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UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF VIRGINIA

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IRWIN BERLIN, on Behalf of Himself and All)
 Others Similarly Situated,)
)
 Plaintiff,)
)
 v.)
)
 THE MILLS CORPORATION, THE MILLS)
 LIMITED PARTNERSHIP, LAURENCE C. SIEGEL)
 & MARY JANE MORROW)
)
 Defendants,)
)

Civil Action No. 06-27 (GBL/TRJ)

CLASS ACTION COMPLAINT

JURY TRIAL

Plaintiff Irwin Berlin ("Plaintiff"), individually and on behalf of all other persons similarly situated, by his undersigned attorneys, upon information and belief, based upon, *inter alia*, the investigation of counsel, which includes, among other things, a review of public announcements made by defendants, Securities and Exchange Commission ("SEC") filings made by defendants, press releases, and media reports, except as to the paragraph applicable to Plaintiff which is alleged upon personal knowledge, alleges on information and belief as follows:

NATURE OF THE ACTION

1. This class action is brought on behalf of all persons or entities, other than defendants, who purchased or acquired the securities of The Mills Corporation during the period from August 14, 2003 to January 6, 2006 (the "Class Period"), inclusive, seeking to pursue remedies under the Securities Exchange Act of 1934 (the "Exchange Act"). During the Class Period, the defendants represented to the public that The Mills Corporation and The Mills Limited Partnership reported financial results presented fairly,

in all material respects, the financial position of the companies, and that they had a system of internal controls that was adequate to ensure that their reported financial results were accurate.

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 (17 C.F.R. §240.10b-5) promulgated thereunder.

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

4. Venue is proper in this District pursuant to Section 27 of the Exchange Act, 15 U.S.C. § 78aa and 28 U.S.C. § 1391(b). The issuer, The Mills Corporation, has its principal place of business in this District. Many of the acts and transactions alleged herein, including the preparation and dissemination of materially false and misleading information, occurred in substantial part in this District.

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

PARTIES

6. Plaintiff Irwin Berlin, as set forth in the certification annexed hereto as Exhibit A and incorporated by reference herein, purchased The Mills Corporation stock at artificially inflated prices during the Class Period and has been damaged thereby.

7. Defendant The Mills Corporation is a Delaware corporation having its

principal place of business at 1300 Wilson Boulevard, Suite 400, Arlington, Virginia 22209. The Mills Corporation is a fully integrated, self-managed real estate investment trust ("REIT") that engages in the ownership, development, redevelopment, leasing, acquisition and management of various retail and entertainment real estate properties. The Mills Corporation conducts all of its activities via subsidiary The Mills Limited Partnership. The Mills Corporation is the sole general partner of The Mills Limited Partnership and has a limited partnership ownership interest of 85%. The Mills Corporation and The Mills Limited Partnership file their SEC filings jointly and no shares of The Mills Limited Partnership are traded on a public exchange. As of December 31, 2004, The Mills Corporation had 55,654,194 shares of common stock outstanding. The Mills Corporation's shares trade on the New York Stock Exchange under the ticker symbol "MLS".

8. Defendant The Mills Limited Partnership is incorporated under the laws of Delaware and has its principal place of business at 1300 Wilson Boulevard, Suite 400, Arlington, Virginia 22209. The Mills Limited Partnership is a subsidiary of The Mills Corporation, through which The Mills Corporation carries out all of its business endeavors. Defendants The Mills Corporation and The Mills Limited Partnership are hereinafter jointly referred to as "Mills" or "the Company".

9. Defendant Laurence C. Siegel ("Siegel") was Mills' Chairman of the Board, Chief Executive Officer and a Director of Mills at all relevant times herein, and signed Mills' false and misleading Annual Reports dated August 31, 2001, March 28, 2002, March 31, 2003, March 15, 2004 and March 31, 2005.

10. Defendant Mary Jane Morrow ("Morrow") was Mills' Executive Vice

President and Chief Financial Officer at all relevant times herein, and signed Mills' false and misleading Quarterly Reports dated August 14, 2003, November 14, 2003, May 6, 2005, August 9, 2005, and November 9, 2005.

11. Defendants Siegel and Morrow are sometimes hereinafter jointly referred to as the "Individual Defendants." Defendants Mills, Siegel and Morrow are collectively referred to as "Defendants" or the "Mills Defendants."

CLASS ACTION ALLEGATIONS

12. 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 persons or entities, other than Defendants, who purchased or acquired the securities of Mills during the period from August 14, 2003 to January 6, 2006, and who were damaged thereby (the "Class"). Excluded from the Class are the Mills Defendants, the officers and directors of the Company, 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.

13. The members of the Class are so numerous that joinder of all members is impracticable. As of December 31, 2004, Mills had more than fifty-five (55) million common shares outstanding. Throughout the Class Period, Mills' securities were actively publicly traded. The precise number of Class members is unknown to Plaintiff at this time, but is believed to be in the hundreds. Record owners and other members of the Class may be identified from records maintained by Mills or its transfer agent and may be notified of the pendency of this action by mail, using the forms of notice similar to those customarily used in securities class actions.

14. The members of the Class are believed to be located in geographically diverse areas and are so numerous that joinder of all members is impracticable.

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

16. 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.

17. 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 Defendants had a duty to disclose certain information;
- c. whether Defendants knowingly or recklessly made materially false and misleading statements or failed to correct such statements upon learning that they were materially false and misleading during the Class Period; and,
- d. to what extent the members of the Class have sustained damages and, if so, the proper measure of damages.

18. 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.

FALSE AND MISLEADING STATEMENTS

19. Prior to the start of the Class Period, Mills issued numerous materially false and misleading statements regarding its net income, funds from operations ("FFO"), and further failed to disclose that Mills had weak internal controls over its accounting practices which caused its financial statements to be issued not in accordance with General Accepted Accounting Principles ("GAAP").

20. The Company filed its Quarterly Report for the period ending June 30, 2003 on August 14, 2003. The Quarterly Report was signed by Defendant Morrow in her positions of Executive Vice President and Chief Financial Officer of the Company. The Quarterly Report stated net income of \$37,176,000 and FFO of \$50,023,000 for quarter, which was an increase of 31.6% from the comparable period in 2002. The Form 10-Q further stated that:

Within 90 days prior to the filing of this Quarterly Report on Form 10-Q, we carried out an evaluation, under the supervision and the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the design and operation of these disclosure controls and procedures pursuant to Exchange Act Rule 13a-14. Based upon that evaluation, our Chief executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are effective in alerting them in a timely manner to material information relating to the Company required to be included in our periodic SEC filings.

21. These statements were materially false and misleading in that, as

subsequently disclosed in Mills' January 6, 2006 SEC filings and press releases, they overstated net income and FFO during the period, failed to disclose that Mills had severe internal control problems rendering it incapable of performing its accounting in accordance with GAAP principles, and that its reported net income and FFO violated GAAP as they subsequently required a restatement because they did not take into account all readily available information required to make the statements not materially false or misleading.

22. The Company filed its Quarterly Report for the period ending September 30, 2003 on November 14, 2003. The Quarterly Report was signed by Defendant Morrow in her positions of Executive Vice President and Chief Financial Officer of the Company. The Quarterly Report stated net income of \$25,439,000 and FFO of \$51,900,000 for quarter, which was an increase of 28.6% from the comparable period in 2002. The Form 10-Q further stated that:

Within 90 days prior to the filing of this Quarterly Report on Form 10-Q, we carried out an evaluation, under the supervision and the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the design and operation of these disclosure controls and procedures pursuant to Exchange Act Rule 13a-14. Based upon that evaluation, our Chief executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are effective in alerting them in a timely manner to material information relating to the Company required to be included in our periodic SEC filings.

23. These statements were materially false and misleading, as subsequently disclosed in Mills' January 6, 2006 SEC filings and press releases, in that they overstated net income and FFO during the period, failed to disclose that Mills had severe internal control problems rendering it incapable of performing its accounting in accordance with GAAP principles, and that its reported net income and FFO violated GAAP as they subsequently required a restatement because they did not take into account all readily

available information required to make the statements not materially false or misleading.

24. The Company filed its Annual Report, utilizing Form 10-K, for the fiscal year ending December 31, 2003, on March 15, 2004. The Annual Report was signed by Defendant Laurence C. Siegel in his capacities as Chairman of the Board of Directors and Chief Executive Officer. The Company reported a net income of \$115,000,000 and FFO of \$191,300,000. The Report further stated:

Evaluation of Disclosure Controls and Procedures

Our principal executive officer, Laurence C. Siegel, and our principal financial officer, Marry Jane Morrow, evaluated, as of December 31, 2003, the effectiveness of the design and operation of our disclosure controls and other procedures that to ensure that information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. As a result of this evaluation, these executive officers have concluded that, as of such date, the design and operation of our disclosure controls and procedures were effective.

25. These statements were materially false and misleading, as subsequently disclosed in Mills' January 6, 2006 SEC filings and press releases, in that they overstated net income and FFO during the period, failed to disclose that Mills had severe internal control problems rendering it incapable of performing its accounting in accordance with GAAP principles, and that its reported net income and FFO violated GAAP as they subsequently required a restatement because they did not take into account all readily available information required to make the statements not materially false or misleading.

26. The Company filed its Annual Report, utilizing Form 10-K, for the fiscal year ending December 31, 2004, on March 31, 2005. The Annual Report was signed by

Defendant Laurance C. Siegel in his capacities as Chairman of the Board of Directors and Chief Executive Officer. The Company reported a net income of \$189,000,000 and a FFO of \$257,100,000. The Report further stated:

In connection with the preparation of this Form 10-K, as of December 31, 2004, an evaluation was performed under the supervision and with the participation of TMC's management, including the CEO and CFO, of the effectiveness of the design and operation of TMC's disclosure controls and procedures as defined in Rule 3a-15(e) under the Exchange Act. **In performing this evaluation, management reviewed the selection, application and monitoring of TMC's historical accounting policies. In the process of that review, it was determined that the selection, application and monitoring of accounting policies in a number of areas were not in accordance with Generally Accepted Accounting Principles, and accordingly, TMC decided to restate certain of its previously issued financial statements to reflect the corrections.** Auditing Standard Number 2 issued by the Public Company Accounting Oversight Board, or PCAOB, indicates that a restatement of previously issued financial statements is a 'strong indicator that a material weakness in internal control over financial reporting exists.' **Based on that evaluation, TMC's CEO and CFO concluded that TMC's disclosure controls and procedures were not effective as of December 31, 2004.**

In performing this assessment, management reviewed TMC's selection, application and monitoring of accounting policies and as result of this review, management concluded that TMC's controls over the selection, application and monitoring of accounting policies were insufficient. On February 15, 2005, TMC, determined to restate certain of its previously issued financial statements to reflect the correction of errors arising from its historical use of certain accounting policies, including calculation of equity in earnings, capitalization of interest and other costs, sales of joint venture interests, promotion funds, and the income statement presentation of fees and associated costs. . . .

Management evaluated the impact on TMC's assessment of its system of internal control and has concluded that the control deficiency that resulted in the inappropriate selection, application

and monitoring of accounting policies represented a material weakness. As a result of this material weakness in TMC's internal control over financial reporting, management has concluded that, as of December 31, 2004, TMC's internal control over financial reporting was not effective based on the criteria set forth by the COSO of the Treadway Commission in Internal Control – Integrated Framework. A material weakness in internal control over financial reporting is a control deficiency (within the meaning of PCAOB Auditing Standard No. 2), or combination of control deficiencies, that results in there being more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected. PCAOB Auditing Standard No. 2 identifies a number of circumstances (including the restatement of previously issued financial statements to reflect the correction of a misstatement) that, because of their likely significant negative effect on internal control over financial reporting, are to be regarded as strong indicators that a material weakness exists.

Remediation Steps to Address Material Weakness. To remediate the material weakness in TMC's internal control over financial reporting, TMC has implemented additional review procedures over the selection, application and monitoring of appropriate accounting policies. We have hired additional accounting staff including an experienced Chief Accounting Officer. We have also identified expert accounting consultants for input on financial reporting matters.

(emphasis added). The Annual Report further contained a nearly identically worded disclosure regarding the accounting and control deficiencies at The Mills Limited Partnership. The 10-K further contained the independent auditor report of Ernst & Young LLP which stated that both The Mills Corporation and Mills Limited Partnership "did not maintain effective internal control over financial reporting as of December 31, 2004, because of the effect of the Company's insufficient controls over the appropriate selection, application and monitoring of accounting policies, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring

Organizations of the Treadway Commission.”

27. As subsequently disclosed in Mills’ January 6, 2006 SEC filings and press releases, these statements were materially false and misleading in that they overstated net income and FFO during the period, only partially disclosed the extent of Mills severe internal control problems that rendered it incapable of performing its accounting in accordance with GAAP principles, that its reported net income and FFO violated GAAP as they subsequently required a second restatement because they did not take into account all readily available information required to make the statements not materially false or misleading, and misstated that Mills had taken all steps necessary to correct the internal control deficiencies which it had publicly disclosed.

28. The Company filed its Form 10-Q for the period ending March 31, 2005, on May 6, 2005. The 10-Q was signed by Defendant Morrow in her capacity as Executive Vice President and Chief Financial Officer. The Company reporting a net income of \$10,600,000 and FFO of \$60,500,000. The Report further stated:

Evaluation of Disclosure Controls and Procedures

An evaluation was performed under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, on behalf of both TMC and Mills LP, of the effectiveness of our respective disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended) as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that these disclosure controls and procedures were effective.

Changes in Internal Control over Financial Reporting

As reported more fully in our 2004 annual report on Form 10-K, we restated certain of our previously issued financial statements to reflect the correction of errors arising from our

historical use of certain accounting policies, including calculation of equity in earnings, capitalization of interest and other costs, sales of joint venture interests, promotion funds, and the income statement presentation of fees and associated costs. **During the fiscal quarter ended March 31, 2005, we implemented additional review procedures over the selection, application and monitoring of appropriate accounting policies, we hired additional accounting staff, and identified expert accounting consultants for input on financial reporting matters. Following these changes, management has concluded that our internal control over financial reporting was effective, as of March 31, 2005.** Other than these changes, there have been no changes in our respective internal control over financial reporting during our most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, our respective internal control over financial reporting.

(emphasis added).

29. As subsequently disclosed in Mills' January 6, 2006 SEC filings and press releases, these statements were materially false and misleading in that they overstated net income and FFO during the period, failed to disclose the extent of Mills severe internal control problems that rendered it incapable of performing its accounting in accordance with GAAP principles, failed to disclose that its reported net income and FFO violated GAAP because they would subsequently require a material restatement as they did not take into account all readily available information required to make the statements not materially false or misleading, and falsely stated that Mills had corrected the internal control deficiencies which it had publicly disclosed in its previous Form 10-K.

30. The Company filed its Form 10-Q for the period ending June 30, 2005, on August 9, 2005. The Form 10-Q was signed by Defendant Morrow in her positions as Executive Vice President and Chief Executive Officer. The Company reporting a net income of \$300,000 and FFO of \$65,800,000. The Report further stated:

Evaluation of Disclosure Controls and Procedures

An evaluation was performed under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, on behalf of both TMC and Mills LP, of the effectiveness of our respective disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended) as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that these disclosure controls and procedures were effective.

Changes in Internal Control over Financial Reporting

As reported more fully in our 2004 annual report on Form 10-K, we restated certain of our previously issued financial statements to reflect the correction of errors arising from our historical use of certain accounting policies, including calculation of equity in earnings, capitalization of interest and other costs, sales of joint venture interests, promotion funds, and the income statement presentation of fees and associated costs. During the fiscal quarter ended March 31, 2005, we implemented additional review procedures over the selection, application and monitoring of appropriate accounting policies, we hired additional accounting staff, and identified expert accounting consultants for input on financial reporting matters. **Following these changes, management has concluded that our internal control over financial reporting was effective, as of March 31, 2005. Other than these changes, there have been no changes in our respective internal control over financial reporting during our most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, our respective internal control over financial reporting.**

(emphasis added).

31. As subsequently disclosed in Mills' January 6, 2006 SEC filings and press releases, these statements were materially false and misleading in that they overstated net income and FFO during the period, failed to disclose the extent of Mills severe internal control problems that rendered it incapable of performing its accounting in accordance with GAAP principles, failed to disclose that its reported net income and FFO violated

GAAP because they would subsequently require a material restatement as they did not take into account all readily available information required to make the statements not materially false or misleading, and falsely stated that Mills had corrected the internal control deficiencies which it had publicly disclosed in its previous Form 10-K.

32. The Company filed its Form 10-Q for the period ending September 30, 2005, on November 9, 2005. The Form 10-Q was signed by Defendant Morrow in her positions as Executive Vice President and Chief Executive Officer. The Company reporting a loss in net income of \$15,100,000 and FFO of \$29,500,000. The Company stated:

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures and Changes in Internal Control over Financial Reporting

An evaluation was performed under the supervision of and with the participation of management, including our Chief Executive Officer and Chief Financial Officer, on behalf of both TMC and Mills LP, of the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) under the Securities Exchange Act of 1934, as amended) as of the end of the period covered by this report. **Based on that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures, including related internal controls over financial reporting, were not effective as of September 30, 2005 as a result of the matters described under "Weaknesses in Control Environment." Management has begun the process of remediating the factors that led to this conclusion and expects to complete such remediation by December 31, 2005.**

As more fully described in our 2004 Annual Report on Form 10-K, we restated certain of our previously issued financial statements to reflect the correction of errors arising from our historical use of certain accounting policies, including our policies governing the calculation of equity in earnings, capitalization of interest and other costs, sales of joint ventured interests, promotion funds, and the income statement presentation

of fees and associated costs. During the fiscal quarter ended March 31, 2005, we implemented additional procedures for reviewing the selection, application and monitoring of accounting policies, hired additional accounting staff and identified expert accounting consultants for input on financial reporting matters. In an effort to provide long-term structural enhancements to our accounting operations and control procedures in the third quarter of 2005, we engaged a consulting firm to work with management, including our President and Chief Financial Officer, to assist in the (a) evaluation of our accounting practices and quarter closing processes, (b) assessment of our accounting personnel and (c) evaluation of the efficiency and effectiveness of tasks performed by our accounting department, with the goal of increasing the effectiveness of our internal control procedures and implementing accounting "best practices."

Weaknesses in Control Environment

Based on the above mentioned evaluation, the Chief Executive Officer and Chief Financial Officer concluded that there were certain weaknesses in the control environment, including a lack of uniform and consistent communication among all members of senior management, such that our disclosure controls and procedures, including related internal controls over financial reporting, did not reasonably assure that:

- (a) we would receive timely and sufficient information to enable that:
 - (i) establishment of appropriate reserves for accounts and notes receivable,
 - (ii) valuation of certain investments made by one of our taxable REIT subsidiaries and
 - (iii) assessment of the probability of development of certain predevelopment project,
- (b) tenant year-end reconciliation billings would comply with established accounting procedures and
- (c) the application of accounting policies for certain transactions would be appropriate.

We have begun to implement the following remediation effort to improve our disclosure controls and control environment and expect to complete such remediation by December 31, 2005:

- We will focus on increasing the clarity and uniformity of communications by senior management and establish further controls over authorizations and approval of transactions.
- We will implement additional training for our key business

and finance personnel to familiarize them with the information needed to enhance their assessments of accounts receivable, development projects and investments.

- We will also implement training for our accounting personnel to enhance their application of accounting policies.

Notwithstanding the weaknesses identified above, management believes that our consolidated financial statements included in this Quarterly Report on Form 10-Q fairly present in all material respects our financial position, results of operations and cash flows as of and for the periods presented.

(emphasis added). In connection with the filing of its November 9, 2005, Form 10-Q

Quarterly Report, Mills further issued a press release, which stated:

For the three months ended September 30, 2005, the Company reported comparable property NOI [Net Operating Income] of \$104.7 million. This is 5.3% lower than the year earlier period comparable property NOI of \$110.4 million. **Among other factors, third quarter comparable property NOI was negatively impacted by a higher allowance for doubtful accounts, a decline in straight-line rents and FAS 141 income, and a decline in net recoveries.**

- **The third quarter 2005 results include a higher allowance for doubtful accounts resulting in higher bad debt expense, which reduced NOI at comparable properties by \$4.1 million.** The increase in the allowance for doubtful accounts is largely attributable to two factors: 1) a straight-line rent receivable write-off of \$3.1 million related to the assumption and modification of leases of three skate parks by a new operator; two skate park leases at non-comparable properties were also assumed and modified; and 2) an increase in bad debt reserves due to changes in the estimated collectability of certain accounts receivable.

FFO [funds from operations] per diluted share for the quarter ended September 30, 2005 decreased 53.6% to \$0.45 from \$0.97 in the same period a year ago. The decreased in FFO per diluted share was due to several items, including:

- **An increase in the allowance for doubtful accounts at comparable and non-comparable properties, which negatively impacted FFO by \$0.10 per diluted share in a quarter.**

- An increase in project write-off costs to \$0.15 per diluted share versus \$0.05 per diluted share in the earlier period. Almost all of the write-offs in the third quarter of 2005 were related to two projects that management concluded were no longer probable to be successfully completed. One of the projects was in Tampa, Florida and the other was in Florence, Italy. The Company did not anticipate any third quarter project write-offs.

Outlook

The Company expects net income to be within a range of \$0.46 and \$0.56 per diluted share for the year ending December 31, 2005. The Company had previously established FFO guidance of \$4.35 per diluted share. Based primarily on the events described in this press release, the Company's revised guidance for the year is \$3.55 to \$3.65 per diluted share.

(emphasis added).

33. As subsequently disclosed in Mills' January 6, 2006 SEC filings and press releases, these statements were material false and misleading in that they failed to disclose that the \$4.1 million charge for a "doubtful account" was based on a contract entered in 1999, and thus Mills' previous Annual Reports, Quarterly Reports and press releases incorporated net income from this contract into their financials. Defendants' further failed to disclose that upon discovery of the \$4.1 million "doubtful account", which had been accruing interest and had been improperly reported for the preceding five years, that a restatement of its previous financial statements would be required. Upon discovery of the \$4.1 million "doubtful account", Defendants were placed on clear notice

that their internal accounting controls were inadequate, and that a material restatement of audited financial reports would be forthcoming and, as such, had a duty to disclose such facts to the investing public upon discovery. However, the Mills Defendants abrogated their obligations, until disclosing on January 6, 2006 that Mills had information available in 2000 informing the Company that the \$4.1 million loan would not be repaid and a restatement would be required.

THE TRUTH IS REVEALED

34. On October 31, 2005, Mills issued a press release, which stated:

The Mills Corporation (MLS) today announced that it will hold its third quarter conference call on November 9, 2005 at 11:00 a.m. Eastern Standard Time. The date of the call was moved from November 1, 2005 to November 9, 2005 to allow the Company additional time to evaluate the accounting for several items in its third quarter results. The Company anticipates that third quarter results will be substantially below expectations.

35. From the start of the Class Period through October 31, 2005, the average daily trading volume of Mills common stock was approximately 347,215 shares per day. On November 1, 2005, share volume was approximately 4,216,900 shares, an increase of over eleven (11) times its normal volume. As a result of the increase in trade volume, the stock price of Mills plummeted from a close of \$53.50 on October 31, 2005, downwards to a close of \$45.68 on November 1, 2005, constituting a precipitous decline in share price of nearly fifteen (15) percent.

36. Within two weeks of the October 31, 2005 announcement, at least six Wall Street analysts downgraded their rating of Mills' securities.

37. On November 9, 2005, Mills issued a press release in conjunction with the

filing of its Form 10-Q Quarterly Report. The release stated:

For the three months ended September 30, 2005, the Company reported comparable property NOI [Net Operating Income] of \$104.7 million. This is 5.3% lower than the year earlier period comparable property NOI of \$110.4 million. **Among other factors, third quarter comparable property NOI was negatively impacted by a higher allowance for doubtful accounts, a decline in straight-line rents and FAS 141 income, and a decline in net recoveries.**

- **The third quarter 2005 results include a higher allowance for doubtful accounts resulting in higher bad debt expense, which reduced NOI at comparable properties by \$4.1 million.**

The increase in the allowance for doubtful accounts is largely attributable to two factors: 1) a straight-line rent receivable write-off of \$3.1 million related to the assumption and modification of leases of three skate parks by a new operator; two skate park leases at non-comparable properties were also assumed and modified; and 2) an increase in bad debt reserves due to changes in the estimated collectability of certain accounts receivable.

FFO [funds from operations] per diluted share for the quarter ended September 30, 2005 decreased 53.6% to \$0.45 from \$0.97 in the same period a year ago. The decreased in FFO per diluted share was due to several items, including:

- An increase in the allowance for doubtful accounts at comparable and non-comparable properties, which negatively impacted FFO by \$0.10 per diluted share in a quarter.

- An increase in project write-off costs to \$0.15 per diluted share versus \$0.05 per diluted share in the earlier period. Almost all of the write-offs in the third quarter of 2005

were related to two projects that management concluded were no longer probable to be successfully completed. One of the projects was in Tampa, Florida and the other was in Florence, Italy. The Company did not anticipate any third quarter project write-offs.

Outlook

The Company expects net income to be within a range of \$0.46 and \$0.56 per diluted share for the year ending December 31, 2005. The Company had previously established FFO guidance of \$4.35 per diluted share. Based primarily on the events described in this press release, the Company's revised guidance for the year is \$3.55 to \$3.65 per diluted share.

(emphasis added).

38. The press release and the Quarterly Report filed on November 9, 2005, constitute mere partial disclosures, rather than disclosing the true breadth and nature of the internal control deficiencies, accounting problems and business write offs. Rather than state the full extent of its internal maladies, Mills' chose to minimally disclose the facts, saving a full mea culpa of its accounting irregularities, internal control problems and unsuccessful business ventures for a later date.

39. On January 4, 2006, Mills issued a press which stated that:

On December 28, 2005, The Mills Corporation's management approved a workforce reduction plan that resulted in the termination of 14 officers, all of whom worked in the development, leasing, information technology or property operations. The company currently estimates that its work force reduction plan and other fourth quarter termination charges will result in a charge in the fourth quarter of 2005 of approximately \$5.1 million, consisting of severance and one-time termination benefits, all of which has been or will be paid in cash.

This workforce reduction is an initial step in the company's ongoing strategic review of its operations and assets. The goal of this strategic review, among other things, will be to focus on

core operations and development opportunities, increase operating efficiencies and reduce costs. The company will provide further details regarding its plans in subsequent public announcements.

(emphasis added).

40. On January 6, 2006, Mills issued a press release which delineated the true scope of its accounting and internal control problems for the first time. The release stated:

THE MILLS CORPORATION ANNOUNCES STEPS IN ITS STRATEGIC PLAN TO FOCUS ON CORE OPERATIONS AND DEVELOPMENT OPPORTUNITIES

ESTABLISHES NEW PROCEDURES TO ENHANCE FINANCIAL MANAGEMENT AND DISCLOSURE; ANNOUNCES BOARD AND MANAGEMENT APPOINTMENTS

COMPANY TO RESTATE RESULTS FROM 2000 TO 2004 AND THE FIRST NINE MONTHS OF 2005 PRIMARILY RELATED TO MEI SUBSIDIARY AND ACCOUNTING FOR LONG-TERM INCENTIVE COMPENSATION

Arlington, Va. —(BUSINESS WIRE – Jan. 6, 2006—The Mills Corporation (NYSE: MLS), a developer, owner and manager of a diversified global portfolio of retail destinations, today announced steps in its strategic plan designed to focus on the Company's core operations and development opportunities, streamline management, increase operating efficiencies and reduce costs. The initial steps of the plan include:

- Enhanced focus on the core operations; scaling back of predevelopment pipeline
- Workforce reduction and other departures affecting 17 officers
- Establishment of a Best Practices Office to implement improvements in accounting and information technology; retained Deloitte Consulting LLP
- Appointment of a new independent Board member with financial expertise who will serve on the Audit Committee
- Appointment of a new head of asset management

'The significant actions that we are announcing today reflect our absolute

commitment to do the right thing for the Company and our shareholders," said Larry C. Siegel, Chairman and Chief Executive Officer of The Mills.

Workforce Reduction

As a result of a reduction in force previously disclosed in the Form 8-K filed on January 4, 2006, combined with expected retirements and other management departures, a total of 17 officers have left or will leave the Company. The Company currently estimates that its workforce reduction plan and other termination charges will result in a one-time charge in the fourth quarter of 2005 of approximately \$5 million, consisting of severance and termination costs, all of which has been or will be paid in cash.

The Company is in the process of determining the impact of the payroll and benefit cost savings resulting from these management changes on future earnings and Funds From Operations ("FFO"). The 2005 compensation expense related to the departing officers totals approximately \$8 million, which does not include other payroll-related expenses such as benefits. The Company noted that it is in the process of developing its guidance for 2006 and expects to provide further details on the expected impact of the management changes and other restructuring items when it provides its guidance on its 2005 year end conference call.

Process Improvement and Best Practices

The Mills also announced that it has established a Best Practices Office, reporting to Mr. Ettenger, to implement improvements in the Company's accounting and information technology departments. In connection with this, Deloitte Consulting LLP has been retained to help implement these changes, many of which are already underway. Deloitte Consulting LLP also will be assisting with the completion of the Company's year end close process. **The Company also will continue to implement process improvement to address the weaknesses in its internal controls over financial reporting identified in its Form 10-Q for the third quarter of 2005 and the anticipated material weakness in its internal control over financial reporting related to the restatement of its financial statements described below.** The Company incurred costs of approximately \$1 million in consulting fees associated with the creation of the Best Practices Office.

Summary of Restructuring Charges

In aggregate, the Company expects to incur one-time restructuring charges in the fourth quarter of 2005 of approximately \$77 million

comprised of approximately \$71 million in project write-offs, approximately \$5 million of severance costs and approximately \$1 million in consulting fees associated with the creation of the Best Practices Office.

New Board Appointment and Head of Asset Management

The Mills also announced the appointment of December 30, 2005 of Edward S. Civera as a new independent member of the Company's Board of Directors. Mr. Civera will serve as a member of the Audit Committee. Mr. Civera spent 25 years with Coopers & Lybrand (now PricewaterhouseCoopers LLP), the last 15 years as both a partner and managing partner. Mr. Civera is currently the Chairman of the Board of HealthExtras, Inc., and is also a board member of MedStar Health, a non-profit healthcare organization. Mr. Civera is also a member of the board of MCG Capital, a public regulated investment company. Previously, Mr. Civera was the president and co-chief executive officer of United Payor & United Providers, Inc.

'We are pleased to welcome Mr. Civera to our Board,' said Mr. Siegel. 'With his career as a public company executive, combined with his experience in finance and accounting, Ed will provide significant insight to The Mills as we work to enhance transparency and discipline throughout the organization.'

Restatement Primarily Related to MEI subsidiary Investments and Accounting for Long-Term Incentive Compensation

The Company also announced that it will restate its audited financial results from 2000 through 2004 and its unaudited quarterly results for 2005 to correct accounting errors related primarily to certain investments by a wholly-owned taxable REIT subsidiary, Mills Enterprises, Inc. (MEI), and changes in the accrual of the compensation expense related to its Long-Term Incentive Plan (LTIP).

As a result of these events, the Company is in default of certain provisions of its line of credit and certain project-related loans. The Company has commenced its efforts to obtain a waiver of the default and certain consents from its bank group and other lenders. To provide short-term liquidity, the Company has secured a \$150 million term loan from JP Morgan.

The adjustments to the Company's accounting practices have been discussed with its independent auditor, Ernst & Young LLP. The Company will include the restated results for the fiscal years ended December 31, 2002, 2003 and 2004 in an amended 2004 Annual Report on Form 10-K and for each quarterly period for 2005 in amended Form 10-Qs. **In the interim, investors should no longer rely on the 2002, 2003 and 2004 financial statements and the associated auditor's report currently on file with the SEC in the Company's 2004 Form 10-K or on 2005 Form 10-Qs currently on file with the SEC.**

The Company is aware that the occurrence of a restatement of previously issued financial statements to correct errors is a strong indicator that material weaknesses in internal controls exist. At this time, the Company expects to report a material weakness in its internal controls over financial reporting in its 2005 Form 10-K.

(emphasis added).

41. Mills also filed a Form 8-K on January 6, 2006, which stated:

On January 6, 2006, The Mills Corporation issued a press release announcing that it will restate its audited financial results from 2000 through 2004 and its unaudited quarterly results for 2005 to correct accounting errors primarily related to certain investments made by Mills Enterprises, Inc., a wholly owned taxable REIT subsidiary, and changes in the accrual of the compensation expense for long-term incentive compensation. The Mills Limited Partnership also will restate its audited financial results from 2000 through 2004 and its unaudited quarterly results for 2005.

The information related to the restatements in the press release remains subject to review and audit by the Company's independent auditors and to completion of the audit of the Company's 2005 financial statements. The completion of this process and the implementation of the process improvements to address weaknesses in the Company's internal controls over financial reporting could result in further adjustments and the actual restated and 2005 financial statement impacts may be different from what is set forth in the press release. There can be no assurance that the amount of any further adjustments will not be material, either individually or in the aggregate.

As a result of the events described in this Form 8-K, the Company is in default under certain provisions of its line of credit and certain project-related loans. The Company has commenced its efforts to obtain a waiver of the default from its bank group and other lenders. To provide short-term liquidity, on January 6, 2005, The Mills Partnership entered into a Term Loan Agreement (the "Facility") with JPMorgan Chase Bank, as lender and administrative agent. The Facility provides for multiple draws of up to \$150 million in the aggregate until March 31, 2006. The Mills Corporation has agreed to unconditionally guaranty all of The Mills Limited Partnership's obligations under the Facility.

On December 20, 2005, The Mills Corporation's Board of Directors decided to reduce the number of the Company's predevelopment projects. Accordingly, ten predevelopment projects will be written off in the fourth quarter of 2005, including six domestic projects and four foreign projects. . . . The Company expects to incur a one-time restructuring charge during the fourth quarter of 2005 related to the projects being written off totaling approximately \$71 million. None of these charges will result in future cash expenditures.

Item 2.06. Material Impairments.

A portion of the expected restatement relates to an impairment of a loan totaling approximately \$4.1 million made by MEI in 1999 to a tenant at The Block. The loan proceeds were used by the tenant to fund tenant improvements and for working capital purposes. Based on management's review of this tenant relationship, the Board of Directors concluded on January 5, 2006 that facts and circumstances existed in 2000 that indicated that the tenant would be unable to repay this loan. The impairment of this loan is expected to result in a charge of approximately \$4.1 million for 2000, which will be reflected as an increase in accumulated deficit of an equivalent amount as of December 31, 2001 in the restated audited financial statements to be included in an amended 2004 Annual Report on Form 10-K to be filed by The Mills Corporation and The Mills Limited Partnership.

The Mills Corporation's Board of Directors, including its Audit

Committee, concluded on January 5, 2006 to restate the audited Financial results from 2000 through 2004 and unaudited quarterly results for 2005 for The Mills Corporation and The Mills Limited Partnership. The Audit Committee and the Board of Directors discussed the companies' restatements with Ernst & young LLP, the companies' independent registered public accounting firm. The Mills Corporation and The Mills Limited Partnership will include the restated results for the fiscal years ended December 31, 2002, 2003, 2004 and in an amended 2004 Annual Report on Form 10-K and for each of the first three quarters in 2005 in amended Form 10-Qs for 2005. **In the interim, investors should no longer rely on the 2002, 2003 and 2004 financial statements and the associated auditor's report currently on file with the SEC in the companies' 2004 Form 10-K or on the unaudited financial statements in the companies' Form 10-Qs for 2005.**

The Mills Corporation and The Mills Limited Partnership are aware that the occurrence of a restatement of previously issued financial statements to correct errors is a strong indicator that material weaknesses in internal control exist. At this time, The Mills Corporation and The Mills Limited Partnership expect to report a material weakness in their internal control over financial reporting in their 2005 Form 10-K.

(emphasis added).

42. The Company further stated on January 6, 2006 that the restatements were expected to reduce 2004 net income by 3 cents per share, 2003 income by 8 cents per share, and 2002 income by 23 cents per share. The Company further announced that the restatements were expected to reduce FFO, a key measure of REIT performance, by 3 cents per share in 2004, 7 cents per share in 2003, and 23 per share for 2002.

43. The January 6, 2006 announcements led one analyst to state, "In the last 12 months, we had the write-offs from the first quarter; we've had the third-quarter preannouncement; we had the third-quarter reduction; we've had the layoffs announcements two days ago. Now we have this. It feels like the faucets on full blast with negative news coming out and it's unclear when it's going to end. Every time you

dig deeper, you find something that's bad."

44. Throughout the Class Period, the average daily trading volume of Mills common stock was approximately 387,598 shares per day. On January 9, 2006, the first trading day following the January 6, 2006 announcements, share volume was approximately 3,067,100 shares, an increase of over nearly eight (8) times its normal volume. As a result of the increase in trade volume and in reaction to the January 6, 2006 announcements, the price of Mills common stock further dropped from a close of \$42.23 on January 6, 2006 to \$41.05 on January 9, 2006, constituting an additional decline of 2.8%.

45. Mills further announced on January 12, 2006, that the Securities and Exchange Commission had begun an informal inquiry into restatements and accounting practices disclosed on January 6, 2006.

46. On January 20, 2006, the Washington Post reported:

Mills Corp.'s accounting and management problems mounted this week when one of its major financial backers was forced to close two real estate funds because of investor "panic" stemming in part from its deep ties to Mills.

KanAm International GmbH, a privately owned Munich-based manager of more than \$12 billion in real estate investments in Europe and the United States, said it would suspend withdrawals from two of its funds for three months after a flood of redemption requests threatened their solvency.

Mills stock fell 4.6 percent yesterday, to \$37.64, a new 52-week low after peaking at almost \$66 a share in July.

KanAm's relationship with Mills goes back more than 20 years; it was a founding shareholder. Three of KanAm's directors sit on Mills' board. KanAm helped finance most of Mills' developments over the years, especially the massive discount retail and entertainment malls Mills has become known for, such as Potomac Mills and Arundel Mills in the Washington area.

KanAm has investments in 12 Mills projects, including its most ambitious and expensive development, the \$1.3 billion Xanadu mega-mall and entertainment complex under construction at the Meadowlands in New Jersey. KanAm has committed \$400 million to the project.

KanAm on Wednesday closed its US-Grundinvest Fonds, a \$579 million fund that had invested in two Mills retail projects, after "strong redemption demand." About \$50 million had been pulled out in recent days.

Yesterday, KanAm closed a sister fund, citing a "panic" after a German rating agency issued a sell rating, leading to \$847 million in redemption requests in 24 hours. KanAm, in a statement on its Web site, called the sell rating "incomprehensible" and said both of the closed funds have enjoyed healthy returns and are invested in quality real estate assets.

Of the 12 Mills projects KanAm has investments in, only two are involved in the open-end fund it closed Wednesday, according to SEC filings. The remaining 10 properties are in closed-end funds, which are not subject to redemptions.

If KanAm should reevaluate its commitments to Mills projects, [Louis Taylor, a Deutsche Bank analyst] said, it "could negatively impact [Mills'] ability both to operate as a going concern and to realize full value if it decides to sell the company."

SCIENTER ALLEGATIONS

47. As alleged herein, the Mills Defendants acted with scienter in that they

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.

48. The Mills Defendants knew and/or recklessly disregarded the falsity and misleading nature of the information that they caused to be disseminated to the investing public. The ongoing fraudulent scheme to withhold information regarding the true scope of the accounting irregularities and internal control deficiencies could not have occurred without the knowledge and complicity of the personnel at the highest level of the Company, including the Individual Defendants.

49. During the Class Period, the Individual Defendants were privy to non-public information concerning the Company's finances, markets, loan portfolio, and present and future business prospects via access to internal corporate documents, 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. Because of their possession of such information, the Individual Defendants knew or recklessly disregarded the fact that adverse facts specified herein had not been disclosed to, and were being concealed, from the investing public.

50. As alleged herein, the Mills Defendants were aware, or recklessly disregarded, throughout the Class Period information sufficient to establish that it was improperly including a \$4.1 million loan in its financials since 2000, thereby rendering

materially false and misleading.

51. As alleged herein, the Mills Defendants were aware, or recklessly disregarded, that Mills had internal control deficiencies and yet disclosed in its Quarterly Reports for the first two quarters of 2005 that its internal control over financial reporting was "effective" and that the previously disclosed internal control weaknesses had been corrected. Further, upon disclosure of a \$4.1 million "doubtful account" which had existed since 2000, Defendants knowingly, or recklessly, failed to disclose that a material restatement of its previous financial would be required.

EFFICIENT MARKET ALLEGATIONS

52. Plaintiff and the Class herein will rely, in part, on the efficient market hypothesis and the "fraud on the market" doctrine. At all relevant times, the market for Mills securities was an efficient market for the following reasons, among others:

- (a) Mills stock met the requirements for listing, and was listed and actively traded on the New York Stock Exchange, a highly efficient and automated market;
- (b) As a regulated issuer, Mills filed periodic public reports with the SEC and the New York Stock Exchange;
- (c) Mills regularly communicated with public investors via established market communication mechanisms, including through regular disseminations of press releases on the national circuits of major news wire services and through other wide-ranging public disclosures, such as communications with the financial press and other similar reporting

services; and

- (d) Mills 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.

53. As a result of the foregoing, the market for Mills securities promptly digested current information regarding Mills from all publicly-available sources and reflected such information in Mills stock price. Under these circumstances, all purchasers of Mills securities during the Class Period suffered similar injury through their purchase of Mills securities at artificially inflated prices and a presumption of reliance applies.

NO SAFE HARBOR

54. 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 the Company who knew that those statements were false when made.

FIRST CAUSE OF ACTION

(10(b) OF THE SECURITIES EXCHANGE ACT – AGAINST ALL DEFENDANTS)

55. Plaintiff repeats and realleges each and every allegation contained above as though fully set forth herein.

56. 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; and (ii) caused Plaintiff and other members of the Class to purchase Mills 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.

57. 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 Mills securities in violation of Section 10(b) of the Exchange Act and Rule 10b-5. All Defendants are sued as primary participants in the wrongful and illegal conduct charged herein.

58. 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 financial condition of Mills as specified herein.

59. Defendants employed devices, schemes, and artifices to defraud, while in

possession of materially adverse non-public information and engaged in acts, practices, and a course of conduct as alleged herein in an effort to assure investors of Mills' profitability and the value of its assets, 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 Mills and its financial condition and reported financial results 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 Mills securities during the Class Period.

60. 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) Siegel and Morrow, by virtue of their responsibilities and activities as senior officers of the Company were privy to and participated in the creation, development and review of the Mills internal control procedures prior to the filing of each Annual and Quarterly Report during the Class Period; (iii) the Individual Defendants enjoyed significant personal contact and familiarity with other members of the Company's finances, operations, and sales at all relevant times; and (iv) the Individual Defendants were aware of the Company's dissemination of information to the investing public which they knew or recklessly disregarded was materially false and misleading.

61. 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 Mills' true financial condition from the investing public and supporting the artificially inflated price of its securities.

62. 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 Mills' securities was artificially inflated during the Class Period. In ignorance of the fact that market prices of Mills' 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 trades, 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 Mills securities during the Class Period at artificially high prices and were damaged thereby.

63. 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 Mills improper accounting activities and failed property development projects, which were undisclosed by defendants, Plaintiff and other members of the Class would not have purchased or otherwise acquired their Mills 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.

64. By virtue of the foregoing, Defendants have violated Section 10(b) of the Exchange Act, and Rule 10b-5.

65. 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 CAUSE OF ACTION

(SECTION 20 OF THE EXCHANGE ACT – AGAINST DEFENDANTS SIEGEL AND MORROW)

66. Plaintiff repeats and realleges each and every allegation contained above as though fully set forth herein.

67. Defendants Siegel and Morrow acted as a controlling person of Mills within the meaning of Section 20(a) of the Exchange Act as alleged herein. By virtue of their high-level positions, and knowledge of the Company's operations and knowledge of the false statements 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. Defendants Siegel and Morrow 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.

68. As set forth above, 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, Defendants Siegel and Morrow 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.

JURY TRIAL DEMANDED

Plaintiff hereby demands a trial by jury.

PRAYER FOR RELIEF

- a) **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) Granting such other and further relief as to the Court may seem just and proper.

Dated: January 20, 2006

FINKELSTEIN, THOMPSON & LOUGHRAN

By: Karen Marcus
Benjamin J. Weir (Va. Bar No. 68769)
Karen J. Marcus (Va. Bar No. 48531)
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EXHIBIT A

PLAINTIFF CERTIFICATION

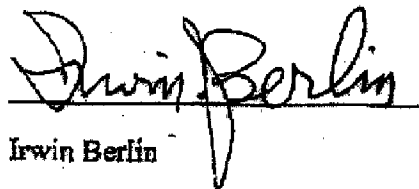
I, Irwin Berlin, hereby declare that:

1. I have reviewed the Complaint in this class action and have authorized the filing thereof.
2. I did not purchase (or otherwise acquire) or sell securities of The Mills Corporation ("Mills"), the subject of the Complaint, at the direction of my counsel or in the hope to participate in any private action arising under the Securities Act of 1933 or the Securities Exchange Act of 1934.
3. I am willing to serve as a representative plaintiff on behalf of the class defined in the Complaint, including providing testimony at deposition and trial, if necessary.
4. I have engaged in the transactions involving the common stock of Mills listed in the attached schedule.
5. During the last three years preceding the date of this Certification, I have sought to serve as a representative plaintiff on behalf of a class in the following actions brought under the Securities Act of 1933 or the Securities Exchange Act of 1934:

In re Prime Retail, Inc. Sec. Litigation (D. Md.)

6. I will not accept any payment for serving as a representative plaintiff on behalf of the class beyond my pro rata share of any recovery, except as ordered by the Court.
 7. Nothing herein shall be construed to be or constitute a waiver of my attorney-client privilege.
- I declare under penalty of perjury that the foregoing is true and correct.

Executed on the 19 day of JANUARY, 2006.


Irwin Berlin

Mr. Irwin Berlin
Mills Corporation Trades

TRADE DATE	Purchase / Sale	# OF SHARES	PRICE
9/2/2003	Purchase	680	\$36.50
11/3/2003	Purchase	56.82	\$40.02
2/2/2004	Purchase	0.53	\$46.93
2/2/2004	Purchase	49	\$46.92
5/3/2004	Purchase	60.29	\$41.14
8/2/2004	Purchase	0.40	\$45.57
8/2/2004	Purchase	55	\$45.56
8/23/2004	Purchase	1,500	\$47.37
11/1/2004	Purchase	0.46	\$55.34
11/1/2004	Purchase	62	\$55.34
2/1/2005	Purchase	0.34	\$56.18
2/1/2005	Purchase	62	\$56.17
5/2/2005	Purchase	0.53	\$56.09
5/2/2005	Purchase	66	\$56.10
8/1/2005	Purchase	0.06	\$65.06
8/1/2005	Purchase	58	\$65.00
11/1/2005	Purchase	0.91	\$49.55
11/1/2005	Purchase	76	\$49.54
12/21/2005	Sale	-49	\$42.98
12/21/2005	Sale	-55	\$42.98
12/21/2005	Sale	-58	\$42.98
12/21/2005	Sale	-62	\$42.98
12/21/2005	Sale	-62	\$42.98
12/21/2005	Sale	-66	\$42.98
12/21/2005	Sale	-76	\$42.99