

1 PAUL COUCHOT - State Bar No. 131934
2 GARRICK A. HOLLANDER - State Bar No. 166316

3 **WINTHROP COUCHOT**
4 **PROFESSIONAL CORPORATION**

5 660 Newport Center Drive, Ste. 400
6 Newport Beach, CA 92660

7 Telephone: (949) 720-4100
8 Facsimile: (949) 720-4111

9 General Insolvency Counsel for
10 Debtor and Debtor-in-Possession

11 **UNITED STATES BANKRUPTCY COURT**

12 **SOUTHERN DISTRICT OF CALIFORNIA**

13 In re

14 SERACARE LIFE SCIENCES, INC.,
15 a California Corporation (d/b/a Therasource
16 International; f/k/a The Western States
17 Group, Inc.; d/b/a Biomedical Resources, a
18 division of SeraCare Life Sciences, Inc.;
19 d/b/a Genomics Collaborative, a division of
20 SeraCare Life Sciences, Inc.; f/k/a Southwest
21 Biological Services Western States Plasma
22 Co., Inc.; d/b/a Boston Biomedica, Inc.; d/b/a
23 SeraCare Bioservices; and d/b/a SeraCare
24 Diagnostics),

25 Debtor and Debtor-in-
26 Possession.

Case No. SD 06-00510 LA11

Chapter 11 Proceeding

**STIPULATION AUTHORIZING PAYMENT
OF CERTAIN: (1) PRE-PETITION
EMPLOYEE CLAIMS IN EXCESS OF \$10,000
PRIORITY CAP; (2) EMPLOYEE
RELOCATION RELATED CLAIMS; AND
(3) POST-PETITION RETENTION BONUS
PACKAGE FOR NON-INSIDER
EMPLOYEES**

DATE: May 24, 2006

TIME: 2:00 p.m.

PLACE: Courtroom 2

1 This Stipulation Authorizing Payment of Certain (1) Pre-Petition Employee Claims in
2 Excess of \$10,000 Priority Cap; (2) Employee Relocation Related Claims; and (3) Post-Petition
3 Retention Bonus Package for Non-insider Employees (“Stipulation”) is hereby entered into by and
4 among Seracare Lifesciences, Inc., debtor and debtor in possession (“Debtor”), Office of the
5 United States Trustee (“U.S. Trustee”), Official Committee of Creditors Holding Unsecured
6 Claims (“Committee”), Union Bank of California, N.A. (“Bank”), and Goodwin Procter, LLP
7 (“Goodwin”) and is made with reference to the following facts and circumstances (the Debtor,
8 U.S. Trustee, Committee, the Bank and Goodwin may be referred to herein individually as “Party”
9 and collectively, as the “Parties”).¹

10 RECITALS

11 A. On March 22, 2006, the Debtor filed a petition for relief under Chapter 11 of the
12 Bankruptcy Code. The Debtor is managing and operating its business as a debtor-in-possession
13 pursuant to Sections 1107 and 1108 of the Bankruptcy Code.

14 B. The Debtor is very concerned about the increased employee turnover experienced
15 since the filing of its petition. The Debtor has already lost seventeen employees since the filing of
16 the Motion, including three out of its four sales leaders. The continued cooperation post-petition
17 of the Debtor’s employees is critical to the Debtor’s ability to sustain its operations, maintain its
18 going concern value, and effect a successful reorganization.

19 C. In an effort to improve employee turnover and morale, and increase retention of
20 employees, on April 21, 2006, the Debtor filed a Motion for Order Authorizing Payment of Certain
21 (1) Pre-Petition Employee Claims in Excess of \$10,000 Priority Cap; (2) Employee Relocation
22 Related Claims; and (3) Post-Petition Retention Bonus Package for Non-insider Employees (the
23 “Motion”).

24 D. None of the employees included in the Post-Petition Retention Package are insiders
25 as defined in Section 101 of the Bankruptcy Code, and thus Sections 503(c)(1)-(2) do not apply.²

26 ¹ Unless otherwise defined herein, the definition of the capitalized terms contained herein are as set forth in the Motion.

27 ² Kathi Benjamin is included in this package because she is not an insider of the company, as determined by the Court in the context of the Notice of Insider Compensation procedures implemented and governed by the U.S. Trustee.

1 E. Based on the Motion, the Parties requested additional information primarily related
2 to the Post-Petition Retention Package.

3 F. In response to the Parties' comments and requests, the Debtor provided, to the
4 Parties' satisfaction, more detailed information in support of the Motion and, on May 11, 2006,
5 filed a Supplement to the Motion.

6 G. The Parties are all in support of the Motion and believe that the relief prayed for is
7 necessary to improve employee morale, turnover, and retention; however, based on the Motion and
8 Supplement alone, there still remains some uncertainty with respect to the mechanics of the
9 proposed Post-Petition Retention Package.

10 H. The Parties seek to enter into this Stipulation to clarify any ambiguities and consent
11 to the relief sought by the Debtor in the Motion and Supplement.

12 **NOW THEREFORE**, based upon the foregoing Recitals, and for good and valuable
13 consideration, the receipt and sufficiency of which are hereby acknowledged by the Parties, and
14 the Parties hereto intending to be legally bound hereby, by and through their respective attorneys
15 of record, here agree and stipulate as follows:

16 **AGREEMENT**

17 1. The Motion, as modified by the Supplement to the Motion, is approved.

18 2. The Debtor is authorized to pay the following pre-petition employee claims in
19 excess of the \$10,000 priority cap pursuant to Section 507(a)(5)(B):

20 **PRE-PETITION CLAIMS**

<u>Employee</u>	<u>Amount</u>
Lenna Dwyer	\$ 967.36
Ginny MacKeen	2,292.99
John Barron	2,201.13
Adhlakha Vipin	1,439.41
Eric Langlois	5,911.24
Kevin Krenitsky	12,324.66
Kevin Krenitsky	235.06
Tom Lawlor	50,000.00

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26 3. The Debtor is authorized to pay, in the ordinary course the aggregate amount of
27 retention bonuses, employee relocation expenses and severances set forth on Exhibit "1" attached
28 hereto, subject to the following terms:

1 a. The Debtor's obligation to pay and each employee's right to receive the
2 retention bonuses identified on Exhibit "1" shall vest only if the employee continues active
3 employment with the Debtor until such employee's job position is terminated by the
4 Debtor.

5 b. The Debtor's obligation to pay and each employee's right to be reimbursed
6 for relocation expenses are limited to the cap amounts set forth on Exhibit "1," and such
7 obligation and right shall vest only if the employee continues active employment with the
8 Debtor after the employee's relocation to another facility of the Debtor.

9 c. The Debtor's obligation to pay and each employee's right to receive a
10 severance identified on Exhibit "1" shall vest only if the employee continues active
11 employment with the Debtor until such employee's job position is terminated, and the
12 employee has not accepted employment at another location of the Debtor.

13 d. The Debtor may pay a severance, in lieu of relocation expenses, to an
14 employee who chooses not to relocate, where a severance is determined by the Debtor to be
15 in the best interests of the Debtor, but such severance shall not exceed the lesser of (i) the
16 amount scheduled as relocation expense for such employee and (ii) the severance amount
17 to which such employee would be entitled under the Pre-Petition Relocation Package.

18 4. The Debtor is authorized to pay the aggregate amount of post-petition retention
19 bonuses to the employees as identified in Exhibit "2" attached hereto, subject to the following
20 terms:

21 a. The Debtor may add employees to the list in Exhibit "2" to the extent other
22 employees on the list terminate their employment, but the Debtor may not pay, in the
23 aggregate, more than is set forth on Exhibit "2." In the event of such a change in the mix
24 of the employee bonus pool, the Debtor may reallocate, as the Debtor deems appropriate,
25 the individual bonus amounts to be paid to employees.

26 b. The Debtor's obligations to pay and employees' right to receive a stay
27 bonus as reflected on Exhibit "2" shall only vest after the occurrence of the earlier of the
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1 following events: (i) the entry of an order confirming the Debtor's plan of reorganization;
2 or (ii) the effective date of the sale or transfer of the Debtor or any business unit of the
3 Debtor in which an Eligible Employee is employed.

4 5. The Debtor is authorized to reduce the exercise price of stock options granted pre-
5 petition to those employees identified in Exhibit "3" attached hereto, subject to the following
6 terms:

7 a. The re-pricing shall apply only to those employees identified on Exhibit "3"
8 that are in the employ of the Debtor as of the date of the entry of this order (the "Re-pricing
9 Date"); and

10 b. The re-pricing shall be effective as of the close of business on the Re-pricing
11 Date, and calculated at the lower of (i) the exercise price of the subject stock option or (ii)
12 110% of the closing price of the Debtor's common stock (as quoted on the pink sheets) on
13 the Re-pricing Date.

14 6. No further notice or hearing is necessary to effectuate the foregoing.

15 DATED: May 23, 2006

**WINTHROP COUCHOT
PROFESSIONAL CORPORATION**

17 By: _____ /s/
18 Paul J. Couchot
19 Garrick A. Hollander
20 General Insolvency Counsel to Debtor and Debtor-in-
Possession

21 DATED: May 23, 2006

**PACHULSKI STANG ZIEHL YOUNG JONES &
WEINTRAUB LLP**

23 By: _____ /s/
24 Henry C. Kevane
25 Hamid Rafatjoo
26 Counsel for the Official Committee of Creditors
Holding Unsecured Claims

27 *[SIGNATURES CONTINUED ON NEXT PAGE]*

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DATED: May 23, 2006

OFFICE OF THE UNITED STATES TRUSTEE

By: _____
Mary Testerman Duvoisin

DATED: May 23, 2006

**SHEPPARD, MULLIN, RICHTER &
HAMPTON, LLP**

By: _____
Laura Stuart Taylor
Counsel for Union Bank of California, N.A.

DATED: May 23, 2006

GOODWIN PROCTER LLP

By: _____
Gina Lynn Martin
Counsel for Brown Brothers Harriman & Co.

SeraCare Life Sciences, Inc.
Pre-Petition Relocation Package

Name	Position	Severance(1)	Relocation Allowance (2)	Retention	Total	Retention Calculation
		\$1,200.00	\$2,080.00	\$2,080.00	3,280	10% of \$20,800.00
		\$3,775.82	\$3,926.85	\$3,926.85	7,703	10% of \$39,268.53
		\$8,322.45	\$14,425.57	\$14,425.57	22,748	20% of \$72,127.87
		\$1,399.51	\$7,277.46	\$7,277.46	8,677	20% of \$36,387.31
			\$3,000.00	\$3,000.00	3,000	10% of \$30,000
			\$9,390.82	\$9,390.82	9,391	10% of \$93,908.22
			\$9,427.18	\$9,427.18	9,427	10% of \$94,721.78
		\$760.00	\$988.00	\$988.00	1,748	5% of \$19,760.00
		\$840.00	\$2,184.00	\$2,184.00	3,024	10% of \$21,840.00
		\$840.00	\$2,184.00	\$2,184.00	3,024	10% of \$21,840.00
		\$960.00	\$1,248.00	\$1,248.00	2,208	5% of \$24,960
		\$1,009.11	\$2,623.69	\$2,623.69	3,633	10% of \$26,236.91
		\$1,013.04	\$2,633.90	\$2,633.90	3,647	10% of \$26,339.04
		\$1,173.95	\$3,052.28	\$3,052.28	4,226	10% of \$30,522.75
		\$1,200.00	\$3,120.00	\$3,120.00	4,320	10% of \$31,200
		\$1,264.36	\$2,191.55	\$2,191.55	3,456	10% of \$21,915.50
		\$1,334.40	\$3,469.44	\$3,469.44	4,804	10% of \$34,694.40
		\$1,346.15	\$3,500.00	\$3,500.00	4,846	10% of \$35,000
		\$1,673.81	\$8,703.80	\$8,703.80	10,378	20% of \$43,519.01
		\$2,307.69	\$3,000.00	\$3,000.00	5,308	5% of \$60,000
		\$2,405.72	\$3,127.44	\$3,127.44	5,533	5% of \$62,548.70
		\$2,423.08	\$4,200.00	\$4,200.00	6,623	10% of \$42,000
		\$3,076.92	\$16,000.00	\$16,000.00	19,077	20% of \$80,000
		\$3,943.80	\$4,101.55	\$4,101.55	8,045	10% of \$41,015.52
		\$4,727.29	\$36,872.88	\$36,872.88	41,600	30% of \$122,909.59
		\$5,209.62	\$2,257.50	\$2,257.50	7,467	5% of \$45,150.00
		\$7,596.15	\$11,849.99	\$11,849.99	19,446	15% of \$78,999.92
		\$18,361.48	\$3,409.99	\$3,409.99	21,771	5% of \$68,199.77
			\$1,750.00	\$1,750.00	1,750	5% of \$35,000
			\$2,250.00	\$2,250.00	2,250	5% of \$45,000
			\$2,750.00	\$2,750.00	2,750	5% of \$55,000.00
			\$3,000.00	\$3,000.00	3,000	5% of \$60,000
			\$5,250.00	\$5,250.00	5,250	5% of \$105,000
		\$3,050.80	\$10,000.00	\$10,576.10	23,627	20% of \$52,880.52
			\$6,500.00	\$10,122.56	16,623	20% of \$50,612.78
			\$73,000.00	\$31,724.12	104,724	20% of \$158,620.60
		\$81,215.15	\$89,500.00	\$237,668.68	\$408,383.83	

(1) Standard company severance of 1 week pay for each year of service
(2) Out-of-pocket moving expenses (home sale commission, moving van, loan points, etc) reimbursed up to specified maximum.

**SeraCare Life Sciences, Inc.
Post-Petition Retention Package**

Officers and employees below are vital to the Company's operations and efforts to maintain the value of the Company for all creditors and equity holders. The following incentives are considered necessary and prudent to keep these employees with the Company until a reorganization plan is confirmed. These incentives will be payable only upon the earlier of (1) confirmation of a bankruptcy reorganization plan or (2) sale of the company or business unit where the person is employed.

Name	Title	Salary	\$ Bonus	% Bonus
XXXXXXXX XXXXXX	XXXXXXXX XXXXXX	\$ 140,000.00	\$ 14,000.00	10%
XXXXXXXXXX XXXX XX	XXXXXXXXXX XXXXXXXXXXXXXXX	\$ 77,993.00	\$ 7,799.30	10%
XXXXXXXXXXXX XXXXXXXX XX	XXXXXXXX XXXX XXXXXXXXXX XXX	\$ 90,000.00	\$ 9,000.00	10%
XXXXXXXXXXXX XXXXXXXXXXXX XX	XXXX XX	\$ 132,235.07	\$ 26,447.01	20%
XXXXXXXX XXXXXXXXXXXX XX	XXXX XXXXXXXXXXXX XXXXXXXXXXXXXXX	\$ 120,000.00	\$ 24,000.00	20%
XXXXXXXX XXXXXXXXXXXX XXX	XXXX XXXXXXXXXXXXXXX XXXXXXXXXXXXXXX	\$ 137,296.00	\$ 27,459.20	20%
		\$ 4,435,392.96	\$ 442,185.37	9.97%

SeraCare Life Sciences, Inc.
Outstanding Stock Options & Warrants
As of 3/31/06

Grant Date	Grant Type	Grant Price	Vesting Schedule	Granted	Outstanding	Vested	Outstanding Exercisable	Portion Out Of Plan
6/30/2004	Incentive	\$13.00	3 yr vesting	5,000	5,000	1,666	1,666	
6/30/2004	Incentive	\$13.00	3 yr vesting	5,000	5,000	1,666	1,666	
9/22/2004	Non-Qualified	\$13.30	3 yr vesting	2,332	2,332	775	775	
9/22/2004	Incentive	\$13.30	3 yr vesting	17,668	17,668	5,890	5,890	
1/31/2005	Incentive	\$13.02	2 yr cliff	7,500	7,500	0	0	
9/20/2005	Incentive	\$17.85	Immediate	5,000	5,000	5,000	5,000	
1/31/2005	Incentive	\$13.02	2 yr cliff	2,500	2,500	0	0	
1/31/2005	Non-Qualified	\$13.02	2 yr cliff	2,320	2,320	0	0	
1/31/2005	Incentive	\$13.02	2 yr cliff	7,680	7,680	0	0	
9/20/2005	Incentive	\$17.85	Immediate	5,000	5,000	5,000	5,000	
11/15/2002	Non-Qualified	\$5.95	3 yr vesting	1,666	1,666	1,666	1,666	
11/15/2002	Incentive	\$5.95	3 yr vesting	5,000	1,667	5,000	1,667	
10/24/2003	Incentive	\$8.10	3 yr vesting	3,334	2,223	2,222	1,111	
10/24/2003	Incentive	\$8.10	3 yr vesting	1,666	1,111	1,110	555	
1/31/2005	Incentive	\$13.02	2 yr cliff	5,000	5,000	0	0	
7/20/2005	Non-Qualified	\$14.23	3 yr vesting	4,803	4,803	0	0	
7/20/2005	Incentive	\$14.23	3 yr vesting	15,197	15,197	0	0	
1/31/2005	Incentive	\$13.02	2 yr cliff	2,500	2,500	0	0	
1/31/2006	Incentive	\$9.24	3 yr vesting	40,000	40,000	0	0	
1/31/2005	Incentive	\$13.02	2 yr cliff	2,500	2,500	0	0	
9/20/2005	Incentive	\$17.85	Immediate	2,500	2,500	2,500	2,500	
10/24/2003	Incentive	\$8.10	3 yr vesting	1,500	1,500	999	999	
1/31/2005	Incentive	\$13.02	2 yr cliff	1,000	1,000	0	0	
6/30/2004	Incentive	\$13.00	3 yr vesting	5,000	5,000	1,666	1,666	
9/22/2004	Non-Qualified	\$13.30	3 yr vesting	2,332	2,332	775	775	
9/22/2004	Incentive	\$13.30	3 yr vesting	17,668	17,668	5,890	5,890	
9/20/2005	Non-Qualified	\$17.85	Immediate	10,000	10,000	10,000	10,000	
9/20/2005	Incentive	\$17.85	Immediate	5,000	5,000	5,000	5,000	
12/13/2004	Non-Qualified	\$11.54	3 yr vesting	160,000	160,000	53,328	53,328	160,000
5/13/2005	Incentive	\$12.91	3 yr vesting	3,000	3,000	0	0	

SeraCare Life Sciences, Inc.
Outstanding Stock Options & Warrants
As of 3/31/06

Grant Date	Grant Type	Grant Price	Vesting Schedule	Granted	Outstanding	Vested	Outstanding Exercisable	Portion Out Of Plan
8/10/2005	Incentive	\$15.60	3 yr vesting	3,000	3,000	0	0	
1/31/2005	Incentive	\$13.02	2 yr cliff	6,000	6,000	0	0	
9/20/2005	Non-Qualified	\$17.85	Immediate	4,398	4,398	4,398	4,398	
9/20/2005	Incentive	\$17.85	Immediate	5,602	5,602	5,602	5,602	
1/31/2005	Incentive	\$13.02	2 yr cliff	4,000	4,000	0	0	
9/20/2005	Incentive	\$17.85	Immediate	2,000	2,000	2,000	2,000	
10/16/2001	Incentive	\$3.00	3 yr cliff	15,000	15,000	15,000	15,000	
11/15/2002	Incentive	\$5.95	3 yr vesting	5,000	5,000	5,000	5,000	
10/24/2003	Incentive	\$8.10	3 yr vesting	7,500	7,500	4,999	4,999	
1/31/2005	Non-Qualified	\$13.02	2 yr cliff	2,320	2,320	0	0	
1/31/2005	Incentive	\$13.02	2 yr cliff	7,680	7,680	0	0	
9/20/2005	Non-Qualified	\$17.85	Immediate	21,088	21,088	21,088	21,088	
9/20/2005	Incentive	\$17.85	Immediate	3,912	3,912	3,912	3,912	
1/31/2005	Incentive	\$13.02	2 yr cliff	6,000	6,000	0	0	
9/20/2005	Non-Qualified	\$17.85	Immediate	4,398	4,398	4,398	4,398	
9/20/2005	Incentive	\$17.85	Immediate	5,602	5,602	5,602	5,602	
9/22/2004	Incentive	\$13.30	3 yr vesting	10,000	10,000	3,333	3,333	
Grand Totals				463,166	458,167	185,485	180,486	160,000

CERTIFICATE OF SERVICE

I, Jeannie Martinez, declare as follows:

I am employed in the County of Orange, State of California; I am over the age of eighteen years and am not a party to this action; and my business address is 660 Newport Center Drive, Fourth Floor, Newport Beach, California 92660, in said County and State.

On **May 24, 2006**, I served the following document(s): **STIPULATION AUTHORIZING PAYMENT OF CERTAIN: (1) PRE-PETITION EMPLOYEE CLAIMS IN EXCESS OF \$10,000 PRIORITY CAP; (2) EMPLOYEE RELOCATION RELATED CLAIMS; AND (3) POST-PETITION RETENTION BONUS PACKAGE FOR NON-INSIDER EMPLOYEES** on each of the interested parties:

United States Trustee Mary Testerman Duvoisin, Esq. 402 W. Broad Street., Suite 600 San Diego, CA 92101 <u>mary.m.testerman@usdoj.gov</u>	<u>Committee Counsel</u> Henry C. Kevane, Esq. Maxim B. Litvak, Esq. Pachulski, Stang, Ziehl, Young, Jones & Weintraub 150 California Street, 15 th Floor San Francisco, CA 94111-4500 <u>hkevane@pszyjw.com</u>
<u>Counsel for Union Bank</u> Laura Stuart Taylor , Esq. Sheppard Mullin Richter & Hampton LLP 501 West Broadway Nineteenth Floor San Diego, CA 92101 <u>ltaylor@sheppardmullin.com</u>	<u>Counsel for Brown Brothers Harriman & Co.</u> Goodwin Procter Gina Lynn Martin, Esq. Exchange Place Boston, MA 02109 <u>gmartin@goodwinprocter.com</u>

by the following means of service:

- BY ELECTRONIC MAIL:** On May 24, 2006, from Newport Beach, California, I caused each such document to be transmitted electronically to the parties at the e-mail address indicated above. To the best of my knowledge, the transmission was reported as complete, and no error was reported that the electronic transmission was not completed. A return receipt was requested at the time of the transmission of each such document and I did not receive a notice of failure of receipt of each such document.
- I am employed in the office of Winthrop Couchot Professional Corporation. Garrick A. Hollander is a member of the bar of this Court.
- (FEDERAL)** I declare under penalty of perjury that the foregoing is true and correct.

Executed on **May 24, 2006**, at Newport Beach, California.

/s/
Jeannie Martinez

Initials