

**UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF NEW YORK**

JERRY PURVIS, On Behalf of Himself And All Others Similarly Situated,)	
)	CIVIL ACTION NO. _____
)	
Plaintiff,)	
)	CLASS ACTION COMPLAINT
vs.)	FOR VIOLATIONS OF
)	FEDERAL SECURITIES LAWS
ACCLAIM ENTERTAINMENT, INC.,)	
GREGORY FISCHBACH, EDMOND SANCTIS,)	
JAMES SCOROPOSKI and GERARD AGOGLIA,)	<u>JURY TRIAL DEMANDED</u>
)	
)	
Defendants.)	

Plaintiff has alleged the following based upon the investigation of plaintiff's counsel, which included a review of United States Securities and Exchange Commission ("SEC") filings by Acclaim Entertainment, Inc. ("Acclaim" or the "Company"), as well as regulatory filings and reports, securities analysts' reports and advisories about the Company, press releases and other public statements issued by the Company, and media reports about the Company, and plaintiff believes that substantial additional evidentiary support will exist for the allegations set forth herein after a reasonable opportunity for discovery.

NATURE OF THE ACTION

1. This is a federal class action on behalf of purchasers of the securities of Acclaim between January 11, 2002 and September 19, 2002, inclusive (the "Class Period"), seeking to pursue remedies under the Securities Exchange Act of 1934 (the "Exchange Act").

JURISDICTION AND VENUE

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

3. This Court has jurisdiction over the subject matter of this action pursuant to 28 U.S.C. §§ 1331 and 1367 and Section 27 of the Exchange Act [15 U.S.C. § 78aa].

4. Venue is proper in this District pursuant to Section 27 of the Exchange Act, and 28 U.S.C. § 1391(b). Acclaim maintains its principal place of business in this District and many of the acts and practices complained of herein occurred in substantial part in this District.

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

PARTIES

6. Plaintiff Jerry Purvis, as set forth in the accompanying certification, incorporated by reference herein, purchased the common stock of Acclaim during the Class Period and has been damaged thereby.

7. Defendant Acclaim describes itself as a provider of entertainment software. The Company is a Delaware Corporation with its principal executive offices located at One Acclaim Plaza, Glen Cove, New York 11542.

8. Defendant Gregory Fischbach ("Fischbach"), at all times relevant to this action, served as the Company's Co-Chairman and Chief Executive Officer.

9. Defendant Edmond Sanctis ("Sanctis"), at all times relevant to this action, served as the Company's President and Chief Operating Officer for North American Operations.

10. Defendant James Scoroposki ("Scoroposki"), at all times relevant to this action, served as the Company's Co-Chairman, Senior Executive Vice President and Secretary/Treasurer.

11. Defendant Gerard Agoglia ("Agoglia"), at all relevant times to this action, served as the Company's Executive Vice President and Chief Financial Officer.

12. The defendants referenced above in ¶¶ 8-11 are referred to herein as the "Individual Defendants."

13. Because of the Individual Defendants' positions with the Company, they had access to the adverse undisclosed information about its business, operations, products, operational trends, financial statements, markets and present and future business prospects via access to internal corporate documents (including the Company's operating plans, budgets and forecasts and reports of actual operations compared thereto), conversations and connections with other corporate officers and employees, attendance at management and Board of Directors meetings and committees thereof and via reports and other information provided to them in connection therewith.

14. It is appropriate to treat the Individual Defendants as a group for pleading purposes and to presume that the false, misleading and incomplete information conveyed in the

Company's public filings, press releases and other publications as alleged herein are the collective actions of the narrowly defined group of defendants identified above. Each of the above officers of Acclaim, by virtue of their high-level positions with the Company, directly participated in the management of the Company, was directly involved in the day-to-day operations of the Company at the highest levels and was privy to confidential proprietary information concerning the Company and its business, operations, products, growth, financial statements, and financial condition, as alleged herein. Said defendants were involved in drafting, producing, reviewing and/or disseminating the false and misleading statements and information alleged herein, were aware, or recklessly disregarded, that the false and misleading statements were being issued regarding the Company, and approved or ratified these statements, in violation of the federal securities laws.

15. As officers and controlling persons of a publicly-held company whose common stock was, and is, registered with the SEC pursuant to the Exchange Act, and was traded on the NASDAQ National Market (the "NASDAQ"), and governed by the provisions of the federal securities laws, the Individual Defendants each had a duty to disseminate promptly, accurate and truthful information with respect to the Company's financial condition and performance, growth, operations, financial statements, business, products, markets, management, earnings and present and future business prospects, and to correct any previously-issued statements that had become materially misleading or untrue, so that the market price of the Company's publicly-traded securities would be based upon truthful and accurate information. The Individual Defendants'

misrepresentations and omissions during the Class Period violated these specific requirements and obligations.

16. The Individual Defendants participated in the drafting, preparation, and/or approval of the various public and shareholder and investor reports and other communications complained of herein and were aware of, or recklessly disregarded, the misstatements contained therein and omissions therefrom, and were aware of their materially false and misleading nature. Because of their Board membership and/or executive and managerial positions with Acclaim, each of the Individual Defendants had access to the adverse undisclosed information about Acclaim's business prospects and financial condition and performance as particularized herein and knew (or recklessly disregarded) that these adverse facts rendered the positive representations made by or about Acclaim and its business issued or adopted by the Company materially false and misleading.

17. The Individual Defendants, because of their positions of control and authority as officers and/or directors of the Company, were able to and did control the content of the various SEC filings, press releases and other public statements pertaining to the Company during the Class Period. Each Individual Defendant was provided with copies of the documents alleged herein to be misleading prior to or shortly after their issuance and/or had the ability and/or opportunity to prevent their issuance or cause them to be corrected. Accordingly, each of the Individual Defendants is responsible for the accuracy of the public reports and releases detailed herein and is therefore primarily liable for the representations contained therein.

18. Each of the defendants is liable as a participant in a fraudulent scheme and course of business that operated as a fraud or deceit on purchasers of Acclaim common stock by disseminating materially false and misleading statements and/or concealing material adverse facts. The scheme: (i) deceived the investing public regarding Acclaim's business, operations, management and the intrinsic value of Acclaim common stock; (ii) enabled the Company to complete a private placement of 7,167,000 shares, thereby raising more than \$21 million in much-needed capital for the Company; and (iii) caused plaintiff and other members of the Class to purchase Acclaim securities at artificially inflated prices.

PLAINTIFF'S CLASS ACTION ALLEGATIONS

19. Plaintiff brings this action as a class action pursuant to Federal Rule of Civil Procedure 23(a) and (b)(3) on behalf of a Class, consisting of all those who purchased the securities of Acclaim between January 11, 2002 and September 19, 2002, inclusive (the "Class Period") and who were damaged thereby. Excluded from the Class are defendants, the officers and directors of the Company, at all relevant times, members of their immediate families and their legal representatives, heirs, successors or assigns and any entity in which defendants have or had a controlling interest.

20. The members of the Class are so numerous that joinder of all members is impracticable. Throughout the Class Period, Acclaim common shares were actively traded on the NASDAQ. While the exact number of Class members is unknown to plaintiff at this time and can only be ascertained through appropriate discovery, plaintiff believes that there are hundreds or thousands of members in the proposed Class. Record owners and other members of the Class

may be identified from records maintained by Acclaim or its transfer agent and may be notified of the pendency of this action by mail, using the form of notice similar to that customarily used in securities class actions.

21. Plaintiff's claims are typical of the claims of the members of the Class as all members of the Class are similarly affected by defendants' wrongful conduct in violation of federal law that is complained of herein.

22. Plaintiff will fairly and adequately protect the interests of the members of the Class and has retained counsel competent and experienced in class and securities litigation.

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

- a. whether the federal securities laws were violated by defendants' acts as alleged herein;
- b. whether statements made by defendants to the investing public during the Class Period misrepresented material facts about the business, operations and management of Acclaim; and
- c. to what extent the members of the Class have sustained damages and the proper measure of damages.

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

the damages suffered by individual Class members may be relatively small, the expense and burden of individual litigation make it impossible for members of the Class to individually redress the wrongs done to them. There will be no difficulty in the management of this action as a class action.

SUBSTANTIVE ALLEGATIONS

Background Facts

25. Acclaim describes itself as a developer of interactive entertainment software. The Company purports to develop, publish and market software that is used with dedicated interactive entertainment hardware platforms and multimedia personal computer systems. The Company claims to own and operate software development studios (the “internal studios”) in the United States and the United Kingdom.

26. During the fiscal years ended 2000 and 2001, Acclaim incurred large and systemic cash flow deficits. By August 31, 2001, the Company was experiencing severe cash flow problems and was in material breach of certain covenants governing its revolving Credit Agreement. Adding to the Company’s problems, subordinated convertible debt with a principal amount of \$29.2 million was scheduled to mature on March 1, 2002. In order to address the liquidity problem, in July 2001, defendants negotiated certain “Overformula” advances under the Company’s Credit Agreement. These “Overformula” advances were secured in full by shares of the Company’s stock, which defendants Fischbach and Scoroposki pledged as collateral, with each individual pledging 625,000 shares of their personally held Acclaim common stock. During

the first quarter of fiscal 2002, an additional 317,000 shares were pledged as collateral because of declines in the price of Acclaim common stock.

27. Prior to the commencement of the Class Period, defendants represented that the Company was employing a three-tier product development strategy, that, in conjunction with a transition from cartridge-based games to CD-rom technology utilized on the newest 128-bit gaming platforms, would provide the Company with increasing revenues and earnings. For example, in Acclaim's Form 10-K for fiscal 2001, defendants highlighted the benefits that Acclaim was then receiving and would continue to receive from the Company's "three-tier product development strategy," and represented that the Company's internal studios would develop "key titles." The Form 10-K stated in relevant part as follows:

The Company implemented a three-tier product development strategy in fiscal 2000 to ensure that its software would be competitive for all of the next-generation hardware systems: first, it directed its studios to develop the software tools and engines for all the next-generation hardware systems, second, it ensured that the development of its key titles for next-generation systems were performed by its internal studios (i.e., Turok, Jinx, All Star Baseball, and NFL Quarterback Club, among others) and third, it contracted with independent studios for the development of software for PlayStation and Game Boy Color. Internal development of games permits the Company to better control variable expenses, spread the costs of its software development tools and engines across several different games, shorten the development time and costs of creating sequels (i.e. All Star Baseball, and NFL Quarterback Club), protect the proprietary game engine technology for next-generation systems, and helps ensure the timeliness and quality of its titles.[Emphasis added.]

28. Furthermore, defendants represented that the exclusive use of the Company's internal studios for development of all key titles on all major next-generation hardware platforms, including Sony Playstation 2, XBOX, Game Cube, among others, ensured that these

crucial product development efforts were highly integrated with the Company's overall marketing and sales strategies. The Form 10-K stated in relevant part:

The Company's current software development efforts, in support of its overall marketing strategy, includes the following primary components:

Focus Development Resources on Higher-Margin,
Next-Generation Game Platforms

... the Company is focusing the majority of its development resources on projects for the next-generation 128-bit systems. The Company is also diversifying its platform focus so that it will be well positioned on all the major next-generation systems, including Sony's PlayStation 2, Nintendo's GameCube and Microsoft's Xbox. This shift will position the Company to benefit from the increased installed base of PlayStation 2 and the recent introduction of the Xbox and GameCube systems in the U.S. in November 2001...

Direct Product Development through Four Key Brands

The Company's ability to promote and market its software is important to its success. The Company's operating strategy is to develop and publish video and computer game software for each of the major video game consoles and PCs. The Company uses a brand structure and operates its business under four separate business groups or key brands as follows::

o Acclaim Games:

- o Action Games focused on proprietary characters and licensed properties, such as Turok, Shadow Man, Fur Fighters and Jinx
- o Racing Auto and motorcycle racing games such as Paris Dakar and Ducati

o Acclaim Sports:

- o Team Professional team sports, such as All Star Baseball, NFL Quarterback Club, Blast Lacrosse and NBA Jam
- o Ring Boxing and wrestling games, such as HBO Boxing and Legends of Wrestling

o Acclaim Max Sports: Games focused on extreme sports such Dave Mirra Freestyle BMX, Jeremy McGrath Supercross, Chris Edwards Aggressive Inline, and ATV: Quad Power Racing

o Club Acclaim: Games designed for youth and girls, such as the popular Mary-Kate & Ashley series

The Company intends to develop and market its professional sports games such as NFL Quarterback Club, All-Star Baseball, NBA Jam, Legends of Wrestling, HBO Boxing and most other titles across all game systems.

29. Finally, defendants represented that the completion of the Company's transition to CD-rom technology from cartridge based technology was also a key element that would generate increasing revenues and earnings for the Company. The 10-K stated in relevant part:

The cost of manufacturing cartridge software is significantly higher than CD software, resulting generally in better margins for CD software. Nintendo's handheld system (Game Boy Advance) is the only cartridge-based system in the market for which the Company is developing software titles. The Company is no longer developing titles for Nintendo's N64 system (cartridge-based), and Sega's Dreamcast system (CD-based) as a result of Sega's decision to exit the business. In part, the Company's recent profitability is attributable to the strategic transformation of its operating business model from cartridge-based product to CD-based product. [Emphasis added.]

In addition to lower manufacturing costs, defendants conditioned investors to expect lower allowances for returns and price concessions due to the transformation to CD-based software. In particular, defendants cited the Company's "retail sales tracking system" and distribution expertise as major factors contributing to the Company's higher margins and profits. The 10-K stated in relevant part, as follows:

Gross profit is significantly affected by the sales mix between CD-based and cartridge-based software. Gross profit is also from time to time significantly affected by the level of price concessions provided to retailers and distributors as well as from fees paid to third-party distributors for software sold overseas. The Company grants price concessions to its key customers who are major retailers that control the market access to the consumer, when those concessions are necessary to maintain the Company's relationships with the retailers and access to its retail channel customers. If the consumers demand for a specific title falls

below expectations or significantly declines below previous rates of sale, then, a price concession or credit may be negotiated to spur further sales.

* * * * *

The Company's improved gross profit as a percentage of net revenues for fiscal 2001 as compared to fiscal 2000 is partially attributable to the strategic transformation of its operating business model from cartridge-based product to CD-based product. For fiscal 2001, N64 titles accounted for only 2% of gross revenues, compared to approximately 31% of gross revenues in the prior year. This shift helped the Company to achieve (1) lower inventory levels, (2) improved inventory turnover rates, and (3) reduced product-manufacturing costs per unit, which had a positive effect on gross profit as a percentage of net revenues. The Company realized lower inventory levels because the lead-time for the production of software decreased from six to eight weeks for cartridge-based software to seven to fourteen days for CD-based software. Company, through an electronic retail sales tracking system provided by a third party, was able to order and deliver products more rapidly based on the reported sell-through at retailers, thereby reducing required on-hand inventory levels, improving inventory turnover rates and reducing inventory related costs. Additionally, the average cost to manufacture CD-based software (\$9 per unit on average) is significantly lower than that of cartridge-based software (\$19 per unit on average), which results in significantly higher gross margins and allows the Company to permit markdown allowances to various price points while still recovering the manufacturing cost of the CD-based product. [Emphasis added.]

30. Thus, by the start of the Class Period, defendants portrayed that Acclaim was poised to reap continued benefits from the Company's transition to CD-based software in the form of lower manufacturing costs, lower inventory costs, shorter product re-order cycles and higher sales revenues through a pinpoint retail distribution and retail sales tracking system. In addition, the Company's implementation of its "three tier product development" strategy, which centered a majority of the Company's product development efforts within its internal studios, purportedly ensured that the Company's software development efforts would be highly integrated with the Company's overall marketing and sales strategies, leading to increasing revenues and profits.

31. Unbeknownst to the investing public, however, during the Class Period, defendants engaged in a variety of manipulative and deceptive practices which were designed to make it falsely appear that Acclaim's financial position was improving and that the Company would be experiencing increasing revenues in the future. Indeed, during the Class Period, defendants failed to disclose and misrepresented that following material adverse facts which were known to defendants or recklessly disregarded by them:

(I) Channel Stuffing: Acclaim was engaging in aggressive sales practices whereby it induced customers to take product that they neither wanted, needed or could sell in the short-term. This channel stuffing activity is evidenced by the Company's sales patterns which reveal that a majority of Acclaim's sales were recorded in the final weeks of the quarter – the classic hockey stick sales pattern which is emblematic of channel stuffing activity. Such sales practices subjected the Company to the heightened risk that it would be unable to achieve its sales forecasts should it be unable to “complete” any of these last minute sales. In effect, Acclaim was robbing sales from the future to make the present look better;

(ii) Artificially Manipulating Acclaim's Allowances for Sales Returns And Price Concessions: Throughout the Class Period, defendants regularly reduced the Company's allowances for sales returns and price concessions, citing certain purported changes in the Company's business that made it reasonable to reduce these provisions — that the Company was better able to gauge demand through its retail tracking system and that the transformation to CD-ROM technology would provide the Company with enhanced inventory controls thus improving retail channel sell through. In truth and in fact, however, defendants knew or recklessly

disregarded that the Company had no basis to reduce these provisions as it was stuffing its distribution channels with unneeded and unwanted product and its purported retail tracking system was inadequate and unable to accurately track sales data. Accordingly, defendants' reduction of these provisions was not based on reasonable assumptions about the Company's business and were done with reckless disregard for the true status of the Company's business. As a result of the foregoing, the Company's reported financial results during the Class Period were artificially inflated;

(iii) False And Misleading Earnings Forecasts: During the Class Period, defendants raised their earnings "guidance" several times. These statements were lacking in a reasonable basis at all times as defendants knew that the Company was suffering from a host of undisclosed adverse factors such that the Company could not attain the forecasted sales; and

(vi) Other Accounting Manipulations: In addition to the aforementioned practices relating to the Company's sales returns provisions, defendants also employed other improper accounting practices including improperly delaying the write-off of certain capitalized software development costs, thereby overstating the Company's financial condition.

32. Throughout the Class Period, defendants were motivated to maintain and inflate the price of Acclaim common stock in order to protect the shares pledged as collateral for the "Overformula" advances and in order to enable the Company to raise much-needed capital through a private placement of Acclaim common stock, which occurred during the Class Period as set forth below.

Materially False And Misleading

Statements Issued During The Class Period

33. The Class Period begins on January 11, 2001, the first day of trading following Acclaim's announcement after the close of the market on January 10, 2002, that it was raising revenue guidance for fiscal 2002 to \$301 million or \$10 million higher than previously forecast.

The press release provided, in pertinent part, as follows:

Acclaim Entertainment, Inc. (NASDAQ.SC: AKLM), a leading global video entertainment software developer and publisher, today reported profitable results of \$17.4 million, or \$0.21 per diluted share, in net earnings on net revenue of \$81.0 million for the first fiscal quarter ended on December 2, 2001. The profit results were in line with previous guidance and analyst estimates. The Company maintains its previously stated guidance for fiscal 2002 of first half net revenues of \$146.0 million, by increasing its second quarter fiscal year 2002 net revenue guidance by \$5.0 million to \$65.0 million. The increase of \$5.0 million is attributable to the initial split shipment of Legends of Wrestling(TM) that occurred on the cusp of the first and second quarters of fiscal year 2002.

"The first quarter was a solid quarter for the Company," said Gregory Fischbach, Chief Executive Officer of Acclaim. "Although we did not break a hit, our product line was well accepted by critics, retail and consumers. The bulk of our advertising dollars were spent very effectively in the weeks before Christmas, generating the sell through that retail expected, leaving us with few, if any inventory issues at the retail level."

* * * * *

Revised Fiscal 2002 Net Revenue and Earnings Guidance

The Company has increased its net revenue guidance by \$10.0 million to \$301.0 million for its fiscal year 2002, representing a 52% increase over its fiscal year 2001 net revenues of \$197.6 million. The Company has also increased its net earnings guidance by \$6.6 million to \$38.6 million for its fiscal year 2002, representing an approximate 166% increase over its fiscal year 2001 earnings before extraordinary items of \$14.5 million.

* * * * *

Fiscal Year 2003 Net Revenue and Earnings Guidance

The Company is estimating that it will achieve net revenue of \$379.0 million during its fiscal year 2003; representing a 26% increase over the revised estimated fiscal year 2002 net revenue guidance. In addition, the Company is estimating net earnings of \$66.0 million or \$0.75 per diluted share, which represent 71% and 70% increases, respectively over fiscal year 2002 guidance.

* * * * *

Fiscal year 2003 represents the largest growth opportunity in the history of our company, and Acclaim possesses the brands, technology and vision to seize that opportunity," concluded Fischbach. [Emphasis added.]

34. On January 16, 2002, Acclaim filed its Quarterly Report on Form 10-Q for the quarter ended December 02, 2001, in the report the Company reiterated its previously announced first quarter results. The Form 10-Q represented that approximately 50% of the Company's net earnings were sourced from the reversal of previously accrued allowances for product returns and price concessions and the reversal of certain prior-period accrued expenses. The Form 10-Q stated in relevant part as follows:

In the first quarter of fiscal 2002, net revenues and net earnings increased by \$4,458 due to the Company's reduction of the August 31, 2001 allowances for estimated returns and price concessions as such allowances were not required based on the related products' sell-through in the retail channel.

* * * * *

In the first quarter of fiscal 2002, the Company's obligations ceased under certain expired intellectual property agreements, accordingly, accrued expenses and marketing and selling expenses were reduced by \$4,400.

These adjustments totaled more than \$8.8 million, accounting for more than 50% of the Company's first quarter net earnings of \$17.4 million. The Form 10-Q represented that the Company's vendor-specific allowances for sales returns and price concessions had declined to

less than 15% of the Company's total trade receivables, a decline of more than 10% from the allowance amounts just three months earlier. The Form 10-Q stated in relevant part:

Accounts receivable are comprised of the following:

	DECEMBER 2, AUGUST 31,	
	2001	2001
	-----	-----
Assigned receivables due from factor	\$ 82,834	\$ 42,845
Unfactored accounts receivable	7,082	20,706
Other Receivables	3,080	2,370
Less: Allowances for returns and price concessions	(13,808)	(16,847)
	-----	-----
Accounts receivable, net	\$ 79,188	\$ 49,074
	=====	=====

35. On January 18, 2002, Acclaim issued a press release announcing that additional amounts of the Company's subordinated debt had been submitted for conversion to common shares, reducing the Company's outstanding debt by approximately \$1.6 million from the levels reported at December 2, 2001. Defendants Fischbach and Agoglia commented on the purported improving financial condition of the Company stating in relevant part as follows:

[Acclaim] announced that an additional \$1.3 million of its 10% subordinated notes have been submitted for conversion, which would reduce the Company's total outstanding amount to \$24.9 million from the previously announced \$26.2 million on January 10, 2002. These reductions represent a 15% decrease from \$29.2 million as of December 2, 2001.

"The Company reiterates its previously stated guidance, that based on its fiscal 2002 business operating plan projections, the Company's cash flow supports the repayment of the subordinated notes at maturity on March 1, 2002," said Gerard F. Agoglia, Chief Financial Officer for Acclaim. "In addition, the Company expects to generate sufficient positive cash flow from operations to meet its currently projected cash and operating requirements for the next twelve months."

"We are pleased to follow up our solid first fiscal quarter results with the further reduction of our debt," added Gregory Fischbach, Chief Executive Officer of Acclaim. "We remain comfortable with our previously stated guidance for fiscal 2002, which includes first half net revenues of \$146.0 million and \$.27 per diluted share."

* * * * *

"Furthermore, the risk of bad debt exposure due to third-party bankruptcy is covered under our factoring relationships, leaving no exposure to the Company," concluded Mr. Agoglia. [Emphasis added.]

36. On February 13, 2002, Acclaim issued a press release announcing that it had arranged a private placement of common stock for gross proceeds of \$21.5 million; funding was subsequently completed on February 14, 2002. In a separate transaction, the Company also announced further reductions to its 10% convertible notes by an additional \$9.3 million in exchange for shares of common stock. Defendant Fischbach commented on the Company's purportedly improved ability to fund its future product development needs, the press release stated in relevant part , as follows:

"We are pleased to announce this strategic corporate initiative, which will enable the Company to increase its current release schedule for fiscal years 2003 and 2004 through the expansion of its internal studios and the acquisition of key titles from selected external development studios," said Gregory Fischbach, Chief Executive Officer of Acclaim. "In addition, it will enable the Company to deliver integrated national marketing campaigns to support the launches of our key franchises, including All-Star Baseball 2003, Aggressive Inline, Turok: Evolution and Vexx." [Emphasis added.]

* * * * *

The common stock has not been registered under the Securities Act of 1933, as amended, or state securities laws, and may not be offered or sold in the United States absent registration with the Securities and Exchange Commission (SEC) under the Securities Act of 1933, or an applicable exception therefrom. The

Company has agreed to register with the SEC all of the common stock sold in the offering within 90 days following the closing.

Shortly thereafter, on May 2, 2002, the “private placement” was essentially converted to a public offering, when Acclaim’s Registration Statement on Form S-3 (the “Registration Statement”) was declared effective and all of the shares issued in the private placement became eligible for sale to the general public. The Registration Statement stated in relevant part, as follows:

This Registration Statement covers the offer and sale by the selling stockholders of (I) 7,166,667 shares of common stock issued in a February 2002 private placement to certain qualified institutional buyers and accredited investors; (ii) 1,250,000 shares issuable upon the exercise of warrants granted to certain officers and directors of the issuer in connection with their providing collateral to the issuer's primary lender; and (iii) 297,728 shares issuable upon the exercise of warrants granted to the issuer's primary lender in connection with the waiver of certain debt covenants and certain amendments to the issuer's credit facility. This Registration Statement also covers an indeterminate number of shares of Acclaim Entertainment, Inc. common stock that may be issuable by reason of stock splits, stock dividends, or other adjustments in accordance with Rule 416 under the Securities Act of 1933.

37. On April 11, 2002, the Company issued a press release announcing its financial results for the second quarter and six months ended March 3, 2002. For the 2nd quarter, the Company reported net revenues of \$70.7 million, or \$5.7 million ahead of Company’s guidance of \$65.0 million. The press release stated, in pertinent part, as follows:

[Acclaim] reported earnings before an extraordinary item of \$5.0 million, or \$0.06 per diluted share, on net revenues of \$70.7 million for the second fiscal quarter ended March 3, 2002. For the first six months of fiscal 2002, Acclaim reported earnings before an extraordinary item of \$22.4 million or \$0.27 per diluted share on net revenues of \$151.8 million.

Defendant Fischbach commented on the Company’s 2nd quarter results and prospective 3rd and 4th quarter product releases in highly positive terms, stating in pertinent part as follows:

"We achieved our goals for the second quarter of this fiscal year, as our portfolio of titles received critical praise, and continued to generate sales and a consistent return on our investment in tools and technologies for this next-generation hardware cycle," said Gregory Fischbach, Chief Executive Officer of Acclaim. "Our organization continued to execute on its operating plan, including the timely delivery of all scheduled product releases, the retirement of the outstanding debt and the improvement of the Company's balance sheet."

* * * * *

"We are very excited by our third and fourth quarter releases, including the eagerly anticipated launches of Aggressive Inline and Turok: Evolution, both of which are poised to set benchmarks in their respective genres," concluded Fischbach. "Followed by the launches of Vexx(tm) and Dave Mirra Freestyle BMX 3(tm) during the first quarter of fiscal year 2003, we believe that Acclaim will have a very strong and diverse holiday lineup that will be well represented across all gaming systems." [Emphasis added.]

38. The Company's earnings release was followed by a conference call during which defendants reviewed the Company's 2nd quarter 2002 financial results, a transcript of the call was available on Fair Disclosure Wire. Defendant Agoglia summarized the Company's previously announced earnings and commented on the Acclaim's 3rd and 4th quarter 2002 guidance. The transcript stated in relevant part, as follows:

GERARD AGOGLIA, EXECUTIVE V.P. AND CFO, ACCLAIM ENTERTAINMENT: ...results of operations for the second quarter of fiscal 2002. Today I am pleased to report profitable results of operations for the company's sixth consecutive quarter.

For the second quarter of fiscal 2002, earnings before an extraordinary item were five million or six cents per diluted share on net revenue of 70.7 million, which reflects a 75-percent increase over the same period last year.

For the first six months of fiscal 2002, the company's reported earnings before the extraordinary item were 22.4 million or 27 cents per diluted share on net revenue of 151.8 million, representing 35 percent increase over the company's first half results one year ago. These profits were achieved before an extraordinary loss of

1.2 million or 2 cents per diluted share from the early retirement of 12.7 million principal amount of the 10 percent convertible subordinated notes.

These results were in line with the company's revenue and earnings guidance and analysts' estimates for the quarter and first half of fiscal 2002. The company's guidance for the second quarter of 2002 were 65 million and 6 cents per diluted share and 146 million and 27 cents per diluted share for the first six months of fiscal 2002.

* * * * *

Gross revenue by [console] during the second quarter of fiscal 2002 primarily consisted [of] 128[bit] software, 87 percent, 32 bit and portable congex (ph) each at six percent, and personal computer games, (inaudible) bases. North American and international operations generated 77 percent and 23 percent of net revenues respectively. In addition, Acclaim's six internal development studios generated 70 percent of the company's gross revenues during the quarter with such titles as All-Star Baseball 2203, NFL Quarterback Club 2002, 18 Wheeler, Jeremy McGrath's Supercross, Crazy Taxi, Legends of Wrestling, Extreme G3 and Shadow Man: 2econd Coming.

* * * * *

Accounts receivable of 72.4 million reflect an increase of 23.4 million due to the 52 percent increase of the second quarter net revenue over fourth quarter 2001. Approximately 53 million or 76 percent of the second quarter 2002 sales shipped in February, the last month in the second quarter.

Day sales outstanding. In computing our day sales outstanding, we adjust for cash advances already received from our factor. Our day sales outstanding improved to 57 days from 69 days as of August 31, 2001.

Our reserves for the second quarter for our accounts receivable include our allowances for returns and price concessions, which is a contra [asset] account and our channel reserves, a liability account found in accrued sales allowances, which amounted to 17.2 percent... For the first quarter of fiscal 2002, the company's inventory turnover was 13 times. This compares to nine times at the end of the first quarter....

* * * * *

Now to review the fiscal year 2002 net revenue and earnings guidance. The company is maintaining its previously stated net revenue guidance for the third and fourth quarters of fiscal 2002 of 65 million and 90 million respectively. The second half projected revenue guidance of 155 million represents an 82-percent increase over the same period of fiscal year 2001 or 85.2 million. The full year fiscal 2002 net revenue guidance has been increased to 308 million to allow for the actual net revenues increase of the first half of flow through for the full year total.

Fiscal 2002 net revenue guidance of 308 million represents a 56-percent increase over the prior year. In addition, the company is maintaining its estimated non-taxed earnings guidance of 38.6 million or 39 cents per diluted share, which represents 166 percent and 77 percent increases respectively over fiscal year 2001. Assuming a federal statutory effective tax rate of 35 percent, earnings are estimated to be 25 million or 26 cents per diluted share.

Fiscal year 2003 net revenue and earnings guidance. The company is maintaining its previously stated net revenue guidance for fiscal 2003 of 379 million, which represents a 23-percent increase over the revised estimated fiscal year 2002 net revenue guidance of 308 million. In addition, the company is maintaining its estimated non-tax net earnings guidance of 66 million or 67 cents per diluted share, which represents a 71 percent and 72 percent increase respectively over fiscal year 2002 guidance.

EDMOND SANCTIS, PRESIDENT NORTH AMERICA, ACCLAIM ENTERTAINMENT: In Q3 and Q4, we expect the product catalog continue to contribute meaningfully to our business in the range of 25 percent of our net revenue. The sales momentum of these established titles in the portfolio sets the stage for our blockbuster releases throughout the rest of the calendar year including Aggressive Inline, Turok Evolution, Vex (ph) and Dave Mirra BMX 3. Our second quarter net revenue of 70.7 million exceeded our forecast by \$5.7 million.

* * * * *

The gross profit at 59 percent of net revenues was below our forecast and was impacted by two primary factors. First a promotional arrangement in the rental market designed to drive awareness for the launch of All-Star Baseball 2003 and second the establishment of a budget software line. We expect gross profit to return to our previously forecast levels in Q3 and Q4 of our fiscal year.

* * * * *

And now on to the release schedule. During the third quarter we intend to release 11 SKUs, two titles for Playstation 2, Aggressive Inline and Headhunter, three titles for GameCube Burnout, Legends of Wrestling and ZooCube (ph) and two titles for XBox, Burnout and Legends of Wrestling. We have four titles for GameBoy Advance, All-Star Baseball 2003, Mary Kate and Ashley Girls' Night Out, Punch King and ZooCube (ph).

Created by the same team that developed our successful Dave Mirra brand, Aggressive Inline combines action sports, sex appeal and great game play. While PS2 Extreme Magazine said the title blows Tony Hawk away, we think Aggressive Inline is a hawk by itself. Aggressive Inline offers state-of-the-art third generation PS2 graphics and technology, massive interactive environments, thousands of tricks, and in - and an in-game soundtrack from top artists including POD (inaudible). We've licensed 10 of the top names from the sport of Aggressive Inline Skating and we've created some fantasy characters for the game including a female skater named Chrissy (ph) who's already built a fan base among game reviewers. Chrissy (ph) brings to the action sports (inaudible) the same hard-core excitement that Laura Croft brought to the third person action category.

* * * * *

Now for a look at our fourth quarter. It'll all come together on Turok Tuesday, September 3rd. We will release Turok across four hardware systems, Playstation 2, GameCube, XBox and GameBoy Advance. All four Turok skus will be released in our fiscal fourth quarter with the official street date of September 3rd and we'll release three to six additional titles during the fourth quarter including Aggressive Inline for GameCube, XBox and GameBoy Advance. We'll be announcing more detail on Q4 releases in the weeks ahead but I want to spend a few minutes on our lead of Q4 titles.

Developed by our Austin studio Turok Evolution will be our first simultaneous four-platform release. Turok is one of the most highly anticipated titles of 2002 for both gamers and game retailers. In January, more than 40 members of the international press came to our studio to see the game for the first time and, as a result, there's already a lot of buzz among media and consumers around the world. From covers of magazines to weekly online feature stories Turok is back and poised to be video game launched for the fall.

And we will be behind Turok, the launch of the title, with an \$8 million marketing campaign, about the same scale as Acclaim's original launch of Mortal Kombat. In fact, we just finished shooting our TV commercial last week in Los Angeles with celebrated director Marcel Langeneger (ph). You can get a look at the commercial at E3. Needless to say, we are expecting Turok to be the blockbuster title that crowns our next-generation portfolio.

* * * * *

With powerful brands like Turok, Vex (ph), Dave Mirra, Aggressive Inline, Burnout, Legends of Wrestling, All-Star Baseball and Mary-Kate and Ashley within our holiday portfolio, Acclaim is positioned to grow market share and capitalize on the expanding install base of next generation systems. Fiscal year 2003 also represents a unique opportunity for our organization to leverage its proprietary Net Spy (ph) technology and take advantage of the (inaudible) and narrowband functionality of the next generation hardware systems.

* * * * *

In closing, we achieved our second quarter earnings goal and delivered our sixth consecutive profitable quarter. New brand introductions this quarter such as Aggressive Inline and Headhunter will continue to expand the breadth of our product portfolio. E3 (ph) will be our launching pad for what we expect to be the sweet spot for our industry, Christmas 2002 and 2003. Looking ahead to 2003 and beyond, Acclaim has role spots, development resources, proven brands, and global marketing expertise to deliver hits on a global scale.

* * * * *

MIKE WALLACE, UBS WARBURG: Hi, a couple of questions. I might have missed it. Did you say what the reserves were, Gerry?

GERARD AGOGLIA: Yes, we indicated the accounts receivable reserve was 17.2 percent at the end of the second quarter.

MIKE WALLACE: Seventeen point two percent of gross receivables?

GERARD AGOGLIA: Right and we - yes.

MIKE WALLACE: OK. How confident are you in the timing of Turok? Is it, you

know, on time? Is this going to be one of the things that go down to the wire at the end of August?

GERARD AGOGLIA: I think we're very comfortable with where Turok is. We've had it in development for about 35 months now, and we will have playables at E3 (ph) and we're very comfortable with where the product is going. We showed it at the most recent Destination (ph) PlayStation and retail's expectations were larger than ours. I'm pretty comfortable with where we are with it. It's going to be a great title.

* * * * *

TONY CHIKAS, U.S. BANCORP. PIPER JAFFRAY: Hi, guys. Couple of follow up questions on Turok specifically. How did Turok do the last edition of the game in terms ...

UNIDENTIFIED: Well, I would - let's refrain the question a little bit. The first two Turoks did about four million units on one system at retail worldwide and we were very pleased with them. The last Turok that was released did about 300,000 units domestically and about 150,000 units internationally, and if I can remind you, that was released during kind of the waning (ph) year or years of the N64 and the N64 audience, kind of the older audience for the N64 fell off very quickly, which was reflected in several of the Nintendo titles as well. Our expectation for this title is in excess of two million units worldwide for the life of the title, and we are - we are very comfortable with our (ph) the shipping of that title both domestically and internationally.

UNIDENTIFIED: OK.

UNIDENTIFIED: And I think it has - if you ask me, quite candidly, I think it has the potential to do much more than the two (ph).

TONY CHIKAS: Could it - could it do as well as the first did?

UNIDENTIFIED: I think it'll do better than the first one. We've got it releasing in all three platforms, and we've got a much larger audience that we're going after, and it's been positioned as retail as one of the five key titles for the back half of this year. That was reaffirmed by - to us today by one major retailer when we showed him our plans for the fall with respect to (inaudible), which include, you know, our opening up this summer and theatrical distribution with our advertisement and then carrying it all the way through until we launch the title.

And the campaign around the title will be similar to what we did with Mortal Combat (ph) and in terms of the spin, will be similar - that six to \$8-million range on a worldwide basis.

UNIDENTIFIED: And retail is behind us on this event style launch for Turok, so we expect it to be a big deal in the fall.

* * * * *

TONY CHIKAS: ... how is inventory and the channel fee specifically?

UNIDENTIFIED: I think the, you know, it's certainly, just looking at the cycles in the industry, you know, this tends to be a downtime, down month, but we haven't heard anything that would indicate that the video game side of the business is falling off.

UNIDENTIFIED: I would just comment that, you know, what we see is a retail pattern that's reflective of the last quarters sales in which our catalog continues to experience continual sell-through at retail and so we have continual orders on that catalog. And retail does not take the same general risk, with respect to inventories and, therefore, it's easier to manager our reserves.

TONY CHIKAS: (inaudible) in the channel?

UNIDENTIFIED: Yeah, I mean, inventory in the channels is much narrower right now. [Emphasis added.]

39. On or about May 23, 2002, Acclaim issued a press release providing further details concerning the Company's fiscal year 2003 earnings guidance and announcing its earnings guidance for fiscal year 2004. The press release stated in relevant part, as follows:

"Fueling our growth for fiscal years 2003 and 2004, will be the worldwide 9-01-02 launch of Turok(TM): Evolution(TM) across all four next-generation gaming platforms, which we believe will significantly build upon the \$250 million global brand that we launched in 1997," said Gregory Fischbach, Chief Executive Officer of Acclaim. "Our product lineup will continue to be a diverse mix of new and innovative titles such as VEXX(TM) and Aggressive Inline(TM), as well as proven brands with predictable success, such as All-Star Baseball(TM), Dave Mirra BMX(TM), NBA JAM(TM), Jeremy McGrath Supercross(TM), ATV Quad Power Racing(TM) and HBO Boxing(TM)."

Fiscal Year 2003 Net Revenue and Earnings Guidance For fiscal year 2003, the Company is maintaining its previously stated annual net revenue and earnings guidance of \$379.0 and \$66.0 million, respectively. Furthermore, the Company is providing additional net revenue and earnings guidance detail for the first and second half of fiscal year 2003. The Company projects that net revenue for the first quarter of fiscal 2003 is estimated to range between \$110.0 and \$120.0 million, a 36% to 48% increase over the previous fiscal year. For the second quarter, the Company projects net revenue to range between \$80.0 and \$90.0 million, a 13% to 27% increase over the previous fiscal year.

* * * * *

Fiscal Year 2004 Net Revenue and Earnings Guidance The Company projects net revenue for fiscal year 2004 of \$502.0 million, a 32% increase over its fiscal year 2003 net revenue guidance. The Company also forecasts that net earnings and EPS will grow to \$85.0 million and \$0.87 per diluted share, a 29% increase over its fiscal 2003 earnings guidance. [Emphasis added.]

40. On or about June 27, 2002, the Company announced its financial results for the third quarter ended and nine months ended June 2, 2002. Following the banner headline proclaiming, “Acclaim Entertainment, Inc. Reports Seventh Consecutive Profitable Quarter for the Third Quarter of Fiscal Year 2002,” the press release stated in pertinent part, as follows:

Company Maintains Annual Guidance For Fiscal Years 2002-2004

[Acclaim] today reported earnings before extraordinary items of \$2.5 million or \$0.03 per diluted share, on net revenues of \$62.9 million for the third fiscal quarter ended June 2, 2002. Compared to the same period of the prior year, this represents a 943% increase over earnings before extraordinary items of \$0.2 million and a 63% increase over net revenues of \$38.6 million.

For the first nine months of fiscal 2002, Acclaim reported earnings before extraordinary items of \$24.9 million or \$0.28 per diluted share before extraordinary items on net revenues of \$214.6 million. Compared to the same period of the prior year, this represents a 115% increase over earnings before extraordinary items of \$11.6 million or \$0.20 per diluted share, and a 42% increase over net revenues of \$151.0 million.

* * * * *

"The results for the quarter reflect the successful and timely launches of our key releases for the quarter, Headhunter(TM) and Aggressive Inline(TM), as well as the continued strength of our portfolio which contributed 32% of our net revenues, said Gregory Fischbach, Co-Chairman and CEO of Acclaim. "While we are disappointed that our Company did not achieve our 'top line' guidance, we believe that we will realize this net revenue shortfall in the fourth quarter." [Emphasis added.]

41. The Company's earnings release was followed by a conference call during which defendants reviewed the Company's 3rd quarter 2002 financial results and earnings guidance for the remainder of fiscal 2002, a transcript of the call was available on Fair Disclosure Wire. Defendant Agoglia initiated the presentations by summarizing the Company's previously announced earnings and then commented on the Acclaim's 4th quarter 2002 guidance and future years' guidance. The transcript stated in relevant part, as follows:

JERRY AGOGLIA, CFO, ACCLAIM ENTERTAINMENT: Today, I'm pleased to report profitable results of operations for the seventh consecutive quarter. I remind you that the following numbers are reported before extraordinary items.

For the third quarter of fiscal 2002, Acclaim reported earnings of 2-and-a-half million on net revenues of 62.9 million, or 3 cents per diluted share, compared to earnings of 200,000 on net revenues of 38.6 million in the same period of the prior year. This represents a 943% increase in earnings, and a 63% increase in net revenues over the prior year.

For the first nine months of fiscal 2002, Acclaim reported earnings of 24.9 million on net revenues of 214.6 million, or 28 cents per diluted share, compared to earnings of 11.6 million on net revenues of 151 million, or 20 cents per diluted share. This represents a 115% increase in earnings and a 42% increase in net revenues over the same period of the prior year.

The 2.1 million net revenue difference from the company's previously stated guidance of 65 million resulted from lower than forecasted sales in the third quarter. This difference will be realized in the fourth quarter as the company is

maintaining its fiscal 2002 net revenue and earnings guidance which we will review later in this call.

For the third quarter of fiscal 2002, gross profit was 57-and-a-half percent of net revenues, 5.5% below the company's planned gross profit (inaudible) percent. Gross profit shortfall from the company's forecast is attributable to greater than planned budget line sales and promotional arrangements in the rental market. The company plans to return to gross profit of 61% for the fourth quarter of fiscal 2002.

* * * * *

Acclaim studios generated 37% of the company's gross revenues during the third quarter. The following top 5 titles contributed 61% of the total gross revenue in the third quarter of fiscal 2002. Namely, burnout, 18%; legends of wrestling, 15%; all-star baseball, 10%; and aggressive in line; and headhunter, each at 9%.

* * * * *

Accounts receivable of 72.2 million at June 2nd remained flat from quarter to quarter. The company's day sales outstanding, net of factor advances, remained relatively consistent at 59 days quarter over quarter. Approximately 46 million, or 73% of the third quarter 2002 sales shipped in the last month of the quarter.

For the third quarter, the company's accounts receivable reserves were 14% compared to 17% at the end of the second quarter. Our accounts receivable reserves decreased by 3% on a quarter to quarter basis. These reserves are calculated in accordance with GAAP under a consistently applied methodology from quarter to quarter that is reviewed by our auditors at the close of every quarter.

The reserve analysis and calculation takes into consideration several factors. Namely, current sales, inventory in the channel, doubtful accounts, price concessions, returns, and (inaudible) sell-through in the channel.

* * * * *

EDMOND SANCTIS, PRESIDENT NORTH AMERICAN GROUP, ACCLAIM ENTERTAINMENT: Thanks, Jerry, and hello, everyone. I'd like to focus on three areas today. The third quarter, the balance of fiscal year 2002, and fiscal years 2003 and 2004.

As Jerry stated, we effectively managed the business to our bottom-line expectations, and we are confident that we will realize the Q3 revenue in Q4, and we are maintaining our overall net revenue guidance of 306.8 million for the fiscal year 2002.

Furthermore, with the strength of [Turoc] evolution leading our new releases for the quarter, we fully expect our gross margins to return to 61% in Q4.

* * * * *

Now on to the fourth quarter. We plan to release 13 excuse, two for Playstation 2, four for Gamecube, two for Xbox, and five for Game Boy Advance. Seven of the excuse will be for the U.S. market and six will be released in the international market.

Q4 release schedule is led by one of our monster brands, Turoc. Let me give you a little background on Turoc. I think that will be helpful. Turoc is a \$250 million franchise. Sales of over 6 million units worldwide. In 1997, Turoc sold 1.6 million units on one platform, at a \$60 price point. Again, in 1998, Turoc II sold 2.2 million units. Again, only on one platform, at the same \$60 price point.

Now, the latest product of that lineage, Turoc evolution, brings the brand to next-generation hardware. Turoc evolution was developed by our Austin Studio. We will launch it simultaneously for P Xbox, game cube, and Game Boy Advance. We will launch it on Turoc bloody Sunday, 9/01/02. Based on worldwide retail feedback at E3, we believe we could achieve 2 million units at launch, across all four systems.

We will fully leverage our global marketing expertise and back this product with a multi-million dollar sense of blood marketing and promotional campaign, including a national print campaign which we've already kicked off this May.

* * * * *

(inaudible) BMX triple X launches on August 26th. It's one of the most controversial and talked about titles coming out of E 3. We've infused our successful BMX brand that has sold more than 3 million units worldwide with great new game play features and lifestyle features that are reflective of our target audience. We're pushing the envelope - this will be an M-rated title. We're targeting 18 to 34-year-old men. Fans of the Howard Stern show and readers of

Maxum and FMH. The cover will be on the cover of the number one game magazine in America.

* * * * *

In closing, we believe that the success of our business depends on great games. Our organization possesses the vast creative leadership and serves as the foundation for our success and continued growth. We have a strong management team with a vision and passion to lead our organization to achieve its goals and enhance shareholder value. We have a balanced portfolio of proven and innovative brands that set new benchmarks and appeal to the mass market.

We have one of the most powerful development teams in the industry today. We have unrivaled global marketing expertise to make titles like aggressive in line, Turoc, Vex, Dave mere, burnout and legends of wrestling, strong, enduring brands. Our plan is to leverage our brands and creative resources in growing our business to a half a billion dollars by 2004.

* * * * *

OPERATOR:... Your next question comes from [Tony Gikas] of U.S. Bankcorp.

ANALYST: And then sort of related to your confidence level with gross margins rebounding, what should we be assuming that the value-priced product line - how much of, you know, total sales will that account for, you know, over the next, you know, one quarter or maybe looking at it on an annualized basis?

EDMOND SANCTIS: You will see it begin to diminish at 60 to \$65 million. We basically work on a little bit of a plus break-even model. When you put all the numbers together. Once we get our head above 72, \$73 million, we become very profitable.

As we - as the company grows in size and we projected growth for the company over the next five quarters, you will see the percentage of budget line sales diminish as a percentage of our total revenues. The shear unit dollar may maintain - may be the same as we go through the period, but the percentage as against sales will certainly decrease. And we would see that as we go into fiscal 2004, that it will have a larger share of the market as the market changes a little bit.

ANALYST: So your confidence level that they're going to rebound up to 60 plus is pretty high?

[EDMOND SANCTIS]: Yeah. I would say the portfolio is really strong going forward. I mean, we got a very strong reaction from the retail marketplace coming out of E3. It's - it's very select, it's very pointed, and it's - and it has the ability to do quite well in the retail market. Easy to kind of wrap your hands around.

ANALYST: Okay. And then the receivables as a percent of the reserves as a percent of gross receivables, where would we expect that to rebound to in the next quarter and over the next year?

EDMOND SANCTIS: It will be based on formula and so the the same way the formula you is operated and managed mostly by the auditors. We'll continue to stay within that guidance.

GREGORY FISCHBACH: Yeah. The range is somewhere between 15 and 18% on the rebound.

* * * * *

OPERATOR: Your next question comes from John Taylor of Arcadia investment corporation.

ANALYST: - given the fact that you're kind of pushing the envelope a little bit on [BMX XXX] in terms of content, are you expecting all the major retailers to stock all your titles or are you getting any resistance?

EDMOND SANCTIS: We haven't gotten any resistance. I mean retailers really embrace it, from some of the large box stores to the small specialty shops. BMX triple X is the one that's garnered the most attention, and kind of caused the most eyebrows to be raised, and I think that the word of mouth on it will really succeed with the title, and the fact that we picked up a cover so quickly on the title after having presented it is really - shows merit in the direction that we're taking the product.

GREGORY FISCHBACH: As you know, there have been some M-rated games which have gone in different directions but have pushed the envelope and have broken through, so I think retail is accustomed to selling M-rated product.

ANALYST: Okay. And are you finding the format owner, Sony and Microsoft, I guess, in particular, showing any more flexibility in terms of what they're willing to approve than you would have seen, say, 12 months ago?

EDMOND SANCTIS: I think that they're pretty accommodating. Depends on the strength of the title, so I think with a title like BMX triple X or with a title like Turoc, or even legends of wrestling, that there's not a lot of resistance to the content of the title. [Emphasis added.]

42. Defendants false and misleading had their intended effect, Acclaim common shares reached a Class Period high of \$5.85 per share on April 19, 2002, appreciating more than 20% from the commencement of the Class Period.

43. The Company's earnings releases, increasing revenue guidance and forecasts and subsequent conference calls were followed by several analyst reports which spoke in highly positive terms about the Company's performance and future prospects based on the detailed guidance provided by defendants. For example:

(a) On February 14, 2002, UBS Warburg issued a report on Acclaim with a "Buy" rating and 12-month price target of \$8.50 for the Company's stock;"

(b) On April 12, 2002, U.S. Bancorp Piper Jaffray, Inc. issued a report on Acclaim reiterating its "Outperform" rating and price target of \$7 for the Company's stock. Analyst A.N. Gikas, et al, wrote that, "Acclaim has now reported six consecutive quarters of profitability and prospects remain very positive;"

(c) On June 28, 2002, Wedbush Morgan Securities, Inc. issued a report on Acclaim reiterating its "Buy" rating and maintaining a price target of \$8.50 per share; and

(d) On June 28, 2002, U.S. Bancorp Piper Jaffray, Inc. issued a report on Acclaim reiterating its "Outperform" rating on the Company's stock.

44. Defendants' additional efforts at pushing Acclaim stock at this time included extensive newspaper articles, press releases which trumpeted new title releases and presentations at industry trade shows. For example:

(a) On March 31, 2002 an article appeared in The New York Times with the headline "Acclaim Entertainment Back in the Groove." The article written by Warren Strugatch gave extensive coverage to Acclaim's Turok franchise and included comments by defendant Fischbach regarding the Company's focus "on developing products for the next generation" of hardware platforms;

(b) On April 25, 2002, Acclaim issued a press release announcing that Dave Mirra had been signed to an exclusive five-year strategic licensing sponsorship. The press release stated in relevant part, as follows:

Under the agreement, Mirra will continue to serve as the spokesperson for the Company's flagship action sports brand, Dave Mirra Freestyle BMX, which has sold more than three million units worldwide across all gaming platforms. Mirra will play an integral role in the development of Acclaim's future BMX video games, including working in concert with the Company's development teams to ensure authenticity and realism; participating in motion capture and voice recording sessions for inclusion in the games, as well making several public appearances each year. [Emphasis added.]

(c) On May 15, 2002, Acclaim issued a press release announcing its product lineup for the 2002 Electronic Entertainment Expo. The press release stated in pertinent part, as follows:

"With products encompassing every genre and maximizing the technological capabilities of each of the next-generation hardware systems, Acclaim's E3 lineup will foreshadow what promises to be a very strong holiday season for the company," said Sarah Anderson, Senior Vice President of Brand. "In addition, we

will be announcing several new properties at the show and displaying others behind closed doors, which will further diversify our offerings to consumers and strengthen our position within the industry."

(d) On May 21, 2002, Acclaim issued a press release announcing its multimillion dollar integrated marketing campaign to support the launch of Turok: Evolution across all next-generation systems. The press release stated in relevant part as follows:

"Our 'Scent of Blood' marketing campaign was strategically designed to make the return of Turok the most eagerly anticipated and dramatic product launch of the year," said Evan Stein, Vice President of Brand. "Acclaim will leverage all forms of media to support this title with the same marketing prowess which made Mortal Kombat a household name. This is a campaign of epic proportions and underscores our belief in the retail strength of our flagship brand."

(e) On August 22, 2002, Acclaim issued a press release announcing the launch of the integrated marketing campaign for Turok: Evolution, which was scheduled to begin shipment to retailers on September 1, 2002. The press release stated in pertinent part, as follows:

"Turok(TM): Evolution(TM) is poised to be one of the biggest video game launches of the year and we have utilized every form of media to support our flagship brand at retail," said Evan Stein, Vice President of Brand. "We are executing an expansive marketing campaign to match the epic scale of this game, and consumers everywhere will see why 9-01-02 marks the eagerly awaited return of Turok."

45. The statements referenced above in ¶¶ 33 through 41 and ¶ 43 were each materially false and misleading because they failed to disclose and misrepresented the following material adverse facts which were known to defendants or recklessly disregarded by them including, inter alia:

(a) that the Company was engaging in aggressive sales practices whereby it induced customers to take product that they neither wanted, needed or could sell in the short-

term. This channel stuffing activity is evidenced by the Company's sales patterns which reveal that a majority of Acclaim's sales were recorded in the final weeks of the quarter – the classic hockey stick sales pattern which is emblematic of channel stuffing activity. Such sales practices subjected the Company to the heightened risk that it would be unable to achieve its sales forecasts should it be unable to “complete” any of these last minute sales. In effect, Acclaim was robbing sales from the future to make the present look better;

(b) that the Company was currently experiencing severe and continued operating problems at the Company's internal studios regarding the development, content, cost, market testing, distribution and sales of the Company's products;

(c) that the Company was currently experiencing decreased demand for the Company's products, including Turoc: Evolution and Aggressive In-Line, among others, resulting in the Company's inability to meet revenue and earnings guidance provided by defendants for fiscal 2002 and beyond;

(d) that the Company's distribution and retail sales tracking information systems were inadequate causing the Company to materially underestimate the Company's provisions for sales returns and price concessions;

(e) that the Company's development of computer games with mature themes, including BMX XXX, among others, had materially impeded the Company's ability to access broad based retail channels for the Company's products, thus impeding the Company's ability to meet revenue and earnings forecasts; and

(f) based on the foregoing, defendants' opinions, projections and forecasts concerning the Company and its operations were lacking in a reasonable basis at all times.

THE TRUTH IS REVEALED

46. On September 19, 2002, defendants shocked the market by issuing a press release announcing that the Company now expected to report an operating loss for the 4th quarter of 2002, primarily because of sharply lower revenues that fell below defendants' guidance by 25%, among other reasons. In addition, the Company lowered its guidance for the first and second quarters of its 2003 fiscal year, as well as for the 2003 fiscal year. The press release stated in relevant part, as follows:

The Company is revising its revenue and earnings guidance due to the following:

Revenue Shortfall: Overall sales of Turok: Evolution did not meet the Company's initial launch expectations, and sales of Aggressive Inline continued to be lower than originally anticipated, therefore negatively affecting the Company's previously forecasted revenues for the 2002 fourth quarter and the 2002 fiscal year.

Reserves and Allowances: The Company will be increasing its reserves and allowances, and as a result, accounts receivable reserves are expected to fall within a range of approximately 21% to 25% at August 31, 2002.

Gross Profit: During the quarter, international sales increased above the Company's planned projections, while domestic sales did not meet the Company's forecasts. This change adversely affected the Company's overall gross profit, as international revenues carry a lower gross profit than do domestic revenues. This, compounded with the increase in the Company's reserves and allowances, will reduce the Company's gross profit guidance for the fourth quarter of its 2002 fiscal year from 61%, to a range of approximately 51% to 53%. The Company's gross profit for the 2002 fiscal year, is expected to fall within a range of approximately 57% to 59%.

One time Charge: During the quarter, the Company recorded a charge of approximately \$2.2 million, as a result of the discontinuance of the development of two products, which were previously capitalized.

Operating Expenses: Operating expenses exceeded the Company's plan by \$2.6 million due to additional advertising and marketing expenses incurred.

The press release disclosed that Acclaim's 4th quarter revenues were expected to be \$69 million, or 25% below, the \$92 million forecast by defendants; additionally, the Company was now expected to incur a net operating loss for the 4th quarter of 2002 of between \$10 and \$12 million, or more than 188% below defendants' guidance. Defendant Sanctis commented on Acclaim's dismal operating results and belatedly disclosed that continuing problems with the Company's product development and marketing processes necessitated the delay of the Company's next major title release. The press release stated in relevant part, as follows:

"After the disappointing performance of Aggressive Inline and Turok: Evolution, we are adjusting our previous fiscal 2003 revenue guidance to reflect growth of between 16% to 21% over fiscal year 2002," added Edmond Sanctis, President and Chief Operating Officer for Acclaim North America. "Additionally, we are moving the release of VEXX to our second quarter to ensure that we have fully prepared the market and polished the product." [Emphasis added.]

47. Upon hearing the news, the market for Acclaim common shares collapsed, losing over 29% of their value in a single day's trading to close at \$1.56 per share on September 19, 2002 and losing over 73% of their value when compared to the Class Period high of \$5.85 per share reached on April 19, 2002.

48. Subsequently, on October 17, 2002, after the close of the market, Acclaim issued a press release announcing its financial results for the fourth quarter and fiscal year ended August 31, 2002. The Company reported a 4th quarter earnings loss of \$28.2 million, far greater than the

\$10 to \$12 million loss expected based on the defendants September 19th announcement and a net loss of \$4.5 million for the fiscal year 2002. Defendants attributed the increased losses, primarily, to the inadequacy of the Company's periodic provisions for product sales returns and price concessions, among other things . The press release stated in relevant part:

For the fourth quarter and fiscal year 2002, the Company reported results, which were lower than the revised guidance, released by the Company on September 19, 2002. The lower results were due to significantly diminished domestic retail sell-through of Turok: Evolution and Aggressive Inline. Based on the Company's review of actual domestic retail sell-through activity subsequent to the date of the Company's revised guidance, the Company increased its allowance provisions for returns and price concessions. As a result, accounts receivable allowances were increased to 42% of gross accounts receivable, as compared to the estimated range of 21% to 25% previously announced. The increase in the allowances is the principle reason for the decline in our gross margin from our prerelease guidance of 57% as compared to our actual of 56% and the additional loss in both the fourth quarter and fiscal year 2002. [Emphasis added.]

In addition, defendants disclosed that Acclaim was "restructuring" its product development and sales functions in light of the continuing operating problems at its internal studios. The press release stated in pertinent part, as follows:

the Company has restructured its product development organization and shifted management responsibilities. Rodney Cousens, President and Chief Operating Officer of Acclaim International, in addition to his current responsibilities, will now manage internal studio operations. "We are disappointed with our performance for fiscal year 2002. Some of our key titles did not meet our expectations, and we are making changes in our product development and brand organizations to ensure a more consistent and commercial success of the games we publish," said Rod Cousens, President and Chief Operating Officer of Acclaim International. [Emphasis added.]

49. Following these announcements the price of Acclaim common shares continued to decline. On October 18, 2002, Acclaim stock closed at \$0.73 per share and has continued to languish at or below those levels to the present.

Undisclosed Adverse Information

50. The market for Acclaim's securities was open, well-developed and efficient at all relevant times. As a result of these materially false and misleading statements and failures to disclose, Acclaim's common stock traded at artificially inflated prices during the Class Period. Plaintiff and other members of the Class purchased or otherwise acquired Acclaim securities relying upon the integrity of the market price of Acclaim's securities and market information relating to Acclaim, and have been damaged thereby.

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

(a) that the Company was engaging in aggressive sales practices whereby it induced customers to take product that they neither wanted, needed or could sell in the short-term. This channel stuffing activity is evidenced by the Company's sales patterns which reveal that a majority of Acclaim's sales were recorded in the final weeks of the quarter – the classic hockey stick sales pattern which is emblematic of channel stuffing activity. Such sales practices

subjected the Company to the heightened risk that it would be unable to achieve its sales forecasts should it be unable to “complete” any of these last minute sales. In effect, Acclaim was robbing sales from the future to make the present look better;

(b) that the Company was currently experiencing severe and continued operating problems at the Company’s internal studios regarding the development, content, cost, market testing, distribution and sales of the Company’s products;

(c) that the Company was currently experiencing decreased demand for the Company’s products, including Turoc: Evolution and Aggressive In-Line, among others, resulting in the Company’s inability to meet revenue and earnings guidance provided by defendants for fiscal 2002 and beyond;

(d) that the Company’s distribution and retails sales tracking information systems were inadequate causing the Company to materially underestimate the Company’s allowances for sales returns and price concessions;

(e) that the Company’s development of computer games with mature themes, including BMX XXX, among others, had materially impeded the Company’s ability to access broad-based retail channels for the Company’s products, thus impeding the Company’s ability to meet revenue and earnings forecasts; and

(f) based on the foregoing, defendants' opinions, projections and forecasts concerning the Company and its operations were lacking in a reasonable basis at all times.

52. At all relevant times, the material misrepresentations and omissions particularized in this Complaint directly or proximately caused or were a substantial contributing cause of the

damages sustained by plaintiff and other members of the Class. As described herein, during the Class Period, defendants made or caused to be made a series of materially false or misleading statements about Acclaim's business, prospects and operations. These material misstatements and omissions had the cause and effect of creating in the market an unrealistically positive assessment of Acclaim and its business, prospects and operations, thus causing the Company's securities to be overvalued and artificially inflated at all relevant times. Defendants' materially false and misleading statements during the Class Period resulted in plaintiff and other members of the Class purchasing the Company's securities at artificially inflated prices, thus causing the damages complained of herein.

SCIENTER ALLEGATIONS

53. As alleged herein, defendants acted with scienter in that defendants knew that the public documents and statements issued or disseminated in the name of the Company were materially false and misleading; knew that such statements or documents would be issued or disseminated to the investing public; and knowingly and substantially participated or acquiesced in the issuance or dissemination of such statements or documents as primary violations of the federal securities laws. As set forth elsewhere herein in detail, defendants, by virtue of their receipt of information reflecting the true facts regarding Acclaim, their control over, and/or receipt and/or modification of Acclaim's allegedly materially misleading misstatements and/or their associations with the Company which made them privy to confidential proprietary information concerning Acclaim, participated in the fraudulent scheme alleged herein.

54. While Acclaim insiders were issuing false and misleading statements about Acclaim and its business, the Company completed a private placement of approximately 7,167,000 shares realizing over \$21.5 million in proceeds.

**Applicability Of Presumption Of Reliance:
Fraud-On-The-Market Doctrine**

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

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

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

(c) Acclaim regularly communicated with public investors via established market communication mechanisms, including through regular disseminations of press releases on the national circuits of major newswire services and through other wide-ranging public disclosures, such as communications with the financial press and other similar reporting services; and

(d) Acclaim was followed by several securities analysts employed by major brokerage firms who wrote reports which were distributed to the sales force and certain customers of their respective brokerage firms. Each of these reports was publicly available and entered the public marketplace.

56. As a result of the foregoing, the market for Acclaim's securities promptly digested current information regarding Acclaim from all publicly available sources and reflected such

information in Acclaim's stock price. Under these circumstances, all purchasers of Acclaim's securities during the Class Period suffered similar injury through their purchase of Acclaim's securities at artificially inflated prices and a presumption of reliance applies.

NO SAFE HARBOR

57. The statutory safe harbor provided for forward-looking statements under certain circumstances does not apply to any of the allegedly false statements pleaded in this complaint. Many of the specific statements pleaded herein were not identified as "forward-looking statements" when made. To the extent there were any forward-looking statements, there were no meaningful cautionary statements identifying important factors that could cause actual results to differ materially from those in the purportedly forward-looking statements. Alternatively, to the extent that the statutory safe harbor does apply to any forward-looking statements pleaded herein, defendants are liable for those false forward-looking statements because at the time each of those forward-looking statements was made, the particular speaker knew that the particular forward-looking statement was false, and/or the forward-looking statement was authorized and/or approved by an executive officer of Acclaim who knew that those statements were false when made.

FIRST CLAIM

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

58. Plaintiff repeats and realleges each and every allegation contained above as if fully set forth herein.

59. During the Class Period, defendants carried out a plan, scheme and course of conduct which was intended to and, throughout the Class Period, did: (I) deceive the investing public, including plaintiff and other Class members, as alleged herein; (ii) enable the Company to complete the private placement of 7,167,000 shares at artificially inflated prices; and (iii) cause plaintiff and other members of the Class to purchase Acclaim's securities at artificially inflated prices. In furtherance of this unlawful scheme, plan and course of conduct, defendants, and each of them, took the actions set forth herein.

60. Defendants (a) employed devices, schemes, and artifices to defraud; (b) made untrue statements of material fact and/or omitted to state material facts necessary to make the statements not misleading; and (c) engaged in acts, practices, and a course of business which operated as a fraud and deceit upon the purchasers of the Company's securities in an effort to maintain artificially high market prices for Acclaim's securities in violation of Section 10(b) of the Exchange Act and Rule 10b-5. All defendants are sued either as primary participants in the wrongful and illegal conduct charged herein or as controlling persons as alleged below.

61. Defendants, individually and in concert, directly and indirectly, by the use, means or instrumentalities of interstate commerce and/or of the mails, engaged and participated in a

continuous course of conduct to conceal adverse material information about the business, operations and future prospects of Acclaim as specified herein.

62. These defendants employed devices, schemes and artifices to defraud, while in possession of material adverse non-public information and engaged in acts, practices, and a course of conduct as alleged herein in an effort to assure investors of Acclaim's value and performance and continued substantial growth, which included the making of, or the participation in the making of, untrue statements of material facts and omitting to state material facts necessary in order to make the statements made about Acclaim and its business operations and future prospects in the light of the circumstances under which they were made, not misleading, as set forth more particularly herein, and engaged in transactions, practices and a course of business which operated as a fraud and deceit upon the purchasers of Acclaim securities during the Class Period.

63. Each of the Individual Defendants' primary liability, and controlling person liability, arises from the following facts: (I) the Individual Defendants were high-level executives and/or directors at the Company during the Class Period and members of the Company's management team or had control thereof; (ii) each of these defendants, by virtue of his responsibilities and activities as a senior officer and/or director of the Company was privy to and participated in the creation, development and reporting of the Company's internal budgets, plans, projections and/or reports; (iii) each of these defendants enjoyed significant personal contact and familiarity with the other defendants and was advised of and had access to other members of the Company's management team, internal reports and other data and information about the Com-

pany's finances, operations, and sales at all relevant times; and (iv) each of these defendants was aware of the Company's dissemination of information to the investing public which they knew or recklessly disregarded was materially false and misleading.

64. The defendants had actual knowledge of the misrepresentations and omissions of material facts set forth herein, or acted with reckless disregard for the truth in that they failed to ascertain and to disclose such facts, even though such facts were available to them. Such defendants' material misrepresentations and/or omissions were done knowingly or recklessly and for the purpose and effect of concealing Acclaim's operating condition and future business prospects from the investing public and supporting the artificially inflated price of its securities. As demonstrated by defendants' overstatements and misstatements of the Company's business, operations and earnings throughout the Class Period, defendants, if they did not have actual knowledge of the misrepresentations and omissions alleged, were reckless in failing to obtain such knowledge by deliberately refraining from taking those steps necessary to discover whether those statements were false or misleading.

65. As a result of the dissemination of the materially false and misleading information and failure to disclose material facts, as set forth above, the market price of Acclaim's securities was artificially inflated during the Class Period. In ignorance of the fact that market prices of Acclaim's publicly-traded securities were artificially inflated, and relying directly or indirectly on the false and misleading statements made by defendants, or upon the integrity of the market in which the securities trade, and/or on the absence of material adverse information that was known to or recklessly disregarded by defendants but not disclosed in public statements by defendants

during the Class Period, plaintiff and the other members of the Class acquired Acclaim securities during the Class Period at artificially high prices and were damaged thereby.

66. At the time of said misrepresentations and omissions, plaintiff and other members of the Class were ignorant of their falsity, and believed them to be true. Had plaintiff and the other members of the Class and the marketplace known the truth regarding the problems that Acclaim was experiencing, which were not disclosed by defendants, plaintiff and other members of the Class would not have purchased or otherwise acquired their Acclaim securities, or, if they had acquired such securities during the Class Period, they would not have done so at the artificially inflated prices which they paid.

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

68. As a direct and proximate result of defendants' wrongful conduct, plaintiff and the other members of the Class suffered damages in connection with their respective purchases and sales of the Company's securities during the Class Period.

SECOND CLAIM

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

69. Plaintiff repeats and realleges each and every allegation contained above as if fully set forth herein.

70. The Individual Defendants acted as controlling persons of Acclaim within the meaning of Section 20(a) of the Exchange Act as alleged herein. By virtue of their high-level

positions, and their ownership and contractual rights, participation in and/or awareness of the Company's operations and/or intimate knowledge of the false financial statements filed by the Company with the SEC and disseminated to the investing public, the Individual Defendants had the power to influence and control and did influence and control, directly or indirectly, the decision-making of the Company, including the content and dissemination of the various statements which plaintiff contends are false and misleading. The Individual Defendants were provided with or had unlimited access to copies of the Company's reports, press releases, public filings and other statements alleged by plaintiff to be misleading prior to and/or shortly after these statements were issued and had the ability to prevent the issuance of the statements or cause the statements to be corrected.

71. In particular, each of these defendants had direct and supervisory involvement in the day-to-day operations of the Company and, therefore, is presumed to have had the power to control or influence the particular transactions giving rise to the securities violations as alleged herein, and exercised the same.

72. As set forth above, Acclaim and the Individual Defendants each violated Section 10(b) and Rule 10b-5 by their acts and omissions as alleged in this Complaint. By virtue of their positions as controlling persons, the Individual Defendants are liable pursuant to Section 20(a) of the Exchange Act. As a direct and proximate result of defendants' wrongful conduct, plaintiff and other members of the Class suffered damages in connection with their purchases of the Company's securities during the Class Period.

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

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

(b) Awarding compensatory damages in favor of plaintiff and the other Class members against all defendants, jointly and severally, for all damages sustained as a result of defendants' wrongdoing, in an amount to be proven at trial, including interest thereon;

(c) Awarding plaintiff and the Class their reasonable costs and expenses incurred in this action, including counsel fees and expert fees; and

(d) Such other and further relief as the Court may deem just and proper.

JURY TRIAL DEMANDED

Plaintiff hereby demands a trial by jury.

Dated: March 14, 2003

**CAULEY GELLER BOWMAN
COATES & RUDMAN, LLP**

Samuel H. Rudman (SR-7957)
Russell J. Gunyan
200 Broadhollow Road
Suite 406
Melville, NY 11747
(631) 367-7100

SCHIFFRIN & BARROWAY LLP
Marc A. Topaz
Three Bala Plaza East, Suite 400
Bala Cynwyd, PA 19004
(610) 667-7706

Attorneys for Plaintiff

G:\Acclaim Entertainment (S) 23082\Drafts\03.03.14 complaint FINAL acclaim.wpd