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8 UNITED STATES BANKRUPTCY COURT
9 SOUTHERN DISTRICT OF CALIFORNIA

10 In re

11 SERACARE LIFE SCIENCES, INC.,
12 a California corporation (d/b/a Therasource
International; f/k/a The Western States Group,
13 Inc.; d/b/a Biomedical Resources, a division of
SeraCare Life Sciences, Inc.; d/b/a Genomics
14 Collaborative, a division of SeraCare Life
Sciences, Inc.; f/k/a Southwest Biological
15 Services Western States Plasma Co., Inc.; d/b/a
Boston Biomedica, Inc.; d/b/a SeraCare
16 Bioservices; and d/b/a SeraCare Diagnostics),

17 Debtor and Debtor-in-
18 Possession.

Case No. SD 06-00510 LA11

Chapter 11 Proceeding

**DECLARATION OF BRIAN L.
COHEN IN SUPPORT OF DEBTOR'S
MOTION FOR ORDER (1)
APPROVING BREAKUP FEE, (2)
PAYMENT OF LEGAL FEES AND
DUE DILIGENCE EXPENSES, AND
(3) SETTING HEARING ON MOTION
FOR APPROVAL OF SECURED
FINANCING PURSUANT TO
SECTION 364**

Date: August 31, 2006

Time: 3:00 p.m.

Dept: 2

Judge: Hon. Louise DeCarl Adler

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23 The undersigned, Brian L. Cohen, hereby declares as follows:

24 1. I am the Vice President of Robeco Investment Management, which, along with
25 Cohanzick Management, LLC; Fairfield Greenwich Group; Foxhill Capital Partners, LLC; Gruber &
26 McBaine Capital Management; Seven Bridges Management, L.P.; and Triage Capital Management
27 LP (collectively, the "Allegiant Investors") entered into a letter of intent ("LOI") dated August 17,
28 2006 with SeraCare Life Sciences, Inc. (the "Debtor" or "Company"). I am the representative of

1 Allegiant Investors having had primary contact with the Debtor. I make these statements based on
2 my personal knowledge and could and would competently testify thereto.

3 2. None of the Allegiant Investors is an affiliate or insider of the Debtor. The Allegiant
4 Investors are institutions that have more than sufficient resources to consummate the transactions
5 contemplated by the LOI. The LOI, which contains terms which are customary in financings of this
6 nature, was entered into as a result of arms-length negotiations. Since the execution of the LOI, the
7 Allegiant Investors have voluntarily reduced the break-up fee in the LOI to \$750,000 and have
8 agreed to extend credit on an unsecured basis with administrative priority.

9 Background

10 3. The Allegiant Investors have spent considerable time and effort analyzing the Debtor.
11 At the time the Allegiant Investors decided to make a financing proposal to the Debtor, the Ad Hoc
12 Equity Holders Committee (the "AHEC") had proposed to provide financing to the Debtor pursuant
13 to a term sheet dated May 25, 2006, a copy of which is attached as Exhibit "A". The salient terms of
14 AHEC's proposal were a \$15 million financing at 9% interest per annum payable monthly in arrears.
15 This financing was offered on a secured basis and was convertible into a minimum of 26.3% of the
16 common shares of the reorganized Company on a fully diluted basis. In response to this term sheet,
17 the Company, on June 16, 2006 submitted its own term sheet, which is attached as Exhibit "B". The
18 Company's term sheet contains the following salient terms: a \$10.0 million financing at 8% per
19 annum payable in arrears. This financing proposal was on a secured basis convertible at \$4.00 per
20 share.

21 4. A comparison of the respective proposals of the AHEC, the Debtor, and the Allegiant
22 Investors is set forth in the table below. When viewed only as debt financing, the proposals are
23 similar. As equity financing, however, the proposals are dramatically different. The analysis below
24 compares these differences in value, as it affects shareholders. For the sake of brevity, the analysis
25 below demonstrates the impact of the three proposals under three different enterprise valuation
26 scenarios: \$75 million, \$125 million, and \$200 million. Under the different valuation assumptions,
27 the following analysis demonstrates how much more beneficial the Allegiant Investor proposal is, as
28 compared to the other proposals:

1 *SeraCare*
 2 *Life*
 3 *Sciences* *All # / \$*
 in MM's

4 *SeraCare*
 5 *Shares*
 6 *Outstanding* *13.5*

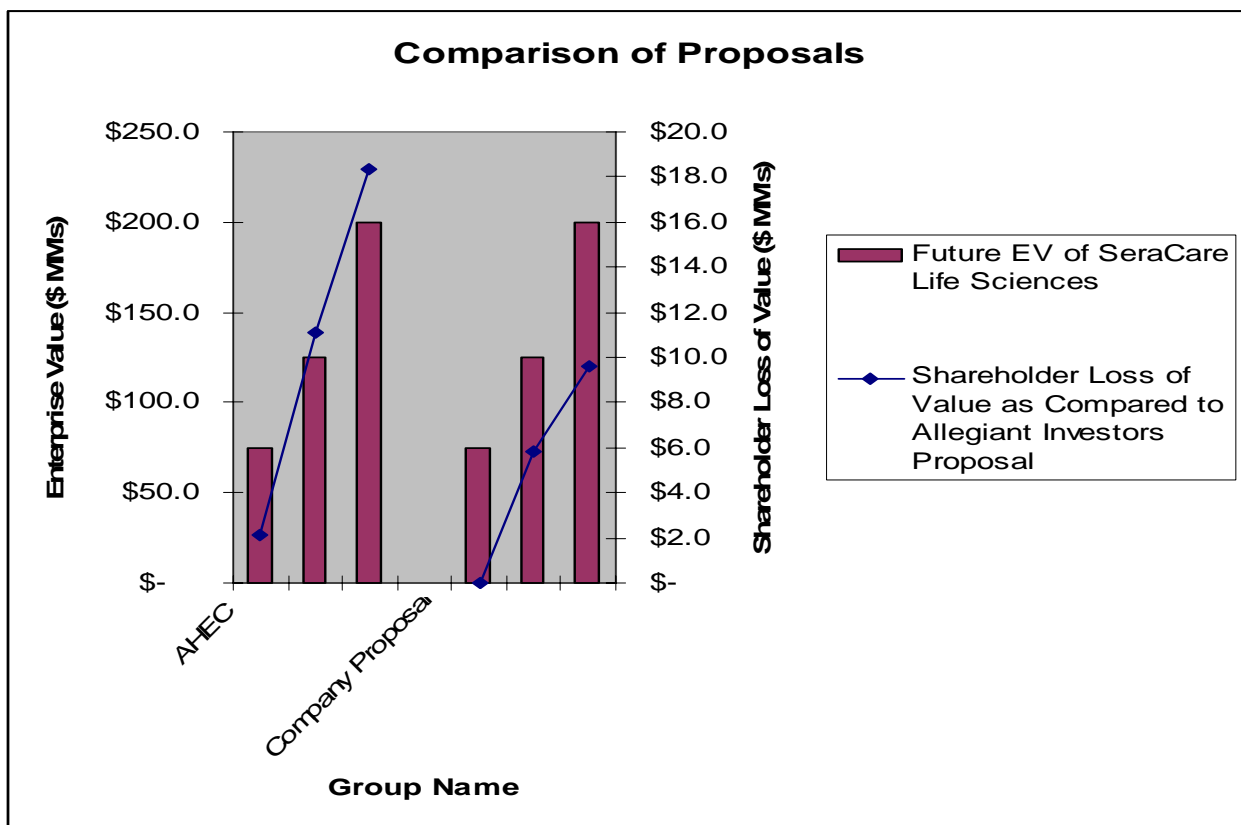
7	<u>Proposing Group</u>	<u>AHEC</u>			<u>Company Proposal</u>			<u>Allegiant Investors</u>					
8	<i>Date Proposed</i>	5/25/2006			6/16/2006			8/16/2006					
9	Amount	\$ 15.0			[a] \$ 15.0			[b] \$ 15.0					
10	Maturity Date	6/30/2007			12 months from closing			60 months from closing					
11	Priority	Secured			Secured			Unsecured					
12	Loan Pricing	9.0%			8.0%			9.0%					
13	Default Pricing	11.0%						Up to 15%					
14	Conversion Terms	A minimum of 26.3% of the common shares (on a fully-diluted basis) of the reorganized entity			\$4.00			\$5.50					
15	Analysis: Value Transfer / Excluding Interest Received												
16	Future EV of SeraCare Life Sciences	\$	75.0	\$125.0	\$200.0	\$	75.0	\$125.0	\$200.0	\$	75.0	\$125.0	\$200.0
17			Low	Mid	High		Low	Mid	High		Low	Mid	High
18	New Bank Debt	\$	10.0	\$10.0	\$10.0	\$	10.0	\$10.0	\$10.0	\$	10.0	\$10.0	\$10.0
19	Investor Group Debt Value to Equity	\$	-	\$-	\$-	\$	15.0	\$-	\$-	\$	15.0	\$-	\$-
20	Shares to Investor Group	\$	65.0	\$15.0	\$190.0	\$	50.0	\$115.0	\$190.0	\$	50.0	\$115.0	\$190.0
21	New Shares Outstanding		4.8	4.8	4.8		-	3.8	3.8		-	2.7	2.7
22	% Shares to Investor Group		18.3	18.3	18.3		13.5	17.3	17.3		13.5	16.2	16.2
23	Implied Price Per Share		26.3%	26.3%	26.3%		0.0%	21.7%	21.7%		0.0%	16.7%	16.7%
24	Value Transfer to Investor Group	\$	3.54	\$6.27	\$10.36	\$	3.70	\$6.66	\$11.01	\$	3.70	\$7.09	\$11.72
25		\$	2.1	\$15.2	\$35.0	\$	-	\$10.0	\$26.3	\$	-	\$4.2	\$16.6
26	Shareholder Loss of Value as Compared to Allegiant Investors Proposal	\$	2.1	\$11.1	\$18.3	\$	-	\$5.8	\$9.6				

25 [a] Company had proposed \$10.0 MM, but in subsequent conversations it has become clear that in actuality would have needed \$15.00 MM which is value we have used.

26 [b] Offered up to \$25.00 MM to Company to facilitate emergence.

27 The difference in the proposals can also be seen in the chart below.

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5. In each instance, the proposal of the Allegiant Investors is superior. From a pure share dilution standpoint, the AHEC proposal would have diluted other equity by at least 26.3% -- the minimum amount of equity in the Debtor which AHEC would have received. The Company's counterproposal would have resulted in investors receiving 21.7% of shares of the reorganized Company on a fully diluted basis. In contrast, the Allegiant Investors' proposal only results in our receiving 16.7% of shares outstanding on a fully diluted basis. Furthermore, from a dollar standpoint, assuming a low \$75 million enterprise valuation, the shareholders would benefit by \$2.1 million from Allegiant Investors' proposal, as compared to the AHEC proposal. At the high \$200 million enterprise valuation, the benefit jumps to \$18.3 million. As compared to the Company's counterproposal, there would be no benefit at the \$75 million enterprise valuation but there would be a benefit of \$9.6 million at the high \$200 million enterprise valuation. This analysis understates the windfall the AHEC was attempting to obtain for another reason. Upon information and belief, the AHEC holds approximately 28 percent of the Debtor's equity. As such, AHEC's proposal would have resulted in AHEC having *control* over the Debtor, *without* paying a control premium.

1 6. In addition to advantages on basic financing terms, the proposal of the Allegiant
2 Investors is more favorable with respect to other terms as well. For example, the AHEC proposal
3 required the payment of all fees and expenses of AHEC's counsel (which amounted to \$150,000,
4 even prior to the date of consideration of AHEC's term sheet by the Company!), plus an additional
5 \$100,000 monthly payment. This provision alone could well have cost the estate more than the
6 break-up fee being requested.

7 7. Clearly, the Allegiant Investors' proposal has created value for shareholders
8 substantially higher than either the AHEC proposal or the Company's counterproposal. The benefit
9 provided to shareholders more than makes up for the small fees associated with the completion of
10 this transaction, as any scenario would involve legal and due diligence fees. The adjusted breakup
11 fee is more than made up for by the significant savings the Allegiant Investors' proposal has already
12 provided to shareholders. Moreover, the AHEC's reflexive attempt to advance a rights offering or to
13 belatedly match the Allegiant Investors' proposal (without a break-up fee) in an untimely fashion
14 demonstrates that we have encouraged, not chilled, the bidding.

15 8. Had the Allegiant Investors desired to provide financing in the most opportunistic
16 fashion, we would have proposed what the Debtor presumably was willing to accept (and the AHEC
17 was unwilling to take). We didn't. Instead, we decided to make a proposal, based on our internal
18 valuation that we believed was both fair and beneficial to all concerned. Consistent with that
19 philosophy, we made a proposal more favorable than what the Company presumably was willing to
20 accept. In addition to the quantitative values the Allegiant Investors have already added, we believe
21 that our continued participation would be further accretive to enhancing the Company's welfare and
22 benefiting all constituents.

23 The Process

24 9. The Allegiant Investors have been very mindful of a Debtor's obligations in a chapter
25 11 case. As such, we insisted that prior to accepting any term sheet from the Allegiant Investors that
26 the Debtor afford other interested parties an opportunity to make their best offer. We understand
27 that both the AHEC and Gateway Capital Management LLC, parties who we understand have been
28 involved in this case for a period of time, were provided an opportunity to bid by the Debtor. These

1 parties either did not submit a bid or submitted a bid which was inferior to that of the Allegiant
2 Investors.

3 AHEC's Allegations

4 10. In various pleadings the AHEC has asserted that as part of the Allegiant Investors'
5 negotiations of the LOI with the Debtor, we agreed to various parties receiving releases. This
6 assertion is false. At no time was the subject of releases ever discussed with any representative of
7 the Debtor. In addition, it has been asserted that the Allegiant Investors would be entitled to a break-
8 up fee even if the Allegiant Investors do not fund. This assertion is also false. Our entitlement to a
9 break-up fee is premised on funding. The only circumstance where we would be entitled to a break-
10 up fee prior to funding is if the Debtor does not proceed with our financing, despite the Allegiant
11 Investors' willingness to proceed. Finally, it has been asserted that approval of a break-up fee would
12 be inappropriate because the Allegiant Investors would re-trade deal terms after approval of the
13 break-up fee. This assertion is again false. First, the Allegiant Investors do not conduct business in
14 this fashion. Second, the break-up fee is premised on performance of the material terms contained in
15 the LOI. If the material terms of the LOI change, the Allegiant Investors would not be entitled to a
16 break-up fee.

17 Conclusion

18 11. At all times, the Allegiant Investors have acted in good faith. We have expended
19 substantial time and effort in this matter and have played by the rules. As demonstrated, we have
20 already added value far beyond the amount of the break-up fee in question. We believe it would
21 compromise the integrity of the process if parties are allowed to replace the Allegiant Investors as a
22 stalking horse financier, after failing to initially submit the highest and best bid, despite having an
23 opportunity to participate and make a fair bid early on in the process. Our track record is that of a

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1 constructive participant, while the track record of AHEC—which has been involved in this process
2 from early in this bankruptcy case but has been unable to enter into any kind of agreement with the
3 Debtor—speaks for itself.

4 I declare under penalty of perjury under the law of the United States that the foregoing is true
5 and correct.

6 Executed this 28th day of August 2006, in New York, New York.

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/s/ Brian L. Cohen
Brian L. Cohen

EXHIBIT “A”

R&G Version of May 25, 2006

**Ad Hoc Equityholders Committee
SeraCare Life Sciences Inc.
\$15 MILLION JUNIOR SECURED SUBORDINATED
CONVERTIBLE POST-PETITION NOTES PURCHASE
NONBINDING SUMMARY OF PRINCIPAL TERMS AND CONDITIONS¹**

FOR DISCUSSION PURPOSES ONLY

Borrower:	SeraCare Life Sciences Inc. (the "Borrower"), proceedings (jointly administered under Case No. "06-00510") pending under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the Southern District of California.
Amount and Type of Notes:	A \$15 million junior secured subordinated convertible debt-in-possession notes (the "Notes").
Use of Proceeds:	For working capital and general corporate purposes. Existing Senior Bank Facility will be paid out prior, using existing T-bill collateral and cash.
Maturity Date:	Earliest of: (i) December 31, 2006 and (ii) confirmation of any plan of reorganization; <u>provided, however</u> , that the maturity date shall be June 30, 2007 in the event a plan is confirmed that is consented to by Majority Lenders.
Lenders:	[Elected members of Ad Hoc Equity Committee] (the "Lenders")
Administrative Agent:	[Black Horse Entity] (the "Agent")
Priority:	The obligations of the Borrower will be, pursuant to Section 364(c)(3) of the Bankruptcy Code, secured by a perfected junior lien on all property of the Borrower that was subject to valid, perfected and unavoidable liens that were in existence immediately prior to the Petition Date of the Borrower (including being junior to the liens of the existing subordinated secured lenders and any previously granted adequate protection replacement liens for those lenders), or to valid and unavoidable liens that were in existence immediately prior to the Petition Date that were perfected subsequent to the Petition Date as permitted by Section 546(h) of the Bankruptcy Code. Because the existing bank facility will be paid off prior to consummation of the note purchase, liens securing the Notes shall not be junior to the banks' liens (including adequate protection liens).
Mandatory Commitment Reductions	100% of the net cash proceeds from any casualty or other insured

¹This Summary of Principal Terms and Conditions does not constitute a commitment by any member of the Ad Hoc Equityholders Committee or any of their respective affiliates to extend credit to, or provide any equity financing to, the Borrower or any other person.

and Repayments:	damage to any property of the Borrower. Otherwise the Notes shall not be callable prior to stated maturity.
Agency Fee:	An administrative agency fee of \$1,000 per month payable upon entry of a final order approving the notes purchase and upon the first business day of each month thereafter.
Lender's Legal Fees	Fees and expenses of counsel to Ad Hoc Equity Committee to be paid upon closing of the notes purchase <i>(currently approximately \$150,000, which includes work on financing, plan outline and first draft of financing document)</i> . Fees payable monthly thereafter, with a payment (not accrual) cap of \$100,000 per month <i>(this is based on Ad Hoc committee either filing plan or being co-sponsor of a joint plan)</i> .
Indicative Pricing:	9% per annum payable monthly in arrears.
Default Pricing:	11% per annum payable monthly in arrears.
Conversion Terms	<ul style="list-style-type: none"> • Each Lender may convert its entire claim to common stock of the company to such Lender's <i>pro rata</i> share (out of the Lenders) of at least 26.3% of the common shares (on a fully-diluted basis) of the reorganized entity, or any successor entities. • Lenders have full preemption rights, and right of first refusal, for any equity or debt financing at reorganization. • Election to convert in connection with effective date of plan confirmation must be made not later than 3 days prior to the confirmation hearing. Conversion will only take place if a plan acceptable to the electing Lender is confirmed. Conversion to be effective one day prior to effective date of the plan. • Conversion may also be made after effective date of plan. Notes will have typical anti-dilution provision for post-confirmation period.
Ancillary Conversion Terms	Ad Hoc Committee has right to propose a plan of reorganization (i.e. exclusivity lifted for Ad Hoc Committee), but Ad Hoc Committee will first negotiate in good faith with Debtor toward that plan. Basis of those plan negotiations shall be the Plan Term Sheet separately provided to the Debtor. Other parties may participate in those negotiations. <i>(As discussed with Debtor's counsel, company filing a plan has negative D&O insurance ramifications)</i> .
Subordination Terms	Lenders subordinate claims under the Facility to allowed prepetition non-priority, nonsubordinated unsecured claims, including post-petition interest at the federal judgment rate <i>(currently 5.01%)</i> ² as of the date of entry of an order approving the notes purchase; <u>provided, however</u> , that the allowed amount of claims to which the Notes shall be subordinated shall not exceed \$7.5 million plus interest. In the event subordination is exceeded, allowed unsecured claims shall share to maximum subordination amount <i>pro rata</i> . Subordination payments would be effectuated by financing order and bankruptcy court, and payment of trade pursuant to subordination terms will occur on the earlier of (i) the effectiveness of a plan, (ii) distributions to Lenders after a conversion of

² *Onink v. Cardehucchi (In re Cardehucchi)*, 285 F.3d 1231 (9th Cir. 2002), provides for this rate for post-petition interest on unsecured claims.

	<p>the case to chapter 7, (iii) recovery of cash by the Lenders after dismissal of the case (provided that no subordination would be paid if unsecured creditors or their official committee initiates or supports conversion/dismissal), and (iv) Lenders receive proceeds from any foreclosure. Lenders would have rights to object to general unsecured claims.</p>
<p>Conditions to Signing of Loan Documents:</p>	<p>Diligence (to be completed with 5 days of provision on documents):</p> <ul style="list-style-type: none"> • Review of certain material contracts • Discussion regarding sales force and customer relationships • Verification of cash on hand • Copies of existing post-petition financial reporting to banks • Copy of existing post-petition inventory • Copy of existing post-petition receivables analysis
<p>Conditions to Purchase of Notes:</p>	<ol style="list-style-type: none"> 1. Existing senior bank facilities shall be paid indefeasibly in full, using existing cash collateral (including T-bills). 2. Entry of a final order, and no pending appeals, authorizing the notes purchase contemplated hereby. 3. Truth of representations (see below). 4. Financing Order to contain a full 506(c) waiver for DIP Lenders.
<p>Representations and Warranties, Covenants, Events of Default:</p>	<ul style="list-style-type: none"> • Cash collateral usage in ordinary course; Lenders retain rights to object to non-ordinary-course use of cash (i.e., Debtors must still obtain approvals under 363(b), and Lenders retain rights to object to such motions). • Representations: <ul style="list-style-type: none"> ○ Truth of schedules and statements, plus disclosure of major variances (e.g., value of receivables, inventory) since petition date ○ Total number of shares and option/warrants ○ [Other] • Covenants <ul style="list-style-type: none"> ○ No other equity or debt financing prior to confirmation (except for a basket for employee incentive options, to be agreed). ○ Monthly financial reporting consisting of US Trustee operating reports plus a summary unaudited financial statement in a form to be agreed upon (baseline should be existing company internal monthly financials); this reporting to be publicly filed on an 8-K ○ Maintain gross revenue (excluding extraordinary gains), on annualized basis, above \$47.5 million (tested monthly) ○ Maintain EBITDA (calculated via cash, not from GAAP baseline, and excluding extraordinary gains and losses such as inventory revaluation), on an annualized basis, above \$___. <i>[Need to understand whether \$3-5 million EBITDA incorporates the inventory write down, or is a real cash number]</i> ○ [Other] • Events of Default <ul style="list-style-type: none"> ○ Payment defaults ○ Conversion/Dismissal/Trustee/Examiner with

	<p>Expanded Powers</p> <ul style="list-style-type: none"> ○ Breach of financial tests ○ Breach of other covenants with 5 day cure (except financial tests) ○ Material misrepresentation/omission in representations <ul style="list-style-type: none"> • No issuance of any other equity or outside-the-ordinary-course debt.
Lender Voting:	<p>Conversion may be exercised by each Lender individually. Other decisions (including release of collateral) to be made by majority vote of Lenders, except: maturity date, interest rate, principal amount, subordination terms, conversion features, which require consent of each Lender affected.</p>
Assignments and Participation:	<p>Assignments and participations of the Notes will not require the consent of Borrower. <i>[Need to discuss.]</i></p>
Venue of Bankruptcy Case <i>[Discuss with Company]</i>	<p>Following consummation of the notes purchase, Debtor shall seek to change venue of the bankruptcy case to Massachusetts, for cost-saving purposes. Lenders agree that any claims objections relating to claims that were originally held by California-based creditors and benefit from the subordination of the Notes may be heard in San Diego [and consent to binding arbitration of such disputes in San Diego].</p>
Governing Law:	<p>New York, except as governed by the Bankruptcy Code.</p>
Counsel to the Lenders:	<p>Ropes & Gray LLP</p>

EXHIBIT “B”

SeraCare Life Sciences, Inc.

Draft Term Sheet

June 16, 2006

Borrower:	SeraCare Life Sciences, Inc. (the "Company")
Amount:	\$10 million
Securities:	Senior Subordinated Convertible Notes (the "Notes")
Interest Rate:	8% monthly in arrears
Maturity:	12 months from closing
Conversion Price:	\$4.00 per share
Subordination:	Notes will be subordinate in right of payment to the existing subordinated debt (\$4 million) and any senior working capital debt funded during the period (not to exceed \$10 million)
Security:	Notes will have a second lien on all of the Company's assets
Antidilution Protection	Direct ratchet to the price of any equity or equity-related securities sold prior to or in conjunction with the confirmation of a plan of reorganization
Use of Proceeds:	General working capital purposes
Investors:	Ad Hoc Equity Committee
Call:	The Notes will be callable at the confirmation of a plan of reorganization
Preemptive Rights:	Holder of the Notes will have the proportionate right to purchase any debt or equity securities offered for sale by the Company
Conditions to Closing	Repayment of all existing bank indebtedness and others terms as generally outlined in the Ad Hoc Equity Committee draft term sheet of May 25, 2006

Legal Fees:	Company will pay actual out-of-pocket expenses of Investors' counsel to date and through closing. Future legal expenses as incurred with a cap of \$25,000 per month.
Bankruptcy Venue	Company will work with the Committee to optimize the bankruptcy process.