

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

_____)	CIVIL ACTION NO.
, ON BEHALF OF HIMSELF)	
AND ALL OTHERS SIMILARLY)	
SITUATED,)	CLASS ACTION COMPLAINT FOR
)	VIOLATION OF SECURITIES LAWS
Plaintiff(s),)	
)	
v.)	JURY TRIAL DEMANDED
)	
NORTHFIELD LABORATORIES, INC, and)	
STEVEN A. GOULD)	
)	
Defendants.)	
_____)	

Plaintiff, individually and on behalf of all other persons similarly situated, by plaintiff's undersigned attorneys, for plaintiff's Complaint, alleges upon the investigation made by and through plaintiff's counsel, which included, *inter alia*, a review of relevant public filings made by Northfield Laboratories, Inc. ("Northfield" or the "Company") with the Securities and Exchange Commission (the "SEC"), as well as press releases, news articles, analyst reports, court filings, and media reports concerning the Company. This complaint is based upon plaintiff's personal knowledge as to plaintiff's own acts, and upon information and belief as to all other matters, based upon the aforementioned investigation.

SUMMARY OF ACTION

1. This is a class action on behalf of all persons, other than defendants, who purchased Northfield securities during the period from February 20, 2004, through February 21, 2006, inclusive (the "Class Period") to recover damages caused by defendants' violations of the federal securities law.

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.

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.

4. Venue is proper in this District pursuant to Section 27 of the Exchange Act, and 28 U.S.C. § 1391(b). Defendants maintain their principal executive offices in this District and many of the acts, practices and transactions complained of herein occurred in substantial part in this District.

5. 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.

PARTIES

6. Plaintiff, _____, resident at _____, purchased shares of Northfield common stock during the Class Period as set forth more fully in the attached certification and has suffered economic damages.

7. Defendant 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, manufacturing, marketing and distribution of hemoglobin-based 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.

9. Defendant 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 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 spokesman 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.

PLAINTIFF'S CLASS ACTION ALLEGATIONS

13. Plaintiff brings this action as a class action pursuant to Federal Rule of Civil Procedure 23(a) and (b)(3) on behalf of all those who purchased or otherwise acquired the securities of Northfield during the Class Period and who suffered damages (the "Class"). Excluded from the Class are defendants, the officers and directors of the Company, 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.

14. The members of the Class are so numerous that joinder of all members is impracticable. While the exact number of Class members is unknown to plaintiff at this time and can only

be ascertained through appropriate discovery, plaintiff believes 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 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.

15. Plaintiff's claims are typical of the claims of the members of the Class as plaintiff purchased Northfield stock during the Class Period and all members of the Class are similarly affected by defendants' wrongful conduct in violation of federal law that is complained of herein.

16. 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.

17. 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 defendants omitted to state material facts necessary to prevent the statements made to the investing public from being misleading during the Class Period concerning the business, operations, financial condition and management of Northfield; and

(c) whether defendants acted knowingly or recklessly in making materially misleading representations or omitting to state material facts during the Class Period;

(d) whether the market prices of the Company's common stock was artificially inflated or distorted during the Class Period because of defendants' conduct complained of herein; and

(e) whether the members of the Class have sustained damages and the proper measure of such damages.

18. 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

19. 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 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.

20. 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. halted a U.S. study of its blood substitute in 1998 because 24 of 52 trauma patients, or 46% given HemAssit died compared with only eight of 46, or 17% who received standard therapy, that is, blood. Shortly before HemAssit 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.

21. 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 1990's, Northfield conducted a Phase III clinical trial of PolyHeme know 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 the 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."

22. 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 the 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 not suffered a heart attack. In the aftermath of receiving this data, defendants shut down the ANH clinical trial study in 2000 and kept this highly material adverse data hidden from public view. The defendants put out a press release on February 22, 2006 in response to the news in the article. They did not dispute the data reported from the Journal article, rather they 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."

23. The market was stunned by the disclosure of the theretofore secrete 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 4.1million 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 the United States Senator Charles E. Grassley, chairman of the U.S. Senate Finance Committee, that he had 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.

24. From the time the defendants learned of the adverse facts concerning the ANH clinical trial study data and results until the disclosure of those material adverse facts by The Wall Street Journal, they were engaged in a scheme, conspiracy and course of conduct to conceal and misrepresent those results. 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. 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.

SCIENTER ALLEGATIONS

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 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 as 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 Northfield, their control over, and/or receipt and/or modification of Northfield's allegedly materially misleading statements and/or their associations with the Company which made them privy to confidential proprietary information concerning Northfield, participated in the fraudulent scheme alleged herein.

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

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

- (a) Northfield's 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.

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

NO SAFE HARBOR

28. 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 Northfield who knew that those statements were false when made.

FIRST CLAIM

Violation Of Section 10(b) Of The Exchange Act And Rule 10b-5 Promulgated Thereunder Against All Defendants

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

30. During the Class Period, defendants 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

plaintiff and other Class members, as alleged herein; and (ii) cause plaintiff and other members of the Class to purchase Northfield 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.

31. 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 securities in violation of Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder. All defendants are sued either as primary participants in the wrongful and illegal conduct charged herein or as controlling persons as alleged below.

32. 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 Northfield as specified herein.

33. 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 receiving contracts and having valuable business that did not exist 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 Northfield 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 Northfield securities during the Class Period.

34. 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/her 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 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, or recklessly disregarded, the Company's dissemination of information to the investing public which was materially false and misleading.

35. 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 Northfield's operating condition and future business prospects from the investing public and supporting the artificially inflated price of its securities. As demonstrated by defendants' misstatements of the Company's business, operations and potential 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.

36. 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 securities was artificially inflated during the Class Period. In ignorance of the fact that the market prices of

Northfield'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 Northfield securities during the Class Period at artificially high prices and were damaged thereby.

37. 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 true business conditions Northfield was experiencing, which were not disclosed by defendants, plaintiff 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.

38. Once the defendants' unlawful practices were disclosed on or about February 22, 2006, the financial market reacted immediately, with the price of the common stock of Northfield declining from \$12.23 per share the day before to a close of \$11.64 on that day. Reflecting the extent to which the market had been deceived by defendants' omissions throughout the Class Period, and which continued to go down thereafter upon more damaging news.

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

40. 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.

SECOND CLAIM

Violation Of Section 20(a) Of The Exchange Act Against

the Individual Defendants

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

42. The Individual Defendants acted as controlling persons of Northfield within the meaning of Section 20(a) of the Exchange Act as alleged herein. By virtue of their high-level positions, and their ownership and contractual rights, 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.

43. 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,

44. As set forth above. Northfield and the Individual Defendant 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.

45. 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.

WHEREFORE, plaintiff prays for relief and judgment, as follows:

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

(B) Awarding compensatory damages in favor of plaintiff 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 plaintiff 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

Plaintiff hereby demands a trial by jury.

Dated: March 20, 2006

Respectfully submitted,

By: _____
THE ROSEN LAW FIRM, P.A.
Laurence Rosen, Esq.
350 Fifth Avenue, Suite 5508
New York, NY 10118
Phone: (212) 686-1060
Fax: (212) 202-3827

Counsel for Plaintiffs