data and results until the disclosure of those material facts by *The Wall Street Journal* on February 22, 2006, defendants engaged in a scheme, conspiracy and course of conduct to conceal and misrepresent the material adverse facts concerning the data and results from the ANH clinical study of PolyHeme, including the data concerning patient heart attacks and patient deaths, from the investing public and the market.

22. The scheme worked. The price of Northfield's common stock rose throughout the Class Period thereby causing damage to class members. Among other things, defendants were able to continue the illusion that PolyHeme was, unlike others that had come before it, a blood substitute with a clean safety profile and, unlike Baxter's product-in-development, did not have any data showing patient deaths. Thus, defendants were able to portray, *albeit* falsely, Northfield as having succeeded in developing a viable and safe blood substitute where other companies, notably Baxter, even after spending many hundreds of millions of dollars on the effort, had failed miserably. This false and misleading picture of the safety profile of PolyHeme has contributed to Northfield's ability to begin and continue to conduct the current Phase III clinical trial of PolyHeme for trauma, which defendants tout on Northfield's website as "the first U.S. trial of a hemoglobin-based oxygen-

carrying resuscitative fluid [artificial blood] in which treatment begins in the prehospital setting and continues during transport and in the early hospital period.” This Phase III clinical trial began enrolling unsuspecting patients in December 2003 and continues to this date, having enrolled approximately 600 patients, of which one-half have been given PolyHeme. By their conduct, defendants were and are attempting to obtain approval from the FDA for PolyHeme without having had to disclose publicly the adverse facts and safety data known to them as the result of the ANH clinical trial. In addition, Defendants have been able to use their knowing failure to disclose the adverse material facts and data from the ANH clinical trial to enable Northfield to raise much needed cash to continue its operations and pay defendant Gould his large salary. Northfield raised more than \$15 million in a February 2004 public offering of stock and more than \$77 million in a public offering of stock pursuant to a February 2005 prospectus, with the Northfield common stock priced at \$15 per share. In addition, Northfield raised \$23.4 million in a financing in May 2004, and \$1.4 million in a funding in August 2004.

**MATERIALLY FALSE AND MISLEADING
STATEMENTS MADE DURING THE CLASS PERIOD**

23. Throughout the Class Period, in furtherance of their scheme, conspiracy and course of conduct, defendants disseminated a series of false and misleading statements in the following documents, all of which statements were made false and misleading by defendants’ knowing and/or reckless failure to include the adverse material facts contained in the data from the ANH clinical trial, as alleged above, including the data concerning the patient heart attacks and patient deaths in patients given PolyHeme in the ANH clinical trial.

(a) In the January 2006 Form 10-Q, in Item 2, Management's Discussion and Analysis, Recent Developments, defendants described PolyHeme and the ongoing Phase III trauma clinical trial, including the safety data from the ongoing pivotal Phase III trauma trial and made the statement that the Data Monitoring Committee had not made any recommendation to modify the current clinical trial based on safety data. Virtually identical statements were made by defendants in Northfield's SEC Forms 10-Q, signed by Defendant Gould, and filed on August 15, 2005, April 11, 2005, January 10, 2005, October 12, 2004, and April 14, 2004.

(b) In Northfield's current website, www.northfieldlabs.com, defendants never once make disclosure of the adverse material facts and data from the ANH clinical study, despite the fact that they make the following statements:

1. "PolyHeme has been rapidly infused in trauma patients during urgent life-threatening blood loss in sufficiently large quantities to be considered well-tolerated";

2. "PolyHeme's characteristics may make it useful in both civilian and military settings...has not caused transfusion reactions...is manufactured from human red blood cells using steps to reduce the risk of viral transmission;"

3. "The primary endpoint of the trial is survival at 30 days;"

4. "Development History...The early development of hemoglobin-based oxygen carries (HBOCs) was problematic. Early preparations of unmodified tetrameric hemoglobin were plagued by renal, hepatic, gastrointestinal, pancreatic, and cardiovascular toxicities and organ dysfunction. The small molecular-weight tetrameric species of hemoglobin have been implicated as causative agents associated with these unacceptable adverse effects. The basis of these adverse effects has been attributed to vasoconstriction due to the small molecular-weight tetrameric

hemoglobin. The preparation of PloyHeme, however, is designed to avoid these toxicities by removing essentially all vasoactive tetramer through high-yield polymerization and subsequent filtration of purify the solution;”

5. Clinical Trial Experience...There have been multiple clinical trials with Ployheme prior to the initiation of the current pivotal Phase III prehospital trial. Infusions have been given during resuscitation, intraoperatively and postoperatively. The rate of infusion has varied with the clinical setting. The most rapid rate consisted of the infusion of 20 units in 20 minutes during rapid hemorrhage. This does is equivalent to two times the blood volume of an average adult;” and

6. “Trial Description...Patient enrollment is underway in a landmark Phase III study designed to evaluate the safety and efficacy of PolyHeme when used to treat patients in hemorrhagic shock following traumatic injuries.”

(c) On November 15, 2005, in an article published in *The Street.com*, Northfield was quoted as stating, in response to a 10% rise in the Company’s stock price, that the Phase III independent monitoring committee recommended that the Phase III PolyHeme trial continue without modification and that “[t]his is the first time a hemoglobin-based oxygen-carrying resuscitative fluid has successfully passed this patient evaluation milestone in the high-risk trauma population.”

(d) In Northfield’s SEC Form 10-K, filed August 15, 2005, for the 12 months ended May 31, 2005, and signed by Defendant Gould, who also signed the required Sarbane-Oxley certification, defendants stated, in Item 1, *inter alia*, that:

“Our current trial is based on our experience in prior clinical trials documenting the potential life-sustaining capability of PolyHeme when given in rapid, massive infusions to critically injured patients in the hospital...”

As part of our trial protocol, an Independent Data Monitoring Committee...is responsible for periodically evaluating the safety data from the trial and making recommendations relating to continuation or modification of the trial protocol to minimize identified risks to patients...[It] has completed the first three of four planned reviews of data...and has recommended on each occasion that the trial continue without modification...We believe that PolyHeme ultimately represents a substantial global market opportunity...

Our scientific research team has been responsible for the original concept, the early development and evaluation and clinical testing of PolyHeme, and has authored over 100 publications in the scientific literature...[there must be] scientific evidence of to assess the safety and effectiveness of alternative treatment [that is, use of PolyHeme in the pivotal Phase III trial]...Before enrollment can begin [in the current pivotal Phase III trial] the regulation requires public disclosure of information about the trial, including the potential risks and benefits..."

(e) In Northfield's SEC Form 10-K, filed August 16, 2004, for the 12 months ended May 31, 2004, and signed by Defendant Gould, who also signed the required Sarbane-Oxley certification, defendants stated, in Item 1, *inter alia*, that:

"...We believe PolyHeme is the only blood substitute in development that has been well tolerated when infused in patients in clinical trial in sufficient quantities for the treatment of urgent, large volume blood loss in trauma and surgical settings, with a particular focus on situations where donated blood is not immediately available.

As part of our trial protocol, an independent data monitoring committee, or IDMC, consisting of independent medical and biostatistical experts is responsible for periodically evaluating the safety data from the trial and making recommendations relating to the continuation or modification of the trial protocol to minimize any identified risks to patients....

In July 2004, the IDMC recommended that our Pivotal Phase III Prehospital Trial continue without modifications based on the committee's initial review of blinded data on mortality and serious adverse events from the first predefined evaluation of the patients enrolled in the trial.

We have previously conducted Phase II and Phase III clinical trials of PolyHeme at multiple locations in the United States in trauma and emergency surgical applications, in elective surgical procedures, and in situations of compassionate use in life-threatening situations. The observations in these trials have indicated the

potential clinical utility of PolyHeme in the treatment of urgent blood loss and life-threatening hemoglobin levels....

We have previously conducted clinical trials of PolyHeme in trauma and emergency surgical applications at multiple hospitals in the United States, including both civilian and military institutions. These clinical trials were designed to assess the safety and effectiveness of PolyHeme in treating acute blood loss and hemorrhagic shock in trauma and emergency surgical patients....

...The important safety observations were that none of the toxicities historically associated with other hemoglobin solutions have been identified in our clinical experience to date.”

24. The statements referenced above in ¶ 23, above, were each materially false and misleading because they failed to disclose and misrepresented the safety profile and history of PolyHeme by failing to disclose the material facts and data from the ANH study concerning the ten patients who had heart attacks within seven days of taking PolyHeme, that two of those patients died and that none of the patients taking real blood experienced heart attacks.

25. 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 as alleged above; 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 as primary violations of the federal securities laws. As alleged herein, defendants knew that they failed to disclose the material facts to the market and the public and have admitted to that fact.

26. The market for Northfield’s securities was open, well-developed and efficient at all relevant times. As a result of these materially false and misleading statements and failures to disclose, Northfield’s securities traded at artificially inflated prices during the Class Period. The

artificial inflation continued until February 22, 2006, when *The Wall Street Journal* disclosed the true facts of the patient deaths and heart attacks and defendants' failure to disclose these adverse material facts to the market and the public. Leading defendant Gould to admit to them, as detailed above. Plaintiffs and other members of the Class purchased or otherwise acquired Northfield's securities relying upon the integrity of the market price of the Company's securities and market information relating to Northfield, and have been damaged thereby.

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

28. At all relevant times, the material misrepresentations and omissions particularized in this Complaint directly or proximately caused or were a substantial contributing cause of the damages sustained by plaintiffs and other members of the Class. As described herein, during the Class Period, defendants made or caused to be made a series of materially false or misleading statements about Northfield's principal product, PolyHeme. These material misstatements and omissions created in the market an unrealistically positive assessment of Northfield and the safety and market potential of PolyHeme, thus causing the Company's securities to be overvalued and artificially inflated at all relevant times. Defendants' materially false and misleading statements during the Class Period resulted in plaintiffs and other members of the Class purchasing the

Company's securities at artificially inflated prices, thus leading to their losses when the truth was revealed and admitted by defendants, and the market was able to accurately value the Company.

**APPLICABILITY OF PRESUMPTION OF RELIANCE:
FRAUD-ON-THE-MARKET DOCTRINE**

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

(a) Northfield's common stock met the requirements for listing, and was listed and actively traded on the NASDAQ, a highly efficient and automated market;

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

(c) Northfield 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) Northfield 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.

30. As a result of the foregoing, the market for Northfield's securities promptly digested current information regarding Northfield from all publicly available sources and reflected such information in Northfield's stock price. Under these circumstances, all purchasers of Northfield's

securities during the Class Period suffered similar injury through their purchase of Northfield's securities at artificially inflated prices and a presumption of reliance applies.

NO SAFE HARBOR

31. 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 because they were not forward looking and the material facts were knowingly withheld from the market and are historical facts. 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 Northfield who knew that those statements were false when made.

COUNT I

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

32. Plaintiffs repeat and reallege each and every allegation contained above as if fully set forth herein.

33. During the Class Period, defendants, and each of them, carried out a plan, scheme and course of conduct which was intended to and, throughout the Class Period, did: (i) deceive the investing public, including plaintiffs and other Class members, as alleged herein; (ii) artificially inflate and maintain the market price of Northfield's securities; and (iii) cause plaintiffs and other members of the Class to purchase Northfield's securities at artificially inflated prices. In furtherance of this unlawful scheme, plan and course of conduct, defendants, and each of them, took the actions set forth herein.

34. 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 Northfield'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.

35. 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 safety profile and material facts concerning the data from the ANH clinical study of PolyHeme and the business, operations and future prospects of Northfield as specified herein.

36. 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 Northfield's value and growth

potential based on the development of PolyHeme., 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 PolyHeme and Northfield 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 Northfield's securities during the Class Period.

37. As he admitted, Defendant Gould 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. His material misrepresentations and/or omissions were done knowingly or recklessly and for the purpose and effect of concealing PolyHeme's true safety profile and the adverse data from the ANH clinical study and Northfield's resulting business prospects from the investing public and supporting the artificially inflated price of its securities.

38. 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 Northfield's securities was artificially inflated during the Class Period. In ignorance of the fact that market prices of Northfield's 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, Plaintiffs and the other members of the Class purchased Northfield securities during the Class Period at artificially high prices and were damaged thereby.

39. At the time of said misrepresentations and omissions, Plaintiffs and other members of the Class were ignorant of their falsity, and believed them to be true. Had Plaintiffs and the other members of the Class and the marketplace known of the true facts, as alleged herein, which were not disclosed by defendants, Plaintiffs and other members of the Class would not have purchased or otherwise acquired their Northfield 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.

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

41. As a direct and proximate result of defendants' wrongful conduct, Plaintiffs 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 DEFENDANT GOULD

42. Plaintiffs repeat and reallege each and every allegation contained above as if fully set forth herein.

43. Defendant Gould acted as a controlling person of Northfield within the meaning of Section 20(a) of the Exchange Act as alleged herein.

44. As set forth above, Northfield violated Section 10(b) of the Exchange Act and Rule 10b-5 by its acts and omissions as alleged in this Complaint. By virtue of defendant Gould's position as a controlling person, he is liable pursuant to Section 20(a) of the Exchange Act. As a direct and proximate result of such 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.

COUNT III

VIOLATION OF SECTION 11 OF THE SECURITIES ACT AGAINST ALL DEFENDANTS

45. Plaintiffs repeat and reallege each and every allegation contained above in paragraphs 1 through 41 as if fully set forth herein, with the exception of paragraph 25 and each and every allegation contained in those paragraphs which might invoke a claim or element of fraud, and none of the allegations of this Third Claim for violation of Section 11 of the Securities Act, which is not a claim for fraud and does not contain an element of scienter, should be read to claim, invoke or assert any element of fraud or scienter against any defendant.

46. This Claim is asserted against Defendant Northfield and Defendant Gould for violation of Section 11 of the Securities Act, 15 U.S.C. §77k.

47. This Claim is brought within one year of discovery of the violations alleged herein, and within three years after the public offerings of common stock.

48. Defendants filed with the SEC registration statements for two offerings of common stock: a) a registration statement and supplements, including prospectus dated December 23, 2004, and prospectus supplement dated February 4, 2005, for Northfield's February 2005 public offering of 4.5 million shares of common stock plus 675,000 additional shares at \$15 per share ("the February 2005 Registration Statement"); and b) a registration statement and prospectus supplement filed with the SEC on May 13, 2004 for Northfield's May 2004 public offering of 1,954,416 shares of common stock at \$12 per share ("the May 2004 Registration Statement").

49. The February 2005 Registration Statement and the May 2004 Registration Statement were each false and misleading by failing to disclose the data from the ANH clinical trial, including the data concerning the patient deaths and patients who suffered heart attacks and by misrepresenting the safety profile of PolyHeme, alleged above. Thus, the February 2005 Registration Statement and the May 2004 Registration Statement each contained false and misleading statements of material fact and omitted to state material facts necessary to make the statements made not misleading.

50. In ignorance of the falsity of the material misrepresentations and omissions in the February 2005 Registration Statement and the May 2004 Registration Statement, members of the Class purchased the common stock in the February 2005 common stock offering pursuant to the February 2005 Registration Statement and in the May 2004 common stock offering pursuant to the May 2004 Registration Statement, and were damaged thereby.

51. By reason of the foregoing, defendants are liable for damages resulting from their violation of Section 11 of the Securities Act, 15 U.S.C. §77k.

COUNT IV

VIOLATION OF SECTION 15 OF THE SECURITIES ACT AGAINST DEFENDANT GOULD

52. Plaintiffs repeat and reallege each and every allegation contained above in paragraphs 45 through 51 as if fully set forth herein.

53. Defendant Gould acted as a controlling person of Northfield within the meaning of Section 15 of the Act as alleged herein.

45. As set forth above, Northfield violated Section 11 of the Securities Act by its acts and omissions as alleged in this Complaint. By virtue of defendant Gould's position as a controlling

person, he is liable pursuant to Section 15 of the Securities Act. As a direct and proximate result of such wrongful conduct, members of the Class suffered damages in connection with their purchases of the Company's common stock in the February 2005 common stock offering pursuant to the February 2005 Registration Statement and in the May 2004 common stock offering pursuant to the May 2004 Registration Statement.

WHEREFORE, Plaintiffs pray for relief and judgment, as follows:

- A. Determining that this action is a proper class action, designating Plaintiffs as Lead Plaintiffs and certifying Plaintiffs as class representative under Rule 23 of the Federal Rules of Civil Procedure and Plaintiffs' counsel as Lead and Liaison Counsel;
- B. Awarding compensatory damages in favor of Plaintiffs and the other Class members against all defendants, jointly and severally, for all damages sustained as a result of defendants' wrongdoing, in an amount to be proven at trial, including interest thereon;
- C. Awarding Plaintiffs and the Class their reasonable costs and expenses incurred in this action, including counsel fees and expert fees; and
- D. Such other and further relief as the Court may deem just and proper.

JURY TRIAL DEMANDED

Plaintiffs hereby demand a trial by jury on all issues so triable.

Dated: March 17, 2006

TOPAZ REALTY CORP. and GALAXY
ELECTRONICS CORP., individually and on behalf
of all others similarly situated, Plaintiffs,

By: 

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Attorneys for Plaintiffs



CERTIFICATE OF PLAINTIFF

DAVID ROSENBERG, does hereby certify:

1. I am the President of Topaz Realty Corp. ("Galaxy"), the named plaintiff in the within action and am authorized to make this Certification. I have reviewed the complaint asserted against Northfield Laboratories Inc., et al. in which Topaz is the named Plaintiff (the "Complaint") and have authorized the filing on its behalf.

2. Topaz did not purchase the securities that are the subject of the Complaint at the direction of my counsel or in order to participate in any private action arising under the Securities Act of 1933 or the Securities Exchange Act of 1934, both as amended by the Private Securities Litigation Reform Act of 1995.

3. Topaz is willing to serve as a representative party on behalf of the class identified in the Complaint (the "Class"), including by providing testimony at deposition and trial, if necessary.

4. Topaz's transactions in the security that are the subject of the Complaint are set forth in the annexed Schedule A.

5. Topaz has not moved to serve or served as a representative party on behalf of a class in any action brought under the federal securities laws that was filed during the three years that preceded the date of this certification.

6. Topaz will not accept any payment for serving as a representative party on behalf of the Class beyond its *pro rata* share of any recovery, except such reasonable costs and expenses (including lost wages) directly relating to the representation of the Class and its activities in the lawsuit, as ordered or approved by the Court.

7. Nothing herein shall be construed to be or constitute a waiver of my attorney-client privilege.

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

Executed on March 2, 2006

DAVID ROSENBERG

TOPAZ REALTY CORP.

SCHEDULE "A"

<u>Date of Sale</u>	<u>Security</u>	<u>Quantity</u>	<u>Rec'd</u>
1/17/06	Call (1/07 25s)	8 @ \$1.80	\$1,440.00
2/24/06	Call (1/07 25s)	10 @ \$.90	900.00
12/23/05	Put (1/08)	12 @ \$1.90	2,280.00
1/13/06	Put (1/08)	12 @ \$2.10	2,940.00
1/24/06	Put (1/08)	13 @ \$2.00	2,600.00
2/23/06	Put (1/08)	10 @ \$2.00	2,000.00

CERTIFICATE OF PLAINTIFF

DAVID ROSENBERG, does hereby certify:

1. I am the President of Galaxy Electronics Corp. ("Galaxy"), the named plaintiff in the within action and am authorized to make this Certification. I have reviewed the complaint asserted against Northfield Laboratories Inc., et al. in which Galaxy is the named Plaintiff (the "Complaint") and have authorized the filing on its behalf.

2. Galaxy did not purchase the securities that are the subject of the Complaint at the direction of my counsel or in order to participate in any private action arising under the Securities Act of 1933 or the Securities Exchange Act of 1934, both as amended by the Private Securities Litigation Reform Act of 1995.

3. Galaxy is willing to serve as a representative party on behalf of the class identified in the Complaint (the "Class"), including by providing testimony at deposition and trial, if necessary.

4. Galaxy's transactions in the security that are the subject of the Complaint are set forth in the annexed Schedule A.

5. Galaxy has not moved to serve nor served as a representative party on behalf of a class in any action brought under the federal securities laws that was filed during the three years that preceded the date of this certification.

6. Galaxy will not accept any payment for serving as a representative party on behalf of the Class beyond its *pro rata* share of any recovery, except such reasonable costs and expenses (including lost wages) directly relating to the representation of the Class and its activities in the lawsuit, as ordered or approved by the Court.

7. Nothing herein shall be construed to be or constitute a waiver of my attorney-client privilege.

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

Executed on March 2, 2006



DAVID ROSENBERG

GALAXY ELECTRONICS CORP.

SCHEDULE "A"

<u>Date of Sale</u>	<u>Security</u>	<u>Quantity</u>	<u>Rec'd</u>
1/17/06	Call (1/07 25s)	8 @ \$1.80	\$1,440.00
1/25/06	Call (1/07 25s)	8 @ \$1.45	1,160.00
1/26/06	Call (1/07 25s)	7 @ \$1.40	980.00
3/1/06	Call (1/07 20s)	7 @ \$1.60	1,120.00
12/22/05	Put (1/08)	12 @ \$1.95	2,340.00
1/6/06	Put (1/08)	14 @ \$2.10	2,940.00
1/9/06	Put (1/08)	20 @ \$2.00	4,000.00