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UNITED STATES DISTRICT COURT
DISTRICT OF NEW JERSEY

MIDTOWN PARTNERS, INC., On) No.
Behalf of Itself and All Others Similarly)
Situated,) CLASS ACTION COMPLAINT FOR
Plaintiff,) VIOLATIONS OF FEDERAL
SECURITIES LAWS
vs.)
BARRIER THERAPEUTICS, INC.,)
GEERT CAUWENBERGH, ANNE M.)
VANLENT and CHARLES T.)
NOMIDES)
Defendants.)
_____)

NATURE OF THE ACTION

1. This is a federal class action on behalf of purchasers of the common stock of Barrier Therapeutics Inc. (“Barrier” or the “Company”) between April 29, 2004, and June 29, 2005, inclusive (the “Class Period”), seeking to pursue remedies under the Securities Act of 1933 (the “Securities Act”) and the Securities Exchange Act of 1934 (the “Exchange Act”).

JURISDICTION AND VENUE

2. Jurisdiction is conferred by §22 of the Securities Act, 15 U.S.C. §77v, and §27 of the Exchange Act, 15 U.S.C. §78aa and 28 U.S.C. §1331. The claims asserted herein arise under §§11, 12(a)(2) and 15 of the Securities Act, §§77k and 77o, and rules promulgated thereunder by the Securities and Exchange Commission (the “SEC”), and §§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. Venue is proper in this District pursuant to §22 of the Securities Act, §27 of the Exchange Act and 28 U.S.C. §1391(b), §1337 and §27 [15 U.S.C. §78aa]. Defendant Barrier maintains its principal place of business within this District, and/or the Individual Defendants, as defined herein, conduct business in and many of the acts giving rise to the violations complained of herein took place in this District.

4. 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

5. Plaintiff Midtown Partners, Inc., as set forth in the accompanying certification, incorporated by reference herein, purchased the common stock of Barrier at artificially inflated prices during the Class Period and has been damaged thereby.

6. Defendant Barrier is a Delaware corporation with its principal place of business at 600 College Road East, Princeton, NJ 08540. According to the Company's profile, Barrier is a biopharmaceutical company, engaged in the discovery, development, and commercialization of pharmaceutical products in the field of dermatology. Barrier was founded in 2001 by Geert Cauwenbergh ("Cauwenbergh"), the Company's Chief Executive Officer. While working at Johnson & Johnson, Cauwenbergh assembled a portfolio of dermatological product candidates and intellectual property and, in May 2002, acquired these assets through licenses from Johnson & Johnson, in exchange for an equity interest in the Company.

7. Defendant Cauwenbergh was during the relevant period, Chairman and Chief Executive Officer of the Company. During the Class Period, defendant Cauwenbergh signed the Company's SEC filings, including but not limited to Barrier's Form(s) 10-Q and Form 10-K and/or the materially false and misleading Registration Statements and Prospectuses issued in connection with the sale and offering of stock by the Company and others.

8. Defendant Anne M. VanLent (“VanLent”) was during the Class Period, Chief Financial Officer and Executive Vice President of the Company. During the Class Period, defendant VanLent signed the Company’s SEC filings, including but not limited to Barrier’s Form(s) 10-Q and Form 10-K and/or the materially false and misleading Registration Statements and Prospectuses issued in connection with the sale and offering of stock by the Company and others.

9. Defendant Charles T. Nomides (“Nomides”) was during the Class Period, Chief Operating Officer of the Company.

10. The defendants referenced above in ¶¶7 - 9 are referred to herein as the “Individual Defendants.”

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

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

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

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

publicly-traded common stock would be based upon truthful and accurate information. The Individual Defendants' misrepresentations and omissions during the Class Period violated these specific requirements and obligations.

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

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

Defendants is responsible for the accuracy of the public reports and releases detailed herein and is therefore primarily liable for the representations contained therein.

16. Each of the defendants is liable as a participant in a fraudulent scheme and course of business that operated as a fraud or deceit on purchasers of Barrier common stock by disseminating materially false and misleading statements and/or concealing material adverse facts. The scheme: (i) deceived the investing public regarding Barrier's business, operations, management and the intrinsic value of Barrier common stock; (ii) enabled defendants to register for sale and sell over 10 million shares of Company stock in connection with the Company's Initial Public Offering and follow-on Secondary Offering; and (iii) caused plaintiff and other members of the Class to purchase Barrier common stock at artificially inflated prices.

PLAINTIFF'S CLASS ACTION ALLEGATIONS

17. 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 common stock of Barrier between April 29, 2004, and June 29, 2005, inclusive (the "Class") 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.

18. The members of the Class are so numerous that joinder of all members is impracticable. Throughout the Class Period, Barrier common shares were actively

traded on the Nasdaq. As of May 10, 2005, the Company had over 23.96 million shares of common stock issued and outstanding. 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 Barrier 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.

19. 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.

20. 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.

21. 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 Barrier; and

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

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

SUBSTANTIVE ALLEGATIONS

Background and Overview

23. Barrier describes itself as a biopharmaceutical company, engaged in the discovery, development, and commercialization of pharmaceutical products in the field of dermatology. Barrier was founded in 2001 by Defendant Cauwenbergh, the Company's Chief Executive Officer. While working at Johnson & Johnson, Cauwenbergh assembled a portfolio of dermatological product candidates and intellectual property and, in May 2002, acquired these assets through licenses from Johnson & Johnson, in exchange for an equity interest in the Company.

24. Prior to the Class Period, Barrier had survived primarily by raising cash through private equity offerings to early stage venture capital investors. By February 2004, however, defendants prepared to raise more money by conducting an Initial Public Offering (“IPO”). The IPO was conducted in late April 2004 and allowed Barrier to raise gross proceeds of over \$86 million. Soon thereafter, in February 2005, defendants also conducted a follow-on Secondary Offering for gross proceeds of an additional approximate \$80 million.

25. By the time Barrier prepared to go public, defendants reported that the Company had eight products under development, four of which were then in late stages of the U.S. Food and Drug Administration (“FDA”) approval process. Of the four products that were purported to be well along in Phase III clinical trials at the time of the IPO, Hyphanox and Zimycan were each purported to represent a “significant market opportunity” for Barrier. The Company’s Hyphanox, an oral formulation of itraconazole, an antifungal agent developed for the treatment of various fungal infections, was purported to treat fungal infections as well as, if not better than fluconazole, the active ingredient in the most widely prescribed oral treatment for this disease, Diflucan. Zimycan, an antifungal agent in a zinc oxide and petrolatum base used for the treatment of diaper rash, was also represented by defendants as providing a significant near-term growth opportunity for the Company.

26. According to defendants, Zimycan filled an important need in the market. According to defendants, infant’s diaper rash accounted for approximately one million

pediatric out-patient visits each year and, in the United States, there currently is no prescription drug approved to treat Candida - associated diaper dermatitis. Defendants also stated that Zimykan had favorable attributes, including that it did not contain steroids, which are inadvisable for infants.

27. By the time that the Company was preparing to conduct its IPO, the Phase III clinical trials for the use of Zimykan in the treatment of infants with proven Candida - associated diaper dermatitis were purported to have been underway since the first quarter of 2003. In addition to the significant length of time that had passed during these trials, investors also paid particular attention to defendant's statements about the Zimykan Phase III trials. This was true because, previously, the Company had received a Not Approvable Letter from the FDA in connection with Barrier's 1998 New Drug Application ("NDA") for marketing approval of Zimykan for the broad indication of diaper dermatitis, without the complications of Candida.

28. Accordingly, at the time of the IPO, defendants represented that Zimykan was safe and effective and provided benefits over currently available alternatives for the treatment of Candida – associated diaper dermatitis. Defendants stated that many of the over-the-counter treatments available contained zinc oxide and petrolatum, which form the base of Zimykan, *but none contained an antifungal agent. Thus, competing diaper rash creams are palliative treatments, and serve only to soothe symptoms but do not effect a cure. Typically, because rashes persist if not treated with an antifungal agent, Zimykan was presented as a very positive improvement.*

29. At the time of the Offering, defendants also highlighted the vast market opportunity that purported to exist for Hyphanox. Accordingly, in addition to addressing the shortcomings of competing alternatives such as Sporanox, for the treatment of vaginal candidiasis, defendants also represented that *Hyphanox may be a “more effective treatment for vaginal candidiasis, than fluconazole.”* For investors, these representations were critical because, during 2002, Diflucan/fluconazole sales to treat vaginal candidiasis were approximately \$250 million worldwide and \$156 million in the United States, and Sporanox sales were \$26 million worldwide.

30. In fact, so important was Hyphanox to the future of the Company that, immediately prior to the Barrier IPO and after defendants had already filed the first Registration Statement in connection with the IPO, on February 7, 2004, defendants announced that the Company had begun Phase III Trials for Hyphanox. According to defendants, the end point of this trial was to demonstrate that Hyphanox worked as well as, if not better than, Fluconazole and *Diflucan*.

31. In addition to the foregoing, defendants’ representations that Zimyca and Hyphanox were sufficiently well investigated and tested so as to proceed to advanced Phase III clinical trials were also very important to investors. Phase III trials are large and very highly detailed trials, and they are only supposed to occur following a thorough investigation of the drugs and also following previous testing. The general order for testing new drugs that are submitted for FDA approval include, in part, the following:

Pilot Studies. Pilot studies generally are conducted in a limited patient population, approximately three to 25 subjects, to determine whether the product candidate warrants further clinical trials based on preliminary indications of efficacy. These pilot studies may be performed in the United States after an Investigational New Drug Application (“IND”) has become effective or outside of the United States prior to the filing of an IND in the United States in accordance with government regulations and institutional procedures.

Clinical Trials. Clinical trials involve the administration of the investigational product candidate to human subjects under the supervision of qualified investigators. Clinical trials are conducted under protocols detailing, among other things, the objectives of the study, the parameters to be used in assessing the safety and the effectiveness of the drug. Each protocol must be submitted to the FDA as part of the IND prior to beginning the trial.

32. Typically, clinical evaluation involves a time-consuming and costly three-phase sequential process. Each trial must be reviewed, approved and conducted under the auspices of an independent Institutional Review Board, and each trial must include the patient’s informed consent. The Phase I, Phase II and Phase III trials required, in part, the following:

Phase I. Refers typically to closely monitored clinical trials and includes *the initial introduction of an investigational new drug into human patients or health volunteer subjects. Phase I clinical trials are designed to determine the safety, metabolism and pharmacologic actions of a drug in humans, the potential side effects of the product candidate’s associated with increasing drug doses and, if possible, to gain early evidence of the product candidate’s effectiveness.* Phase I trials also include the study of structure-activity relationships and mechanism of action in humans, as well as studies in which investigational drugs are used as research tools to explore biological phenomena or disease processes. *During Phase I clinical trials, sufficient information about a drug’s pharmacokinetics and pharmacological effects should be obtained to permit the design of well-controlled, scientifically valid Phase II studies.* The total number

of subjects and patients included in Phase I clinical trials varies, but is generally in the range of 20 to 80 people.

Phase II. Refers to *controlled clinical trials conducted to evaluate appropriate dosage and the effectiveness of a drug for a particular indication or indications in patients with a disease or condition under study and to determine the common short-term side effects and risks associated with the drug.* These clinical trials are typically well controlled, closely monitored and conducted in a relatively small number of patients, usually involving no more than several hundred subjects.

Phase III. Refers to *expanded controlled and uncontrolled clinical trials. These clinical trials are performed after preliminary evidence suggesting effectiveness of a drug has been obtained. Phase III clinicals are intended to gather additional information about the effectiveness and safety* that is needed to evaluate the overall benefit-risk relationship of the drug and to provide an adequate basis for physician labeling. Phase III trials usually include from several hundred to several thousand subjects.

33. In sum, at the time that defendants were preparing for the April 2004 IPO, and thereafter throughout the Class Period, defendants had represented to investors, in part, the following:

- That the Company's Hyphanox, an oral formulation of itraconazole and an antifungal agent developed for the treatment of various fungal infections, was purported to treat fungal infections as well as, if not better than, fluconazole, the active ingredient in the most widely prescribed oral treatment for this disease, Diflucan.
- That following the Not Approvable Letter from the FDA related to Barrier's 1998 NDA for Zimykan, defendants had verified that this drug was effective for treating diaper dermatitis with the complications of Candida, and that the Company's FDA filings were designed to verify this fact.
- That Zimykan was already demonstrated to be safer and more effective than currently available alternatives, and that Hyphanox was also more effective than competing alternatives such as Sporanox and even Diflucan/fluconazole.

- That in connection with the filings of the Company's INDs for Hyphanox and Zimyca, defendants had filed applications with the FDA which fully complied with all FDA rules and regulations, and which did not omit to disclose adverse information regarding the safety or efficacy of these drugs.
- That the guidance sponsored and/or endorsed by defendants was reasonable and based on true and accurate statements about the operational condition and foreseeable financial strength and profitability of the Company.

Defendants' Materially False and Misleading Statements Made During the Class Period

34. On or about April 28, 2004, defendants filed with the SEC, pursuant to Form S-1A, the final amendment to the Company's Registration Statement and joint Proxy-Prospectus (the "IPO Prospectus") prior to Barrier's initial public offering of 5 million shares of common stock priced at \$15.00 per share. In addition to providing general information about the Company's business and operations, the IPO Prospectus also made specific representations about the products that were most important to the Company, including Zimyca and Hyphanox, in part, as follows:

Overview

We are a biopharmaceutical company focused on the discovery, development and commercialization of pharmaceutical products in the field of dermatology. ***Our goal is to develop a portfolio of innovative products that address major medical needs in the treatment of dermatological diseases and disorders.*** Our product pipeline includes eight product candidates in various stages of clinical development. ***Our four most advanced product candidates are the following:***

- Sebazole -- a gel for the treatment of seborrheic dermatitis, a disease characterized by inflammation and scaling of the skin.

- **Zimycan** -- an ointment for the treatment of infants with Candida - associated diaper dermatitis, an inflammatory disease characterized by diaper rash complicated with an infection by a fungus called Candida.
- **Hyphanox** -- an oral therapeutic for the treatment of fungal infections, including vaginal candidiasis, commonly known as vaginal yeast infection, tinea pedis, commonly known as athlete's foot, and onychomycosis, commonly known as nail fungus.
- Liarozole -- an oral therapeutic for the treatment of congenital ichthyosis, a rare genetic disease characterized by dryness and scaling of the skin.

* * *

Our four most advanced product candidates are Sebazole, Zimycan, Hyphanox and Liarozole. [Emphasis added.]

35. In addition to the foregoing, the IPO Prospectus also purported to represent that Hyphanox had *already* been demonstrated to provide advantages over other competing alternatives, such as fluconazole. In this regard, the IPO Prospectus stated that Hyphanox, which contained itraconazole, were more effective than fluconazole, as follows:

In in vitro studies, itraconazole was shown to be more potent than fluconazole, the active ingredient in Diflucan, against the three most prevalent strains of yeast present in vaginal candidiasis. Furthermore, preclinical data indicate that the proportion of itraconazole in affected tissue, as compared to itraconazole in the blood, after the 24-hour post-treatment period is greater than such proportion for fluconazole. *These studies suggest that itraconazole may be a more effective treatment for vaginal candidiasis than fluconazole.* However, Diflucan has become the leading oral product for the treatment of this condition, we believe in large part because of its more convenient dosing regimen than Sporanox. *We believe that the reformulation of itraconazole into Hyphanox may address this shortcoming of Sporanox in the treatment of vaginal candidiasis.*

* * *

In the fourth quarter of 2003, we conducted a bioequivalence study of Hyphanox relative to Sporanox on 52 subjects. Bioequivalence between different formulations of a drug exists when the bioavailability of one formulation relative to the other formulation is within a specified regulatory range. Bioavailability is a measure of the degree to which a drug becomes available to the bloodstream after administration. Based on preliminary data from our study, we believe that the bioavailability of Hyphanox relative to Sporanox is slightly above the upper limit of the regulatory range to establish bioequivalence. Accordingly, we do not believe that our study demonstrated bioequivalence between Hyphanox and Sporanox. The preliminary data also indicate that the variation of the amount of drug in the bloodstream among individual patients was lower with Hyphanox as compared to Sporanox . [Emphasis added.]

36. The IPO Prospectus also purported to represent that Zimycan had been demonstrated to provide advantages over other competing alternatives, in part, as follows:

Prior to the NDA filing, three Phase III clinical trials for the use of Zimycan in the treatment of diaper dermatitis were conducted. As discussed in greater detail below, the results of these trials were positive. However, no assessment of the efficacy or safety of a product candidate can be considered definitive until all clinical trials needed to support a submission for marketing approval are complete. Success in earlier clinical trials does not mean that subsequent trials will confirm the earlier findings. These trials were not limited to Candida -associated diaper dermatitis. Infants in the trials were treated either with Zimycan or with a placebo consisting solely of the zinc oxide and petrolatum base. These trials were conducted in the United States and Australia and enrolled an aggregate of more than 500 subjects. These trials measured the performance of Zimycan based upon a number of parameters, including reduction in the total number of rash sites, reduction in rash score as measured by the decrease in the severity of the rash and percentage improvement from the baseline condition. In each of three trials, Zimycan demonstrated statistically significant results in each of these three measures of performance in comparison with the placebo, except that in one of the trials, the reduction in rash sites approached

statistical significance with a p-value of 0.054. In addition, Zimykan was well tolerated, with no serious drug-related adverse events reported. The results of the reduction of rash scores from these trials are summarized in the table below:

Percentage Reduction in
Diaper Dermatitis Rash Scores
(After Seven Days of Treatment)

| | Trial 1 | Trial 2 | Trial 3 |
|---------|---------|---------|---------|
| Zimykan | 75% | 75% | 85% |
| Placebo | 56% | 40% | 47% |
| p-value | 0.024 | <0.001 | <0.001 |

A subanalysis was conducted on data from 84 infants from these trials who had been diagnosed with Candida -associated diaper dermatitis. The effect of Zimykan was compared to the placebo by measuring the respective mycological cure rates. Mycological cure is defined as the elimination of fungus, as confirmed by a culture. In this analysis, Zimykan exhibited a statistically significant clinical benefit, as illustrated by the following table:

Candida –associated Diaper Dermatitis
Mycological Cure Rates

| | |
|---------|--------|
| Zimykan | 90% |
| Placebo | 19% |
| p-value | <0.001 |

37. The following day, April 29, 2004, Barrier published a release which announced that the Company had priced the initial public offering of 5,000,000 shares of common stock at \$15.00 per share. All of the shares were sold by Barrier and, in connection with this offering, Barrier also granted to the underwriters a 30-day option to purchase up to an additional 750,000 shares of common stock to cover over-allotments. Assuming the Offering was fully over-subscribed, the gross proceeds from the IPO exceeded \$86 million.

38. The statements released in ¶¶36-37 were materially false and misleading because they failed to disclose and misrepresented the fully adverse facts:

(a) that the Company had failed to perform its clinical trials in conformity with FDA guidelines as they had failed to disclose that they had secretly substituted the petroleum base within Zimycan, the effect of which was to substantially lessen the likelihood that the drug could achieve FDA approval;

(b) that Hyphanox did not have a better safety or efficacy profile than fluconazole/Diflucan and, in fact, as investors ultimately learned, Hyphanox was significantly less effective than fluconazole/Diflucan; and

(c) as a result of the foregoing, defendants lacked any reasonable basis for their positive statements about Barrier.

39. Within days of the IPO, on May 13, 2004, Barrier published a release announcing its financial results for the first quarter ended March 31, 2004. This

release represented the financial strength and stability of the Company, in part, as follows:

Total revenues for the first quarter of 2004 were \$181,000, representing income from the Company's research grant from a Belgian government agency which commenced in the third quarter of 2003. The Company had no revenues in the first quarter of 2003.

Net loss for the first quarter of 2004 was \$7.5 million, as compared to a net loss of \$4.1 million for the first quarter of 2003. The net loss attributable to common stockholders, which includes the charge for accretion of preferred stock redemption value, was \$10.9 million, or \$22.62 loss per share, for the first quarter of 2004, as compared to \$5.5 million, or \$24.60 loss per share, for the first quarter of 2003.

Research and development expenses for the first quarter of 2004 were \$5.5 million, as compared to \$3.6 million for the first quarter of 2003. Internal costs related to research and development, primarily personnel and related costs, were \$1.8 million in the quarter, as compared to \$787,000 in the corresponding period in 2003. Aggregate spending related to the Company's four Phase III product candidates: Zimyca(TM), Sebazole(TM), Hyphanox(TM) and Liarozole remained relatively constant for the two periods. Initial development expenses of \$601,000 were incurred for its earlier stage clinical product candidates which include Rambazole(TM), Azoline, Hivenyl(TM) and Atopik, as well as two products in reformulation.

* * *

At March 31, 2004, the Company had \$46.6 million of cash, cash equivalents and marketable securities, as compared to \$53.8 million as of December 31, 2003. On May 4, 2004, the Company completed its initial public offering of 5,000,000 shares of the Company's common stock, resulting in proceeds of approximately \$68.0 million, net of underwriting fees and related expenses. [Emphasis added.]

40. On May 24, 2004, defendant VanLent presented at the UBS 2004 Global Specialty Pharmaceuticals Conference in New York City. At that conference, defendant VanLent reiterated many of the same, or substantially similar, materially

false and misleading statements that had been published previously in the Company's prior press releases and SEC filings.

41. Similarly, on June 3, 2004, defendant Cauwenbergh also presented at the Pacific Growth Life Sciences Growth Conference in San Francisco on June 10, 2004.

42. Thereafter, on July 29, 2004, defendant Cauwenbergh provided an "update" on the Company at the Banc of America Securities Conference in Southampton, New York.

43. On August 10, 2004, Barrier published a release announcing results for the second quarter ended June 30, 2004. This release reported the following financial metrics:

- Research and development expenses for the three months ended June 30, 2004 totaled \$6.6 million, as compared to \$3.9 million for the same period in 2003.
- At June 30, 2004, the Company had \$106.6 million in cash, cash equivalents and marketable securities, as compared to \$53.8 million as of December 31, 2003.
- Total revenues for the second quarter of 2004 were \$179,000, derived from grants that commenced in the third quarter of 2003. The Company had no revenues in the three months ended June 30, 2003.
- Net loss for the second quarter of 2004 was \$8.8 million, as compared to a net loss of \$4.6 million for the second quarter of 2003. The net loss attributable to common stockholders, which includes preferred stock accretion of \$1.2 million, was \$9.9 million, or \$.66 loss per share, for the second quarter of 2004. . . .

In addition, this release also quoted defendant Cauwenbergh, as follows:

"We're extremely pleased with the progress we are making with Barriers four Phase III clinical programs -- Zimycan, Sebazole,

Hyphanox, and **Liarozole**. In addition, the proceeds from our initial public offering provide us with the capital necessary to advance ***Barrier's promising pipeline***, while building the marketing and commercialization infrastructure required to bring these therapeutically important dermatological products to market," stated [defendant] Cauwenbergh. [Emphasis added.]

44. On November 4, 2004, Barrier published a release announcing results for the third quarter ended September 30, 2004. This release reported the following financial metrics:

- Research and development expenses for the three months ended September 30, 2004 totaled \$8.0 million, as compared to \$4.0 million for the same period in 2003.
- At September 30, 2004, the Company had \$100.6 million in cash, cash equivalents and marketable securities, as compared to \$53.8 million as of December 31, 2003.
- Total revenues for the third quarter of 2004 were \$223,000 derived from a grant that commenced in the third quarter of 2003 and from revenue related to a commercial contract.
- Net loss for the third quarter of 2004 was \$10.2 million, as compared to a net loss of \$4.6 million for the third quarter of 2003. The net loss attributable to common stockholders was \$10.2 million, or \$0.47 loss per share. . . .

In addition to the foregoing, this release also quoted defendant Cauwenbergh, as follows:

“Barrier has defined a clear vision and strategy for developing new pharmaceuticals to address the therapeutic needs of dermatology patients,” stated [defendant] Cauwenbergh. “As we advance our portfolio of clinical-stage drug candidates, our objective is to develop a single, global brand strategy for Barrier and its products that will be executed locally through strategic alliances. In support of our anticipated commercial launch of Zimyca next year, we have established alliances with HEALTHPOINT, Ltd. for distribution to healthcare institutions in the United States and Canada and with Grupo Ferrer Internacional, S.A.

for the commercialization of Zimycan and three additional product candidates in most of Western Europe, Latin America and in select countries in Africa. *We anticipate initial sales of Zimycan in Europe in the first quarter of 2005,*” added [defendant] Cauwenbergh. [Emphasis added.]

45. On January 24, 2005, with shares of the Company trading over \$20.00, defendants announced that defendants had filed a registration statement with the SEC in connection with the proposed offering of an additional 4 million shares of common stock, plus an additional 600,000 shares of stock to cover over-subscription allotments. The Company commenced marketing efforts to effectuate this Secondary Offering on or about February 1, 2005. Also in connection with this Secondary Offering, later, on February 10, 2005, defendants filed a Registration Statement and joint Proxy-Prospectus with the SEC (the “Secondary Prospectus”).

46. The Secondary Prospectus contained many of the same materially false and misleading statements about the Company, and about its development of Zimycan and Hyphanox, as had been published previously in press releases and SEC filings, and as reproduced in part, herein, *supra*. According to the Secondary Prospectus, 4 million shares of Barrier stock were offered to the public at a price of \$19.50 per share.

47. In addition to the foregoing, the Secondary Prospectus also purported to represent that Hyphanox had *already* been demonstrated to provide advantages over other competing alternatives, such as fluconazole. In this regard, the Secondary

Offering Prospectus stated that Hyphanox, which contained itraconazole, was more effective than fluconazole, as follows:

In in vitro studies, itraconazole was shown to be more potent than fluconazole, the active ingredient in Diflucan, against the three most prevalent strains of yeast present in vaginal candidiasis. Furthermore, preclinical data indicate that the proportion of itraconazole in affected tissue, as compared to itraconazole in the blood, after the 24-hour post-treatment period is greater than such proportion for fluconazole. ***These studies suggest that itraconazole may be a more effective treatment for vaginal candidiasis than fluconazole.*** However, Diflucan has become the leading oral product for the treatment of this condition, we believe in large part because of its more convenient dosing regimen than Sporanox. ***We believe that the reformulation of itraconazole into Hyphanox may address this shortcoming of Sporanox in the treatment of vaginal candidiasis.***

* * *

In the fourth quarter of 2003, we conducted a bioequivalence study of Hyphanox relative to Sporanox on 52 subjects. ***Bioequivalence between different formulations of a drug exists when the bioavailability of one formulation relative to the other formulation is within a specified regulatory range.*** Bioavailability is a measure of the degree to which a drug becomes available to the bloodstream after administration. ***Based on data from this study, the bioavailability of Hyphanox relative to Sporanox is slightly above the upper limit of the regulatory range to establish bioequivalence.*** [Emphasis added.]

48. The statements made by defendants and contained in the Company's Secondary Offering Registration Statement and in ¶¶43-44 were each materially false and misleading when made, for the reasons stated herein in ¶38, *supra*.

49. On February 28, 2005, Barrier published a release announcing results for the fourth quarter and year end December 31, 2004. This release reported the following financial metrics:

- Total revenues for the year ended December 31, 2004 were \$897,000, which represents an increase of \$530,000, as compared to revenues of \$367,000 in 2003.
- Research and development expenses for the year ended 2004 totaled \$30.9 million, as compared to \$17.5 million for fiscal year 2003. . . . Research and development expenses for the fourth quarter of 2004 totaled \$10.8 million, as compared to \$6.0 million for the same period in 2003.
- At December 31, 2004, the Company had over \$89.1 million in cash, cash equivalents and marketable securities, as compared to \$53.8 million as of December 31, 2003.
- Net loss for the year ended 2004 was \$39.7 million, as compared to a net loss of \$20.2 million for the year ended 2003. The net loss attributable to common stockholders was \$44.3 million, or \$3.02 loss per share, for the year ended 2004, which includes preferred stock accretion of \$4.6 million in 2004. . . .
- The net loss for the fourth quarter of 2004 was \$13.3 million, as compared to a net loss of \$6.9 million for the fourth quarter of 2003. The net loss attributable to common stockholders was \$13.3 million, or \$0.62 loss per share. . . .

This release also quoted defendants Cauwenbergh, as follows:

“Barrier had a successful year in 2004 as marked by clinical-stage product advancements, the continued building of a commercial infrastructure, and the completion of our initial public offering. These advancements confirm our team’s commitment to building a new pharmaceutical company with innovative products to address the therapeutic needs of dermatology patients,” stated [defendant] Cauwenbergh.

“2005 will mark our transition into a commercial entity as our first year with product revenues in addition to our historical grant and contract revenues. By acquiring Solage(R) (mequinol 2%, tretinoin 0.01%) Topical Solution, a patented, prescription product, which we now market in the United States and Canada, we have a strong start to 2005. ***We also anticipate launching Zimycan(TM) during the second half of 2005*** in the United States. Finally, in addition to these events with short

term commercial impact, *the progress we are making in our other short and medium term internal development programs continues to support our overall strategic goal of building Barrier into a premiere prescription dermatology company,*” added [defendant] Cauwenbergh. [Emphasis added.]

50. On or about March 29, 2005, defendants filed with the SEC the Company’s Form 10-K for the year ended December 31, 2004, signed by defendants Cauwenbergh and VanLent, among others. In addition to making substantially similar statements concerning the Company’s operations as had been made in the Company’s February 28, 2005 release, the Company’s 2004 Form 10-K also contained statements concerning the Company’s controls and procedures, and statements concerning the progression of the Company’s pipeline, as had also been previously reported in Barrier’s prior SEC filings and corporate releases.

51. On May 3, 2005, Barrier published a release announcing its results for the first quarter ended March 31, 2005. This release reported the following financial metrics:

- Total revenue for the quarter was \$653,000 as compared to \$181,000 for the same period in 2004.
- Research and development expenses for the three months ended March 31, 2005, totaled \$9.5 million, as compared to \$5.5 million for the same period in 2004.
- Net loss for the first quarter of 2005 was \$12.2 million, as compared to a net loss of \$7.5 million for the first quarter of 2004. The net loss attributable to common stockholders was \$12.2 million, or \$0.53 loss per share, for the first quarter of 2005.

This release also quoted defendants Cauwenbergh, as follows:

“The first months of 2005 have seen an acceleration in the commercial activities at Barrier Therapeutics,” commented [defendant] Cauwenbergh. “The acquisition of U.S. and Canadian rights to Solagé® (mequinol 2%, tretinoin 0.01%) Topical Solution with the associated revenue from that product, as well as *the upcoming FDA decision on the Zimyca(TM) NDA which we are expecting in late May or early June, have caused us to begin the implementation of our commercialization strategy.* As you saw in our press release yesterday, the Company is gearing up to start visiting the U.S. target physician population for Solagé® with an initial sales force of up to 30 representatives. In addition to this rapid expansion of our commercial infrastructure, our R&D group has continued to advance the various clinical stage products in our pipeline along the timelines previously announced.” [Emphasis added.]

52. The statements made by defendants in ¶¶49-51 were each materially false and misleading when made, for the reasons stated herein in ¶38, *supra*.

53. On May 25, 2005, the Company surprised investors by announcing that Barrier had received a “Not Approvable” Letter from the FDA for Zimyca. According to the Company’s release, this letter was prompted by the FDA’s conclusion that defendants had failed to demonstrate important safety criteria from Zimyca. This release stated, in part, the following:

Barrier Therapeutics Receives Not Approvable Letter From the FDA for Zimyca

Barrier Therapeutics, Inc. (NASDAQ: BTRX), a pharmaceutical company developing and commercializing products in the field of dermatology, *today announced that the U.S. Food & Drug Administration (FDA or Agency) has issued a not approvable letter dated May 24, 2005 for its NDA for Zimyca(TM) (0.25% miconazole nitrate, 15% zinc oxide, and 81.35% white petrolatum ointment) for the treatment of diaper dermatitis complicated by candidiasis. The FDA action is based on a single deficiency. The Agency said there is insufficient information to characterize the systemic exposure to*

miconazole in infants. Characterization of systemic exposure to miconazole is a component of the safety evaluation of the product.

The Agency indicated that the percutaneous absorption study that was in the application was not sufficient since the product tested used a different grade of petrolatum than that used in the pivotal clinical studies. Both grades meet the same USP specifications for petrolatum. The percutaneous absorption study in the application concluded that there was minimal systemic absorption of miconazole. [Emphasis added.]

54. While defendant Cauwenbergh was quoted in the Company's release as being *“disappointed and surprised” by the FDA's decision, defendants also used this release to condition investors to believe that this FDA Letter would not materially impact the Company going forward*, and that defendants were still “dedicated to bringing this product to the market.” In part, because defendants continued to purport to maintain adequate internal controls and procedures, investors were mollified when defendant Cauwenbergh also stated that, “Barrier will continue discussions with the Agency and is looking at all available options. We believe that one option is to conduct a second . . . study using the current product.”

55. In response to this announcement, the price of Barrier common stock declined from \$17.03 per share to \$15.40 per share. Defendants, however, continued to mislead the market.

56. As evidence of the effectiveness of defendants' representations regarding the continued strength and foreseeable profitability of the Company, defendants held a

Conference Call prior to the market opening on May 25, 2005 and downplayed the risks facing the Company. During the conference call defendants stated, in part, that:

- there was no reason to adjust guidance following the receipt of the Not Approvable Letter for Zimyca;
- that defendants had never considered the impact of changing the petrolatum base used in Zimyca during the FDA testing and approval process;
- that because defendants had changed grades of petroleum during the study, that Barrier could not now simply adjust grades and refile the test results with the FDA; and
- regardless of the problems cited, the Not Approvable Letter did not appear to be a major setback for the Company and defendants believed that they could replicate the required test data using a fairly small test group, and obtain the necessary test results in the near-term.

The True Financial and Operational Condition of Barrier is Belatedly Disclosed

57. On June 29, 2005, defendants shocked the market after they caused Barrier to announce that the Company's Phase 3 results failed to demonstrate that Hyphanox worked as well as fluconazole. To investors' amazement, the Company's release stated, in part, the following:

Barrier Therapeutics Announces Phase 3 Results for Hyphanox(TM) in Vaginal Candidiasis Product Fails to Meet Primary Endpoint of Non-Inferiority Versus Fluconazole . . .

Barrier Therapeutics, Inc. (NASDAQ: BTRX), a pharmaceutical company developing and commercializing products in the field of dermatology, *today announced that its oral antifungal product candidate, Hyphanox(TM), failed to reach the primary endpoint of therapeutic cure in its Phase 3 non-inferiority trial for the treatment of vaginal candidiasis, commonly known as a vaginal yeast infection. The trial was designed to demonstrate that a single dose of Hyphanox, a*

novel patented formulation of the antifungal itraconazole, is not inferior to a single dose of fluconazole.

“The outcome of the study is disappointing. While we were able to demonstrate that clinical efficacy was not inferior to that of fluconazole, the therapeutic cure, which also includes the mycological assessment, did not meet the non-inferiority criteria,” said [defendant] Cauwenbergh. . . .

Results from this Phase 3 trial indicate that 26% (105/403) of subjects treated with Hyphanox reached the primary endpoint as compared to 37% (148/397) treated with fluconazole

Hyphanox achieved non-inferiority for the secondary endpoint of clinical cure. *The clinical cure rate for Hyphanox was 58% (233/403) compared to 65% (256/397) for fluconazole. Hyphanox failed to achieve non-inferiority for the secondary endpoint of mycological cure,* which assessed the presence of yeast at the test of cure visit (day 25). The mycological cure rate for Hyphanox was 36% (143/403) compared to 49% (193/397) for fluconazole. An analysis of the time to resolution, a secondary endpoint based on the subject diary, showed Hyphanox achieved non-inferiority with fluconazole. [Emphasis added.]

58. Based on the huge disparity between Defendants’ prior guidance, and the realization that Hyphanox failed to work as well as Fluconazole, the most widely proscribed treatment for the fungal yeast infections, on June 30, 2005, shares of the Company’s stock plummeted over \$6.75 per share - - a decline of over 45% - - to below \$8.00 per share in regular trading on the NASDAQ. On volume of more than 4 million shares traded - - 20 times the Company’s daily average trading volume.

59. Pacific Growth Equities analyst Patti Bank called the negative trial outcome *“strike-two”* for the Company, and lowered the near-term price target to \$12.00 per share. Morgan Stanley also slashed its near-term price target on shares of

Barrier from \$21.00 per share to \$12.00, noting that this was the *second “major setback”* for Barrier’s near-term drug pipeline.

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

61. During the Class Period, defendants materially misled the investing public, thereby inflating the price of Barrier 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.

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 Barrier’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 Barrier and its business, prospects and operations, thus causing the Company's common stock 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 common stock at artificially inflated prices, thus causing the damages complained of herein.

CAUSATION AND ECONOMIC LOSS

63. During the Class Period, as detailed herein, defendants engaged in a scheme to deceive the market, and a course of conduct that artificially inflated Barrier's stock price and operated as a fraud or deceit on Class Period purchasers of Barrier's stock by misrepresenting the Company's financial results. Over a period of approximately fourteen months, defendants misrepresented and failed to disclose the truth about the Company's products. Ultimately, however, when defendants' prior misrepresentations and fraudulent conduct came to be revealed and was apparent to investors, shares of Barrier declined precipitously - - evidence that the prior artificial inflation in the price of Barrier's shares was eradicated. As a result of their purchases of Barrier stock during the Class Period, plaintiff and other members of the Class suffered economic losses, i.e. damages under the federal securities laws.

64. By improperly characterizing the Company's operations and misrepresenting its prospects, defendants presented a misleading image of Barrier's

business and future growth prospects. During the Class Period, defendants repeatedly emphasized the ability of the Company to conduct the development and testing of its Zimyca and Hyphanox products in a manner reasonably calculated to obtain FDA approval, and in a manner that did not misrepresent the safety and efficacy of these drugs. These claims caused and maintained the artificial inflation in Barrier's stock price throughout the Class Period and until the truth about the Company was ultimately revealed to investors.

65. Defendants' false and materially misleading statements had the intended effect of causing Barrier's shares to trade at artificially inflated levels throughout the Class Period - - reaching a Class Period high of over \$22.40 per share in early February 2005.

66. On both May 25, 2005 and June 29, 2005, however, defendants revealed that the Company's products were not as represented. These belated disclosures had an immediate, adverse impact on the price of Barrier shares.

67. These belated revelations also evidenced defendants' prior falsification of Barrier's business prospects due to defendants' false statements. As investors and the market ultimately learned, the Company's prior business prospects had been significantly overstated, as had defendants ability to conduct clinical trials in accordance with FDA standards. As this adverse information became known to investors, the prior artificial inflation began to be eliminated from Barrier's share price and investors were damaged as a result of the related share price decline.

68. The decline in Barrier's stock price at the end of the Class Period was a direct result of the nature and extent of defendants' fraud being revealed to investors and to the market. The timing and magnitude of Barrier's stock price decline negates any inference that the losses suffered by plaintiff and the other members of the Class were caused by changed market conditions, macroeconomic or industry factors, or even Company-specific facts unrelated to defendants' fraudulent conduct. During the same period in which Barrier's share price fell over 50% as a result of defendants' fraud being revealed, the Standard & Poor's 500 securities index was relatively unchanged. The economic loss, *i.e.*, damages suffered by plaintiff and other members of the Class, was a direct result of defendants' fraudulent scheme to artificially inflate the price of Barrier's stock and the subsequent significant decline in the value of the Company's shares when defendants' prior misstatements and other fraudulent conduct was revealed.

Additional Scienter Allegations

69. As alleged herein, defendants acted with scienter in that each defendant 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 Barrier, their control over, and/or receipt and/or modification of Barrier's allegedly materially misleading misstatements and/or their associations with the Company which made them privy to confidential proprietary information concerning Barrier, participated in the fraudulent scheme alleged herein.

70. Defendants were motivated to materially misrepresent to the SEC and investors the true financial condition of the Company because it: (i) deceived the investing public regarding Barrier's business, operations, management and the intrinsic value of Barrier common stock; (ii) enabled defendants to register for sale and sell over 10 million shares of Company stock in connection with the Company's Initial Public Offering and follow-on Secondary Offering; and (iii) caused plaintiff and other members of the Class to purchase Barrier common stock at artificially inflated prices.

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

71. At all relevant times, the market for Barrier's common stock was an efficient market for the following reasons, among others:

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

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

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

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

No Safe Harbor

73. 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 Barrier who knew that those statements were false when made.

Basis of Allegations

74. Plaintiff has alleged the following based upon the investigation of plaintiff's counsel, which included a review of SEC filings by Barrier, 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.

COUNT I

Against All Defendants For Violation of Section 11 of the Securities Act

75. Plaintiff incorporates by reference each and every allegation contained above, as if set forth herein only to the extent, however, that such allegations do *not* allege fraud, scienter or the intent of the defendants to defraud plaintiff or members of

the Class. This Count is predicated upon defendants' strict liability for making false and materially misleading statements in the Registration Statements and Prospectuses. This Count is asserted by plaintiff against all defendants by and on behalf of persons who acquired shares of the Company pursuant to the false Registration Statements and Proxy Statements issued in connection with the April 2004 Initial Public Offering and the Company's February 2005 Secondary Offering, or both.

76. Barrier is the issuer of the stock issued via false Registration Statements and Proxy Statements. As such, Barrier is strictly liable for each false and misleading statements contained therein.

77. The Individual Defendants were each signatories of the respective Registration Statements; therefore, each of these defendants had a duty to make a reasonable investigation of the statements contained in the respective Registration Statements and Prospectuses to ensure that said statements were true and that there was no omission to state any material fact required to be stated in order to make the statements contained therein not misleading. In the exercise of reasonable care, defendants should have known of the material misstatements and omissions contained in the Registration Statements and Prospectuses and also should have known of the omissions of material fact necessary to make the statements made therein not misleading. As such, each of these defendants are liable to plaintiff and the Class.

78. Plaintiff and other members of the Class acquired their Barrier stock without knowledge of the untruths and/or omissions alleged herein. Plaintiff and the

other members of the Class were thus damaged by defendants' misconduct and by the material misstatements and omissions of the aforementioned Prospectuses.

79. This action was brought within one year after the discovery of the untrue statements and omissions and within three years after the April 2004 IPO and the February 2005 Secondary Offering of Barrier common stock.

COUNT II

Violation of Section 12(a)(2) of the Securities Act Against All Defendants

80. Plaintiff repeats and realleges each and every allegation contained above.

81. This Count is brought by plaintiff pursuant to Section 12(a)(2) of the Securities Act on behalf of all purchasers of Barrier shares in connection with and traceable to the April 2004 Initial Public Offering or February 2005 Secondary Offering. This cause of action is brought against all defendants.

82. Defendants were sellers, offerors, and/or solicitors of sales of the Barrier shares offered pursuant to the Registration Statements and Prospectuses issued in connection with the April 2004 IPO or February 2005 Secondary Offering.

83. The Barrier Registration Statements and Prospectuses issued in connection with both the April 2004 IPO or February 2005 Secondary Offering each contained untrue statements of material facts, omitted to state other facts necessary to make the statements made not misleading, and concealed and failed to disclose

material facts. Defendants' actions of solicitation included participating in the preparation of the false and misleading Prospectus and Registration Statement.

84. The defendants owed to the purchasers of Barrier shares, which were sold in the April 2004 IPO and February 2005 Secondary Offering, the duty to make a reasonable and diligent investigation of the statements contained in the respective Prospectuses and Registration Statements, to insure that such statements were true and that there was no omission to state a material fact required to be stated in order to make the statements contained therein not misleading. These defendants knew of, or in the exercise of reasonable care should have known of, the misstatements and omissions contained in the IPO or Secondary Offering materials as set forth above.

85. Plaintiff and other members of the Class purchased or otherwise acquired Barrier shares pursuant to and traceable to the defective Registration Statements and Prospectuses. Plaintiff did not know, or in the exercise of reasonable diligence could not have known, of the untruths and omissions contained therein.

86. Plaintiff, individually and representatively, hereby offer to tender to defendants those securities which plaintiff and other Class members continue to own, on behalf of all members of the Class who continue to own such securities, in return for the consideration paid for those securities together with interest thereon.

87. By reason of the conduct alleged herein, these defendants violated, and/or controlled a person who violated, §12(a)(2) of the Securities Act. Accordingly, plaintiff and members of the Class who hold Barrier shares purchased in the April

2004 IPO or February 2005 Secondary Offering have the right to rescind and recover the consideration paid for their Barrier shares and, hereby elect to rescind and tender their Barrier shares to the defendants sued herein. Plaintiff and Class members who have sold their Barrier shares are entitled to rescissory damages.

88. Less than three years elapsed from the time that the securities upon which this Count is brought were sold to the public to the time of the filing of this action. Less than one year elapsed from the time when plaintiff discovered or reasonably could have discovered the facts upon which this Count is based to the time of the filing of this action.

COUNT III

Against the Individual Defendants Violation of Section 15 of the Securities Act

89. Plaintiff incorporates by reference each and every allegation contained above as if set forth herein. This Count is asserted against the Individual Defendants.

90. Throughout the Class Period, the Individual Defendants acted as controlling persons of Barrier within the meaning of §15 of the Securities Act. By reason of their stock ownership, senior management positions and/or directorships at the Company, as alleged above, these defendants, individually and acting pursuant to a common plan, had the power to influence and exercised the same to cause Barrier to engage in the unlawful acts and conduct complained of herein.

91. By reason of such conduct, the defendants named in this Count are liable pursuant to §15 of the Securities Act. As a direct and proximate result of their wrongful conduct, plaintiffs and the Class suffered damages in connection with their acquisition of Barrier common stock.

COUNT IV

Against All Defendants for Violation of Section 10(b) of the Exchange Act and Rule 10b-5 Promulgated Thereunder

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

93. 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 Barrier's business, operations, management and the intrinsic value of Barrier common stock; (ii) enable defendants to register for sale and sell over 10 million shares of Company stock in connection with the Company's Initial Public Offering and follow-on Secondary Offering; and (iii) cause plaintiff and other members of the Class to purchase Barrier common stock at artificially inflated prices. In furtherance of this unlawful scheme, plan and course of conduct, defendants, jointly and individually (and each of them) took the actions set forth herein.

94. 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 common stock in an effort to maintain artificially high market prices for Barrier's common stock 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.

95. 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 Barrier as specified herein.

96. 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 Barrier'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 Barrier 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 Barrier common stock during the Class Period.

97. 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.

98. 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. Such defendants' material misrepresentations and/or omissions were done knowingly or recklessly for

the purpose and effect of concealing Barrier's operating condition and future business prospects from the investing public and supporting the artificially inflated price of its common stock. 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 recklessly refraining from taking those steps necessary to discover whether those statements were false or misleading.

99. 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 Barrier common stock was artificially inflated during the Class Period. In ignorance of the fact that market prices of Barrier's publicly-traded common stock 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 Barrier common stock during the Class Period at artificially high prices and were damaged thereby.

100. 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 Barrier was experiencing, which were not disclosed by defendants, plaintiff and other members of the Class would not have purchased or otherwise acquired their Barrier common stock, or, if they had acquired such common stock during the Class Period, they would not have done so at the artificially inflated prices which they paid.

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

102. 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 common stock during the Class Period.

COUNT V

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

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

104. The Individual Defendants acted as controlling persons of Barrier 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.

105. 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.

106. As set forth above, Barrier 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 common stock 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;

D. Awarding extraordinary, equitable and/or injunctive relief as permitted by law, equity and the federal statutory provisions sued hereunder, pursuant to Rules 64 and 65 and any appropriate state law remedies to assure that the Class has an effective remedy; and

E. Awarding Plaintiff and the class rescission on Count II to the extent they still hold Barrier stock, or if sold, awarding rescissory damages in accordance with Section 12(a)(2) of the Securities Act.

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

JURY TRIAL DEMANDED

Plaintiff hereby demands a trial by jury.

DATED: October 11, 2005

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