

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

GIDON NACH, Individually and On Behalf Of
All Those Similarly Situated,

Plaintiffs,

v.

ACCLAIM ENTERTAINMENT, INC.,
RODNEY COUSENS and GERARD
AGOGLIA

Defendants.

Civil Action No.

CLASS ACTION COMPLAINT
FOR VIOLATION OF FEDERAL
SECURITIES LAWS

DEMAND FOR JURY TRIAL

SUMMARY OF ACTION

1. This is an action on behalf of purchasers of Acclaim Entertainment, Inc. ("Acclaim" or the "Company") publicly traded securities during the period from January 22, 2002 to September 19, 2002 (the "Class Period"). Acclaim is a developer of interactive entertainment software.

2. During the Class Period, defendants caused Acclaim's shares to trade at artificially inflated levels through the issuance of false and misleading financial statements. As a result of this inflation, Acclaim was able to complete a private placement offering raising net proceeds of \$21.5 million on April 11, 2002.

3. On September 19, 2002, just months after this offering was completed, Acclaim revealed that its FY 2002 (Q1 and Q2 results) and 2003 projections were false when issued.

4. The stock dropped below \$1.00 per share on this news – from a Class Period high of \$5.85 per share.

JURISDICTION AND VENUE

5. The claims asserted arise under §§10(b) and 20(a) of the Securities Exchange Act of

1934 ("1934 Act"). Jurisdiction is conferred by §27 of the 1934 Act. Venue is proper pursuant to §27 of the 1934 Act as defendant Acclaim and/or the individual defendants conduct business in and the wrongful conduct took place in this District.

THE PARTIES

6. Plaintiff Gidon Nach, purchased Acclaim publicly traded securities as detailed in the attached Certification and was damaged thereby.

7. Defendant Acclaim is a developer and distributes interactive entertainment software.

8. a. Defendant Rodney Cousens ("Cousens") was Chief Operating Officer and President of Acclaim. Cousens assisted in the preparation of the false financial statements and repeated the contents therein to the market.

b. Defendant Gerard Agoglia ("Agoglia") was Chief Financial Officer of Acclaim. Agoglia signed the Q1 and Q2 Forms 10-Qs which contained Acclaim's false Q1 and Q2 results.

c. Defendants Cousens and Agoglia are the "Individual Defendants." They are liable for the false statements pleaded in ¶¶17-22, as those statements were "group-published" information.

9. Because of the Individual Defendants' positions with the Company, they had access to the adverse undisclosed information about the Company's business, operations, operational trends, financial statements, markets and prospects via access to internal corporate documents (including the Company's operating plans, budgets, accounts receivable and forecasts and reports of actual operations compared thereto), conversations in person and via email with other corporate officers and employees, attendance at management meetings and via reports and other information provided to them in connection therewith.

10. 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, 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.

11. As officers and controlling persons of a publicly held company whose common stock was, and is, registered with the Securities and Exchange Commission (“SEC”) pursuant to the Exchange Act, and was traded on 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, markets, management, earnings and 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.

12. 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 false and materially misleading nature. Because of their executive and/or managerial positions with Acclaim, each of the Individual Defendants had access to the adverse undisclosed information about Acclaim's business operations, financial condition, accounts receivable and information technology issues 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 false and materially misleading.

13. The Individual Defendants, because of their positions of control and authority as officers 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 false and/or materially 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.

14. 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 materially misleading statements and/or concealing material adverse facts. The scheme deceived the investing public regarding Acclaim's business, operations, management and the intrinsic value of Acclaim common stock and caused plaintiff and other members of the Class to purchase Acclaim securities at artificially inflated prices.

15. Because of the Individual Defendants' positions with the Company, they had access to the adverse undisclosed information about the Company's business, operations, 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, including reports regarding information technology issues compared thereto), conversations and connections with other corporate officers and employees, attendance at management meetings and via reports and other information provided to them in connection therewith.

16. Each of the Individual Defendants and Acclaim are liable in that they inflated the price of Acclaim stock by making false and materially misleading statements and omitting material adverse information. The defendants' wrongful course of business (i) artificially inflated the price of Acclaim's stock during the Class Period; (ii) deceived the investing public, including plaintiff and other Class members, into acquiring Acclaim's securities at artificially inflated prices; and (iii) permitted Acclaim to appear to grow and to benefit economically from the wrongful course of conduct.

FALSE AND MISLEADING STATEMENTS DURING THE CLASS PERIOD

17. On January 10, 2002, in a *Business Wire* article, Acclaim reported a profitable first quarter. The report stated:

Acclaim Entertainment, Inc., 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™ that occurred on the cusp of the first and second quarters of fiscal year 2002.

* * *

First Quarter Fiscal Year 2002 Operating Expenses

Operating expenses for the first quarter of \$31.6 million decreased 7.2% or \$2.5 million from \$34.0 million over the same period of the prior fiscal year. The decrease was attributable to a \$4.4 million reduction in expenses previously accrued with respect to certain now expired intellectual property agreements. This was offset by a \$2.0 million increase in TV and media marketing expenses to coincide with the launch of the Company's latest software titles.

* * *

Reduction of Convertible Notes

In the early part of its 2002 fiscal year, \$3.0 million of the Company's 10% convertible subordinated notes were converted to equity, reducing the total outstanding amount to \$26.2 million, which are due at maturity on March 1, 2002. Based on its fiscal 2002 operating plan projections, 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, including the repayment of the subordinated notes at maturity. The projections assume the Company meets its sales forecast by successfully achieving its planned product release schedule, continues to realize savings from its previously implemented expense reductions and continues to enjoy the support of its lead lender and vendors.

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. The following chart outlines the Company's revised guidance for its fiscal year 2002:

	Actual	Projected				
	Q1	Q2	Q3	Q4	FY02	FY03
Net Revenue	\$81.0	\$65.0	\$65.0	\$90.0	\$301.0	\$379.0
Net Earnings	\$17.4	\$5.0	\$2.8	\$13.4	\$38.6	\$66.0

(a) EPS (Fully Diluted)	\$0.21	\$0.06	\$0.03	\$0.15	\$0.44	\$0.75
----------------------------	--------	--------	--------	--------	--------	--------

(a) Noted: Based on the weighted average of 88.1 million fully diluted shares.

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.

In fiscal 2003, the Company expects to release 62 SKU's, including 17 for PlayStation(R) 2; 14 for Nintendo's GameCube™; 18 for Microsoft's Xbox™ and 13 for Nintendo's Game Boy(R) Advance; representing a 24% increase in its schedule over fiscal year 2002. Acclaim will launch several new brands during the year, including Vexx™ (formerly known as Jinx), the highly anticipated next-generation title from the Company's internal studio.

"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.

18. On February 13, 2002, in *Entertainment Wire* Acclaim announced that it was arranging a private placement. The announcement stated:

Acclaim Entertainment, Inc. Arranges Private Placement of Common Stock for Gross Proceeds of \$21.5 Million

Company Also Reduces 10% Convertible Notes By An Additional \$9.3 Million In Exchange For Common Stock

Acclaim Entertainment, Inc., a leading global video entertainment software developer and publisher, today announced that it has arranged a private placement of common stock for gross proceeds of \$21.5 million; which funding began today and will be completed on February 14, 2002. In a separate transaction, the Company reduced its 10% convertible notes by an additional \$9.3 million in exchange for shares of common stock.

"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."

Private Placement of Common Stock for Gross Proceeds of \$21.5 Million The Company arranged a private placement of common stock for gross proceeds of \$21.5 million. In connection with the offering, the Company will issue approximately 7.2 million shares of its common stock to a small group of private investors. The funding will occur today and be completed on February 14, 2002. UBS Warburg LLC acted as exclusive placement agent for the transaction.

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.

Reduced 10% Convertible Notes By An Additional \$9.3 Million

In a separate transaction, the Company entered into an agreement to retire an additional \$9.3 million in principal amount of its 10% Convertible Notes plus accrued interest in exchange for 3,253,420 shares of its common stock. This transaction will reduce the Company's total Notes outstanding to \$12.2 million from the previously announced \$21.5 million on February 6, 2002. These reductions represent a 58% decrease from the \$29.2 million reported as of the close of the Company's first fiscal quarter at December 2, 2001. The Company will record an additional extraordinary loss on the early retirement of these notes of approximately \$1.0 million in the second quarter of fiscal 2002, reflecting the excess of the fair market value of the shares of approximately \$10.8 million over the principal amount of the notes retired plus accrued interest.

19. On April 11, 2002, Acclaim reported its 2nd quarter revenues in an article in *Business*

Wire. The report stated:

Acclaim Entertainment, Inc. Reports 75% Increase in Net Revenues Over Prior Year for Second Quarter of Fiscal Year 2002

Company Maintains Net Revenue Guidance for Fiscal Years 2002 and 2003

Acclaim Entertainment, a leading global video entertainment software developer and publisher, today 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. These profits were achieved before an extraordinary loss of \$1.2 million, or \$0.02 per diluted share, from the early retirement of \$12.2 million principal amount of the 10% convertible subordinated notes.

Net earnings were \$3.8 million or \$0.04 per diluted share for the second quarter of fiscal 2002 after giving effect to the extraordinary loss, which reflected a 600.0% increase over the net earnings of \$0.5 million or \$0.01 per diluted share for the same quarter of fiscal 2001. Net earnings for the first six months of fiscal 2002 were \$21.2 million or \$0.25 per share after giving effect to the extraordinary loss.

"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."

* * *

Company's Improved Financial Condition

The Company reported a much-improved balance sheet at the end of the second fiscal quarter. For the second fiscal quarter ended March 3, 2002, the Company reported cash on hand of \$44.1 million, working capital of \$18.5 and stockholder's equity of \$43.4 million. Contributing significantly to the improved financial condition of the Company were three factors: positive cash from operations; the private placement of common stock; and the retirement of the balance of the 10% convertible subordinated notes.

Private Placement of Common Stock

On February 13, 2002, the Company completed a private placement of 7.2 million shares of common stock for gross proceeds of \$21.5 million. Pursuant to an agreement with the investors, the Company filed a registration statement with the SEC to register all of the common stock sold in the offering. The registration statement is pending review at the SEC.

Retirement of the Convertible Notes

On March 1, 2002, the Company repaid in full the outstanding principal balance of \$12.2 million of its 10% convertible subordinated notes, plus accrued interest of approximately \$0.6 million due at maturity on March 1, 2002.

Adjusted Fiscal Year 2002 Net Revenues and Earnings Guidance

The Company is maintaining its previously stated net revenues guidance for the third and fourth quarters of fiscal 2002 of \$65.0 million and \$90.0 million, respectively. The second half projected revenue total of \$155.0 million represents an 82.0% increase over the same period of fiscal 2001 or \$85.2 million. The full year fiscal 2002 net revenues guidance has been increased to \$308.0 million to allow for the actual net revenues increase of the first half to flow through for the full year total. Fiscal 2002 net revenues guidance of \$308.0 million represents a 56.0% increase over the prior year. In addition, the Company is maintaining its estimated non-taxed earnings guidance of \$38.6 million or \$0.39 per diluted share, which represents 166.0% and 77.0% increases, respectively, over fiscal year 2001. Assuming a federal statutory effective tax rate of 35.0%, the earnings estimate would be \$25.0 million or \$0.26 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 \$379.0. In addition, the Company is maintaining its estimated non-taxed net earnings guidance of \$66.0 million or \$0.67 per diluted share, which represents 71% and 72% increases, respectively, over fiscal year 2002 guidance.

20. On May 23, 2002, *Entertainment Wire* reported the following:

Guidance for Fiscal Year 2003 and 2004; Company Prepared to Grow Beyond \$500 Million By Year 2004

Acclaim Entertainment, Inc., a leading global video entertainment software developer and publisher, today will announce its net revenue and earnings guidance for fiscal years 2003 and 2004 during the Company's analyst breakfast at the Electronic Entertainment Expo in Los Angeles.

"Fueling our growth for fiscal years 2003 and 2004 will be the worldwide 9-01-02 launch of Turok (TM): Evolution (TMI) 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 Incline (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.

Net earnings for the first quarter of fiscal year 2003 are projected to range between \$23.0 and \$25.0 million, or \$0.23 to \$0.26 per diluted share. For the second quarter, net earnings are projected to range between \$8.0 and \$9.0 million, or \$0.08 to \$0.09 per diluted share.

21. On June 27, 2002, *Business Wire* reported the following:

Company Maintains Annual Guidance for Fiscal Years 2002-2004

Acclaim Entertainment, Inc., a leading global video entertainment software developer and publisher, today reported earnings before extraordinary items of \$2.5 million or \$0.03 per diluted share, on net revenue 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.

* * *

Net earnings after the extraordinary items were \$2.5 million or \$0.03 per diluted share for the third quarter of fiscal year 2002, compared to net earnings after the extraordinary items of \$7.4 million or \$0.12 per diluted share, for the same period last year. Net earnings after the extraordinary items for the first nine months of fiscal 2002 were \$23.7 million or \$0.27 per diluted share compared to net earnings after the extraordinary items of \$18.7 million or \$0.32 per diluted share, for the same period last year.

"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."

"We were pleased to have successfully increased our market share according to NPDFunworld TRSTS Report; achieving a 5.8% share of the PS2 market and 8.4% of the GameCube market for the month of May. Our overall market share has increased by 22% since December 31, 2001. Headhunter (TM) after three weeks in the market was the \$5 best-selling full-priced title in the PS2 market during the month of May. In addition, we made certain organizational changes in our sales department, which we believe will ensure more predictable results in the future."

* * *

Fourth Quarter and Fiscal Year 2002 Net Revenue and Earnings Guidance

The Company is maintaining its previously stated annual guidance for fiscal year 2002 net revenue of \$306.8 million, a 56% increase over the prior year and non-taxed earnings before extraordinary items guidance of \$38.6 million or \$0.39 per diluted share, which represents 166.0% and 77.0% increases, respectively, over fiscal year 2001.

The following chart reflects the Company's fiscal year 2002 guidance for the fourth quarter and fiscal year. The Company has increased its guidance for the fiscal fourth quarter from \$90.0 million to \$92.2 million in net revenues and earnings from \$13.2 million to \$13.7 million, while maintaining its EPS guidance for the fourth fiscal quarter of \$.14 per share.

	ACTUAL		GUIDANCE		
	Q1	Q2	Q3	Q4	TOTAL
Net Revenue	\$81.0	\$70.7	\$62.9	\$92.9	\$306.8
Earnings	\$17.4	\$5.0	\$2.5	\$13.7	\$38.6
EPS (Fully Diluted)	\$0.21	\$0.06	\$0.03	\$0.14	\$0.39
Diluted Shares	88.1M	86.9M	97.3M	98.0M	98.0M

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 million and \$66.0 million, respectively. 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.

Net earnings for the first quarter of fiscal year 2003 are projected to range between \$23.0 and \$25.0 million, or \$0.23 to \$0.26 per diluted share. For the second quarter, net earnings are projected to range between \$8.0 and \$9.0 million, or \$0.08 to \$0.09 per diluted share.

22. On September 19, 2002 in an article in *Entertainment Editors/High Tech Writers*,

Acclaim revised its fourth quarter and fiscal year 2002 revenue and earnings guidance. The article stated:

Fiscal Year 2002 Revenue and Earnings
Guidance; Updates Guidance for Fiscal Year 2003

Glen Cove, N.Y. – (ENTERTAINMENT WIRE) – Sept. 19, 2002 – Acclaim Entertainment, Inc. (NASDAQ.SC: AKLM) today announced it expects lower than anticipated revenue and Earnings for its fourth quarter and 2002 fiscal year, ended August 31, 2002. In addition, the Company has updated its guidance for the first and second quarters of its 2003 fiscal year, as well as for the 2003 fiscal year.

Fourth Quarter and Fiscal Year 2002

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

- **Revenue Shortfall:** Overall sales of Turok: Evaluation 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 exceed the Company's plan by \$2.6 million due to additional advertising and marketing expenses incurred.

"While we are disappointed with our performance for the quarter, we have improved our cash position and strengthened our balance sheet from the prior year, and are well positioned for growth in the next fiscal year," said Gerard F. Agoglia, Chief Financial Officer for Acclaim.

Revised Guidance: The Company is revising its previously stated revenue and Earnings guidance for its fourth quarter and fiscal year 2002. The following table outlines preliminary, unaudited ranges of expected results of operations:

(In millions, except share data)

	Q4 '02	% Change (1)	FY '02	% Change (1)
New Revenue	\$69-\$71	(25%) - (23%)	\$284-\$286	(7%) - (7%)
Income (Loss Before Extraordinary Item)	(\$12) - (\$10)	(188%) -(173%)	\$13-\$15	(66%) - (61%)
Diluted EPS Before Extraordinary Item	(\$0.13) -(\$0.11)		\$0.14 - \$0.17	
Diluted Shares	93,000		90,000	

ACCLAIM'S FALSE FINANCIAL REPORTING DURING THE CLASS PERIOD

23. In truth, the Company's sales practices violated GAAP. Moreover, the Company's sales

projections were based on assumption that the Company could continue to violate GAAP. Specifically, the Company in Q1 2002 and Q2 2002 improperly capitalized software development costs and overstated earnings by recording declining allowances for returns and price concessions together with failing to write down receivables despite deteriorating customer quality and increasing Days Sales Outstanding.

24. Due to these accounting improprieties, the Company presented its financial results and statements in a manner which violated GAAP, including the following fundamental accounting principles:

a. The principle that interim financial reporting should be based upon the same accounting principles and practices used to prepare annual financial statements was violated (APB No. 28, ¶10);

b. The principle that financial reporting should provide information that is useful to present and potential investors and creditors and other users in making rational investment, credit and similar decisions was violated (FASB Statement of Concepts No. 1, ¶34);

c. The principle that financial reporting should provide information about the economic resources of an enterprise, the claims to those resources, and effects of transactions, events and circumstances that change resources and claims to those resources was violated (FASB Statement of Concepts No. 1, ¶40);

d. The principle that financial reporting should provide information about how management of an enterprise has discharged its stewardship responsibility to owners (stockholders) for the use of enterprise resources entrusted to it was violated. To the extent that management offers securities of the enterprise to the public, it voluntarily accepts wider responsibilities for accountability to prospective investors and to the public in general (FASB Statement of Concepts No. 1, ¶50);

e. The principle that financial reporting should provide information about an enterprise's financial performance during a period was violated. Investors and creditors often use information about the past to help in assessing the prospects of an enterprise. Thus, although investment and credit decisions reflect investors' expectations about future enterprise performance, those expectations are commonly based at least partly on evaluations of past enterprise performance (FASB Statement of Concepts No. 1, ¶42);

f. The principle that financial reporting should be reliable in that it represents what it purports to represent was violated. That information should be reliable as well as relevant is a notion that is central to accounting (FASB Statement of Concepts No. 2, ¶¶58-59);

g. The principle of completeness, which means that nothing is left out of the information that may be necessary to insure that it validly represents underlying events and conditions was violated (FASB Statement of Concepts No. 2, ¶79); and

h. The principle that conservatism be used as a prudent reaction to uncertainty to try to ensure that uncertainties and risks inherent in business situations are adequately considered was violated. The best way to avoid injury to investors is to try to ensure that what is reported represents what it purports to represent (FASB Statement of Concepts No. 2, ¶¶95, 97).

25. Further, the undisclosed adverse information concealed by defendants during the Class Period is the type of information which, because of SEC regulations, regulations of the national stock exchanges and customary business practice, is expected by investors and securities analysts to be disclosed and is known by corporate officials and their legal and financial advisors to be the type of information which is expected to be and must be disclosed.

SCIENTER ALLEGATIONS

26. 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 false and materially misleading; knew that such statements or documents would be issued or disseminated to the investing public; and knowingly and substantially participated or acquiesced in the issuance or dissemination of such statements or documents as primary violations of the federal securities laws. As set forth elsewhere herein in detail, defendants, by virtue of their receipt of information reflecting the true facts regarding 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.

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

27. 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 open market;

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

(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.

28. 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.

FIRST CLAIM FOR RELIEF
For Violation of §10(b) of the 1934 Act
and Rule 10b-5 Against All Defendants

29. Plaintiff repeats and alleges the allegations set forth above as though fully set forth herein.

30. During the Class Period, defendants disseminated or approved the false statements specified above, which they knew or recklessly disregarded were materially false and misleading in that they contained material misrepresentations and failed to disclose material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading.

31. Defendants violated §10(b) of the 1934 Act and Rule 10b-5 in that they:

- a. Employed devices, schemes, and artifices to defraud;
- b. Made untrue statements of material facts or omitted to state material facts necessary in order to make statements made, in light of the circumstances under which they were made not misleading; or
- c. Engaged in acts, practices, and a course of business that operated as a fraud or

deceit upon plaintiff and others similarly situated in connection with their purchases of Acclaim publicly traded securities during the Class Period.

32. Plaintiff and the Class have suffered damages in that, in reliance on the integrity of the market, they paid artificially inflated prices for Acclaim publicly traded securities. Plaintiff and the Class would not have purchased Acclaim publicly traded securities at the prices they paid, or at all, if they had been aware that the market prices had been artificially and falsely inflated by defendants' misleading statements.

33. As a direct and proximate result of these defendants' wrongful conduct, plaintiff and the other members of the Class suffered damages in connection with their purchases of Acclaim publicly traded securities during the Class Period.

SECOND CLAIM FOR RELIEF
For Violation of §20(a) of the 1934 Act
Against All Defendants

34. Plaintiff repeats and alleges the allegations set forth above as though fully set forth herein.

35. The executive officers of Acclaim prepared, or were responsible for preparing, the Company's press releases and SEC filings. The Individual Defendants controlled other employees of Acclaim. Acclaim controlled the Individual Defendants and each of its officers, executives and all of its employees. By reason of such conduct, defendants are liable pursuant to §20(a) of the 1934 Act.

CLASS ACTION ALLEGATIONS

36. Plaintiff brings this action as a class action pursuant to Rule 23 of the Federal Rules of Civil Procedure on behalf of all persons who purchased Acclaim publicly traded securities (the "Class") on the open market during the Class Period. Excluded from the Class are defendants, directors and officers of

Acclaim and their families and affiliates.

37. The members of the Class are so numerous that joinder of all members is impracticable. The disposition of their claims in a class action will provide substantial benefits to the parties and the Court. During the Class Period Acclaim had more than 36 million shares of stock outstanding, owned by thousands of persons.

38. There is a well-defined community of interest in the questions of law and fact involved in this case. Questions of law and fact common to the members of the Class which predominate over questions which may affect individual Class members include:

- a. Whether the 1934 Act was violated by defendants;
- b. Whether defendants omitted and/or misrepresented material facts;
- c. Whether defendants' statements omitted material facts necessary to make the statements made, in light of the circumstances under which they were made, not misleading; and
- d. Whether defendants knew or recklessly disregarded that their statements were false and misleading.

PRAYER FOR RELIEF

WHEREFORE, plaintiff prays for judgment as follows: declaring this action to be a proper class action; awarding damages, including interest; and such other relief as the Court may deem proper.

JURY DEMAND

Plaintiff hereby demands a trial by jury.

Dated: March 19, 2003

KIRBY, MCINERNEY & SQUIRE, LLP

Mark A. Strauss (MS 2288)

830 Third Ave, 10th Floor
New York, NY 10022
Telephone: (212) 317-2300
Facsimile: (212) 751-2540

Lionel Z. Glancy
Michael Goldberg
GLANCY & BINKOW LLP
1801 Avenue of the Stars, Suite 311
Los Angeles, California 90067
Telephone: (310) 201-9150
Facsimile: (310) 201-91602121

Attorneys for Plaintiff