

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

NATURE OF THE ACTION

1. This is a federal class action on behalf of purchasers of the publicly traded securities of Mills between August 14, 2003 and January 6, 2006, inclusive (the "Class Period"), seeking to pursue remedies under the Securities Exchange Act of 1934 (the "Exchange Act").

JURISDICTION AND VENUE

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

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

4. Venue is proper in this District pursuant to §27 of the Exchange Act and 28 U.S.C. §1391(b). Many of the acts charged herein, including the preparation and dissemination of materially false and misleading information, occurred in substantial part in this District and Mills maintains operations in this District.

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

PARTIES

6. Plaintiff Henry Cecil, as set forth in the accompanying certification and incorporated by reference herein, purchased the publicly traded securities of Mills at artificially inflated prices during the Class Period and has been damaged thereby.

7. Defendant Mills, a real estate investment trust (“REIT”), engages in the development, redevelopment, leasing, financing, management, and marketing of retail properties. Mills maintains operations at 100 Main Street, White Plains, NY.

8. (a) Defendant Laurence C. Siegel (“Siegel”) was, throughout the Class Period, Mills’ Chairman and Chief Executive Officer.

(b) Defendant Mary Jane Morrow (“Morrow”) was, throughout the Class Period, Mills’ Executive Vice President and Chief Financial Officer.

(c) Defendant Kenneth R. Parent (“Parent”) was, throughout the Class Period, Mills’ Chief Operating Officer.

(d) Defendants Siegel, Morrow and Parent are referred to herein as the “Individual Defendants.”

9. During the Class Period, the Individual Defendants, as senior executive officers and/or directors of Mills, were privy to confidential and proprietary information concerning Mills, its operations, finances, financial condition and present and future business prospects. The Individual Defendants also had access to material adverse non-public information concerning Mills, as discussed in detail below. Because of their positions with Mills, the Individual Defendants had access to non-public information about its business, finances, products, markets 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/or 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 that the adverse facts specified herein had not been disclosed to, and were being concealed from, the investing public.

10. The Individual Defendants are liable as direct participants in the wrongs complained of herein. In addition, the Individual Defendants, by reason of their status as senior executive officers and/or directors, were “controlling persons” within the meaning of §20(a) of the Exchange Act and had the power and influence to cause the Company to engage in the unlawful conduct complained of herein. Because of their positions of control, the Individual Defendants were able to and did, directly or indirectly, control the conduct of Mills’ business.

11. The Individual Defendants, because of their positions with the Company, controlled and/or possessed the authority to control the contents of its reports, press releases and presentations to securities analysts and through them, to the investing public. The Individual Defendants were provided with copies of the Company’s reports and press releases alleged herein to be misleading, prior to or shortly after their issuance and had the ability and opportunity to prevent their issuance or cause them to be corrected. Thus, the Individual Defendants had the opportunity to commit the fraudulent acts alleged herein.

12. As senior executive officers and/or directors and as controlling persons of a publicly traded company whose common stock was, and is, registered with the SEC pursuant to the Exchange Act, and was, and is, traded on the New York Stock Exchange (“NYSE”) and governed by the federal securities laws, the Individual Defendants had a duty to disseminate promptly accurate and truthful information with respect to Mills’ financial condition and performance, growth, operations, financial statements, business, products, markets, management, earnings and present and future business prospects, to correct any previously issued statements that had become materially

misleading or untrue, so that the market price of Mills' 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.

13. The Individual Defendants are liable as participants in a fraudulent scheme and course of conduct that operated as a fraud or deceit on purchasers of Mills publicly traded securities by disseminating materially false and misleading statements and/or concealing material adverse facts. The scheme: (i) deceived the investing public regarding Mills' business, operations and management and the intrinsic value of Mills securities; (ii) enabled the Individual Defendants to sell over 274,000 shares of their personally-held Mills stock and thereby reap over \$14.2 million in gross proceeds; and (iii) caused plaintiff and members of the Class to purchase Mills publicly traded securities at artificially inflated prices.

PLAINTIFF'S CLASS ACTION ALLEGATIONS

14. Plaintiff brings this action as a class action pursuant to Federal Rule of Civil Procedure 23(a) and (b)(3) on behalf of a class consisting of all those who purchased the publicly-traded securities of Mills between August 14, 2003 and January 6, 2006, inclusive, and who were damaged thereby (the "Class"). Excluded from the Class are defendants, the officers and directors of the Company, at all relevant times, members of their immediate families and their legal representatives, heirs, successors or assigns and any entity in which defendants have or had a controlling interest.

15. The members of the Class are so numerous that joinder of all members is impracticable. Throughout the Class Period, Mills stock was actively traded on the NYSE. While the exact number of Class members is unknown to plaintiff at this time and can only be ascertained through appropriate discovery, plaintiff believes that there are hundreds or thousands of members in the proposed Class. Record owners and other members of the Class may be identified from records

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

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

17. 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.

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

(a) whether the federal securities laws were violated by defendants' acts as alleged herein;

(b) whether statements made by defendants to the investing public during the Class Period misrepresented material facts about the business and operations of Mills;

(c) whether the prices of Mills' publicly traded securities were artificially inflated during the Class Period; and

(d) to what extent the members of the Class have sustained damages and the proper measure of damages.

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

SUBSTANTIVE ALLEGATIONS

20. Defendant Mills describes itself as “a developer, owner and manager of a global real estate portfolio including regional shopping malls, retail and entertainment centers, and international recreation, leisure and retail centers.”

Materially False and Misleading Statements Made During the Class Period

21. On August 13, 2003, the Company issued a press release announcing its financial results for the second quarter of 2003, the period ended June 30, 2003. For the quarter, the Company reported net income available to common stockholders of \$30.6 million or \$0.69 per diluted share and funds from operations (“FFO”) available to common stockholders of \$50.0 million or \$0.82 per diluted share. Defendant Parent, commenting on the results, stated, in pertinent part, as follows:

During the second quarter our portfolio grew by six million square feet including the development of Madrid Xanadu and the acquisition of Del Amo. Madrid Xanadu was 97% leased by its grand opening in May, and has had a high volume of traffic since opening. The successful opening of this project represents an important milestone in our European development program.

In June we acquired Del Amo for \$442 million. We plan to redevelop the property’s vacant wing, utilizing our experience developing large retail and entertainment destinations, to create the dominant mall in Southern California.

Our core portfolio continues to attract tenants as evidenced by our leasing spreads and consistently high occupancy. ***The impressive results in our core portfolio together with our development opportunities both domestically and internationally have positioned the Mills Corporation for strong NOI and FFO per share growth in the second half of 2003 and beyond.*** [Emphasis added.]

22. Mills’ financial results for the second quarter of 2003, the period ended June 30, 2003, were repeated in the Company’s Report on Form 10-Q filed with the SEC on or about August 14, 2003, which was signed by defendant Morrow. The Form 10-Q also stated: “In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included.” With regard to the Company’s internal control procedures,

the Form 10-Q provided: “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. On November 5, 2003, the Company issued a press release announcing its financial results for the third quarter of 2003, the period ended September 30, 2003. For the quarter, the Company reported net income available to common stockholders of \$17.5 million or \$0.39 per diluted share and FFO available to common stockholders of \$51.9 million or \$0.85 per diluted share.

Defendant Parent, commenting on the results, stated, in pertinent part, as follows:

During the third quarter, our portfolio continued to exhibit positive trends. ***All of our operating metrics improved when compared to last year’s results.*** Same store sales figures are increasing for both our Mills Landmark Assets and our recently acquired traditional regional malls. Minimum rent increases for our stabilized comparable properties were particularly strong at 5.3% as a result of increasing occupancy and positive rental spreads. ***We expect this positive momentum to carry over into the fourth quarter of 2003 and into 2004.*** [Emphasis added.]

24. Mills’ financial results for the third quarter of 2003, the period ended September 30, 2003, were repeated in the Company’s Report on Form 10-Q filed with the SEC on or about November 14, 2003, which was signed by defendant Morrow.

25. On February 17, 2004, the Company issued a press release announcing its financial results for the fourth quarter and year end of 2003, the period ended December 31, 2003. For the quarter, the Company reported net income available to common stockholders of \$0.62 per diluted share and FFO available to common stockholders of \$1.13 per diluted share. For the year, the Company reported net income available to common stockholders of \$2.07 per diluted share and FFO available to common stockholders of \$3.58 per diluted share. Defendant Siegel, commenting on the results, stated, in pertinent part, as follows:

Our NOI growth was outstanding in 2003 and was boosted by a strong holiday season, which makes us optimistic about our prospects for 2004. By rigorously

executing on our strategy to grow our portfolio through acquisition and development, we are well positioned to benefit from a resurgence in consumer spending.

26. Mills' financial results for the fourth quarter and year end of 2003, the period ended December 31, 2003, were repeated in the Company's Report on Form 10-K filed with the SEC on or about March 15, 2004, which was signed by defendants Siegel and Morrow, among others.

27. On April 30, 2004, the Company issued a press release announcing its financial results for the first quarter of 2004, the period ended March 31, 2004. For the quarter, the Company reported income available to common stockholders of \$0.64 per diluted share and FFO per diluted share of \$0.85. Defendant Siegel, commenting on the results, stated, in pertinent part, as follows:

The rapid increase in our same store sales in the first quarter reflects the underlying health of our assets, and their ability to draw consumers who are looking for a unique shopping experience. Strong sales numbers are creating demand from retailers for space in both our existing portfolio and our development pipeline. As the economic picture continues to improve, we believe The Mills Corporation is uniquely positioned to benefit due to our extensive development pipeline.

28. Mills' financial results for the first quarter of 2004, the period ended March 31, 2004, were repeated in the Company's Report on Form 10-Q filed with the SEC on or about May 10, 2004, which was signed by defendant Morrow.

29. On August 3, 2004, the Company issued a press release announcing its financial results for the second quarter of 2004, the period ended June 30, 2004. For the quarter, the Company reported earnings per diluted common share of \$0.21 and FFO per diluted share of \$0.92. Defendant Siegel, commenting on the results, stated, in pertinent part, as follows:

Demand for space in our centers continues to be robust due to the sales productivity that tenants experience at our properties. Our leasing team not only increased the occupancy at our comparable centers during the quarter but they also accelerated the pace of leasing at our development properties, raising the preleased percentage for Cincinnati Mills to 89.3% and Vaughan Mills, which opens in November, to 83.7%. We anticipate strong openings for all of the developments in our pipeline.

30. Mills' financial results for the second quarter of 2004, the period ended June 30, 2004, were repeated in the Company's Report on Form 10-Q filed with the SEC on or about August 5, 2004, which was signed by defendant Morrow.

31. On November 9, 2004, the Company issued a press release announcing its financial results for the third quarter of 2004, the period ended September 30, 2004. For the quarter, the Company reported earnings per diluted common share of \$0.97 and FFO per diluted share of \$0.89.

Defendant Siegel, commenting on the results, stated, in pertinent part, as follows:

Over the last two years the fundamentals of our business have steadily improved with year-over-year increases in occupancy and net operating income in every quarter. This quarter our same center gross reported tenant sales increased to a record \$355 per square foot. One of the keys to this strong performance has been our ability to constantly enhance our properties through the addition of exciting new tenants. During the third quarter we added a 100,000 square foot Wannado/Kid City at Sawgrass Mills, which has drawn a tremendous number of families and school groups to the property. Early this year we added a Sears Grand to Gurnee Mills, which has dramatically increased the drawing power of the center. New tenants such as these coupled with our in-line enhancements will allow our properties to continue to produce strong operating results.

32. Mills' financial results for the third quarter of 2004, the period ended September 30, 2004, were repeated in the Company's Report on Form 10-Q filed with the SEC on or about November 9, 2004, which was signed by defendant Morrow.

33. On February 16, 2005, the Company issued a press release announcing that it will restate its audited financial results for the fiscal years ended December 31, 2002 and 2003, and its unaudited quarterly results for 2004, to "correct accounting primarily relating to its treatment of equity in earnings from joint ventures, the capitalization of interest and certain other costs, and the timing of gains on sales of partnership interests." The press release continued, in pertinent part, as follows:

The Mills Corporation estimates that these adjustments will reduce net income per diluted share by approximately \$0.16 to \$0.20 for 2003 and \$0.34 to \$0.38 for 2002. The Company estimates the adjustments will increase FFO per diluted share by

approximately \$0.02 to \$0.06 for 2003 and reduce it by approximately \$0.22 to \$0.26 for 2002.

While the Company has not completed its financial statements for 2004, it currently expects to report FFO per diluted share for 2004 between \$3.93 and \$3.98, as compared to its original guidance of \$3.90-\$4.00 per diluted share. The net effect of the adjustments, which together is estimated to have a positive impact on FFO for 2004, is expected to be partially offset by higher than anticipated asset write-offs. The Company anticipates that the accounting adjustments will increase net income per diluted share for 2004 by approximately \$0.22 to \$0.26. The Company has not quantified the quarterly impact of the adjustments through September 30, 2004.

The restatements primarily reflect the following adjustments: (i) “the Company will record equity in earnings of unconsolidated joint ventures based on an accounting method known as Hypothetical Liquidation at Book Value (HLBV), rather than on its historical method based upon the Company’s estimate of economic ownership”; (ii) “the Company will change its accounting for capitalizing interest costs related to its development projects”; (iii) “the Company will change its accounting for leasing and financing overhead to expense these costs in the year incurred”; (iv) the Company prematurely recorded “a gain of \$8.5 million on the Company’s sale of partial interests in three projects...in the third quarter of 2003” which should have been reported in the second quarter 2004; and (v) “the Company will make adjustments to its accounting for certain other miscellaneous items including one time adjustments relating to the timing of the recognition of a land sale and certain acquisition purchase price adjustments, consolidation of the projects’ promotional funds and adjustments to gains on residual land sales from joint ventures to expense capitalized interest upon sale.”

34. On March 23, 2005, the Company issued a press release announcing its financial results for the fourth quarter and year end of 2004, the period ended December 31, 2004. For the year, the Company reported earnings per diluted common share of \$3.50 per diluted share and FFO per diluted share of \$3.96. Defendant Siegel, commenting on the results, stated, in pertinent part, as follows:

During 2004, we continued to implement our growth strategy. We celebrated the grand opening of Cincinnati Mills and Vaughan Mills, the first new mall in Canada in 14 years; we were selected by General Motors Pension Trust to acquire a 50% managing partner interest in a portfolio of nine regional malls; and we acquired a 50% interest in St. Enoch Centre in Glasgow, Scotland, with Ivanhoe Cambridge as a partner. Our existing portfolio which benefits from our growth initiatives had strong property level results in 2004. At our comparable properties, year end occupancy increased 1.5% versus last year and in-line tenant sales per square foot reached record levels.

35. Mills' financial results for the fourth quarter of 2004, the period ended December 31, 2004, were repeated in the Company's Report on Form 10-K filed with the SEC on or about March 31, 2005, which was signed by defendants Siegel and Morrow, among others.

36. On May 6, 2005, the Company issued a press release announcing its financial results for the first quarter of 2005, the period ended March 31, 2005. For the quarter, the Company reported a loss of \$0.07 per diluted share and FFO per diluted share of \$0.92. The Company expects diluted net income to be within a range of \$1.64 and \$1.74 per diluted share for the year ending December 31, 2005 and reaffirmed the FFO guidance it issued on March 23, 2005 of \$4.35 to \$4.45 per diluted share for the year ending December 31, 2005. Defendant Siegel, commenting on the results, stated, in pertinent part, as follows:

During the first quarter of 2005 our operating metrics continued to reflect the solid fundamentals underlying our business. Comparable property sales, occupancy and NOI all increased as compared to the same period for the prior year. We also continue to execute on our development and redevelopment opportunities. Construction continues at Pittsburgh Mills and the entertainment wing at Del Amo Fashion Center, and in the first quarter we broke ground on our 2.2 million square foot Meadowlands Xanadu project, which will play an important role in The Mills Corporation's growth strategy.

37. Mills' financial results for the first quarter of 2005, the period ended March 31, 2005, were repeated in the Company's Report on Form 10-Q filed with the SEC on or about May 6, 2005, which was signed by defendant Morrow.

38. On August 5, 2005, the Company issued a press release announcing its financial results for the second quarter of 2005, the period ended June 30, 2005. For the quarter, the Company reported a loss of \$0.30 per diluted share and FFO per diluted share of \$1.01. With regard to the Company's outlook, the press release stated, in pertinent part, as follows:

The Company expects net income to be within a range of \$1.22 and \$1.32 per diluted share for the year ending December 31, 2005. The Company expects FFO per diluted share to be on the low end of its previously issued guidance of \$4.35 to \$4.45 due to several factors including increased general and administrative expenses due to costs associated with its increasing international operations, reduced leverage and the resulting higher preferred dividends associated with the \$230 million preferred stock offering in May of this year, interest rates that are at the higher end of the Company's forecast and temporary losses at the Madrid snow dome as operations are transferred to Intrawest and Heineken. [Emphasis added.]

39. Mills' financial results for the second quarter of 2005, the period ended June 30, 2005, were repeated in the Company's Report on Form 10-Q filed with the SEC on or about August 9, 2005, which was signed by defendant Morrow. The 10-Q also stated: "In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included." With regard to the Company's controls, the 10-Q also provided:

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.***

* * *

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 concluded that our internal control over financial reporting was effective as of March 31, 2005. There have been no additional changes in our***

respective internal control over financial reporting during our fiscal quarter ended June 30, 2005, that have materially affected, or are reasonably likely to materially affect, our respective internal control over financial reporting. [Emphasis added.]

40. The statements referenced above in ¶¶21-39 were materially false and misleading because they misrepresented and failed to disclose the following adverse facts:

(a) that the Company was materially overstating its financial results by improperly accounting for certain investments by its subsidiary, Mills Enterprises, Inc., among other things. Mills has now stated that it will be restating its financial statements for 2000 through 2004, and for the first three quarters of 2005, cut jobs and write off projects, which will result in approximately \$77 million in charges for the fourth quarter;

(b) that the Company lacked adequate internal controls and was therefore unable to ascertain its true financial condition; and

(c) that, as a result of the foregoing, the values of the Company's net income and funds from operations were materially overstated at all relevant times.

The Truth Begins To Emerge

41. On October 31, 2005, Mills announced that that it would be rescheduling its third quarter conference call to November 9, 2005 from a previously-scheduled November 1, 2005 "to allow the Company additional time to evaluate the accounting for several items in its third quarter results." The Company further announced that it anticipates that its third quarter results will be "substantially below expectations."

42. Following this announcement, shares of Mills common stock declined \$7.82 per share, or 17%, to close at \$45.68 per share, on extraordinarily heavy trading volume.

43. On November 9, 2005, the Company issued a press release announcing its financial results for the third quarter of 2005, the period ended September 30, 2005. For the quarter, the Company reported comparable net operating income (NOI) of \$104.7 million, which represents a

decline of 5.2% from the prior comparable quarter, operating income of \$31.6 million, which represents a decline of 46.6% from the prior comparable quarter, FFO per diluted share of \$0.45, which represents a decline of 53.6% from the prior comparable quarter, and a loss of \$0.61 per diluted share, as compared to net income of \$0.95 per diluted share in the prior comparable quarter. The Company also reported, among other things: (a) an increase in its allowance for doubtful accounts; (b) that straight line rents at comparable properties decreased; and (c) that net recoveries, which are the difference between actual expenses and expenses recovered from tenants, decreased.

With regard to the Company's outlook, the press release stated, in pertinent part, as follows:

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.

44. On a conference call later that day, defendants also disclosed that the Company was experiencing problems with "procedures and communications" among executives, specifically related to the Company's systems which are "not sized for the business" and which need to be "fixed." When specifically asked about whether any of these items would lead to a restatement, defendant Morrow responded that they would not.

45. Following this announcement, shares of Mills stock declined \$2.58 per share, or 6%, to close at \$41.92 per share, on extraordinarily heavy trading volume. Shares of Mills stock continued to decline the next day as well, closing at \$39.50 per share.

46. Mills' financial results for the third quarter of 2005, the period ended September 30, 2005, were repeated in the Company's Report on Form 10-Q filed with the SEC on or about November 9, 2005, which was signed by defendant Morrow.

47. The statements referenced above in ¶¶43-44 and 46 were materially false and misleading for the reasons set forth above in ¶40.

48. On November 10, 2005, *Marketwatch.com* quoted an analyst at Deutsche Bank who stated: “It’s clear that the management team does not have full grasp of all of its moving pieces and how they impact earnings. As a result, we expect it to trade at lower end of the mall multiples.” The *Associated Press* quoted Morgan Stanley analyst Matt Ostrower who stated: “In the REIT universe, where a two-cent underperformance versus expectations is generally viewed as significant . . . Mills’ announcement is enough to make even the most stalwart bulls pause.”

49. Then, on January 6, 2006, the Company issued a press release announcing that it will restate its financial results for 2000 through 2004, and for the first three quarters of 2005, cut jobs and write off projects, which will result in approximately \$77 million in charges for the fourth quarter of 2005. The restatements are 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 impact of these adjustments is expected to reduce net loss by approximately \$0.03 per diluted share and increase FFO by approximately \$0.04 per diluted share in the first nine months of 2005. The press release stated, in pertinent part, as follows:

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.

* * *

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).

MEI was formed in 1998 to enable the Company to make investments in development-stage tenants, including in the retail, food and beverage, and entertainment sectors. **Based upon a review of the accounting for various investments by MEI and one similar investment by one of our mall joint ventures, the Company determined that the accounting for certain of these investments was inappropriate (primarily equity versus loan accounting, the impairment of loans, reversal of a gain on the sale of partnership interest, and the timing of recognition of various items).**

* * * *

As the Company reviewed the accounting for its LTIP program in preparation for the adoption of FAS123R, it determined that errors had been made in matching the accrual of its LTIP liability with the applicable employee service periods. There is no change in the amount of LTIP compensation related to these adjustments. The impact of this adjustment is expected to increase net loss and reduce FFO by approximately \$0.01 per diluted share in the first nine months of 2005 and to reduce net income and FFO by approximately \$0.02 per diluted share in 2004, approximately \$0.06 per diluted share in 2003 and approximately \$0.06 per diluted share in 2002. The LTIP adjustment does not impact any years prior to 2002 and is not expected to have a material impact on future periods. In addition, the LTIP adjustment does not impact actual cash compensation paid to employees, which was correctly paid under the terms of the LTIP.

* * * *

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 control over financial reporting in its 2005 Form 10-K. [Emphasis added.]

50. Following this announcement, shares of Mills common stock fell further to close at \$41.05 per share, on extraordinarily heavy volume.

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

52. During the Class Period, defendants materially misled the investing public, thereby inflating the price of Mills' common stock, by publicly issuing false and misleading statements and omitting to disclose material facts necessary to make defendants' statements, as set forth herein, not false and misleading. Said statements and omissions were materially false and misleading in that they failed to disclose material adverse information and misrepresented the truth about the Company, its business and operations, as alleged herein.

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

ADDITIONAL SCIENTER ALLEGATIONS

54. As alleged herein, defendants acted with scienter in that defendants knew that the public documents and statements issued or disseminated in the name of the Company were materially false and misleading; knew that such statements or documents would be issued or disseminated to the investing public; and knowingly and substantially participated or acquiesced in the issuance or dissemination of such statements or documents as primary violations of the federal securities laws. As set forth elsewhere herein in detail, defendants, by virtue of their receipt of

information reflecting the true facts regarding Mills, their control over, and/or receipt and/or modification of Mills' allegedly materially misleading misstatements and/or their associations with the Company which made them privy to confidential proprietary information concerning Mills, participated in the fraudulent scheme alleged herein.

55. Defendants were further motivated to engage in this course of conduct in order to generate proceeds from the sale of their personally-held Mills common stock, whereby insiders reaped more than \$14.2 million in gross proceeds. The following table illustrates insider trades in Mills common stock:

Defendant	Date	Shares	Price	Proceeds
LAURENCE SIEGEL	3/2/2004	47,200	51.03	2,408,616
	3/3/2004	49,300	50.83	2,505,919
	9/6/2005	2,500	58.80	147,000
	9/6/2005	2,200	58.85	129,470
	9/6/2005	2,006	58.60	117,552
	9/6/2005	1,500	58.88	88,320
	9/6/2005	1,500	58.87	88,305
	9/6/2005	1,500	58.86	88,290
	9/6/2005	1,100	58.79	64,669
	9/6/2005	900	58.90	53,010
	9/6/2005	800	59.03	47,224
	9/6/2005	800	58.61	46,888
	9/6/2005	700	59.07	41,349
	9/6/2005	700	58.95	41,265
	9/6/2005	700	58.91	41,237
	9/6/2005	700	58.65	41,055
	9/6/2005	600	58.92	35,352
	9/6/2005	600	58.83	35,298
	9/6/2005	600	58.72	35,232
	9/6/2005	500	58.75	29,375
	9/6/2005	400	58.73	23,492
	9/6/2005	300	58.89	17,667
	9/6/2005	300	58.82	17,646
	9/6/2005	300	58.74	17,622
	9/6/2005	200	59.00	11,800
	9/6/2005	100	58.98	5,898
	9/6/2005	100	58.94	5,894
	9/6/2005	100	58.93	5,893
	9/6/2005	100	58.62	5,862
		118,306		6,197,200
KENNETH PARENT	10/6/2003	3,600	40.70	146,520
	10/6/2003	2,500	40.72	101,800

	10/6/2003	1,300	40.71	52,923
	10/6/2003	1,225	40.73	49,894
	10/6/2003	975	40.75	39,731
	10/6/2003	400	40.68	16,272
	12/31/2003	6,050	43.60	263,780
	12/31/2003	1,700	43.64	74,188
	12/31/2003	1,400	43.65	61,110
	12/31/2003	850	43.66	37,111
	3/1/2004	25,000	50.39	1,259,750
	3/4/2004	11,490	51.19	588,173
	3/5/2004	6,550	51.70	338,635
	3/5/2004	2,000	51.72	103,440
	3/5/2004	1,450	51.71	74,980
	9/20/2004	5,200	50.70	263,640
	9/20/2004	3,700	50.46	186,702
	9/20/2004	3,000	50.79	152,370
	9/20/2004	2,600	50.45	131,170
	9/20/2004	2,400	50.44	121,056
	9/20/2004	2,100	50.56	106,176
	9/20/2004	1,900	50.54	96,026
	9/20/2004	1,800	50.55	90,990
	9/20/2004	1,600	50.48	80,768
	9/20/2004	1,500	50.84	76,260
	9/20/2004	1,400	50.80	71,120
	9/20/2004	1,200	50.57	60,684
	9/20/2004	1,200	50.65	60,780
	9/20/2004	1,100	50.47	55,517
	9/20/2004	1,100	50.58	55,638
	9/20/2004	1,100	50.59	55,649
	9/20/2004	1,100	50.61	55,671
	9/20/2004	1,100	50.63	55,693
	9/20/2004	1,100	50.69	55,759
	9/20/2004	1,000	50.74	50,740
	9/20/2004	1,000	50.82	50,820
	9/20/2004	800	50.67	40,536
	9/20/2004	800	50.71	40,568
	9/20/2004	800	50.73	40,584
	9/20/2004	700	50.77	35,539
	9/20/2004	600	50.76	30,456
	9/20/2004	500	50.52	25,260
	9/20/2004	500	50.64	25,320
	9/20/2004	500	50.75	25,375
	9/20/2004	400	50.60	20,240
	9/20/2004	300	50.78	15,234
	9/20/2004	200	50.43	10,086
	9/20/2004	200	50.49	10,098
	9/20/2004	200	50.62	10,124
	9/20/2004	200	50.83	10,166
	9/20/2004	100	50.53	5,053
	4/12/2005	25,000	55.47	1,386,750
	6/17/2005	14,772	60.22	889,570
	6/17/2005	5,228	60.22	314,830

		156,490		8,077,325
GRAND TOTAL		274,796		14,274,524.70

LOSS CAUSATION/ECONOMIC LOSS

56. During the Class Period, as detailed herein, defendants engaged in a scheme to deceive the market and a course of conduct that artificially inflated the prices of Mills' securities and operated as a fraud or deceit on Class Period purchasers of Mills' securities by misrepresenting the state of the Company's internal controls and by improperly accounting for certain investments by its subsidiary, Mills Enterprises, Inc., among other things, which would lead to a restatement of the Company's financials from 2000 through 2004, and for the first three quarters of 2005. When defendants' prior misrepresentations and fraudulent conduct were disclosed and became apparent to the market, the prices of Mills' securities fell precipitously as the prior artificial inflation came out. As a result of their purchases of Mills' securities during the Class Period, plaintiff and the other Class members suffered economic loss, *i.e.*, damages under the federal securities laws.

57. By misrepresenting the state of the Company's internal controls and by improperly accounting for certain investments by its subsidiary, Mills Enterprises, Inc., among other things, defendants presented a misleading picture of Mills' business and prospects. Thus, instead of truthfully disclosing during the Class Period the true risks that Mills was exposed to, defendants caused Mills to conceal the truth.

58. Defendants' false and misleading statements had the intended effect and caused Mills' common stock to trade at artificially inflated levels throughout the Class Period, reaching as high as \$65.85 per share on August 2, 2005.

59. As a direct result of defendants' disclosures on October 31, 2005, November 9, 2005 and January 6, 2006, Mills' common stock price fell precipitously. These drops removed the

inflation from the price of Mills' securities, causing real economic loss to investors who had purchased the Company's securities during the Class Period.

60. The approximate 28% collective decline in the price of Mills' common stock after these disclosures came to light was a direct result of the nature and extent of defendants' fraud finally being revealed to investors and the market. The timing and magnitude of Mills' common stock price declines negate any inference that the loss suffered by plaintiff and the other Class members was caused by changed market conditions, macroeconomic or industry factors or Company-specific facts unrelated to the defendants' fraudulent conduct. The economic loss, i.e., damages, suffered by plaintiff and the other Class members was a direct result of defendants' fraudulent scheme to artificially inflate the prices of Mills' securities and the subsequent significant decline in the value of Mills' securities when defendants' prior misrepresentations and other fraudulent conduct were revealed.

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

61. 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 NYSE, a highly efficient and automated market;

(b) as a regulated issuer, Mills filed periodic public reports with the SEC and the NYSE;

(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 newswire 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. Each of these reports was publicly available and entered the public marketplace.

62. As a result of the foregoing, the markets for Mills' securities promptly digested current information regarding Mills from all publicly available sources and reflected such information in the prices of the securities. 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

63. 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 Mills who knew that those statements were false when made.

COUNT I

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

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

65. 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 regarding Mills' business, operations, management and the intrinsic value of Mills securities; (ii) enabled the Individual Defendants to sell over 274,000 shares of their personally held Mills stock and thereby reap over \$14.2 million in gross proceeds; and (iii) cause 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.

66. 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 either as primary participants in the wrongful and illegal conduct charged herein or as controlling persons as alleged below.

67. Defendants, individually and in concert, directly and indirectly, by the use, means or instrumentalities of interstate commerce and/or of the mails, engaged and participated in a continuous course of conduct to conceal adverse material information about the business, operations and future prospects of Mills as specified herein.

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

69. Each of the Individual Defendants' primary liability, and controlling person liability, arises from the following facts: (i) the Individual Defendants were high-level executives and/or directors at the Company during the Class Period and members of the Company's management team or had control thereof; (ii) each of these defendants, by virtue of his responsibilities and activities as a senior officer and/or director of the Company was privy to and participated in the creation, development and reporting of the Company's internal budgets, plans, projections and/or reports; (iii) each of these defendants enjoyed significant personal contact and familiarity with the other defendants and was advised of and had access to other members of the Company's management team, internal reports and other data and information about the Company's finances, operations, and sales at all relevant times; and (iv) each of these defendants was aware of the Company's dissemination of information to the investing public which they knew or recklessly disregarded was materially false and misleading.

70. 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' operating condition and future business prospects from the investing public and supporting the artificially inflated price of its securities. As demonstrated by defendants' overstatements and misstatements of the Company's business, operations and earnings throughout the Class Period, defendants, if they did not have actual knowledge of the misrepresentations and omissions alleged, were reckless in failing to obtain such knowledge by deliberately refraining from taking those steps necessary to discover whether those statements were false or misleading.

71. 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 prices of Mills' securities were 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 trade, and/or on the absence of material adverse information that was known to or recklessly disregarded by defendants but not disclosed in public statements by defendants during the Class Period, plaintiff and the other members of the Class acquired Mills securities during the Class Period at artificially high prices and were damaged thereby.

72. 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' financial results, which were not disclosed 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.

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

74. 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.

COUNT II

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

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

76. The Individual Defendants acted as controlling persons of Mills within the meaning of Section 20(a) of the Exchange Act as alleged herein. By virtue of their high-level positions, and their ownership and contractual rights, participation in and/or awareness of the Company's operations and/or intimate knowledge of the false financial statements filed by the Company with the SEC and disseminated to the investing public, the Individual Defendants had the power to influence and control and did influence and control, directly or indirectly, the decision-making of the Company, including the content and dissemination of the various statements which plaintiff contends are false and misleading. The Individual Defendants were provided with or had unlimited access to copies of the Company's reports, press releases, public filings and other statements alleged by plaintiff to be misleading prior to and/or shortly after these statements were issued and had the ability to prevent the issuance of the statements or cause the statements to be corrected.

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

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

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

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

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

C. Awarding plaintiff and the Class their reasonable costs and expenses incurred in this action, including counsel fees and expert fees; and

D. Such other and further relief as the Court may deem just and proper.

JURY TRIAL DEMANDED

Plaintiff hereby demands a trial by jury.

DATED: February 15, 2006

LERACH COUGHLIN STOIA GELLER
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