Plaintiff, Dione Castro, (“Plaintiff”), alleges the following based upon the investigation by Plaintiff’s counsel, which included, among other things, a review of the defendants’ public documents, conference calls and announcements made by defendants, United States Securities and Exchange Commission (“SEC”) filings, wire and press releases published by and regarding Par Pharmaceutical Companies, Inc. (“Par” or the “Company”) securities analysts’ reports and advisories about the Company, and information readily available on the Internet, 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 AND OVERVIEW**

1. This is a federal class action on behalf of purchasers of the publicly traded securities of Par between April 29, 2004 and July 5, 2006, inclusive (the “Class Period”), seeking to pursue remedies under the Securities Exchange Act of 1934 (the “Exchange Act”).

2. Par develops, manufactures and markets generic drugs and innovative branded pharmaceuticals for specialty markets.
3. The complaint alleges that, throughout the Class Period, defendants failed to disclose: (1) that the Company materially overstated its financial results by at least $55 million; (2) specifically, that the Company delayed recognition of customer credits and uncollectible customer deductions, which resulted in an understatement of accounts receivable revenues; (3) that the Company failed to take timely write downs of the Company’s inventory, which cause the Company to overstate the worth of its inventory by at least $15 million; (4) that the Company lacked adequate internal controls; (5) that the Company’s financial statements were presented in violation of Generally Accepted Accounting Principles (“GAAP”); and (6) that, as a result of the above, the Company’s financial statements were materially false and misleading at all relevant times.

4. On July 5, 2006, after the market closed, Par announced that the Company had discovered certain accounting errors and consequently would restate sales and income figures for fiscal years 2004, 2005, and the first quarter of 2006. Specifically, the Company stated:

Par Pharmaceutical Companies, Inc. today announced that an internal review of its trade accounts receivable balances revealed accounting errors that will result in the restatement of financial results for fiscal years 2004 and 2005 and the first quarter of 2006. This restatement will also delay the filing of Par's second quarter Form 10-Q with the U.S. Securities and Exchange Commission (SEC). The restatement is due to an understatement of accounts receivable reserves which resulted primarily from delays in recognizing customer credits and uncollectible customer deductions.

The company expects that the effect of the restatement adjustments to its accounts receivable will be to reduce revenues by an amount up to $55 million over the applicable periods, prior to any potential recoveries. Because Par has profit sharing arrangements with a number of its business partners, the overstatement of revenues has resulted in Par overpaying its business partners in some instances. Accordingly, the company will attempt to recover from those business partners a share of profits from products included in the overstated revenues. However, Par is unable to estimate at this time the amount of the overstated revenues that may be recovered.
While the reduction in revenues will materially reduce reported earnings from the affected periods, the impact on specific prior periods is yet to be determined. In addition, Par will write-off inventory in an amount up to $15 million. The company is in the process of determining whether any of this amount should be recorded in prior period financial statements. The write-off results from physical inventory procedures as well as a change in inventory valuation methodology for slow-moving inventory.

The company does not expect the restatement to have an impact on the ongoing strength of its sales and operations. Par currently has cash, cash equivalents and available for sale securities on hand totaling $183 million and there has been no increase in the company's borrowings during the second quarter. The company expects to remain in full compliance with all debt covenants throughout the restatement process.

On March 16, 2006, Par began strengthening its finance function with the appointment of Gerard A. Martino to the position of executive vice president and chief financial officer, and the hiring of other key finance staff. The accounting errors were discovered by the company following these appointments. Based on the company's investigation to date, nothing has come to our attention to indicate that the errors are other than inadvertent.

5. On this news, shares of Par plummeted $4.78, or 26.2 percent, to close, on July 6, 2006, at $13.47 per share, on heavy trading volume.

6. On July 24, 2006, the Company filed a current report with the SEC on Form 8-K. Therein, the defendants disclosed that the SEC had commenced an informal probe into the Company’s restatement.

JURISDICTION AND VENUE

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

8. 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.
9. Venue is proper in this Judicial District pursuant to Section 27 of the Exchange Act, 15 U.S.C. § 78aa and 28 U.S.C. § 1391(b). 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 Judicial District. Additionally, the Company maintains a principal executive office within this Judicial District.

10. 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 exchange.

PARTIES

11. Plaintiff, Dione Castro, as set forth in the accompanying certification, incorporated by reference herein, purchased Par securities at artificially inflated prices during the Class Period and has been damaged thereby.

12. Defendant Par is a Delaware corporation with its principal place of business located at 300 Tice Boulevard, Woodcliff Lake, New Jersey 07677.

13. Defendant Scott Tarriff (“Tarriff”) was, at all relevant times, the Company’s President and Chief Executive Officer.

14. Defendant Dennis J. O’Connor (“O’Connor”) was, at all relevant times until March 2006, the Company’s Vice President and Chief Financial Officer.

15. Defendant Gerard A. Martino (“Martino”) was, since March 2006, the Company’s Executive Vice President and Chief Financial Officer.

16. Defendants Tarriff, O’Connor, and Martino are collectively referred to hereinafter as the “Individual Defendants.” The Individual Defendants, because of their positions with the
Company, possessed the power and authority to control the contents of Par’s quarterly reports, press releases and presentations to securities analysts, money and portfolio managers and institutional investors, i.e., the market. Each defendant was 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. Because of their positions and access to material non public information available to them, each of these defendants knew that the adverse facts specified herein had not been disclosed to and were being concealed from the public and that the positive representations which were being made were then materially false and misleading. The Individual Defendants are liable for the false statements pleaded herein, as those statements were each “group-published” information, the result of the collective actions of the Individual Defendants.

**SUBSTANTIVE ALLEGATIONS**

**Background**

17. Par develops, manufactures and markets generic drugs and innovative branded pharmaceuticals for specialty markets.

**Materially False and Misleading Statements Issued During the Class Period**

18. The Class Period commences on April 29, 2004. At that time, Par announced financial results for the first quarter of 2004, ended April 4, 2004. The Company reported that total revenues grew 99 percent to $211.8 million, reported net income rose 35 percent to $30.2 million, and diluted earnings per share increased 27 percent to 85 cents per share.

19. Commenting on these results, defendant Tarriff stated:

   In 2004, we have taken steps to broaden, diversify and bring more visibility to our product portfolio. Through our acquisition of Kali,

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1 Par was formerly known as Pharmaceutical Resources, Inc. The Company changed its name to Par Pharmaceutical Companies, Inc. effective on or about May 27, 2004.
we will now file substantially more ANDAs and launch many more new products over the next few years than would have otherwise been possible. We will file our first NDA in the next few months and have already secured another potential NDA submission for 2005. We remain committed to making 2004 a very successful year and I can say with confidence that our Company has never been stronger.

20. On May 14, 2004, Par filed its quarterly report with the SEC on Form 10-Q. The Company’s Form 10-Q was signed by defendants Tarriff and O’Connor and reaffirmed the Company’s previously announced financial results. Additionally, and with respect to the presentation of its financial results, the Company stated: “[I]n the opinion of the Company's management, however, such statements include all adjustments (consisting only of normal recurring accruals) necessary to present fairly the information presented therein.”

21. Additionally, the Company’s Form 10-Q contained the following Sarbanes-Oxley required certifications signed by defendants Tarriff and O’Connor:

1. I have reviewed this quarterly report on Form 10-Q of Pharmaceutical Resources, Inc.;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and we have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed
under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report, based on such evaluation; and

c) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect the registrant's internal control over financial reporting;

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:

a) all significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting;

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SECTION 906 CERTIFICATION

(1) The Report fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

22. On July 28, 2004, Par announced financial results for the second quarter of 2004, ended July 4, 2004. The Company reported that total revenues grew 83 percent to $212.5 million, reported net income rose 29 percent to $29.9 million, and reported diluted earnings per
share increased 25 percent to 85 cents per share.

23. Commenting on these results, defendant Tarriff stated:

Par's second quarter benefited from the strong performance of our base business and new product introductions. Importantly, sales of megestrol acetate oral suspension stabilized in the quarter and we expect megestrol to continue to be a significant contributor to our future performance. As we look forward to building a new Megace® franchise in 2005, it is encouraging to see that new prescriptions for the category reached a two-year high in July. In addition to the recently submitted NDA for our advanced formulation of megestrol, Par has 38 regulatory filings currently awaiting FDA approval. This represents a record total for Par and includes 14 ANDAs and 1 NDA already submitted this year by Par, its partners, and Kali. With the acquisition of Kali complete, our company has simply never been stronger.

24. On August 13, 2004, Par filed its quarterly report with the SEC on Form 10-Q. The Company’s Form 10-Q was signed by defendants Tarriff and O’Connor and reaffirmed the Company’s previously announced financial results. Additionally, and with respect to the presentation of its financial results, the Company stated: “[I]n the opinion of the Company's management, however, such statements include all adjustments (consisting only of normal recurring accruals) necessary to present fairly the information presented therein.” Additionally, the Company’s Form 10-Q contained Sarbanes-Oxley required certifications signed by defendants Tarriff and O’Connor substantially similar to the certifications contained in ¶ 21, supra.


26. Commenting on these results, defendant Tarriff stated:

Par's comparative third-quarter results reflect the impact of last year's launch of paroxetine, and this year's significant increase in R&D. However, our base business growth was impressive and our
megestrol franchise remained stable. Our increased investment in R&D demonstrates our commitment to building a company that can sustain growth for years to come. Par expects to introduce as many as two dozen new products between now and the end of 2005. Among these, we are especially excited about our new Megace® product, which will potentially represent Par's first entrant into the branded pharmaceutical arena.

27. On November 12, 2004, Par filed its quarterly report with the SEC on Form 10-Q. The Company’s Form 10-Q was signed by defendants Tarriff and O’Connor and reaffirmed the Company’s previously announced financial results. Additionally, and with respect to the presentation of its financial results, the Company stated: “[I]n the opinion of the Company's management, however, such statements include all adjustments (consisting only of normal recurring accruals) necessary to present fairly the information presented therein.” Additionally, the Company’s Form 10-Q contained Sarbanes-Oxley required certifications signed by defendants Tarriff and O’Connor substantially similar to the certifications contained in ¶ 21, supra.

28. On February 24, 2005, Par announced financial results for the year ended December 31, 2004. The Company reported that total revenues increased 4 percent to a record $690.0 million for the year, reported net income was $29.2 million, and diluted earnings per share were 84 cents per share.

29. Commenting on these results, defendant Tarriff stated:

Although 2004 was a challenging year for Par, our company has never been stronger or better positioned for sustainable growth. In 2004, Par more than tripled the scale of its research and development (R&D) organization through the acquisition of Kali Laboratories. Between Par and its partners, we filed 32 Abbreviated New Drug Applications (ANDAs) and now have more than 50 products awaiting regulatory approval -- a record for our company. Importantly, Par also filed its first New Drug Application (NDA). We look forward to introducing the advanced formulation of Megace®, our first branded pharmaceutical product, as soon as June or July. In 2005, Par expects to introduce
20 or more new products. Assuming timely regulatory approvals, we are comfortable with the current consensus earnings estimate for 2005.

In 2004, Par felt the impact of additional entrants into key product categories and the corresponding effect on product pricing and market share. Certain expected new product introductions, like clonidine TDS, were delayed and the ribavirin launch proved disappointing. All of these factors, along with a doubling of our investment in R&D, contributed to financial results that did not meet our expectations for the year.

30. On March 16, 2005, Par filed its annual report with the SEC on Form 10-K. The Company’s Form 10-K was signed by defendants Tarriff and O’Connor and reaffirmed the Company’s previously announced financial results. Additionally, the Company’s Form 10-K contained the following Sarbanes-Oxley required certifications signed by defendants Tarriff and O’Connor:

1. I have reviewed this annual report on Form 10-K of Par Pharmaceutical Companies, Inc.;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating
to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report, based on such evaluation; and

d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's fourth fiscal quarter that has materially affected, or is reasonably likely to materially affect the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:

a) all significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

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SECTION 906 CERTIFICATION

(1) The Report fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.
31. On April 28, 2005, Par announced financial results for the first quarter of 2005, ended April 3, 2005. The Company reported that total revenues were $97.5 million, reported net income was $1.9 million, and diluted earnings per share were 6 cents per share.

32. Commenting on these results, defendant Tarriff stated:

Par's first-quarter performance reflects, in part, the considerable investment necessary to build a new branded specialty pharmaceutical business. The quarter was also impacted by regulatory delays, and continued erosion of older generic products in advance of our transition to new ones. Fortunately, that transition began last week with the introduction of our generic version of Ultracet®. We can now look forward to acceleration in earnings beginning in the second quarter.

33. On May 13, 2005, Par filed its quarterly report with the SEC on Form 10-Q. The Company’s Form 10-Q was signed by defendants Tarriff and O’Connor and reaffirmed the Company’s previously announced financial results. Additionally, and with respect to the presentation of its financial results, the Company stated: “[I]n the opinion of the Company's management, however, such statements include all adjustments (consisting only of normal recurring accruals) necessary to present fairly the information presented therein.” Additionally, the Company’s Form 10-Q contained Sarbanes-Oxley required certifications signed by defendants Tarriff and O’Connor substantially similar to the certifications contained in ¶ 21, supra.

34. On July 28, 2005, Par announced financial results for the second quarter of 2005, ended July 3, 2005. The Company reported total revenues of $117.0 million, and a net loss in the quarter of $.6 million, or a loss of 2 cents per diluted share.

35. Commenting on these results, defendant Tarriff stated:

In the second quarter, Par invested almost $15 million, and more than $26 million through the first six months, to build a new branded pharmaceutical business. And while the quarter’s results reflect this substantial investment, the improved performance of
our generic business should not be overlooked. Specifically, the April launch of our generic version of Ultracet® has exceeded most expectations. Following this month’s approval and introduction of Megace® ES, Par’s first branded pharmaceutical product, we believe that the dilutive impact of building our new branded business is now behind us.

36. On August 12, 2005, Par filed its quarterly report with the SEC on Form 10-Q. The Company’s Form 10-Q was signed by defendants Tarriff and O’Connor and reaffirmed the Company’s previously announced financial results. Additionally, and with respect to the presentation of its financial results, the Company stated: “[I]n the opinion of the Company’s management, however, such statements include all adjustments (consisting only of normal recurring accruals) necessary to present fairly the information presented therein.” Additionally, the Company’s Form 10-Q contained Sarbanes-Oxley required certifications signed by defendants Tarriff and O’Connor substantially similar to the certifications contained in ¶ 21, supra.

37. On October 27, 2005, Par announced financial results for the third quarter of 2005, ended October 2, 2005. The Company reported total revenues of $118.7 million, reported net income of $25.3 million, and diluted earnings per share of 74 cents per share.

38. Commenting on these results, defendant Tarriff stated:

The third quarter benefited from the introduction of Megace ES and an improving gross margin. Contributing to this improvement were new, internally-developed products such as Megace ES and Par’s generic version of Ultracet®. Par’s financial performance, year-to-date, reflects the considerable investment necessary to build a branded pharmaceutical business. However, with the successful launch of Megace ES now underway, Par has passed an important milestone. We believe that the Megace ES launch will ultimately be viewed as the transforming event that established Par as a successful specialty pharmaceutical company.

39. On November 15, 2005, Par filed its quarterly report with the SEC on Form 10-Q. The Company’s Form 10-Q was signed by defendants Tarriff and O’Connor and reaffirmed the
Company’s previously announced financial results. Additionally, and with respect to the presentation of its financial results, the Company stated: “[I]n the opinion of the Company’s management, however, such statements include all adjustments necessary to present fairly the information presented therein.” Additionally, the Company’s Form 10-Q contained Sarbanes-Oxley required certifications signed by defendants Tarriff and O’Connor substantially similar to the certifications contained in ¶ 21, supra.

40. On February 26, 2006, Par announced financial results for the year ended December 31, 2005. The Company reported total revenues of $433.2 million. For the year, Par reported a net loss of $8.3 million, or a loss of 24 cents per diluted share.

41. Commenting on these results, defendant Tarriff stated:

2005 was the year Par began, in earnest, its transition from a generic to a specialty pharmaceutical company. Our results for 2005 reflect the substantial increase in investment that was necessary to affect this transition. Our results also reflect strategic actions taken in preparation for a significantly improved financial performance in 2006. This year, we look forward to a rapid expansion in sales, while growth in spending moderates.

Based upon current planning assumptions, Par expects its initial branded pharmaceutical product, Megace ES, to achieve sales of approximately $70 million in 2006. If we achieve this threshold, we can look forward to a very strong performance for the product in 2007.

42. On March 15, 2006, Par filed its yearly report with the SEC on Form 10-K. The Company’s Form 10-K was signed by defendants Tarriff and O’Connor and reaffirmed the Company’s previously announced financial results. Additionally, the Company’s Form 10-K contained Sarbanes-Oxley required certifications signed by defendants Tarriff and O’Connor substantially similar to the certifications contained in ¶ 30, supra.

43. On May 1, 2006, Par announced financial results for the first quarter of 2006, ended April 2, 2006. The Company reported that total revenues grew 78 percent to $173.8
million, income from continuing operations rose 212 percent to $8.4 million and diluted earnings per share from continuing operations increased 200 percent to 24 cents per share.

44. Commenting on these results, defendant Tarriff stated:

Par’s first-quarter total revenues included new product sales of more than $100 million. Additions since last year’s first quarter include generic versions of Flonase®, Augmentin® and Ultracet®, and Par’s first branded pharmaceutical product, Megace® ES.

Par significantly improved its financial performance despite the continued investment necessary to build its branded pharmaceutical organization and its first brand. This investment diluted Par’s first-quarter earnings by almost $9 million, or $.16 a share. However, as sales of Megace ES grow and we add additional products, the dilution will diminish and the investment will be rewarded.

45. On May 12, 2006, Par filed its quarterly report with the SEC on Form 10-Q. The Company’s Form 10-Q was signed by defendants Tarriff and Martino and reaffirmed the Company’s previously announced financial results. Additionally, and with respect to the presentation of its financial results, the Company stated: “[I]n the opinion of the Company’s management, however, such statements include all adjustments necessary to present fairly the information presented therein.” Additionally, the Company’s Form 10-Q contained Sarbanes-Oxley required certifications signed by defendants Tarriff and Martino substantially similar to the certifications contained in ¶ 21, supra.

46. The statements contained in ¶¶ 18-45 were materially false and misleading when made because defendants failed to disclose or indicate the following: (1) that the Company materially overstated its financial results by at least $55 million; (2) specifically, that the Company delayed recognition of customer credits and uncollectible customer deductions, which resulted in an understatement of accounts receivable revenues; (3) that the Company failed to take timely write downs of the Company’s inventory, which cause the Company to overstate
the worth of its inventory by at least $15 million; (4) that the Company lacked adequate internal controls; (5) that the Company’s financial statements were presented in violation of GAAP; and (6) that, as a result of the above, the Company’s financial statements were materially false and misleading at all relevant times.

**The Truth Begins to Emerge**

47. On July 5, 2006, after the market closed, Par announced that the Company had discovered certain accounting errors and consequently would restate sales and income figures for fiscal years 2004, 2005, and the first quarter of 2006. Specifically, the Company stated:

Par Pharmaceutical Companies, Inc. today announced that an internal review of its trade accounts receivable balances revealed accounting errors that will result in the restatement of financial results for fiscal years 2004 and 2005 and the first quarter of 2006. This restatement will also delay the filing of Par's second quarter Form 10-Q with the U.S. Securities and Exchange Commission (SEC). The restatement is due to an understatement of accounts receivable reserves which resulted primarily from delays in recognizing customer credits and uncollectible customer deductions.

The company expects that the effect of the restatement adjustments to its accounts receivable will be to reduce revenues by an amount up to $55 million over the applicable periods, prior to any potential recoveries. Because Par has profit sharing arrangements with a number of its business partners, the overstatement of revenues has resulted in Par overpaying its business partners in some instances. Accordingly, the company will attempt to recover from those business partners a share of profits from products included in the overstated revenues. However, Par is unable to estimate at this time the amount of the overstated revenues that may be recovered. While the reduction in revenues will materially reduce reported earnings from the affected periods, the impact on specific prior periods is yet to be determined. In addition, Par will write-off inventory in an amount up to $15 million. The company is in the process of determining whether any of this amount should be recorded in prior period financial statements. The write-off results from physical inventory procedures as well as a change in inventory valuation methodology for slow-moving inventory.

The company does not expect the restatement to have an impact on
the ongoing strength of its sales and operations. Par currently has cash, cash equivalents and available for sale securities on hand totaling $183 million and there has been no increase in the company's borrowings during the second quarter. The company expects to remain in full compliance with all debt covenants throughout the restatement process.

On March 16, 2006, Par began strengthening its finance function with the appointment of Gerard A. Martino to the position of executive vice president and chief financial officer, and the hiring of other key finance staff. The accounting errors were discovered by the company following these appointments. Based on the company's investigation to date, nothing has come to our attention to indicate that the errors are other than inadvertent.

48. On this news, shares of Par plummeted $4.78, or 26.2 percent, to close, on July 6, 2006, at $13.47 per share, on heavy trading volume.

Post Class Period Disclosure

49. On July 24, 2006, the Company filed a current report with the SEC on Form 8-K. Therein, the defendants disclosed that the SEC had commenced an informal probe into the Company’s restatement.

PAR’S VIOLATION OF GAAP RULES IN ITS FINANCIAL STATEMENTS FILED WITH THE SEC

50. These financial statements and the statements about the Company’s financial results were false and misleading, as such financial information was not prepared in conformity with GAAP, nor was the financial information a fair presentation of the Company’s operations due to the Company’s improper accounting for and disclosure about its revenues, in violation of GAAP and SEC rules.

51. GAAP are those principles recognized by the accounting profession as the conventions, rules and procedures necessary to define accepted accounting practice at a particular time. Regulation S-X (17 C.F.R. § 210.4 01(a) (1)) states that financial statements filed
with the SEC which are not prepared in compliance with GAAP are presumed to be misleading and inaccurate. Regulation S-X requires that interim financial statements must also comply with GAAP, with the exception that interim financial statements need not include disclosure which would be duplicative of disclosures accompanying annual financial statements. 17 C.F.R. § 210.10-01(a).

52. Given these accounting irregularities, the Company announced financial results that were in violation of GAAP and the following principles:

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

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

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

(d) The principle that “financial reporting should provide information about an enterprise’s financial performance during a period” was violated (FASB Statement of Concepts No. 1, ¶42);

(e) The principle that “completeness, meaning that nothing is left out of the information that may be necessary to insure that it validly represents underlying events and conditions” was violated (FASB Statement of Concepts No. 2, ¶79);
(f) The principle that “financial reporting should be reliable in that it represents what it purports to represent” was violated (FASB Statement of Concepts No. 2, ¶¶ 58-59); and

(g) The principle that “conservatism be used as a prudent reaction to uncertainty to try to ensure that uncertainties and risks inherent in business situations are adequately considered” was violated. (FASB Statement of Concepts No. 2, ¶95).

53. The adverse information concealed by defendants during the Class Period and detailed above was in violation of Item 303 of Regulation S-K under the federal securities law (17 C.F.R. §229.303).

PLAINTIFF’S CLASS ACTION ALLEGATIONS

54. Plaintiff brings this action as a class action pursuant to Federal Rule of Civil Procedure 23(a) and (b)(3) on behalf of a Class, consisting of all those who purchased the securities of Par between April 29, 2004 and July 5, 2006, inclusive (the “Class Period”) and who were damaged thereby. Excluded from the Class are defendants, the officers and directors of the Company, at all relevant times, members of their immediate families and their legal representatives, heirs, successors or assigns and any entity in which defendants have or had a controlling interest.

55. The members of the Class are so numerous that joinder of all members is impracticable. Throughout the Class Period, Par’s securities were actively traded on the New York Stock Exchange (“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 Par 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.

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

57. 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.

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

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

   b. whether statements made by defendants to the investing public during the Class Period misrepresented material facts about the business, operations and management of Par; and

   c. to what extent the members of the Class have sustained damages and the proper measure of damages.

59. 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.
UNDISCLOSED ADVERSE FACTS

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

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

62. 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 Par’s business, prospects and operations. These material misstatements and omissions had the cause and effect of creating in the market an unrealistically positive assessment of Par 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.

**LOSS CAUSATION**

63. Defendants’ wrongful conduct, as alleged herein, directly and proximately caused the economic loss suffered by Plaintiff and the Class.

64. During the Class Period, Plaintiff and the Class purchased securities of Par at artificially inflated prices and were damaged thereby. The price of Par common stock declined when the misrepresentations made to the market, and/or the information alleged herein to have been concealed from the market, and/or the effects thereof, were revealed, causing investors’ losses.

**SCIENTER ALLEGATIONS**

65. 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 Par, their control over, and/or receipt and/or modification of Par’s allegedly materially misleading misstatements and/or their associations with the Company which made them privy to confidential proprietary information concerning Par, participated in the fraudulent scheme alleged herein.

**Applicability of Presumption of Reliance:**

**Fraud On The Market Doctrine**

66. At all relevant times, the market for Par securities was an efficient market for the following reasons, among others:
a. Par 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, Par filed periodic public reports with the SEC and the NYSE;

c. Par 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. Par 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.

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

**NO SAFE HARBOR**

68. 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 Par who knew that those statements were false when made.

**FIRST CLAIM**
**Violation of Section 10(b) of The Exchange Act and Rule 10b-5 Promulgated Thereunder Against All Defendants**

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

70. 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) cause Plaintiff and other members of the Class to purchase Par 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.

71. 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 Par 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.

72. 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 Par as specified herein.

73. 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 Par’s value and performance and continued substantial growth, which included the making of, or the participation in the making of, untrue statements of material facts and omitting to state material facts necessary in order to make the statements made about Par and its business operations and future prospects in 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 Par securities during the Class Period.

74. 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.

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

76. 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 Par securities was artificially inflated during the Class Period. In ignorance of the fact that market prices of Par’s publicly-traded securities were artificially inflated, and relying directly or indirectly on the false and misleading statements made by defendants, or upon the integrity of the market in which the securities trades, and/or in 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 Par securities during the Class Period at artificially high prices and were damaged thereby.

77. At the time of said misrepresentations and omissions, Plaintiff and other members of the Class were ignorant of their falsity, and believed them to be true. Had Plaintiff and the other members of the Class and the marketplace known the truth regarding the problems that Par was experiencing, which were not disclosed by defendants, Plaintiff and other members of the Class would not have purchased or otherwise acquired their Par 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.

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

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

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

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

81. The Individual Defendants acted as controlling persons of Par 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.

82. 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.

83. As set forth above, Par 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 under Rule 23 of the Federal Rules of Civil Procedure;

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.

Respectfully submitted,

Dated: ________________________

LITE DEPALMA GREENBERG & RIVAS LLC

By: ________________________

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