

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

SAXENA WHITE P.A.
David R. Kaplan (SBN 230144)
dkaplan@saxenawhite.com
12750 High Bluff Drive, Suite 475
San Diego, CA 92130
Telephone: (858) 997-0860
Facsimile: (858) 369-0096

*Counsel for Plaintiff Plumbers
& Pipefitters Local Union #295 Pension Fund*

**UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA**

PLUMBERS & PIPEFITTERS LOCAL
UNION #295 PENSION FUND, Individually
and on Behalf of All Others Similarly Situated,

Plaintiff,

vs.

CAREDX, INC., REGINALD SEETO,
ANKUR DHINGRA, MARCEL KONRAD,
and PETER MAAG,

Defendants.

Case No.:

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

DEMAND FOR JURY TRIAL

1 Plaintiff Plumbers & Pipefitters Local Union #295 Pension Fund (“Plaintiff”), by and
2 through its attorneys, alleges the following upon information and belief, except as to allegations
3 concerning Plaintiff, which are alleged upon personal knowledge. Plaintiff’s information and
4 belief are based upon, among other things, its counsel’s investigation, which includes, without
5 limitation: (a) review and analysis of public filings made by CareDx, Inc. (“CareDx” or the
6 “Company”) with the U.S. Securities and Exchange Commission (the “SEC”); (b) review and
7 analysis of press releases and other publications disseminated by Defendants (defined below) and
8 other parties; (c) review of news articles, shareholder communications, conference calls, and
9 postings on CareDx’s website concerning the Company’s public statements; and (d) review of
10 other publicly available information concerning the Company and the Individual Defendants.

11 **NATURE OF THE ACTION**

12 1. This is a federal securities class action on behalf of all persons or entities who
13 purchased CareDx common stock between February 24, 2021, and May 5, 2022, inclusive (the
14 “Class Period”) against CareDx and certain of its officers (collectively “Defendants”) seeking to
15 pursue remedies under the Securities Exchange Act of 1934, 15 U.S.C. § 78a *et seq.* (the
16 “Exchange Act”).

17 2. CareDx is a diagnostics company that provides services and products to the organ
18 transplant recipient community, offering diagnostic testing services, products, and digital
19 healthcare software for transplant patients and care providers. The information gathered through
20 the Company’s surveillance and tests purportedly enables clinicians to make treatment decisions
21 in the event of signs of organ rejection.

22 3. During the Class Period, testing services for kidney and heart transplant recipients
23 was by far the Company’s largest segment, representing at least 85% of the Company’s total
24 revenues since the beginning of 2020. The Company’s AlloSure® blood test for transplant
25 recipients was, and is, the Company’s primary source of revenue.

26 4. The Company received a higher payment for testing services from Medicare
27 reimbursement than from commercial payers. As a result, the number of tests for which the
28

1 Company was able to get Medicare reimbursement corresponded with the Company's reporting a
2 higher average sales price ("ASP") for testing services. Although the Company did not specifically
3 report ASPs during the Class Period, investors were able to easily calculate ASP by dividing
4 testing service revenue by the number or volume of reported tests per financial reporting period.

5 5. Throughout the Class Period, CareDx reported growing revenue and strong demand
6 in the Company's testing services segment. On February 24, 2021, the first day of the Class Period,
7 Defendants reported a 51% year-over-year increase in total revenue, with testing services revenue
8 increasing from \$104.6 million in 2019 to \$163.5 million in 2020. Defendants instructed investors
9 during the Class Period that they "should be focused" on the testing services segment. Defendants
10 presented the testing services segment as the Company's "growth driver" for which "demand
11 continued unabated." Moreover, Defendants described the Company's testing services segment
12 as having "a winning formula" that would allow the Company to capture a massive total
13 addressable market ("TAM").

14 6. Defendants also emphasized to investors the success of the Company's RemoTraC
15 service – a remote, home-based, blood-drawing service that the Company launched in response to
16 the Covid-19 pandemic – as part of the "winning formula." Investors were told throughout the
17 Class Period that the RemoTraC service was a massive success that gave the Company the ability
18 to "drive margins" for testing services.

19 7. Undisclosed to investors, however, throughout the Class Period, Defendants had
20 engaged in a variety of improper and illegal schemes to inflate testing services revenue, including:
21 (i) pushing protocols for surveillance of organ rejection through inaccurate marketing materials
22 and in violation of Medicare standards; (ii) offering extravagant inducements or kickbacks to
23 physicians and other providers; and (iii) improperly bundling expensive testing services with other
24 blood tests as part of the RemoTraC service. These practices, and others, subjected CareDx to an
25 undisclosed risk of regulatory scrutiny and rendered the Company's testing services revenue and
26 demand reported throughout the Class Period artificially inflated. As a result, Defendants' positive
27
28

1 statements about the Company’s business, operations, and prospects were materially false and/or
2 misleading and/or lacked a reasonable basis.

3 8. Investors began to learn the truth regarding Defendants’ Class Period
4 misrepresentations after the financial markets closed on October 28, 2021, when CareDx filed its
5 quarterly report for the third quarter of 2021 on Form 10-Q with the SEC. Under the heading
6 “United States Department of Justice and United States Securities and Exchange Commission
7 Investigation,” Form 10-Q revealed for the first time that CareDx was the subject of *at least three*
8 government investigations. Specifically, the Form 10-Q reported (1) the Company had “recently
9 received” a civil investigative demand (“CID”) from the U.S. Department of Justice (“DOJ”) *requesting the Company produce documents in connection with the DOJ’s False Claims Act*
10 *investigation*; (2) the Company received a subpoena from the *SEC* in relation to an investigation
11 by the SEC “in respect to matters similar to those identified in the CID, as well as certain of our
12 *accounting and public reporting practices*” and (3) the Company received an information request
13 from an unnamed state regulatory agency (collectively “government investigations”).
14

15 9. In response to the disclosures of the government investigations, the price of CareDx
16 shares declined more than 27% the next trading day, from a closing price of \$70.34 per share on
17 October 28, 2021, to a closing price of \$51.00 per share on October 29, 2021.

18 10. The Company then remained silent on the status of the government investigations
19 for several months. But investors learned more about the extent of the Company’s misconduct
20 and the nature of the government investigations on April 15, 2022, when the Company’s former
21 Head of Community Nephrology, Dr. Michael Olymbios, filed a complaint in California Superior
22 Court¹ that provided extensive detail about: (1) Defendants’ misconduct, including the use of
23 RemoTraC to improperly bundle the Company’s most expensive testing services, including
24 AlloSure, with other blood tests, that led to the government investigations; (2) Defendants’
25 knowledge of the misconduct throughout the Class Period; and (3) their attempts to conceal the
26

27 ¹ See *Olymbios v. CareDx, Inc.*, Case No. 22-civ-01582 (Cal. Super. Ct. San Mateo Cnty.)
28 (hereinafter, the “Olymbios Complaint”).

1 misconduct. In response to the revelations in the Olymbios Complaint, the price of CareDx stock
2 fell an additional 8% to close trading the next trading day, April 18, 2022, at \$32.55 per share.

3 11. Investors further learned the impact of Defendants' misconduct and the resulting
4 government investigations on CareDx's business prospects after the markets closed on May 5,
5 2022. In connection with the announcement of the Company's results for the first quarter of 2022,
6 Defendants reported testing service revenue that fell well short of analysts' expectations and yet
7 another decline in ASP in which the Company's average price declined by approximately 4.9%
8 versus the last quarter of 2021, or what one analyst described as "another big deterioration in price."

9 12. In response to these disclosures, the price of CareDx stock declined another 18.5%
10 the following trading day, from a closing price of \$31.66 per share on May 5, 2022, to a closing
11 price of \$25.87 per share on May 6, 2022.

12 13. As the market digested the disclosure of Defendants' misconduct, more than
13 \$1 billion in shareholder value was erased.

14 14. As a result of Defendants' wrongful acts and omissions, and the precipitous decline
15 in the market value of the Company's common stock when the truth was disclosed, Plaintiff and
16 other Class members have suffered significant losses and damages.

17 **JURISDICTION AND VENUE**

18 15. The claims asserted herein arise under Sections 10(b) and 20(a) of the Exchange
19 Act (15 U.S.C. §§ 78j(b) and 78t(a)) and Rule 10b-5 promulgated thereunder by the SEC (17 C.F.R.
20 § 240.10b-5).

21 16. This Court has jurisdiction over the subject matter of this action pursuant to
22 28 U.S.C. § 1331, Section 27 of the Exchange Act (15 U.S.C. § 78aa).

23 17. Venue is proper in this Judicial District pursuant to 28 U.S.C. § 1391(b), Section
24 27 of the Exchange Act (15 U.S.C. § 78aa). Substantial acts in furtherance of the alleged fraud or
25 the effects of the fraud have occurred in this Judicial District. Many of the acts and omissions
26 charged herein, including the dissemination of materially false and misleading information to the
27
28

1 investing public, and the omission of material information, occurred in substantial part in this
2 Judicial District, as CareDx is headquartered in this District.

3 18. In connection with the acts, transactions, and conduct alleged herein, Defendants,
4 directly and indirectly, used the means and instrumentalities of interstate commerce, including the
5 U.S. Mail, interstate telephone communications, and the facilities of a national securities exchange.

6 **DIVISIONAL ASSIGNMENT**

7 19. Pursuant to Local Rule 3-2(c) and (d), this action should be assigned to the San
8 Francisco or Oakland Divisions of this Court, as the Company is headquartered in San Mateo
9 County, California.

10 **PARTIES**

11 20. Plaintiff Plumbers & Pipefitters Local Union #295 Pension Fund provides pension
12 benefits for eligible members and beneficiaries related to construction workers and others in
13 Flagler, Volusia, and Brevard counties in Florida. As of March 31, 2022, Plaintiff managed
14 approximately \$54 million in assets on behalf of over 600 members. As set forth in the
15 accompanying certification, incorporated by reference herein, Plaintiff purchased CareDx
16 common stock during the Class Period and suffered damages as a result of the federal securities
17 law violations and false and/or misleading statements and/or material omissions alleged herein.

18 21. Defendant CareDx is incorporated under the laws of Delaware with its principal
19 executive offices located in South San Francisco, California. CareDx's common stock trades on
20 the Nasdaq Stock Market (the "NASDAQ") under the ticker symbol "CDNA."

21 22. Defendant Reginald Seeto has served as CareDx's President since 2018 and CEO
22 and member of CareDx's Board of Directors ("Board") since November 2020.

23 23. Defendant Ankur Dhingra ("Dhingra") has served as CareDx's Chief Financial
24 Officer ("CFO") since March 2021.

25 24. Defendant Marcel Konrad ("Konrad") was CareDx's Interim CFO from January
26 2021 to March 2021, and then served as the Senior Vice President of Finance & Accounting until
27 leaving the Company in July 2021.

1 25. Defendant Peter Maag (“Maag”) was CareDx’s President from 2012 to 2018 and
2 served as the CEO from 2012 to November 2020 and Chairman of the Board from January 2020
3 to November 2020. Currently, Maag is the Executive Chairman of the Company’s Board.

4 26. Defendants Seeto, Dhingra, Konrad, and Maag (collectively the “Individual
5 Defendants”), because of their positions with the Company, possessed the power and authority to
6 control the contents of the Company’s reports to the SEC, press releases, presentations to securities
7 analysts, money and portfolio managers, and institutional investors, *i.e.*, the market. The
8 Individual Defendants were provided with copies of the Company’s reports and press releases
9 alleged herein to be misleading prior to, or shortly after, their issuance and had the ability and
10 opportunity to prevent their issuance or cause them to be corrected. Because of their positions and
11 access to material non-public information available to them, the Individual Defendants knew that
12 the adverse facts specified herein had not been disclosed to, and were being concealed from, the
13 public, and that the positive representations that were being made were then materially false and/or
14 misleading. The Individual Defendants are liable for the false statements pleaded herein.

15 27. The Company and the Individual Defendants are collectively referred to as the
16 “Defendants.”

17 SUBSTANTIVE ALLEGATIONS

18 Background

19 28. Headquartered in South San Francisco, California, CareDx was founded in 1997
20 and began trading as a public company in July 2014. The Company develops and commercializes
21 diagnostic testing services and products for transplant patients. Specifically, CareDx offers a
22 variety of testing services for transplant patients, including: (1) AlloSure® Kidney, which is a
23 donor-derived cell-free DNA (“dd-cfDNA”) blood test for kidney transplant patients;
24 (2) AlloMap® Heart, which is a gene expression test for heart transplant patients; and
25 (3) AlloSure® Heart, a dd-cfDNA test for heart transplant patients.

26 29. CareDx generates and reports revenue in three segments: (1) testing services;
27 (2) products; and (3) patient and digital solutions. In 2021, the testing services segment, which
28

1 provides diagnostic surveillance testing services for solid organ transplant patients, accounted for
2 87% of the Company's total revenue.

3 30. Following the commercial launch of AlloSure Kidney in October 2017, the
4 Company repeatedly touted that AlloSure Kidney "has received positive coverage decisions for
5 reimbursement from Medicare," with a reimbursement rate of \$2,841. Indeed, the Company
6 acknowledged that generating testing service revenue was dependent upon, among other things,
7 the number of tests performed on transplant patients and the establishment of coverage policies by
8 third-party insurers and government payors, such as Medicare.

9 31. As the Company acknowledged throughout the Class Period, the amount CareDx
10 could charge for testing services varied "from payer to payer," with the Company receiving its
11 largest payments from Medicare reimbursement. Indeed, Medicare Reimbursement continued to
12 play an outsized role in the Company's reported revenues and growth leading up to and during the
13 Class Period. For example, on the first day of the Class Period, the Company reported that tests
14 performed on patients covered by Medicare represented 48% of all CareDx tests in 2020, but due
15 to the higher revenues from Medicare reimbursement, testing service revenue derived from
16 Medicare reimbursement accounted for approximately 67% of all CareDx's testing service revenue
17 in 2020.

18 32. Not surprisingly, the Company reported a significant slowdown in testing services
19 volume in the early part of the Covid-19 pandemic. In response, in late March 2020, CareDx
20 launched RemoTraC, a home-based blood draw solution for immune-compromised transplant
21 patients. By early 2022, CareDx reported more than 11,000 kidney, heart, and lung transplant
22 patients had enrolled in RemoTraC.

23 **Defendants' Materially False and Misleading Statements**
24 **Issued During the Class Period**

25 33. The Class Period begins on February 24, 2021, when CareDx announced its fourth
26 quarter and full-year 2020 financial results. The press release announcing the results touted
27 "record full-year revenue of \$192.2 million, an increase of 51%" from the prior year and that
28

1 testing services revenue for the quarter was \$50.3 million, compared to \$29.1 million in the same
2 period of 2019. Defendant Seeto was quoted in the press release, stating, “our record fourth-
3 quarter result was the culmination of an extraordinary year for CareDx.” CEO Seeto further
4 remarked, “2020 was transformational for CareDx, because we extended our leadership position
5 in transplant centers through RemoTraC.” The press release further announced that CareDx
6 expected revenue to be in the range of \$255 million to \$265 million for 2021.

7 34. The same day, CareDx filed its Annual Report on Form 10-K with the SEC for the
8 full year 2020. The report was signed by Defendants Seeto, Maag, and Konrad. Attached to the
9 report were certifications pursuant to the SOX signed by Defendants Seeto and Konrad attesting
10 to the accuracy of financial reporting, the disclosure of any material changes to the Company’s
11 internal controls over financial reporting, and the disclosure of all fraud. The Company noted in
12 the Form 10-K the risks of non-compliance with relevant laws and regulations that could result but
13 affirmed its belief “that we are currently in compliance with applicable laws and regulations.”

14 35. The Form 10-K did not disclose any present violations or improprieties related to
15 the federal False Claims Act, only stating: “Our future activities relating to billing, compliance
16 with certain regulations and Medicare reimbursement requirements, physician and other healthcare
17 provider financial relationships and the sale and marketing of our products may be subject to
18 scrutiny under these laws.”

19 36. During the conference call accompanying the release of the fourth quarter and full-
20 year 2020 financial results, CEO Seeto stated, “2020 was an exceptional year for CareDx as
21 demand continued unabated for our innovative first-in-class suite of high-value healthcare
22 solutions for transplant patients and caregivers.”

23 37. On March 11, 2021, CareDx announced that Defendant Dhingra had been
24 appointed as the Company’s new CFO and that the appointment would be effective March 25,
25 2021.

26 38. On May 5, 2021, the Company released its results for the first quarter of 2021 ended
27 March 31, 2021. The press release announcing these results heralded the “strong start to 2021”
28

1 and that the Company was “raising full-year guidance.” CareDx reported a 76% increase in total
2 revenue compared to the same quarter of the prior year and testing services revenue of
3 \$59.3 million, compared to \$31.4 million in the same period of 2020. The press release further
4 announced that CareDx had raised its full-year revenue guidance, which the Company now
5 anticipated to be in the range of \$270 million to \$280 million for the full year of 2021.

6 39. During a conference call with analysts the same day, CEO Seeto told participants
7 he was “really excited by the testing services which is growing well above the 50% range.” Asked
8 by Raymond James analyst Andrew Cooper about gross margins on testing services, CFO Dhingra
9 assured investors that “on the margin side, we don’t see any structural issues there.” Dhingra
10 further explained the Company’s increased 2021 revenue guidance “reflect[ed] our strong first-
11 quarter results and continued strong demand for our solutions.”

12 40. That same day, CareDx filed its Quarterly Report on Form 10-Q with the SEC for
13 the first quarter of 2021. The report was signed by Defendants Seeto and Dhingra and provided
14 the same financial results provided in the first-quarter 2021 press release described above.
15 Attached to the report were certifications pursuant to the SOX signed by Defendants Seeto and
16 Dhingra attesting to the accuracy of financial reporting, the disclosure of any material changes to
17 the Company’s internal controls over financial reporting, and the disclosure of all fraud. The report
18 did not discuss any such issues, changes, or disclosures.

19 41. On June 1, 2021, during a Jefferies Healthcare Conference, CEO Seeto trumpeted
20 that in “the kidney space ... it’s an absolute winning formula” and emphasized that of the “1,000-
21 plus community nephrology practices, we have more than 100 now using AlloSure as part of that.”
22 As a result, CEO Seeto proclaimed, “there’s just so much opportunity for us, overall testing
23 services TAM.”

24 42. The following week, during a June 8, 2021, Goldman Sachs Global Healthcare
25 Conference, CEO Seeto emphasized CareDx’s approach of putting patients first, stating, “I’ve
26 been in a lot of companies that talk about patient first, patient-centricity. And what I can say is
27 CareDx actually lives and believes it, and it[’]s just incredible.”
28

1 43. On July 29, 2021, the Company released its financial results for the second quarter
2 of 2021, which ended June 30, 2021. The press release announcing the results again touted “77%
3 revenue growth for second-quarter of 2021” and highlighted that the Company “increase[d] full-
4 year revenue guidance. Again, the Company reported impressive testing services revenues of
5 \$64.9 million, compared with \$36.3 million in the same period of 2020. Further, the press release
6 announced the Company again raised its full-year revenue guidance, which the Company now
7 projected to be in the range of \$280 million to \$290 million.

8 44. Also that day, CareDx filed its Quarterly Report on Form 10-Q with the SEC for
9 the second quarter of 2021. The report was signed by Defendants Seeto and Dhingra and provided
10 the same financial results provided in the second quarter 2021 press release described above.
11 Attached to the report were certifications pursuant to the SOX signed by Defendants Seeto and
12 Dhingra attesting to the accuracy of financial reporting, the disclosure of any material changes to
13 the Company’s internal controls over financial reporting, and the disclosure of all fraud. Again,
14 no such matters were reported.

15 45. On a conference call accompanying the Company’s release of its second-quarter
16 2021 financial results, CEO Seeto described the Company’s testing services revenue as “the main
17 driver of growing in the quarter.” Later in the call, CEO Seeto highlighted that the “core to our
18 strategy” was the Company’s efforts at “increasing the number of AlloSure testing protocols.”
19 CFO Dhingra again justified the Company’s yet again increased revenue guidance on the basis of
20 “continued strong demand for our testing services in the United States.” Without ambiguity,
21 Dhingra stated, “we see great demand for our services and continuation of [a] very positive
22 response from patients.”

23 46. On September 9, 2021, CEO Seeto participated in the H.C. Wainwright Global
24 Investment Conference. During the conference, CEO Seeto described how the CareDx “financials
25 are very strong. Incredible growth over the prior year greater than 75% ... [with] leading gross
26 margins across the industry.” CEO Seeto went on to represent that “Q2 was a very strong quarter
27 for us and it continues the momentum that we built over the last 12 months particularly with the
28

1 onset of Covid.” CEO Seeto singled out RemotraC as a reason for these strong results, stating the
2 program was an example of “an area where today we have more than 9,000 patients.” Later in the
3 conference call, CEO Seeto explicitly instructed investors to pay attention to the Company’s
4 testing services, stating, “And so if you look at the growth drivers and things that you should be
5 focused on as investors, testing services continued AlloSure penetration. It’s a winning formula
6 that we have today.”

7 47. The above statements identified in ¶¶ 33 – 46 were materially false and/or
8 misleading and failed to disclose material adverse facts about the Company’s business, operations,
9 and prospects, which were known to Defendants or recklessly disregarded by them. Specifically,
10 Defendants mislead investors and/or failed to disclose that: (1) Defendants had engaged in a
11 variety of improper and illegal schemes to inflate testing services revenue and demand, including
12 pushing a surveillance protocol through inaccurate marketing materials, offering extravagant
13 inducements or kickbacks to physicians and other providers, and improperly bundling expensive
14 testing services with other blood tests as part of the RemoTraC service; (2) these practices, and
15 others, subjected CareDx to an undisclosed risk of regulatory scrutiny; (3) these practices rendered
16 the Company’s testing services revenue reported throughout the Class Period artificially inflated;
17 and (4) as a result, Defendants’ positive statements about the Company’s business, operations, and
18 prospects were materially false and misleading and/or lacked a reasonable basis at all relevant
19 times.

20 **The Truth Comes to Light**

21 48. On October 28, 2021, the Company released its third-quarter 2021 results for the
22 quarter ended September 30, 2021, and again the Company increased its full-year revenue
23 guidance. The press release announcing the results touted that the Company “grew testing services
24 volume 86% year-over-year.” Importantly, however, the Company also reported that testing
25 services revenue had only increased by 46%.

26 49. On a conference call accompanying the Company’s release of the third quarter 2021
27 financial results, Craig-Hallum analyst Alexander Nowak (“Nowak”) asked the participants to
28

1 comment on the lower ASPs for testing service revenue the Company reported during the quarter
2 and whether Defendants had seen “any changes in Medicare billing practices?” Rather than
3 disclose the truth, CFO Dhingra falsely replied, “No. No change. We haven’t observed anything
4 on the Medicare billing practices.”

5 50. Approximately 20 minutes before the conference call that day, the Company filed
6 its Quarterly Report on Form 10-Q with the SEC for the third quarter of 2021. In this filing, on
7 page 21, CareDx revealed that it had recently received a CID from the DOJ requesting documents
8 for a False Claims Act investigation into certain business conduct related to the Company’s kidney
9 testing and phlebotomy services. In addition, CareDx disclosed that it had received a subpoena
10 from the SEC in connection with a probe into similar matters being investigated by the DOJ and
11 certain accounting and public reporting practices and that another unnamed state regulatory agency
12 had also sent an information request to the Company.

13 51. Noting the surprising revelations in the Form 10-Q, analysts at BTIG opined in a
14 report that “[t]he fact that [CareDx] is being investigated by three different entities, both federal
15 and at the state level, is notable. Based on our experience, disclosures of these sort typically bear
16 some degree of merit.”

17 52. The following trading day, in response to these revelations, the price of CareDx
18 shares declined \$19.34 per share, or more than 27 percent, from a close of \$70.34 per share on
19 October 28, 2021, to a close of \$51.00 per share on October 29, 2021.

20 53. On November 18, 2021, Defendants Seeto and Dhingra participated in the Jefferies
21 London Healthcare Conference. Jefferies analyst Brandon Couillard offered Defendants Seeto and
22 Dhingra the “chance to perhaps comment on the DOJ and SEC investigations.” Despite
23 acknowledging the government investigations described in ¶ 50 above, CFO Dhingra continued to
24 hide the extent of Defendants’ misconduct from investors, stating “no questions have been raised
25 about the safety, efficacy, or the quality of our tests themselves.”

26 54. The extent of Defendants’ misconduct was further revealed to the market on April
27 15, 2022, when Dr. Michael Olymbios, a medical doctor and the former CareDx Head of
28

1 Community Nephrology, who reported directly to CEO Seeto, filed a complaint in the California
2 Superior Court for San Mateo County. The Olymbios Complaint detailed how, in June 2020, Dr.
3 Olymbios became aware that CareDx’s practices raised “serious legal and compliance concerns.”
4 The Olymbios Complaint also outlined the Company’s knowing use of various forms of clinical
5 and marketing schemes that lacked clinical support and fell outside the conditional approval for
6 Medicare reimbursement.

7 55. For example, the Olymbios Complaint stated CareDx engaged in the following
8 practices: (1) pushing a surveillance protocol for AlloSure through inaccurate marketing materials;
9 (2) offering extravagant inducements or kickbacks to physicians and other providers to promote
10 AlloSure; (3) representing that CareDx did not bill patients for its tests; (4) organizing clinical
11 studies that were funded with condition free grants; (5) bundling AlloSure with other blood tests
12 as part of RemoTraC to induce physicians to order AlloSure; and (6) offering sham advisory boards
13 to physicians that are little more than captive marketing presentations.

14 56. Moreover, the Olymbios Complaint described how Dr. Olymbios raised his
15 concerns about these “unlawful and improper” practices with more than ten current and former
16 CareDx employees, including Defendants Maag and Seeto before October 2020.

17 57. The Olymbios Complaint detailed how Defendants took “active measures to avoid
18 creating a paper trail of their misconduct.” Based on his experiences with the Company, Olymbios
19 alleged Defendant Maag “knew of that CareDx’s practices and representations regarding payment
20 for AlloSure, its primary test, were unlawful and that he needed to take steps to avoid written
21 records of CareDx’s unlawful activity.”

22 58. Importantly, the Olymbios Complaint made clear the Company retaliated against
23 Dr. Olymbios after he reported “CareDx’s unlawful activity to government agencies,” and that
24 “CareDx realized the *existential threat* Dr. Olymbios’s reporting presented to the [C]ompany’s
25 continued existence.” (emphasis added).

1 59. In response to this news, the following trading day the price of CareDx stock fell
 2 an additional 8%, from a closing price of \$35.41 on April 14, 2022, to a closing price of \$32.55
 3 per share on April 18, 2022.

4 60. Then, after the markets closed on May 5, 2022, CareDx issued a press release
 5 announcing financial results for the first quarter of 2022, the first full quarter after the Company
 6 disclosed the multiple investigations into its conduct. Significantly, with CareDx's improper
 7 practices now under regulatory scrutiny, the Company reported a material decline in the ASP of
 8 the Company's testing services. Indeed, CFO Dhingra was forced to concede the ongoing impact
 9 of Defendants' misconduct, stating "[t]his aggregate average price declined by about 4.9% versus
 10 the last quarter of 2021." Analyst Nowak pointed out the Company reported "another big
 11 deterioration in price this quarter," and bluntly asked the Company's executives to explain when
 12 "the ASP declines are going to stabilize."

13 61. Following the call, Raymond James analyst Andrew Cooper reported that "the key
 14 testing services bucket was nearly \$5m shy of our view." Analyst Nowak reported that the realized
 15 price per test dragged down the results in testing services.

16 62. In response to this disclosure, on the following trading day, the price of CareDx
 17 stock declined another 18.5%, from a closing price of \$31.66 on May 5, 2022, to a closing price
 18 of \$25.87 on May 6, 2022.

19 CLASS ACTION ALLEGATIONS

20 63. Plaintiff brings this action as a class action pursuant to Rule 23(a) and (b)(3) of the
 21 Federal Rules of Civil Procedure on behalf of a class, consisting of all persons and entities that
 22 purchased CareDx common stock between February 24, 2021, and May 5, 2022, inclusive, and
 23 who were damaged thereby (the "Class"). Excluded from the Class are Defendants, the officers
 24 and directors of the Company, at all relevant times, members of their immediate families and their
 25 legal representatives, heirs, successors, or assigns, and any entity in which Defendants have or had
 26 a controlling interest.

1 64. The members of the Class are so numerous that joinder of all members is
2 impracticable. While the exact number of Class members is unknown to Plaintiff at this time and
3 can only be ascertained through appropriate discovery, Plaintiff believes that there are at least
4 hundreds or thousands of members in the proposed Class. Throughout the Class Period, CareDx
5 common stock actively traded on NASDAQ (an open and efficient market) under the symbol
6 “CDNA.” Millions of CareDx shares were traded publicly during the Class Period on the
7 NASDAQ. As of May 3, 2022, the Company had more than 53 million shares outstanding. Record
8 owners and other members of the Class may be identified from records maintained by CareDx or
9 its transfer agent and may be notified of the pendency of this action by mail, using a form of notice
10 similar to that customarily used in securities class actions

11 65. Plaintiff’s claims are typical of the claims of the other members of the Class as all
12 members of the Class were similarly affected by Defendants’ wrongful conduct in violation of
13 federal law that is complained of herein.

14 66. Plaintiff will fairly and adequately protect the interests of the members of the Class
15 and has retained counsel competent and experienced in class and securities litigation. Plaintiff has
16 no interests that conflict with those of the Class.

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

20 a. whether Defendants violated the Exchange Act by the acts and omissions
21 as alleged herein;

22 b. whether Defendants knew or recklessly disregarded that their statements
23 and/or omissions were false and misleading;

24 c. whether documents, press releases, and other statements disseminated to the
25 investing public and the Company’s shareholders during the Class Period misrepresented material
26 facts about the business, operations, and prospects of CareDx;

1 d. whether statements made by Defendants to the investing public during the
2 Class Period misrepresented and/or omitted to disclose material facts about the business,
3 operations, and prospects of CareDx;

4 e. whether the market price of CareDx common stock during the Class Period
5 was artificially inflated due to the material misrepresentations and failures to correct the material
6 misrepresentations complained of herein; and

7 f. the extent to which the members of the Class have sustained damages and
8 the proper measure of damages.

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

14 **UNDISCLOSED ADVERSE INFORMATION**

15 69. The market for CareDx's common stock was an open, well-developed, and efficient
16 market at all relevant times. As a result of the materially false and/or misleading statements and/or
17 omissions particularized in this Complaint, CareDx's common stock traded at artificially inflated
18 prices during the Class Period. Plaintiff and the other members of the Class purchased CareDx's
19 common stock relying upon the integrity of the market price of the Company's common stock and
20 market information relating to CareDx and have been damaged thereby.

21 70. During the Class Period, Defendants materially misled the investing public, thereby
22 inflating the price of CareDx's common stock, by publicly issuing false and/or misleading
23 statements and/or omitting to disclose material facts necessary to make Defendants' statements, as
24 set forth herein, not false and/or misleading. The statements and omissions were materially false
25 and/or misleading because they failed to disclose material adverse information and/or
26 misrepresented the truth about CareDx's business, operations, and prospects as alleged herein.
27 These material misstatements and/or omissions had the cause and effect of creating in the market
28

1 an unrealistically positive assessment of the Company and its business, thus causing the
2 Company's common stock to be overvalued and artificially inflated or maintained at all relevant
3 times. Defendants' materially false and/or misleading statements during the Class Period directly
4 or proximately caused or were a substantial contributing cause of the damages sustained by
5 Plaintiff and other members of the Class who purchase the Company's common stock at artificially
6 inflated prices and were harmed when the truth was revealed.

7 **SCIENTER ALLEGATIONS**

8 71. As alleged herein, Defendants acted with scienter in that Defendants knew or were
9 reckless as to whether the public documents and statements issued or disseminated in the name of
10 the Company during the Class Period were materially false and misleading; knew or were reckless
11 as to whether such statements or documents would be issued or disseminated to the investing
12 public, and knowingly and substantially participated or acquiesced in the issuance or dissemination
13 of such statements or documents as primary violations of the federal securities laws.

14 72. As set forth herein, the Individual Defendants, by virtue of their receipt of
15 information reflecting the true facts regarding CareDx, their control over, receipt, and/or
16 modification of CareDx's allegedly materially misleading statements and omissions, and/or their
17 positions with the Company which made them privy to confidential information concerning
18 CareDx, participated in the fraudulent scheme alleged herein.

19 **INAPPLICABILITY OF STATUTORY SAFE HARBOR**

20 73. The federal statutory safe harbor provided for forward-looking statements under
21 certain circumstances does not apply to any of the allegedly false statements pleaded in this
22 Complaint. The statements alleged to be false and misleading herein all relate to then-existing
23 facts and conditions. In addition, to the extent certain of the statements alleged to be false may be
24 characterized as forward-looking, they were not identified as "forward-looking statements" when
25 made, and there were no meaningful cautionary statements identifying important factors that could
26 cause actual results to differ materially from those in the purportedly forward-looking statements.

1 b. As a regulated issuer, CareDx filed periodic public reports with the SEC
2 and/or the NASDAQ;

3 c. CareDx regularly communicated with public investors via established
4 market communication mechanisms, including through regular dissemination of press releases on
5 the national circuits of major newswire services and through other wide-ranging public disclosures,
6 such as communications with the financial press and other similar reporting services; and/or

7 d. CareDx was followed by securities analysts employed by brokerage firms
8 who wrote reports about the Company, and these reports were distributed to the sales force and
9 certain customers of their respective brokerage firms. Each of these reports was publicly available
10 and entered the public marketplace.

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

16 80. A Class-wide presumption of reliance is also appropriate in this action under the
17 Supreme Court's holding in *Affiliated Ute Citizens of Utah v. United States*, 406 U.S. 128 (1972),
18 because Class's claims are, in large part, grounded in Defendants' material misstatements and/or
19 omissions. Because this action involves Defendants' failure to disclose material adverse
20 information regarding the Company's business, operations, and prospects—information that
21 Defendants were obligated to disclose during the Class Period but did not—positive proof of
22 reliance is not a prerequisite to recovery. All that is necessary is that the facts withheld be material
23 in the sense that a reasonable investor might have considered them important in the making of
24 investment decisions. Given the importance of the Class Period material misstatements and
25 omissions set forth above, that requirement is satisfied here.

COUNTS AGAINST DEFENDANTS

COUNT I

For Violations of Section 10(b) of the Exchange Act and Rule 10b-5 Promulgated Thereunder Against All Defendants

1
2
3
4 81. Plaintiff repeats and realleges each and every allegation contained above as if fully
5 set forth herein.

6 82. During the Class Period, Defendants carried out a plan, scheme, and course of
7 conduct that was intended to and, throughout the Class Period, did: (i) deceive the investing public,
8 including Plaintiff and other Class members, as alleged herein; (ii) artificially inflate and maintain
9 the market price of CareDx common stock; and (iii) cause Plaintiff and other members of the Class
10 to purchase CareDx stock at artificially inflated prices. In furtherance of this unlawful scheme,
11 plan, and course of conduct, Defendants, and each of them, took the actions set forth herein.

12 83. Defendants: (i) employed devices, schemes, and artifices to defraud; (ii) made
13 untrue statements of material fact and/or omitted to state material facts necessary to make the
14 statements not misleading; and (iii) engaged in acts, practices, and a course of conduct that
15 operated as a fraud and deceit upon the purchasers of the Company's securities in an effort to
16 maintain artificially high market prices for CareDx common stock in violation of Section 10(b) of
17 the Exchange Act and Rule 10b-5 promulgated thereunder. All Defendants are sued either as
18 primary participants in the wrongful and illegal conduct charged herein or as controlling persons
19 as alleged below.

20 84. Defendants, individually and in concert, directly and indirectly, by the use, means,
21 or instrumentalities of interstate commerce and/or the mails, engaged and participated in a
22 continuous course of conduct to conceal adverse material information about CareDx's business,
23 operations, and prospects, as specified herein. Defendants employed devices, schemes, and
24 artifices to defraud, while in possession of material adverse non-public information and engaged
25 in acts, practices, and a course of conduct as alleged herein in an effort to assure investors of
26 CareDx's business, operations, and prospects, which included the making of, or the participation
27 in the making of, untrue statements of material facts and/or omitting to state material facts
28

1 necessary in order to make the statements made about CareDx and its business, operations, and
2 future prospects in light of the circumstances under which they were made, not misleading, as set
3 forth more particularly herein, and engaged in transactions, practices, and a course of conduct of
4 business that operated as a fraud and deceit upon the purchasers of the Company's common stock
5 during the Class Period.

6 85. Each of the Individual Defendants' primary liability and controlling person liability,
7 arises from the following facts: (i) each of the Individual Defendants was a high-level executive
8 and/or director at the Company during the Class Period and a member of the Company's
9 management team or had control thereof; (ii) each of the Individual Defendants, by virtue of his
10 responsibilities and activities as a senior officer and/or director of the Company, was privy to and
11 participated in the creation, development, and reporting of the Company's business, operations,
12 and prospects; (iii) each of the Individual Defendants enjoyed significant personal contact and
13 familiarity with the other Defendants and was advised of and had access to, other members of the
14 Company's management team, internal reports, and other data and information about the
15 Company's financial condition and performance at all relevant times; and (iv) each of the
16 Individual Defendants was aware of the Company's dissemination of information to the investing
17 public, which they knew and/or recklessly disregarded was materially false and misleading.

18 86. Defendants had actual knowledge of the misrepresentations and/or omissions of
19 material facts set forth herein or acted with reckless disregard for the truth in that they failed to
20 ascertain and to disclose such facts, even though such facts were available to them. Such
21 Defendants' material misrepresentations and/or omissions were done knowingly or recklessly and
22 for the purpose and effect of concealing CareDx's operating condition, business practices, and
23 prospects from the investing public and supporting the artificially inflated and/or maintained price
24 of its common stock. As demonstrated by Defendants' overstatements and misstatements of the
25 Company's business, operations, and prospects throughout the Class Period, Defendants, if they
26 did not have actual knowledge of the misrepresentations and/or omissions alleged, were reckless
27
28

1 in failing to obtain such knowledge by deliberately refraining from taking those steps necessary to
2 discover whether those statements were false or misleading.

3 87. As a result of the dissemination of the materially false and/or misleading
4 information and/or failure to disclose material facts, as set forth above, the market price of CareDx
5 common stock was artificially inflated, and relying directly or indirectly on the false and
6 misleading statements made by Defendants or upon the integrity of the market in which the stock
7 trades, and/or in the absence of material adverse information that was known or recklessly
8 disregarded by Defendants, but not disclosed in public statements by Defendants during the Class
9 Period, Plaintiff and the other members of the Class purchased CareDx common stock during the
10 Class Period at artificially inflated prices and were damaged thereby.

11 88. At the time of said misrepresentations and omissions, Plaintiff and other members
12 of the Class were ignorant of their falsity and believed them to be true. Had Plaintiff and the other
13 members of the Class and the marketplace known of the truth regarding the problems that CareDx
14 was experiencing, which were not disclosed by Defendants, Plaintiff and other members of the
15 Class would not have purchased their CareDx common stock, or, if they had purchased such
16 common stock during the Class Period, they would not have done so at the artificially inflated
17 prices that they paid.

18 89. By virtue of the foregoing, CareDx and the Individual Defendants each violated
19 § 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder.

20 90. As a direct and proximate result of Defendants' wrongful conduct, Plaintiff and the
21 other members of the Class suffered damages in connection with their purchases of the Company's
22 common stock during the Class Period.

23 **COUNT II**

24 **For Violations of Section 20(a) of the Exchange Act**
25 **Against the Individual Defendants**

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

1 92. The Individual Defendants acted as controlling persons of CareDx within the
 2 meaning of Section 20(a) of the Exchange Act as alleged herein. By virtue of their high-level
 3 positions with the Company, participation in, and/or awareness of the Company’s operations, and
 4 intimate knowledge of the false statements filed by the Company with the SEC and disseminated
 5 to the investing public, the Individual Defendants had the power to influence and control and did
 6 influence and control, directly or indirectly, the decision-making of the Company, including the
 7 content and dissemination of the various statements that Plaintiff contends are false and misleading.
 8 Each of the Individual Defendants was provided with or had unlimited access to copies of the
 9 Company’s reports, press releases, public filings, and other statements alleged by Plaintiff to be
 10 misleading prior to and/or shortly after these statements were issued and had the ability to prevent
 11 the issuance of the statements or cause the statements to be corrected. Further, the Individual
 12 Defendants signed the Company’s 2020 and 2021 Annual Reports on Form 10-K and the First,
 13 Second, and Third Quarterly Reports for 2021 on Form 10-Q.

14 93. In particular, the Individual Defendants had direct and supervisory involvement in
 15 the day-to-day operations of the Company and, therefore, had the power to control or influence
 16 the particular transactions giving rise to the securities violations as alleged herein, and exercised
 17 the same.

18 94. As set forth above, CareDx and the Individual Defendants each violated § 10(b)
 19 and Rule 10b-5 by their acts and omissions as alleged in this Complaint. By virtue of their position
 20 as controlling persons, the Individual Defendants are liable pursuant to § 20(a) of the Exchange
 21 Act. As a direct and proximate result of these Defendants’ wrongful conduct, Plaintiff and other
 22 members of the Class suffered damages in connection with their purchases of the Company’s
 23 common stock during the Class Period.

PRAYER FOR RELIEF

25 95. WHEREFORE, Plaintiff, individually and on behalf of the Class, prays for relief
 26 and judgment as follows:

- 1 a) Declaring this action to be a class action pursuant to Rule 23(a) and (b)(3) of the
2 Federal Rules of Civil Procedure on behalf of the Class defined herein;
3 b) Awarding Plaintiff and the other members of the Class damages in an amount that
4 may be proven at trial, together with interest thereon;
5 c) Awarding Plaintiff and the members of the Class pre-judgment and post-judgment
6 interest, as well as their reasonable attorneys' and experts' witness fees and other
7 costs; and
8 d) Awarding such other relief as this Court deems appropriate.

9 **JURY DEMAND**

10 96. Plaintiff demands a trial by jury.

11
12 Dated: May 23, 2022

Respectfully submitted,

/s/ David R. Kaplan

David R. Kaplan

14 **SAXENA WHITE P.A.**

15 David R. Kaplan (SBN 230144)

16 12750 High Bluff Drive, Suite 475

San Diego, CA 92130

17 Telephone: (858) 997-0860

Facsimile: (858) 369-0096

18 dkaplan@saxenawhite.com

19 *Counsel for Plaintiff Plumbers & Pipefitters*

20 *Local Union #295 Pension Fund*

CERTIFICATION AND AUTHORIZATION

I, Brett Mirsky, on behalf of Plumbers and Pipefitters Local Union #295 Pension Fund (“Local 295 Pension Fund”), hereby certify, as to the claims asserted under the federal securities laws, that:

1. I have reviewed a complaint (“Complaint”) prepared against CareDx, Inc. (“CareDx”) alleging violations of the federal securities laws, and authorized its filing. I am authorized in my capacity as Chairman of Local 295 Pension Fund to initiate litigation and to execute this Certification on behalf of Local 295 Pension Fund.
2. Local 295 Pension Fund did not purchase the securities that are the subject of this action at the direction of counsel, or in order to participate in any action arising under the federal securities laws.
3. Local 295 Pension Fund is willing to serve as a lead plaintiff and representative party on behalf of the Class, including providing testimony at deposition and trial, if necessary.
4. Local 295 Pension Fund’s transactions in CareDx common stock during the Class Period are set forth below:

Date	Transaction	Shares	Price
08/19/21	Purchase	363	\$70.92

5. Local 295 Pension Fund has sought to serve and was appointed as lead plaintiff and/or representative party on behalf of a class in the following actions under the federal securities laws filed during the three-year period preceding the date of this Certification: *None*
6. Local 295 Pension Fund has sought to serve as a lead plaintiff or representative party on behalf of a class in the following actions under the federal securities laws filed during the three-year period preceding the date of this Certification, but either withdrew its motion for lead plaintiff, was not appointed lead plaintiff, or the lead plaintiff decision is still pending: *None*
7. Local 295 Pension Fund will not accept any payment for serving as a representative party on behalf of the Class beyond Local 295 Pension Fund’s pro rata share of any recovery, except such reasonable costs and expenses (including lost wages) directly relating to the representation of the Class, as ordered or approved by the Court.

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

Executed this 22 day of May, 2022.

*Plumbers and Pipefitters Local Union #295
Pension Fund*



Brett Mirsky, Chairman