

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF GEORGIA
ATLANTA DIVISION

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IN RE COCA-COLA ENTERPRISES,) CIVIL ACTION NO:
INC. SECURITIES LITIGATION) 1:06-CV-00275-TWT
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**CONSOLIDATED CLASS ACTION COMPLAINT FOR VIOLATION OF
THE FEDERAL SECURITIES LAWS**

Lead Plaintiffs The Mississippi Public Employees' Retirement System, Alameda County Employees' Retirement Association ("ACERA"), City of Philadelphia Board of Pensions and Retirement ("City of Philadelphia") and Puerto Rico Government Employees Retirement System ("Puerto Rico GERS") (collectively, the "Mississippi PERS Group" or "Lead Plaintiff") individually and on behalf of all other persons similarly situated, allege the following based upon personal knowledge as to themselves and their own acts, and as to all other matters, based upon, *inter alia*, the investigation conducted by and through their attorneys, which included among other things, a review of the public documents and announcements concerning Coca-Cola Enterprises, Inc. ("CCE" or the "Company"), United States Securities and Exchange Commission ("SEC") filings, interviews with former employees of CCE, wire and press releases, published interviews, news articles and other media reports regarding CCE, and information readily available on the Internet. Lead Plaintiffs

believe that substantial evidentiary support will exist for the allegations set forth herein after a reasonable opportunity for discovery.

NATURE OF THE ACTION

1. This is a securities class action brought by Lead Plaintiffs on behalf of themselves and all persons who purchased or otherwise acquired the securities of CCE between October 15, 2003 and July 29, 2004 inclusive (the “Class Period”) seeking to pursue remedies under the Securities Exchange Act of 1934, 15 U.S.C. § 78 (the “Exchange Act”). Defendants are CCE, the largest bottler of Coke products in the world, Lowry F. Kline (“Kline”), John R. Alm (“Alm”), Patrick J. Mannelly (“Mannelly”), Rick L. Engum (“Engum”), E. Liston Bishop III (“Bishop”), and G. David Van Houten, Jr. (“Van Houten”), and Summerfield Johnston, Jr. (“Johnston”), who were officers and directors of CCE during the Class Period (collectively the “Defendants”).

2. Defendants’ public statements during the Class Period, including statements to investors during earnings conference calls, CCE’s press releases, and CCE’s filings with the SEC, were materially false and misleading because they misrepresented the true reasons for the Company’s historical financial performance and its ability to meet its publicly disseminated projections of future revenues and earnings.

3. In particular, Defendants failed to disclose to the marketplace that, in order to achieve CCE's reported financial performance and meet analyst earnings and revenue expectations during the Class Period, Defendants inflated the Company's results with its wide-spread practice of stuffing its distribution channels with excess inventory of soft drink products near the end of every quarter in amounts sufficient to meet sales and earnings targets set by officers ("channel-stuffing") and improperly recognized revenue from consignment-like sales associated with the channel-stuffing, in violation of Generally Accepted Accounting Principles ("GAAP"). In other words, CCE improperly accelerated sales from a future quarter into the present quarter by reporting sales on shipments where the customer had the right to return the product and legal title had not yet been transferred to the customer.

4. Defendants concealed the effects of such practices by routinely, intentionally, falsely and misleadingly explaining shifts in CCE's revenues, earnings and sales volume figures on the weather, price and cost structure changes, new product introductions and marketing efforts. While these matters may affect revenue, earnings and sales volumes to some extent at certain points in time, Defendants' publicly disclosed explanations of CCE's historical financial results and future prospects were false and misleading because they completely omitted the fact and significance of CCE's practice of pervasive channel stuffing and its impact on its

business operations.

5. During the Class Period, as a proximate result of Defendants' misstatements and omissions of material fact, CCE common stock traded at materially inflated prices, rising from a low of \$17.30 per share, shortly before the commencement of the Class Period, to a price of over \$29 per share, shortly before the Class Period's conclusion.

6. On July 29, 2004, Defendants disclosed that CCE would not meet its previously estimated earnings guidance for 2004, due primarily to declines in its European sales volumes. However, rather than reveal the primary underlying cause of those volume declines, channel stuffing and improper revenue recognition, Defendants blamed the decline on the weather.

7. Corporate insiders were aware that CCE's stock price was artificially inflated, and sought to capitalize on their knowledge. CCE's Chairman, Summerfield Johnston Jr., the grandson of the founder of Coke, sold over \$172 million of his personal holdings of CCE stock. He began such selling immediately after CCE announced on April 28, 2004 (just three months prior to the end of the Class Period) that the Company was "optimistic about [its] ability to achieve another year of balanced pricing and volume growth." Defendant Johnston acted while in possession of adverse, undisclosed, material information about the true nature of CCE's financial

condition and future prospects, including its channel stuffing activities and accounting manipulations. Indeed, Defendant Johnston sold 145,200 shares of CCE stock at prices ranging from \$24.55 per share to \$28.87 per share on the very last day of the Class Period for total proceeds in excess of \$3.6 million. Defendant Johnston's stock sales were both suspicious in timing and amount.

8. In response to both Defendants' disclosures and their insider trading activity, and as a direct and proximate result thereof, CCE's stock price dropped 25% during a single day on record trading volume of 18,573,800 shares. At the close of business on July 28, 2004, CCE's stock price was \$25.03 per share. At the close of business on July 29, 2004, the last day of the Class Period when CCE issued its disclosures, CCE's stock price fell precipitously to \$20.63, erasing nearly a quarter of CCE's then \$12.5 billion market capitalization.

JURISDICTION AND VENUE

9. Plaintiffs bring this action pursuant to §§ 10(b), 20(a) and 20A of the Exchange Act as amended (15 U.S.C. §§ 78j(b), 78t(a) and 78(t-1)) and Rule 10b-5 promulgated thereunder by the SEC (17 C.F.R. § 240.10b-5).

10. This Court has jurisdiction over the subject matter of this action pursuant to 28 U.S.C. §§ 1331, 1337 and 1367, Section 27 of the Exchange Act, 15 U.S.C. § 78aa.

11. Venue is proper in this District pursuant to Section 27 of the Exchange Act and 28 U.S.C. § 1391(b) and (c). Substantial acts in furtherance of the alleged fraud and/or its effects have occurred within this district and CCE maintains its principal executive offices in this district.

12. 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 mails, interstate telephone communications, and the facilities of the national securities markets.

THE PARTIES

13. Lead Plaintiffs the Mississippi PERS Group purchased CCE common stock during the Class Period as set forth in the certifications attached to their motion to be appointed lead plaintiff incorporated herein by reference, and have suffered substantial damages as a result of the wrongful acts of Defendants as alleged herein.

14. Defendant CCE is a corporation organized and existing under the laws of the state of Delaware and maintains its principal executive offices at 2500 Windy Ridge Parkway, Atlanta, GA 30339.

15. Defendant Kline was, at all times relevant herein, CCE's Chairman of the Board of Directors. He was the Chief Executive Officer ("CEO") of the Company from April 2001 until January 2004. During the Class Period, Kline participated in

CCE's "Executive Management Incentive Plan," ("MIP" or the "Plan") which became effective January 1, 2003.¹ The Plan provides for cash awards equal to a percentage of an officer's annual base salary ranging from 75 to 125%. The award is contingent upon CCE's hitting target operating income and sales volume goals.² Kline's participation in the fraudulent scheme, as alleged herein, was motivated in large measure by the MIP. Indeed, in the first quarter of 2004, Kline received \$1,004,261 under the Plan.

16. Defendant Alm succeeded Kline as CEO of CCE in January 2004 until he resigned in December 2005. During his tenure at CCE, he also served as President and COO (2000 – 2004), and Chief Financial Officer (1991 – 2000), Alm signed each Form 10-Q and Form 10-K filed with the SEC during the Class Period, and certified CCE's financial statements pursuant to the Sarbanes-Oxley Act of 2002. Like Defendant Kline, Alm also was a participant in the MIP, and his compensation for

¹ In addition to the incentive plan, the Company also makes performance-based equity grants to members of management. During 2003, CCE granted 7,892,700 stock options. Of these, 1,255,000 options were granted to individuals who were executive officers at the time of grant. The exercise price of stock options is equal to market price of CCE's common stock on the grant date, and one-third of the grant becomes exercisable after each of the first, second, and third anniversaries of the grant date.

² Under the 2004 annual bonus plan (MIP), executive officers received annual bonuses ranging from 75% to 125% of their base salaries, based on the attainment by CCE of 100% of its budgeted operating income and 100% of its budgeted sales volume.

Fiscal Year 2004 would have included a \$1,062,405 bonus under the 2004 MIP for reaching the Company's budgeted operating, income and sales goals.

17. Defendant Mannelly was, at all times relevant herein, CCE's CFO. In this role, Mannelly signed each Form 10-Q and Form 10-K filed with the SEC during the Class Period. He also certified CCE's financial statements pursuant to the Sarbanes-Oxley Act of 2002. Mannelly was a participant in the MIP and his compensation for Fiscal Year 2004 would have included a \$390,681 bonus for reaching the Company's budgeted operating income and sales goals.

18. Defendant Engum, was, at all times relevant herein Vice President, Controller, and Principal Accounting Officer. In his role as the Company's Principal Accounting Officer, Engum signed the 2003 Form 10-K filed with the SEC during the Class Period.

19. Defendant Bishop, was, at all times relevant herein, CCE's Vice President, Secretary, and Deputy General Counsel. In this role, Bishop signed each Form 8-K filed with the SEC during the Class Period.

20. Defendant Van Houten, was, at all times relevant herein, CCE's Executive Vice President, COO and President, North American Business Unit. In this role, Van Houten made several of the misstatements at issue in this case. Van Houten's compensation for Fiscal Year 2004 would have included a \$625,000 bonus

under the 2004 MIP for reaching the Company's budgeted operating, income and sales goals.

21. Defendants Kline, Alm, Mannelly, Engum, Bishop and Van Houten are herein collectively referred to as the "Individual Defendants."

22. Defendant Summerfield K. Johnston, Jr. ("Johnston") served as a member of CCE's Board of Directors throughout the Class Period. He served as Chairman of the Board's Executive Committee from April 2002. The Executive Committee exercises powers of the board of directors between meetings, except for amending the bylaws or approving or recommending to shareholders any action or matter that under the Delaware General Corporation Law requires shareholder approval. Johnston also served as the Company's Chief Executive Officer from December 1991 until April 1998 and again from January 2000 through April 2001. During 2003 CCE paid Defendant Johnston approximately \$115,000 in rental and associated charges for use of certain equipment and facilities owned by him, and \$650,000 under the terms of a consulting agreement. In connection with that agreement, Johnston remained fully informed about the daily operational activities of the Company.

23. During the Class Period, each of the Individual Defendants as senior executive officers and directors of CCE, were privy to non-public information concerning CCE's business, finances, products, markets and present and future

business prospects via access to internal corporate documents, conversations with other corporate officers and employees, attendance at management and Board of Directors meetings and committees thereof and via reports and other information provided to them in connection therewith. Because of their possession of such information, the Individual Defendants knew or recklessly disregarded the fact that the adverse facts specified herein had not been disclosed to, and were being concealed from, the investing public.

24. Each of the Individual Defendants is liable as a direct participant with respect to the wrongs complained of herein. In addition, the Individual Defendants and Defendant Johnston, by reason of their status as senior executive officers and directors were each a "controlling person" within the meaning of Section 20 of the Exchange Act and had the power and influence to cause the Company to engage in the unlawful conduct complained of herein. Because of their position of control, the Individual Defendants and Defendant Johnston were able to and did, directly or indirectly, control the conduct of CCE's business.

25. The Individual Defendants, because of their positions with the Company, were provided with copies of the Company's reports and press releases alleged herein to be misleading, prior to or shortly after their issuance and had the ability and opportunity to prevent their issuance or cause them to be corrected. Thus,

the Individual Defendants had the opportunity to commit the fraudulent acts alleged herein.

26. The Individual Defendants are liable, jointly and severally, as direct participants in and co-conspirators of, wrongs complained of herein.

27. Each of the Individual Defendants is liable as a participant in the fraudulent scheme and course of business that operated as a fraud or deceit on purchasers of CCE's securities, by disseminating materially false and misleading statements and/or concealing material adverse facts. The scheme: (i) deceived the investing public regarding CCE's business, its finances, the reasons for its earnings and revenue, and the Company's intrinsic value; and (ii) caused Plaintiffs and other members of the Class to purchase CCE securities at artificially inflated prices and suffer damages when the price of the stock dropped upon the revelation of the bad news.

PLAINTIFFS' CLASS ACTION ALLEGATIONS

28. Lead Plaintiffs bring this action as a class action pursuant to Federal Rule of Civil Procedure 23(a) and (b)(3) on behalf of themselves and a class (the "Class), consisting of all who purchased or otherwise acquired the securities of CCE between October 15, 2003 and July 29, 2004 inclusive . Excluded from the Class are Defendants, members of the immediate family of any defendants, any subsidiary or

affiliate of CCE, the directors and officers of CCE or their subsidiaries or affiliates, or any entity in which any excluded person has a controlling interest, members of their immediate families and their legal representatives, heirs, successors and assigns of any excluded person.

29. The members of the Class are so numerous that joinder of all members is impracticable. While the exact number of Class members is unknown to Lead Plaintiffs at this time and can only be ascertained through appropriate discovery, Lead Plaintiffs believe that there are thousands of members of the Class located throughout the United States. As of March 1, 2005, there were reportedly more than 469.2 million shares of CCE common stock outstanding. Throughout the Class Period, CCE common stock was actively traded on the New York Stock Exchange under the symbol "CCE." Record owners and other members of the Class may be identified from records maintained by CCE and/or its transfer agents and may be notified of the pendency of this action by mail, using a form of notice similar to that customarily used in securities class actions.

30. Lead Plaintiffs' claims are typical of the claims of the other members of the Class as all members of the Class were similarly affected by Defendants' wrongful conduct in violation of federal law and state law that is complained of herein.

31. Lead Plaintiffs will fairly and adequately protect the interests of the

Class members and have retained counsel competent and experienced in class actions and securities litigation.

32. 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:

- whether the federal securities laws were violated by Defendants' acts and omissions as alleged herein;
- whether Defendant CCE and the Individual Defendants participated in and pursued the common course of conduct complained of herein;
- whether documents, press releases, and other statements disseminated to the investing public and the Company's shareholders during the Class Period misrepresented and/or omitted material facts about the business, finances, financial condition and prospects of CCE;
- whether Defendant CCE and the Individual Defendants caused CCE to issue false and misleading statements during the Class Period;
- whether Defendants acted knowingly or recklessly in issuing false and misleading statements;
- whether the market price of CCE common stock during the Class Period was artificially inflated due to the material misrepresentations and/or omissions and failures to correct the material misrepresentations complained of herein; and
- to what extent the members of the Class have sustained damages and the proper measure of damages.

33. 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 suit as a class action.

**APPLICABILITY OF PRESUMPTION OF RELIANCE:
FRAUD-ON-THE-MARKET DOCTRINE**

34. Lead Plaintiffs and other members of the Class purchased or otherwise acquired CCE's securities relying upon the integrity of the market price of CCE's securities and market information relating to CCE, and have been damaged thereby. Lead Plaintiffs will rely upon the presumption of reliance established by the fraud-on-the-market doctrine, in that all relevant times, the market for CCE's common stock was an efficient market for the following reasons, among others:

- CCE common stock met the requirements for listing, and was listed and actively traded, on the New York Stock Exchange, a highly efficient market under the symbol CCE. The average daily volume of CCE's shares during the Class Period was approximately 1,311,400 shares, based on CCE's stock price history. The total number of shares traded during the 197 trading days of the Class Period was 258,345,700.
- As a regulated issuer, CCE filed periodic public reports with the

SEC and the NASD. CCE met the eligibility requirements for registering new equity securities on SEC Form S-3, as set forth in ¶1A(1)-(8) of the General Instruction of Form S-3, and did in fact do so on October 15, 2002.

- CCE stock was followed by securities analysts employed by major brokerage firms who wrote reports that 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. The analysts that followed CCE stock during the Class Period include Morgan Stanley, UBS, Legg Mason Wood Walker, Inc., J.P. Morgan, Credit Suisse First Boston, Smith Barney Citigroup, Davenport & Co., Bear Stearns & Co., Inc., Deutsche Bank Securities, Prudential Equity Group, Inc., Davenport & Co., LLC, BNP/Paribas, CIBC World Markets, Inc. and Columbine Capital.
- CCE regularly issued press releases which were carried by national newswires. Each of these releases was publicly available and entered the public marketplace.
- The market for CCE's common stock was open, well-developed and efficient at all relevant times. The market for CCE securities promptly digested current information with respect to CCE from all publicly-available sources and reflected such information in the price of CCE's securities.

35. As a result of the foregoing, the market for CCE's securities promptly digested current information regarding the Company from all publicly available sources and reflected such information in the price of CCE's securities. Under these circumstances, all purchasers or acquirers of CCE's securities during the Class Period suffered similar injury through their purchase or acquisition of the Company's

securities at artificially inflated prices and a presumption of reliance applies.

BACKGROUND FACTS

36. As noted above, CCE is the world's largest marketer, producer, and distributor of Coke products. CCE is in the nonalcoholic beverage business, which extends the Company's product line beyond traditional carbonated soft drink categories to beverages such as still and sparkling waters, juices, isotonics, coffee-based drinks, and teas. The Company currently distributes approximately 4.4 billion unit cases (24 eight-ounce servings, or 192 ounces per case) of products in bottle, can, and fountain containers, or 2.0 billion physical cases, on an annual basis. This represents approximately 21 percent of Coke's worldwide volume. CCE operates in parts of 46 states in the United States, all 10 provinces in Canada, and portions of Europe including Belgium, continental France, Great Britain, Luxembourg, Monaco, and the Netherlands. CCE's franchise territories encompass a population of 398 million people. CCE employs approximately 74,000 people who operate 454 facilities, 55,000 vehicles, and 2.5 million vending machines, beverage dispensers, and coolers. The Company is listed on the New York Stock Exchange under the symbol "CCE."

37. CCE was founded in 1986, when Coke acquired its two largest bottlers and combined them into a new entity, Defendant CCE. Shortly thereafter, CCE

conducted an initial public offering of its common stock, with Coke retaining approximately a 37% ownership stake in CCE. CCE then began an aggressive expansion program through the acquisition of various Coke bottlers. By 1988, CCE became the largest beverage bottler in the world and, since, has continued to expand its holdings through additional acquisitions of beverage bottlers.

38. Today, CCE's bottling and distribution operations account for approximately 21% of Coke's worldwide beverage sales and over 80% of Coke's beverage sales in North America. CCE distributes its product in 46 states, Canada, and six European nations, including France and Great Britain.

39. Pursuant to a variety of trademark, licensing, and distribution agreements, CCE purchases all of its Coke product beverage concentrate and syrup from Coke. Under the operative agreements, CCE is permitted to manufacture, bottle and distribute Coke's soft drink, juice and water products. In addition, pursuant to these agreements, Coke dictates the concentrate and syrup pricing and CCE's terms of payment, as well as other terms and conditions for CCE's purchase of concentrate and syrup. Moreover, three of CCE's directors are senior executives of Coke. Coke also owns approximately 37% of CCE's publicly traded common stock, giving Coke substantial control over CCE's actions as well the ability to elect additional board members that are not Coke designees.

40. Although CCE distributes non-alcoholic beverages produced by companies other than Coke, the overwhelming majority of the products that it sells (over 90%) are Coke products. Not surprisingly, the business prospects of the two companies are substantially intertwined, and at all times during the relevant period, the price of each company's common stock moved in relative tandem with the other.

41. Because of the interrelationship between Coke and CCE, and because of the agreements described above, business decisions and strategies determined by Coke directly affected CCE, and affected the business decisions and strategies of CCE management.

42. One of the key metrics of the soft-drink beverage industry is the volume of product sold, measured in case sales of finished or bottled product. That figure provides an indication to investors of, among other things: (1) consumer demand for the product, (2) growth in product sales, and (3) competitive market strength.

43. During the relevant period, Coke utilized a number of devices to cause CCE to further Coke's strategy of increasing volume. In particular, as described more fully below, Coke maintained a marketing program, pursuant to which it paid CCE hundreds of millions of dollars, to meet increased volume targets

44. One such program was the Sales Growth Initiative Agreement ("SGI") between Coke and CCE, which was entered into in April 2002. This program

provided payments to CCE if CCE meets certain sales volume thresholds. These, and other, programs were made to induce CCE to increase its volume of sales irrespective of CCE's profit margin. For example, the SGI program provided a financial incentive for CCE to meet its sales volume goals. Thus, in 2003, CCE was to receive up to \$200 million in payments from Coke if CCE increased its volume sales 3% over the prior year. Failure to meet that threshold would result in a substantial reduction in the SGI payment CCE received from Coke.

45. Similarly, CCE was required to pay a per case penalty to Coke if it fell short on the number of cases it sold to retailers and resellers. Notwithstanding these incentives, Coke is a mature company with an established product, making long-term and consistent volume growth problematic.

46. In the years 2000 and 2001, both Coke and CCE had engaged in major restructurings in an attempt to streamline their operations and improve profit margins. Such restructurings were initially well-received by investors, and resulted in short-term boosts in the stock price of each company in mid to late 2002. In early 2003, however, the price of Coke and CCE common stock began to sink to new levels.

47. CCE's stock price reached its nadir in July of 2003. On July 16, 2003, the Company issued a press release announcing, inter alia, its results for the second quarter. Although operating income increased over the same period the previous year,

the Company announced that growth in its European operations was tempered by “lower volume growth and higher operating expenses. Our second-quarter financial performance benefited from our commitment to improved pricing in both North America and Europe, even as our North American volume growth slowed late in the quarter,” said Lowry F. Kline, chairman and chief executive officer.

....

Consolidated physical case bottle and can volume increased 1½ percent on a comparable* basis for the second quarter, and 2 percent for the first six months. Second-quarter volume performance in North America was flat For the first six months, growth in Coca-Cola trademark brands and water contributed to North American volume growth of ½ percent. High single-digit volume increases in Great Britain, France and Belgium produced second quarter volume growth in Europe of 7½ percent, with growth of 6½ percent for the first six months.

Full-Year 2003 Outlook

Full-year 2003 earnings per diluted common share are expected in a range of \$1.15 to \$1.22, an increase of 12 percent to 18 percent over comparable 2002 results of \$1.03 per diluted common share. . . . Full-year 2003 physical case volume growth is expected to total approximately 1 percent, with operating profit in a range of \$1.43 billion to \$1.48 billion.

48. During the July 16, 2003, earnings conference call following the press release, Defendant Kline stated in his opening remarks:

[O]ur second quarter performance was characterized by strong growth in our European territories and by the consequences of a challenging industry environment in North America. In North America, we achieved pricing growth of 2 1/2% in the second quarter, which brings our year-

to-date pricing performance in line with our full-year target of approximately 2% growth. . . .

49. CCE filed its Form 10-Q for the second quarter ending June 27, 2003, with the SEC on August 11, 2003, confirming the financial information Defendants had disclosed on July 16, 2003 in their press release and earnings conference call.

50. In the second quarter 2003 Form 10-Q, Defendants offered an explanation for declining North American sales volumes:

Our operating results in the second and third quarters of each year are favorably impacted by the seasonality of our business. During the second quarter of 2003, unseasonably cool and wet weather and resulting soft consumer spending patterns contributed to a suppression of volume growth in North America. . . .

The second quarter 2003 Form 10-Q further elaborated on the volume issue:

Consolidated comparable bottle and can volume for the second quarter of 2003 increased 1-1/2% over the same quarter last year. North American volume for the quarter was even with volume in the second quarter of 2002. Volume hurdles from second quarter 2002 brand innovations and our continued commitment to pricing initiatives contributed to the suppression of volume growth. Strong volume increases in Belgium, Great Britain, and France contributed to comparable volume growth in Europe of 7-1/2%. The shift of the Easter holiday from the first quarter in 2002 to the second quarter in 2003 positively impacted second quarter 2003 volume by approximately 1%; accordingly, without this impact comparable volume growth would have been approximately 1/2% for second quarter 2003.

Second quarter volume performance in North America was suppressed as

contributions from Vanilla Coke, diet Vanilla Coke, and Sprite Remix were offset by slower sales of flavored carbonated soft drinks and noncarbonated beverages impacted by marketing factors including our pricing efforts and suppressed consumer demand because of unfavorable market conditions. Full-year North American volume is expected to decrease slightly or remain essentially flat.

Second quarter 2003 European volume benefited from introductions of diet Coke with Lemon, Coke Light with Lemon, Vanilla Coke, and diet Vanilla Coke over the past year. Carbonated soft-drink volume for second quarter 2003 in Europe increased approximately 8% over second quarter 2002. European volume is expected to grow 4% to 6% for full year 2003.

51. The market reacted negatively to the announcement of CCE's results. Specifically, the combination of strong growth in Europe and flat performance in the North American market did not impress investors. On July 15, 2003, the day before CCE's announcement, the company's common stock closed at \$19.60. Two days later, after the announcement, CCE's stock closed at \$17.28.

CCE'S CHANNEL STUFFING ACTIVITY

52. CCE's declining stock price forced Defendants to confront the necessity of reversing such downward movement. Indeed, CCE's poor performance made it more imperative than ever before to reverse, or at a minimum, stop its declining volume trend, particularly in North America. Accordingly, prior to the Class Period, and continuing thereafter, CCE engaged in a course of conduct calculated to boost its volume and net income by means of stuffing its finished soft drink and beverage

product into the sales channels of its retailer and reseller customers. CCE also stuffed finished product on their retailers and resellers in order to receive payments from Coke tied to the number cases sold of finished or bottled product.

53. CCE's channel stuffing practice pushed excess products onto customers through a variety of mechanisms including: (1) "park and hold" strategies whereby CCE delivered large shipments of product - usually tractor trailer loads - to customers, leaving the trailers in the parking lot; (2) advance warnings of future price increases; (3) price discounts for accepting extra product volume beyond the customers' immediate needs; (4) delivering more product than the customer requested; (5) providing various cash incentives to customers termed as "marketing allowances;" (6) providing non-cash incentives to customers ranging from tickets to sporting events, signed sports memorabilia and Coca-Cola trademarked items; and (7) granting customers the right to return expired or unsellable product.

54. CCE's targets for such sales tactics ran the full gamut of the Company's customer base including: (1) "Supers" and "Hypers" -- retail grocery store outlets like King Soopers, Safeway, Krogers, Pathmark, Albertsons; and Vons; (2) "C&Ps" -- convenience stores like 7-Eleven and gas station retail stores like Exxon and BP; (3) "Clubs" - club style retail stores such as Sam's Club and Costco; (4) "Drugs" -- drug stores such as Walgreens and Eckerd's; (5) "Mass"- large multi-department

stores such as Wal-Mart and Target; (6) “Wholesale” - wholesale vendors that re-sell the product in vending equipment, such as Vend One; and (7) “Full Service” - CCE employees that deliver, stock and fill vending machines. Indeed, CCE’s channel stuffing activity became a systematic, widespread and planned-for business activity.

55. A former Cold Drink Account Manager employed at CCE in the Northern United States from October 2002 through April 2005 explained that, at the end of every month, he along with other Cold Drink Account Managers were ordered by their District Sales Managers to “get their volume numbers” if they were behind in their forecasted sales goals. The Cold Drink Account Manager understood that he was to achieve his targeted sales goals by whatever means possible. One common practice he described to achieve forecasted sales figures was to “try and drop off extra product” with a customer. This practice often happened with larger customers such as Wal-Mart, Kroger, and Meijer. The Cold Drink Account Manager confirmed that “senior management” was well aware of these practices. In addition, the Cold Drink Account Manager stated that CCE routinely gave credit to customers for returned product, whether or not it had passed its expiration date. Most customers, approximately “90 to 95%” charged their purchases of CCE products on account with CCE.

56. A former Cold Drink District Sales Manager who was employed with CCE in the Southern United States for many years, including during the Class Period, and who supervised a 12-person “cold-drink” sales force (CCE divided its sales into “Cold-Drink” and “Home Market”, the former devoted to full-line vendors (*i.e.*, a company that contracts to stock vending machines in retail stores and other facilities, schools and restaurants, and the later devoted to retail store shelf sales), said that “the stress to meet volume numbers was tremendous. It was almost untenable and ridiculous. I would sometimes walk into some of our [customers] and see the stacks of our cases up fully high to the ceiling, we would discount so much to push volume.” Indeed, the Cold Drink District Sales Manager emphasized that he had seen “18 wheelers sitting on [parking] lots” of customers “baking” in the sun “and sinking into the asphalt with our product on it.” In July 2003, the Cold Drink District Sales Manager specifically observed a 53-foot trailer filled with CCE beverage products in the parking lot of a SuperOne supermarket with undelivered product. According to the Cold Drink Sales Manager, there was no legitimate business reason for undelivered product to be left there.

57. For another transaction in April 2003, in order to meet an 8,000 case shortfall with his projections, the Cold Drink District Sales Manager was ordered by his supervisor, the Cold Drink Manager for the facility, to give away 125 free cases of soft-

drinks in order to convince a customer, a regional full-line operator, to enter into an agreement to take the 8,000 case order - amounting to four 18 wheeler tractor-trailer loads—an order that the full-line operator did not need for its operations. Such actions were not uncommon—on the Friday before the close of the month on Saturday, the Cold Drink District Sales Manager and others were told to get trucks with product out anywhere to meet the numbers. This practice came directly from the supervisor of his facility, the Sales Center Manager. On several occasions during the Class Period, according to the Cold Drink District Sales Manager, he had to rent Ryder trucks in order to move product prior to the close of the month. The Cold Drink District Sales Manager said that it was clear to him that this was a policy that came straight from the top in order for CCE to meet its numbers.

58. In terms of product, the Cold Drink District Sales Manager said that CCE was much more focused on movement of volume than revenue/profit. The reason he said that is for years, CCE kept on supposedly raising the prices on cases, but then they would eliminate the increase with these huge discounts. They would, for instance, raise the price to \$24 per case, “but you had to be nuts to think that any customer would actually pay that. We would discount it right back to \$17 per case.”

59. The Cold Drink District Sales Manager explained that management, at all levels, was provided detailed information concerning operations generally and the

channel stuffing activity specifically, by means of Margin Minder, a software application that tracked sales. All employees and managers monitored “Margin Minder.” According to the Cold Drink District Sales Manager, “Margin Minder” was so critical and integral to CCE’s operations, neither the Company nor management could function on a daily basis without it.

60. A former Production Planner/Warehouse Manager employed in CCE’s Northern Gulf States Region of its Gulf States Division for many years, including the Class Period, whose duties were to manage the inventory (order product), warehousing of the inventory, loading of the delivery trucks, and shipping/receiving, personally witnessed large amounts of CCE’s beverage products shipped to customers at the end of the month returned to CCE just after the end of the monthly reporting periods. According to this former employee, CCE’s monthly reporting period ended on a Saturday. Consequently, on the Friday before the close of every month, with the knowledge of his sales manager and regional vice president (with whom he worked and who were apprised of warehouse activity), CCE would dispatch as many trucks as they could full of beverage off site until the close of the monthly reporting period, when the trucks would be brought back. The Production Planner/Warehouse Manager confirmed that this practice of parking trucks loaded with its products on customers’ property late in the month and then picking them up after the reporting

period (month end or quarter end) had closed was “quite common.” According to the Production Planner/Warehouse Manager, the practice was consistent and not due to mistaken orders by customers, but was the result of “people up in sales trying to make their numbers.” For example, “you would have 18 truck loads go out” and “three or four loads, each one with around 2000 cases, coming back.” The former Production Planner/Warehouse Manager identified retailers such as Super One Foods, Wal-Mart, Kroger and Brookshire as CCE customers taking such deliveries.

61. A former Branch Manager employed by CCE in the Midwestern United States stated that he was “expected” to meet his sales numbers “at all costs.” Consequently, if necessary, he typically rented tractor-trailers and stored CCE’s product for his customers. This was his “standard practice” for Wal-Mart. He stated that CCE recorded revenue from such sales activity when it invoiced the customer, regardless of whether the purchased product was delivered or not.

62. CCE carefully monitored the level of sales volume on a daily basis throughout the Company. Sales and sales volume figures were loaded into CCE’s SAP computer accounting software on a real-time basis so that CCE’s management could instantly track sales volume and revenue relative to the Company’s targeted objectives.

63. Defendants’ failure to disclose CCE’s channel stuffing activities and its

contribution to the Company's reported sales volume figures, revenue, earnings and future prospects, was a material omission making Defendants' statements during the Class Period about the reasons for CCE's sales volume levels and growth, revenue, earnings and future prospects, materially false and misleading. Defendants' channel stuffing scheme also caused CCE improperly to recognize revenue in violation of GAAP, which in turn artificially inflated CCE's publicly reported financial condition.

64. Defendants' channel stuffing scheme and violations of GAAP through improper revenue recognition caused the following statements, as described in detail below, to be materially false and misleading when issued.

FALSE AND MISLEADING STATEMENTS ISSUED DURING THE CLASS PERIOD

65. On September 4, 2003, CCE issued a press release affirming "the Company's full-year target for fully diluted earnings per share of \$1.15 to \$1.22." The press release, filed with the SEC as an attachment to CCE's September 4, 2003, Form 8-K signed by Defendant Bishop, also identified the Company's "2003 Volume Growth Expectations" in a chart as follows:

2003 Volume Growth Expectations

	3rd Quarter	Full-Year
North America	Approx. Flat	Approx. Flat
Europe	Approx. 10%	Approx. 6%
Total	2% to 3%	Approx. 2%

66. Defendants caused CCE to subsequently issue a press release on October 15, 2003, providing its third quarter 2003, financial results. Among other things, the press release reported:

third-quarter 2003 net income applicable to common shareowners of \$259 million, or 56 cents per diluted common share, including the net benefit of 1 cent per share from tax items. For the first nine months of 2003, net income totaled \$545 million, or \$1.19 per diluted common share. Year-to-date results include 1 cent per diluted common share from the sale of a hot-fill manufacturing facility to The Coca-Cola Company, and net favorable tax items of 2 cents per diluted common share. Our 2003 results compare to third-quarter 2002 net income applicable to common shareowners of \$190 million, or 42 cents per diluted common share, and \$414 million or 91 cents per share for the first nine months of 2002.

.....

“Our third-quarter results reflect our unwavering commitment to North American and European pricing improvement and our ability to successfully manage growth in operating expenses,” said Lowry F. Kline, chairman and chief executive officer. “Based on our strong third quarter performance, which includes the continued benefits of favorable interest rates and currency translations, we have now increased our expectations for reported 2003 earnings per share to a range of \$1.31 to \$1.33.”

67. CCE’s October 15 press release was attached to the Company’s Form 8-K filed with the SEC on October 17, 2003. Defendant Bishop signed the Form 8-K.

68. In CCE’s accompanying October 15, 2003 earnings conference call, Defendant Alm stated in his opening remarks:

[W]e achieved very solid profit growth in the third quarter through a

combination of consistent pricing initiatives, cost control, and very strong operating performance in our European territory. . . .

Based on the first nine months of this year, we are raising our full-year EPS forecast to a range of \$1.31 to \$1.33. . . .

We now expect our operating income for the year to be in the range of \$1.46 billion to \$1.48 billion. . . . The critical factors behind our performance have been our strong commitment to revenue management and our work to control our costs and operating expenses. . . .

69. In the same October 15, 2003, earnings conference call, Defendant Mannelly stated in his opening remarks:

[W]e have raised our earnings guidance for the full year to a range of \$1.31 to \$1.33 per share, which includes 3 cents of favorable items mentioned in the release. Accordingly, we expect fourth quarter operations to generate earnings of 12 to 14 cents per share.

Additionally, we expect fourth quarter operations to generate operating profit equal to or slightly below prior year, due to flat volume in both Europe and North America as well as the recognition of SGI funding for the quarter below prior year amounts. Last quarter we forecasted our SGI-related funding from the Coca-Cola Company to be approximately \$40 million below planned levels due to lower volume growth in North America.

Our funding has been consistent each quarter this year as we benefited from carry-over volume as well as strong results in Europe. However, expected flat volume in North America and Europe for the fourth quarter will result in fourth quarter funding below prior year levels and negatively impact our fourth quarter operating results comparison.

As John mentioned, our full-year operating income results are expected to total approximately \$1.46 to \$1.48 billion, up 7 to 9% versus prior year.

70. Emphasizing the importance of Coke's SGI payments, Defendant Mannelly later commented:

with regards to the financial aspects of the fourth quarter, our operating results in the fourth quarter are really being affected. The growth rate is being affected by the reduction in SGI funding. So that's the primary reason why operating results appear to be forecasted as flat.

71. In response to a question from Art Cecil, an analyst from T. Rowe Price, regarding CCE's full year 2003 earnings guidance and the effect on it from Defendants' favorable weather claims, Scott Anthony, CCE's Vice President of Investor Relations stated "Primarily they've been eaten up by North America underperforming where we thought they would be early in the year."

72. CCE filed its third quarter 2003 Form 10-Q with the SEC on October 31, 2003. It confirmed the financial information disclosed in CCE's October 15, 2003 press release and the accompanying earnings conference call. In addition, CCE's third quarter 2003 Form 10-Q made clear the importance of its SGI payments from Coke:

In applying the terms of the SGI agreement to our volume performance for the first nine months of 2003, we recognized approximately \$39 million and \$116 million of the 2003 Volume Growth Funding in the third quarter and first nine months of 2003, respectively. Nine month 2003 target minimums were not achieved resulting in an accrual of \$11.5 million for penalties to be offset against future funding payments.

Absent CCE's channel stuffing activities, the Company would not have recognized

such a large amount under the SGI agreement.

73. Discussing CCE's results from operations, the third quarter 10-Q provided, in part:

Our operating results in the third quarter of 2003 reflect continued strong year-over-year growth in Europe partially because of favorable weather conditions, meaningful pricing initiatives in North America and Europe, and moderating operating expense trends in North America. Third quarter 2003 currency-neutral bottle and can net price per case increased 1 1/2 % in North America and 3 1/2 % in Europe over the same period last year.

For the third quarter of 2003, net income applicable to common shareowners increased to \$259 million, or \$0.56 per diluted common share, including a \$0.01 per share net benefit from the favorable resolution of tax items. This represents an increase of approximately 36% over net income applicable to common shareowners of \$190 million for the same quarter last year. Operating income increased 19% over third quarter 2002 results to \$524 million for third quarter 2003, impacted by strong growth in our European operations, favorable pricing results in both North America and Europe, and our ability to successfully manage operating expenses.

....

Net Operating Revenues

Our third quarter 2003 net operating revenues increased 9% to \$4.7 billion. This increase was primarily a result of favorable currency exchange rate movement (4%), an increase in pricing (2 1/2%), and improved volume (2 1/2%). For the first nine months of 2003, the percentage of consolidated net operating revenues derived from our North American and European groups was 72% and 28%, respectively. .

..

74. As to sales volumes, the third quarter 2003 Form 10-Q stated:

Consolidated comparable bottle and can volume for the third quarter of 2003 increased 2 1/2% over the same quarter last year. Volume in North America was up 1/2%. Strong sales of Dasani, solid growth in our diet portfolio, and growth in our lemon-lime category from the introduction of Sprite Remix were offset by slower sales of flavored drinks and overcoming the extraordinary volume generated by the introduction of Vanilla Coke in 2002. Strong volume increases in Belgium, Great Britain, and France contributed to comparable volume growth in Europe of 10%.

In North America, we continued to work through the hurdle of 2002 volume growth created by strong Minute Maid performance and by the introduction of Vanilla Coke. We benefited from very strong North American diet soft drink growth of 8% in the quarter, with improvement from diet Coke, up 5%, diet Cherry Coke, with volume more than double versus a year ago, and from diet Vanilla Coke, which has performed very steadily since its introduction in late 2002. In flavored soft drinks, Sprite Remix has proven a solid addition to our portfolio, with more than a third of its volume in our 20-ounce package. In packaging, we are expanding our distribution of 6-pack 24-ounce carbonated soft drink products with good consumer response. We are also steadily moving forward with the implementation of Fridge Pack throughout North America, which is now available in markets constituting more than 75% of our volume. Full-year North American volume is expected to remain essentially flat.

. . . .

Third quarter 2003 European volume benefited from favorable weather for much of the quarter, success from the introductions of Vanilla Coke and diet Vanilla Coke and the success of local marketing programs. Carbonated soft drink volume for third quarter 2003 in Europe increased approximately 9% over third quarter 2002, with brand Coca-Cola growing 4%, diet Coke and Coca-Cola light growing approximately 10%, and Fanta, our third largest brand in Europe growing more than 11% on top of substantial growth in 2002. European volume is expected to grow 5% to 6% for full year 2003.

75. Defendants Mannelly and Engum signed the third quarter 2003 Form 10-

Q and Defendants Klein and Mannelly certified that the statements in CCE's third quarter 2003 Form 10-Q were true and complied with Sarbanes-Oxley.

76. Each of Defendants' statements alleged in ¶¶ 65, 66, 68, 69 and 71-74 above, were materially false and misleading because Defendants failed to disclose their channel stuffing activities and the effect of those activities on CCE's sales volumes, revenue, earnings, financial condition and future earnings guidance. In particular, CCE's undisclosed channel stuffing practices artificially increased Defendants' reported sales volume figures, estimates of future sales volume growth, revenue and earnings estimates, and misrepresented the underlying consumer demand represented by the reported sales volumes. CCE's channel stuffing practices would have been very important information, materially impacting the total mix of information available to those investors evaluating CCE's reported sales volume figures, estimates of future sales volume growth, future revenue and earnings estimates, for the purpose of making decisions about whether or not to purchase CCE securities during the Class Period.

77. Further, as discussed in more detail below, Defendants' channel stuffing scheme also caused CCE improperly to recognize revenue in violation of GAAP, which in turn artificially inflated CCE's publicly reported financial condition. Revenue growth was achieved, in part, at the expense of future results because CCE's

channel stuffing had the effect of pulling sales forward into earlier periods. Consequently, each of Defendants statements during the Class Period concerning CCE's reported revenues and earnings, and future revenue and earnings estimates, also were materially false and misleading.

78. Defendants' statements as to their revenue and earnings were materially false and misleading because Defendants misrepresented that: (1) CCE's financial statements were prepared in accordance with GAAP, federal securities laws and SEC regulations concerning fair reporting; and (2) the Company's estimates, projections and opinions as to its expected revenues, earnings, and financial condition were lacking in reasonable basis at all relevant times.

79. While Defendants represented to investors during the Class Period that CCE's financial statements were prepared in accordance with GAAP, representations also highly material to the total mix of information available for an investors' evaluation of whether or not to purchase CCE's securities, in fact the Company's financial statements violated GAAP in several important respects. By failing to file financial statements with the SEC which conformed to the requirements of GAAP, such financial statements were presumptively misleading and inaccurate pursuant to Regulation S-X, 17 CFR § 210.4-01(a)(1).

80. CCE issued a press release on December 17, 2003, providing in part:

Management continues to expect approximately flat volume performance in North America for 2003 while achieving growth in Europe of approximately 5 percent for the full year. Reported earnings per diluted common share for the year are expected to total approximately \$1.39, including the net effect of insurance proceeds and other items.

....

2004 Outlook

In its outlook for 2004, CCE expects to achieve physical case volume growth in North America of approximately 1½ percent. Management expects enhanced revenue management strategies to produce bottle and can net pricing per case growth in North America through a combination of rate and mix of approximately 2½ percent.

....

CCE expects 2004 net income per diluted common share to increase to a range of \$1.41 to \$1.44. Our underlying operating profit growth rate is expected to reach a high single-digit range in 2004,

....

“Two primary factors for our future success, in North America and Europe, are a clear company focus on revenue management and continued brand and package development,” said John R. Alm, president and chief operating officer. “In North America, we expect continued strength in our diet soft drink brands, water, and juice drinks, while package innovations will add value to our brands.

“Our business plan in Europe includes several excellent products and brand initiatives that, when coupled with plans for solid, creative advertising, will enable us to continue to build a strong European soft drink culture.”

81. CCE’s December 17 press release was attached to the Company’s Form 8-K filed with the SEC on December 19, 2003. Defendant Bishop signed the Form 8-K.

82. On January 29, 2004, CCE issued a press release reporting that:

fourth-quarter 2003 net income applicable to common shareowners increased to \$128 million, or 28 cents per diluted common share. Operating income grew to \$346 million in the fourth quarter, up 38 percent versus prior year results.

Full-year 2003 net income totaled \$674 million, or \$1.46 per diluted common share. Operating income totaled \$1,577 million in 2003, an increase of 16 percent.

....

— Comparable fourth-quarter 2003 net income per diluted common share was 17 cents, up 31 percent from comparable prior year results. Full-year 2003 net income per share totaled \$1.32, an increase of 28 percent over comparable 2002 results.

— Comparable fourth-quarter 2003 operating income grew 5 percent to \$264 million, while full-year 2003 comparable operating income increased 9 percent to \$1,487 million.

Our 2003 financial performance reflects strong growth in Europe, consistent pricing initiatives throughout our territories, and favorable foreign currency translations.

....

Consolidated physical case bottle and can volume decreased 1 percent on a comparable basis for the fourth quarter, and increased 1 1/2 percent for full year 2003. North American volume was down approximately 1 percent in the fourth quarter, and flat for the full year. Our full year 2003 volume results in North America were characterized by growth in diet soft drink brands, including diet Vanilla Coke, strong sales of Dasani, and lemon-lime category growth from the introduction of Sprite Remix. This offset slower sales of regular soft drinks and the comparisons resulting from the introduction of regular and diet Vanilla Coke in 2002.

In Europe, volume was down approximately 1 1/2 percent in the fourth quarter as we decreased promotional activity and deemphasized certain low value brands in our portfolio. For the full year, European volume

increased 5 1/2 percent reflecting record-setting hot weather during the summer months, the success of local marketing programs, and new brand introductions, including Vanilla Coke and Diet Coke/Coke light with Lemon.

.....

Full-Year 2004 Outlook

Full-year 2004 earnings per diluted common share are now expected in a range of \$1.42 to \$1.46. 2004 operating profit is expected to increase 5 percent to 6 percent from comparable 2003 operating profit of \$1,487 million. 2004 operating income expectations include the impact of a significant increase in pension expense, which will negatively impact 2004 growth by approximately 3 percent. We do not foresee a significant pension expense increase in 2005.

Full-year 2004 physical case bottle and can volume growth is expected to total approximately 1 1/2 percent in both North America and Europe. While expected volume growth in Europe is below our long-term trends, our outlook for 2004 reflects our strategic decision to develop a new water portfolio with The Coca-Cola Company, combined with hurdling the volume generated by last summer's record setting hot weather. We remain committed to a long-term growth rate of 4 percent to 6 percent for our European territories.

83. CCE's January 29 press release was attached to the Company's Form 8-K filed with the SEC on January 29, 2004. Defendant Bishop signed the Form 8-K.

84. In his opening remarks during the January 29, 2004, earnings conference call, Defendant Klein stated:

As noted in the release, we achieved excellent full year 2003 financial results, and have now increased our guidance for 2004.

For the full year 2003, our net income totals \$674 million, or \$1.46 per share -- including the net benefit of favorable items totaling 14 cents per share.

On a comparable basis, our per-share results were up 29 percent and our operating income grew 9 percent to a total of \$1.487 billion dollars. . . .

In achieving these performance levels during 2003, we made very significant improvement in three additional key financial measurements - - we've increased our free cash flow by more than \$300 million to a total of approximately \$700 million. We've reduced our debt balance by approximately \$400 million and we improved our return on invested capital by 40 basis points.

Several factors enabled us to achieve these results, including a strong commitment to improve revenue management with North American pricing of 2 percent and European pricing growth of approximately 2.5 percent for the year.

. . . .

Although it proved difficult to grow North American volume, we're still pleased that we were able to outpace the industry, even as cycled the highly successful introduction of regular and diet Vanilla Coke, we dealt with the well-documented external factors that effected the entire industry and we maintained our revenue management initiatives throughout all that.

We believe that we have continued to build strong brand equity and we have positioned ourselves for the resumption of North America volume growth in 2004.

In Europe, product innovation, package innovation, excellent marketing, and a record-setting summer heat, combined -- all combined to create full year 2003 volume growth of 5.5 percent. . . .

Our 2004 guidance calls for volume growth of 1.5 percent in North America and pricing growth of 2.5 percent. When coupled with our continued focus on cost controls and improved efficiency, we believe that we are on track for another year of solid financial performance.

85. As to CCE's earnings forecast for 2004, Defendant Mannelly stated:

[W]e have had a very successful year in 2003, and look forward to carrying that momentum into 2004. . . .

Looking further at our guidance for 2004, we continue to expect volume growth of 1.5 percent in North America, and 1 to 2 percent in our European territories. We're targeting bottle and can price increases of 2.5 percent in North America and approximately 2 percent in Europe. We continue to expect bottle and can cost of sales to increase approximately 2 percent for the year.

Operating profit -- it targeted the increase 5 to 6 percent in 2004, to a range of 1.56 to \$1.58 billion. . . .

Our expected operating income, combined with the slack interest expense and an effective 2004 tax rate of 31 percent, should produce earnings per diluted common share of \$1.42 to \$1.46.

86. CCE filed its 2003 Form 10-K with the SEC on March 11, 2004. The 2003 Form 10-K confirmed and repeated the financial information provided in Defendants' January 29, 2004 press release and earnings conference call. CCE's 2003 Form 10-K was signed by each of Individual Defendants including Defendants Johnston, Alm, Mannelly, Engum and Kline. Defendants Alm and Mannelly certified that the statements in CCE's 2003 Form 10-K were true and complied with Sarbanes-Oxley.

87. CCE's 2003 Annual Report To Shareholders, which was attached to the Company's 2003 Form 10-K filed with the SEC, stated in part:

2003 OVERVIEW

Coca-Cola Enterprises Inc.'s (CCE) strong financial performance continued in 2003. Our net income applicable to common shareowners increased to \$674 million, or \$1.46 per diluted common share in 2003, compared to net income applicable to common shareowners of \$491 million, or \$1.07 per diluted common share in 2002. We achieved this improved performance through our strong commitment to value creation, including enhanced brand building activities and a clear, company-wide strategy for revenue management. We also benefited from favorable currency exchange rates and lower interest rates.

Revenue Growth

Continued innovations in brand extensions and new packaging resulted in consolidated volume growth of 1 1/2 percent with North American volume flat and European volume up 5 1/2 percent.

In North America, growth in diet soft drink brands, strong sales of Dasani, and lemon-lime category growth from the introduction of Sprite Remix were offset by slower sales of regular soft drinks and our inability to match the strong 2002 volume levels attributable to the introduction of Vanilla Coke. The North American reintroduction of diet Cherry Coke and the introduction of diet Vanilla Coke in 2002 re-energized our diet cola portfolio in 2003. The introduction of Sprite Remix was responsible for a 6 percent increase in volume in the lemon-lime category for the year. We believe we have continued to build strong brand equity and are positioned for volume growth in 2004.

We continued the roll-out of Fridge Pack, a new packaging design, in our North American territories. Consumers buy more Fridge Packs at higher prices compared to our traditional 12-pack packaging because of the added value and functionality of the package. This added value is helping our efforts to achieve both volume and pricing growth over the long term.

European volume grew 5 1/2 percent, primarily due to record-setting temperatures during the summer months and new brand introductions. The European introductions of diet Coke with lemon in 2002 and diet

Vanilla Coke in 2003 contributed to a 12 percent volume increase in Europe's diet cola portfolio. The introduction of Vanilla Coke in Europe was responsible for a 3 percent increase in volume in Europe's sugar cola category.

Our European group grew volume in our take-home channel with a 7 percent increase in 2-liter PET volume. Our European higher margin immediate consumption business continued to grow with a 4 percent increase in 330-ml can volume and a 16 percent increase in 500-ml PET volume

....

2004 OUTLOOK

We are projecting we will achieve operating income for 2004 in a range of \$1.56 billion to \$1.58 billion as compared to 2003 comparable operating income of \$1.49 billion. . . .

Earnings per diluted common share are expected to grow to a range of \$1.42 to \$1.46 as compared to 2003 comparable earnings per diluted common share of \$1.32, excluding the impact of various items. . .

..

For North America, our goal is to achieve volume growth of approximately 1 1/2 percent and net price per case growth of approximately 2 1/2 percent from our continued emphasis on revenue management.

For Europe, our goals are volume growth of approximately 1 1/2 percent and 2 percent currency neutral net price per case growth.

88. Each of Defendants' statements alleged in ¶¶ 80, 82, and 84-87 above, were materially false and misleading because Defendants failed to disclose their channel stuffing activities and the effect of those activities on CCE's sales volumes, revenue, earnings, financial condition and future earnings guidance. In particular,

CCE's undisclosed channel stuffing practices artificially increased Defendants' reported sales volume figures, estimates of future sales volume growth, revenue and earnings estimates, and misrepresented the underlying consumer demand represented by the reported sales volumes. CCE's channel stuffing practices would have been very important information, materially impacting the total mix of information available to those investors evaluating CCE's reported sales volume figures, estimates of future sales volume growth, future revenue and earnings estimates, for the purpose of making decisions about whether or not to purchase CCE securities during the Class Period.

89. In addition, Defendants' statements as to their revenue and earnings were materially false and misleading because Defendants misrepresented that: (1) CCE's financial statements were prepared in accordance with GAAP, federal securities laws and SEC regulations concerning fair reporting; and (2) the Company's estimates, projections and opinions as to its expected revenues, earnings, and financial condition were lacking in reasonable basis at all relevant times.

90. Further, as discussed in more detail below, Defendants' channel stuffing scheme also caused CCE to improperly recognize revenue in violation of GAAP, which in turn artificially inflated CCE's publicly reported financial condition. Revenue growth was achieved, in part, at the expense of future results because CCE's

channel stuffing had the effect of pulling sales forward into earlier periods. Consequently, each of Defendants statements during the Class Period concerning CCE's reported revenues and earnings, and future revenue and earnings estimates, also were materially false and misleading.

91. While Defendants represented to investors during the Class Period that CCE's financial statements were prepared in accordance with GAAP, representations also highly material to the total mix of information available for an investors' evaluation of whether or not to purchase CCE's securities, in fact the Company's financial statements violated GAAP in several important respects. Consequently, as further alleged below, Defendants' statements during the Class Period that CCE's financial statements were prepared in accordance with GAAP also were materially false and misleading. By failing to file financial statements with the SEC which conformed to the requirements of GAAP, such financial statements were presumptively misleading and inaccurate pursuant to Regulation S-X, 17 CFR 210.4-01(a)(1).

92. On March 31, 2004, CCE issued a press release confirming the Company's outlook for full-year 2004, and CCE's expectations for earnings per diluted common share of \$1.42 to \$1.46 for the year, with operating income growth of 5 percent to 6 percent to a range of \$1.56 billion to \$1.58 billion, and continued

improvement in return on invested capital.

93. Alm, CEO of CCE, commented in the release, “We are encouraged by our early pricing performance as we move into the peak selling months and believe our brand and package strategies will continue to deliver good results.”

94. Defendants also relayed the following information in the March 31, 2004 press release:

Defendants repeated that for 2004, CCE expects to achieve physical case volume growth in North America of approximately 1 1/2 percent, with enhanced revenue management strategies producing North American bottle and can net pricing per case growth of approximately 2 1/2 percent.

CCE expects its European operations to achieve volume growth of approximately 1 1/2 percent and bottle and can net pricing per case growth of approximately 2 percent in 2004.

95. CCE’s March 31, 2004 press release was attached to the Company’s Form 8-K filed with the SEC on April 2, 2004. Defendant Bishop signed the Form 8-K.

96. CCE issued a press release on April 28, 2004, providing its first quarter 2004 financial results. The press release reported in part:

first-quarter 2004 net income applicable to common shareowners of \$104 million, or 22 cents per diluted common share. These results compare to net income of \$27 million, or 6 cents per diluted common share for the same period last year. Foreign currency translations contributed approximately 1 cent per diluted common share to first-

quarter 2004 earnings.

Operating income totaled \$304 million for the first quarter, an increase of 71 percent versus prior year results. These results reflect strong net revenue per case growth in North America, and continued volume and pricing growth in Europe.

. . . .

"These positive results demonstrate the benefit of our value-based approach to the marketplace," said Lowry F. Kline, chairman of the board. "Dedication to revenue management - achieved through a combination of rate increases, contributions from package mix and volume growth - will be the impetus for strong financial results for the full year."

. . . .

Physical case bottle and can volume increased 1 percent on a comparable basis for the quarter. The strength of our diet "My Coke" portfolio, including diet Coke with Lime, coupled with very strong Dasani water growth and continued growth in Powerade resulted in first-quarter volume growth of 1/2 percent in North America. In Europe, brand innovation and consistent growth of our diet beverage portfolio resulted in a 1 1/2 percent volume gain for the first quarter.

"Consumers are responding very positively to our complete brand portfolio, in part because of our excellent marketing campaigns, such as the NCAA Final Four and NASCAR, and because of strong, local marketplace execution tailored to our customers' needs," said John R. Alm, president and chief executive officer. "Our combination of popular brands, strong marketing, and local market expertise creates momentum for continued volume growth and pricing enhancement throughout the year.

Full-Year 2004 Outlook

Based on our strong first-quarter performance and outlook for the balance of 2004, we now expect full-year 2004 earnings per diluted common share in a range of \$1.48 to \$1.52, excluding any nonrecurring items. The range represents an increase of 12 percent to 15 percent over comparable 2003 results of \$1.32 per share. Our full-year financial

guidance incorporates higher expectations for operating income growth in North America and Europe, partially offset by the recognition of lower non-cash funding from an anticipated change in our Jumpstart agreement with The Coca-Cola Company (“TCCC”).

97. CCE’s April 28, 2004 press release was attached to the Company’s Form 8-K filed with the SEC on April 28, 2004. Defendant Bishop signed the Form 8-K.

98. In an April 28, 2004 earnings conference call following the press release, Defendant Kline in his opening remarks stated the following:

As you have seen in our news release, we are off to an outstanding start to the year. We achieved solid pricing enhancement and moderate volume growth in both North America and Europe resulting in 71% operating profit growth and earnings per diluted common share of 22 cents.

Though these results included four extra selling days, which will be offset by three fewer selling days in the fourth quarter, Our fourth quarter earnings growth was nevertheless substantial and was driven by the solid fundamentals of our business.

Based on our performance in the first quarter, we are raising our full year estimates. We now expect earnings per share to reach a range of \$1.48 to \$1.52. Our revised guidance includes a change to our Jump Start agreement with the Coca-Cola Company but excludes the non-cash impact of adopting a new concentrate pricing structure in the second quarter. . . .

At the heart of our improved outlook is our value oriented operating strategy and our dedication to revenue management principles. Our success is based on a combination of rate and mix improvement, brand and package initiatives, national and local marketing programs as well as marketplace execution strategies which work in close partnership with our customers. . . .

99. Defendant Alm stated in his opening remarks:

As you've seen today from our news release, we did achieve a very solid combination of price performance and volume in the first quarter, both in North America and Europe. This is the continuation of a trend of improving results enabled by brand and package innovation, stronger demand creation, including media, and balanced rate and mix revenue growth.

The results include 4% net revenue for case growth in North America. This revenue increase consists of 3 points of growth from pricing in the take home packages, significantly less in the immediate consumption packages, and more than 1 point of growth from favorable channel and package mix.

With this pricing growth we also achieved volume growth of half percent. We expect continued solid pricing growth throughout the year, though the rate of growth will be less than our first quarter performance, which reflected the full impact of increases taken late last year, while our prior year increases were taken during the first quarter.

In Europe, pricing rose 2% during the first quarter with volume growth of 1.5% continuing our record of volume and pricing growth. . . .

100. As part of his opening remarks, Defendant Mannelly noted “we've had a very successful first quarter, enabling us to raise our guidance for the year to a range of \$1.48 to \$1.52 per share.”

101. As to CCE's U.S. volume growth targets for 2004, Defendant Van Houten stated that the Company was “confident we can deliver full year growth of 1.5%.”

102. On May 12, 2004, CCE filed its first quarter 2004 Form 10-Q with the SEC. The first quarter 2004 10-Q confirmed and restated the financial information Defendants disclosed in the April 28, 2004, press release and earnings conference call. Among other things, the first quarter 2004 Form 10-Q noted the Company's revenue recognition policy:

We earn revenues from products when the product is delivered or when we collect cash from vending machines. We earn funding from licensors as performance measures are met. We earn service revenues for equipment maintenance and production when services are performed.

103. In addition, CCE's first quarter 2004 Form 10-Q, discussed the Company's recently claimed sales volume increase in North America:

In North America, our volume increase for the first quarter was mostly attributable to a 5 percent increase in our 20-ounce PET volume and a substantial increase in our 24-ounce PET volume reflecting the establishment of this new package during 2003. In Europe, most of the first quarter volume increase was attributable to a 3 percent increase in can volume.

The performance of our My Coke Portfolio brands (which includes all regular and diet Coca-Cola trademark products) in the first quarter of 2004 reflects a consumer preference for lower-calorie refreshment. Our diet My Coke Portfolio volume increased approximately 7 1/2 percent on a consolidated basis, with an 8 percent increase in North America and a 5 1/2 percent increase in Europe.

In North America, the increase in diet Coke volume and the introduction of diet Coke with Lime were offset by decreases in Coke Classic, diet Coke with Lemon, Vanilla Coke, and diet Vanilla Coke volume. In Europe, the increase in diet Coke/Coke light volume, combined with a 2

1/2 percent increase in Coke Classic volume, contributed to a 4 percent increase in Europe's My Coke Portfolio.

On a consolidated basis, the decrease in flavors volume was attributable to significant decreases in Minute Maid soda volume in North America and softness in Fanta volume in Europe.

104. CCE's first quarter 2004 Form 10-Q was signed by Individual Defendants Mannelly and Engum, and Defendants Alm and Mannelly certified that the statements in CCE's first quarter 2004 Form 10-Q were true and complied with Sarbanes-Oxley.

105. Each of Defendants' statements alleged in ¶¶ 92-94, 96, and 98-103 above, were materially false and misleading because Defendants failed to disclose their channel stuffing activities and the effect of those activities on CCE's sales volumes, revenue, earnings, financial condition and future earnings guidance. In particular, CCE's undisclosed channel stuffing practices artificially increased Defendants' reported sales volume figures, estimates of future sales volume growth, revenue and earnings estimates, and misrepresented the underlying consumer demand represented by the reported sales volumes. CCE's channel stuffing practices would have been very important information, materially impacting the total mix of information available to those investors evaluating CCE's reported sales volume figures, estimates of future sales volume growth, future revenue and earnings estimates, for the purpose

of making decisions about whether or not to purchase CCE securities during the Class Period.

106. In addition, Defendants' statements as to their revenue and earnings were materially false and misleading because Defendants misrepresented that: (1) CCE's financial statements were prepared in accordance with GAAP, federal securities laws and SEC regulations concerning fair reporting; and (2) the Company's estimates, projections and opinions as to its expected revenues, earnings, and financial condition were lacking in reasonable basis at all relevant times.

107. Further, as discussed in more detail below, Defendants' channel stuffing scheme also caused CCE to improperly recognize revenue in violation of GAAP, which in turn artificially inflated CCE's publicly reported financial condition. Revenue growth was achieved, in part, at the expense of future results because CCE's channel stuffing had the effect of pulling sales forward into earlier periods. Consequently, each of Defendants statements during the Class Period concerning CCE's reported revenues and earnings, and future revenue and earnings estimates, also were materially false and misleading.

108. While Defendants represented to investors during the Class Period that CCE's financial statements were prepared in accordance with GAAP, representations also highly material to the total mix of information available for an

investors' evaluation of whether or not to purchase CCE's securities, in fact the Company's financial statements violated GAAP in several important respects. Consequently, as further alleged below, Defendants' statements during the Class Period that CCE's financial statements were prepared in accordance with GAAP also were materially false and misleading. By failing to file financial statements with the SEC which conformed to the requirements of GAAP, such financial statements were presumptively misleading and inaccurate pursuant to Regulation S-X, 17 CFR 210.4-01(a)(1).

109. On July 29, 2004, the last day of the Class Period, CCE issued a press release substantially reducing its earnings for the second quarter of 2004 and the first half of 2004, and reducing earnings guidance for the full year:

Coca-Cola Enterprises ("CCE") today reported second-quarter 2004 net income applicable to common shareowners of \$203 million, or 43 cents per diluted common share. Year-to-date net income totaled \$307 million, or 65 cents per diluted common share. Second quarter and year-to-date results include expense of 5 cents per share related to higher cost of sales from the transition to a new North American concentrate price structure with The Coca-Cola Company ("TCCC").

Operating income totaled \$451 million and \$755 million for the second quarter and first six months, respectively. Excluding the \$41 million of higher cost of sales, comparable operating income declined 7 percent for the second quarter and increased 14 percent for the first six months. Operating income comparisons versus prior year are affected by the following items:

- The settlement of promotion programs in second quarter 2003 which

added \$24 million to prior year operating results, thus lowering second quarter growth rates for pricing and operating income.

- The benefit of four additional selling days in the first quarter which contributed an estimated \$35 million to year-to-date 2004 operating income growth.

“Our operating performance continues to reflect balanced volume and pricing growth in North America, while our European operations are experiencing a significant, weather-related volume shortfall that is mitigating the benefits of solid pricing growth and cost management initiatives,” said Lowry F. Kline, chairman of the board. “Our European results and higher than expected health care expenses in North America contributed to second quarter financial results below our expectations. Though we expect a difficult third quarter due to continued volume related challenges, we believe favorable North American operating dynamics and improved trends in Europe later this year will enable us to achieve our operating income target for the full year.”

Second-quarter physical case bottle and can volume decreased 1 percent versus prior year, while volume for the first six months was flat versus prior year. Growth in North America was 1 percent for the second quarter and first six months as diet soft drink brands, Dasani water and Powerade continued to achieve solid increases. In Europe, the unfavorable summer weather resulted in volume declines of 6½ percent for the second quarter and 3 percent for the first six months.

. . . .

Consolidated cost of sales per case increased 1½ percent for the second quarter and first six months. . . .

“Cool, rainy weather continues to significantly affect European volume, heightening the negative impact of comparisons to record growth achieved during the extraordinary summer heat of a year ago,” said John R. Alm, president and chief executive officer. “The underlying performance of our North American business was sound in the quarter as we achieved a solid combination of volume and pricing growth. However, we expect soft North American retail trends, slower sales of regular soft drinks and European volume performance to result in third

quarter volume and profit below prior year. . . .

Full-Year 2004 Outlook

We now expect full-year 2004 earnings per diluted common share at the low end of our current range of \$1.48 to \$1.52, excluding nonrecurring items, as our forecasts for interest expense and diluted shares have increased. This EPS forecast is based on full-year operating income growth of 9 percent to 10 percent versus comparable 2003 results.

110. Purportedly two days prior to CCE's July 29 announcement, CCE's 49 year old CFO, Defendant Mannelly, "elected to retire." A copy of CCE's July 27, 2004, press release was filed with the SEC, along with the July 29 earnings announcement press release, as part of CCE's July 29, 2004 8-K filing.

111. In the July 29, 2004, earnings conference call following the press release, Defendant Alm stated:

As you've read in our news release this morning, our results for the second quarter fell below our expectations. Earnings per share up 48 cents, excluding expense of 5 cents related to our transition to the new North American concentrate price structure. Our operating income totaled \$451 million, which was down 6.5% on a comparable basis. In the second quarter, North America did achieve a balance of volume and price growth, with volume up 1% and net revenue per case growth of 2.5%.

Most of our profit shortfall is the result of our performance in Europe. Where weather heavily influences second and third quarter volumes. Second quarter volumes hampered by cool, rainy weather, was down 6.5% from very strong volume levels achieved last year during record summer heat. Though we achieved our planned pricing growth in Europe of 2.5%, we were unable to overcome the profit shortfall created by this sharp decline in volume.

Our operating income growth comparisons to prior year were also affected by a settlement of promotion programs in the second quarter of '03. As we discussed in our second quarter press release last year, this adjustment added 24 million to the second quarter '03 operating results. In addition, higher than planned healthcare costs in the second quarter also affected North American results.

As we look at the balance of the year, we are very focused on soft retail trends we have seen in North America during June and July. In our discussions with retailers, we understand these trends are affecting a broad cross section of categories. This retail environment combined with trends below plan for regular soft drinks and persistent cool, rainy weather in Europe gives us a cautious view of the third quarter. We now expect volume and profit declines in both North America and Europe in the quarter.

. . . .

112. Defendant Van Houten stated during the conference call:

As you've seen today from our news release, our second quarter results were characterized by very different business outcomes in our 2 operating groups. In North America, we experienced a positive combination of pricing and volume growth, however, in Europe we had a 6.5% decline in volume, primarily due to weather. This decline is in sharp contrast to the consistent growth of the past 4 years and resulted in profits below plan despite 2.5% net revenue per case growth.

As we established our goals for the year, we factored European's strong growth of last year into our plans. However, we could not predict a cool, rainy summer, nor the full impact of a reduction in retailer funded promotional activities in Great Britain. As we enter into the third quarter, we continued to experience soft volume trends in Europe as unfavorable weather has persisted into July.

. . . .

These current short term challenges have not changed our optimism about the marketplace opportunities available to us. As we turn to North America, we see a market that performed well the second quarter, generating balanced volume and pricing growth that reflects favorably

on our revenue management strategies, which we are continuing to develop and refine. Our outlook calls for continued solid net revenue per case growth in North America for the remainder of the year as we implement planned pricing increases in early fall.

113. Responding to a question from UBS Warburg analyst Caroline Levy regarding the reasons for the Company's purported weak European results give the recent "double digit volumewise in Europe in the third quarter" of 2003, Defendant Alm stated:

Well, Caroline, first of all, you know, the cool rainy weather that we really experienced throughout the second quarter in Europe has continued, unfortunately, in July and experiencing, you know, some double digit declines. And again that is, you know, flies right in the face of, you know, significant double digit growth versus the same period a year ago. And, you know, your guess is as good as mine as to what the you know, the weather may bring as we move forward. I do think that there are, you know, promotional mechanics that we could look at across Europe that certainly would give the opportunity to optimize whatever may be out there from a volume-price standpoint. But keep in mind these are high share markets for us that we do business in, Great Britain in France in Belgium and, you know, certainly we need to be, you know, cautious in that regard. But, you know, we are looking at various mechanics that can stimulate the business. . . . With regard to retail softness in North America, we you know began to see this in June. We did deliver, you know good volume growth in June. But perhaps it was not as good as it should have been as a result of some retail softness that we obviously see continuing in July.

114. In immediate response to this news, the price of CCE's common stock dropped roughly 22% on tremendous volume of over 18 million shares traded on July 29, 2004 alone.

115. CCE's attempt to link its failure to meet earnings estimates solely to cooler weather in Europe lacks credibility. Indeed, the Pepsi Bottling Company, one of CCE's primary competitors in Europe, did not mention European weather at all, but rather announced in its second quarter 10-Q for 2004 that it was experiencing "solid earnings growth," and that volume in Europe grew 10% in the second quarter and 12% on a year-to-date basis. As a result, Pepsi raised its 2004 earnings estimate. In fact, in previous years when CCE attributed volume declines (or increases) to the weather, Pepsi issued no public statements to investors that its product sales volume was dependent on the weather.

116. Analysts that followed CCE stock during the Class Period likewise questioned the veracity of CCE's attribution of cooler weather for lower sales. Bonnie Herzog, an analyst with Citigroup Global Markets, issued a report on July 29, 2004 in which she stated "[w]e were surprised that CCE was not able to achieve the same level of pricing as its counterparts from the Pepsi system."

117. Moreover, CCE's ex post fact statements concerning the weather were inconsistent with its contemporaneous statements during the Class Period. In particular, in its October 15, 2003 press release, in which it discussed third quarter results, CCE represented that weather accounted for only 2% of the total 7.5% increase for the year.

118. All of Defendants public statements and filings discussing the reasons for CCE's sales volumes during the Class Period are materially false and misleading insofar as they failed to disclose CCE's channel stuffing activities and the effect of those activities on CCE's total sales volumes, revenue, earnings, financial condition and future earnings expectations. Defendants' misrepresentations and omissions during the Class Period served to artificially inflate the price of CCE securities and cause the Lead Plaintiffs and members of the Class to suffer damages when the price of the stock dropped upon revelation of the bad news.

ADDITIONAL ALLEGATIONS REGARDING SCIENTER

Defendants Were Able and Had A Duty To Monitor the Wrongful Activity

119. The Individual Defendants, by virtue of their receipt of information reflecting the true facts regarding CCE and its business practices, their control over and/or receipt of CCE's allegedly materially misleading misstatements and/or their associations with the Company which made them privy to confidential proprietary information concerning CCE were active and culpable participants in the fraudulent scheme alleged herein.

120. The Individual Defendants had access to a variety of internal CCE reports used to track concentrate and finished product inventory, as well as finished product sales volume. For example, according to a former CCE Divisional Marketing

Account Manager, CCE tracked all sales on a database system called “Margin Minder.” Margin Minder allowed CCE to generate reports on case sales, comparisons to prior year sales and gross profits, which could be customized to generate reports on any aspect of CCE's sales. According to another former CCE employee involved in inventory analysis, CCE managed finished product inventory levels by preparing daily and monthly inventory reports that detailed the finished product inventory counts which were compiled by entering information into CCE's SAP database.

121. Margin Minder was created to allow senior management, including the Individual Defendants, to monitor sales and returns on a daily basis. The Individual Defendants, as part of their job responsibilities, had a duty to monitor the information provided by Margin Minder, and did so.

122. The conduct alleged was pervasive, was neither complex nor difficult to detect by the Individual Defendants, nor did it involve issues of judgment or interpretation.

123. Additionally, Defendants Kline and Mannelly signed Sarbanes Oxley certifications for the second and third quarter 2003 Form 10-Qs, and Defendants Alm and Mannelly signed the 2003 Form 10-K and first quarter 2004 Form 10-Q, attesting, *inter alia*, to the facts that: (1) they have reviewed the report, (2) the report does not contain any untrue statement of a material fact or omit to state a material fact

necessary to make the statements made not misleading, (3) the financial statements and other financial information present in all material respects the financial condition of the Company and (4) they evaluated the Company's internal controls and found them to be sufficient. By making such affirmative attestations, these Defendants possessed knowledge or were severely reckless in not possessing knowledge of the true nature of the Company's financial condition.

Coke's Payments to CCE Provided A Motive to CCE and the Individual Defendants

124. During the Class Period, Coke made a variety of payments to CCE, which CCE relied on when necessary to meet its bottom line, including the payment of "marketing support," advertising costs and other inter company transfers.

125. In 2003, the total direct-marketing payments Coke made to CCE or to CCE's customers amounted to approximately \$1.076 billion, \$862 million of which CCE recognized. According to CCE's 2003 Form 10-K filed with the SEC on March 11, 2004, Coke "is not obligated to provide marketing support under either the domestic or international beverage agreements. . . ." But for those payments, however, CCE would not have been profitable.

126. During CCE's July 16, 2003 earnings conference call, the following exchange took place between Caroline Levy, an analyst from UBS Warburg, and one

of the Defendants:

Q: And, I mean, if your volume were to be flat to down 1% in the back half, would you expect to have to reduce the number again?

A: Yes. Currently, we've reduced it by 7 million year-to-date, Caroline. That, based on the volume expectations that we've talked about, the total for the year could be as much as 40 million. And it is in our projections for the year.

127. According to CCE's 2003 Annual report to Shareholders, filed with the SEC as an exhibit to CCE's 2003 Form 10-K:

For 2002, we recognized the entire \$120 million of volume growth funding that was available to us under the agreement. For 2003, we recognized \$131 million of the \$170 million that was available to us under the SGI program after adjustment for penalty charges of \$39 million because of a shortage of 39 million equivalent cases below our sales volume growth targets for 2003. Under the agreement, \$165 million of volume growth funding is available to us for 2004.

The Individual Defendants and Defendant Johnston's Engaged In Insider Trading

128. While in possession of material, non-public information, the Individual Defendants and Defendant Johnston sold hundreds of millions of dollars worth of inflated CCE stock. Defendants' stock sales were extremely suspicious as to both their timing and their amount when compared with their historical CCE trading activity prior to and after the Class Period.

129. In the 86 days before CCE's July 29, 2004, disclosure, discussed below,

Defendant Johnston sold over \$172 million worth of inflated CCE stock. Thus, between April 28, 2004 (the day CCE announced better-than-expected operating results) and the end of the Class Period. Johnston sold 7,639,392 shares for reaping proceeds of over \$172 million. In comparison, Johnston sold no stock from the period beginning on January 1, 2003 through October 1, 2003. Moreover, one day prior to the last day of the Class Period, right before the Company's corrective disclosures, Defendant Johnston sold 145,200 shares of CCE stock at prices ranging from \$24.55 per share to \$28.87 per share for total proceeds in excess of \$3.6 million. In the year following the July 29, 2004 disclosures, Johnston sold only 142,700 shares.

130. On April 28, 2004, Defendant Mannelly accelerated 103,800 Options at \$15.90 and sold them the same day at \$25.00, realizing a profit of \$945,005. On May 13, 2004 Mannelly accelerated 7,800 Options at \$9.02 and sold them at \$26.90, realizing a profit of \$139,456. On the very next day, May 14, 2004, Mannelly accelerated 10,000 Options at \$16.11 and sold for \$27.00, realizing a profit of \$108,900. Then on June 14, 2004, just 45 days before the end of the Class Period, Mannelly accelerated 23,133 Options at \$16.11 and sold for \$28.00, realizing a profit of \$275,051. The Options involved in these sales were not due to expire until 2007 and 2012. This was the first time that Defendant Mannelly accelerated Options this early, and to this extent.

131. During this time, Defendant Van Houten also began to accelerate Options. On May 3, 2004, Van Houten accelerated 26,400 Options at \$5.96 and sold at a range of \$26.36 to \$26.44, realizing a profit of \$509,510. On May 13, 2004, Van Houten accelerated 31,575 Options at \$9.02 and sold for \$26.80, realizing a profit of \$561,375. On June 14, 2004, Van Houten accelerated 31,575 Options at \$9.02 and sold for \$28.00, realizing a profit of \$599,265. On June 22, 2004, just 37 days before the end of the Class Period, Van Houten accelerated another 31,575 Options at \$9.02 and sold for \$29.00, realizing \$630,840 in profit. The Options involved in these transactions were due to expire in 2005 and 2006. In the years prior, Van Houten's habit was to exercise his Options on the day of their expiration.

132. Defendant Engum also accelerated 9,300 Options on May 5, 2004. On that same day, he sold 2,000 Options at \$26.68 and 5,800 Options at \$26.60, realizing a profit of \$161,164. These Options were due to expire on January 3, 2005. In the years prior, Engum's habit was to exercise his Options on or near the expiration date and often held the stocks rather than sell them.

133. Clearly, the timing and volume of Defendants' trades indicate that they were more than simply "normal activity." Regardless, as corporate insiders, Defendants had the duty not to sell any CCE stock while in possession of adverse, undisclosed, material information.

The Individual Defendants' Executive Compensation Provided Them With a Motive To Boost Artificially CCE's Performance

134. The Individual Defendants who comprised the senior management of CCE were motivated to participate in the fraudulent scheme during the Class Period in order to receive incentive compensation based, in part, on sales volume targets. The Individual Defendants' participation in the fraudulent scheme, as alleged herein, was motivated in large measure by CCE's MIP, described above, which became effective January 1, 2003, and served as incentive for reaching Fiscal Year 2004 budgeted operating, income and sales goals. The incentive plan provides for cash awards, calculated as percentages multiplied by an officer's annual base salary.

135. As detailed in CCE's March 11, 2004, proxy statement, CCE also had several specific bonus compensation plans tied directly to CCE's sales volume. Pursuant to CCE's "Annual Performance-Based Bonus" approved and begun in 2003, CCE's executive officers, including many of the Individual Defendants, received bonus awards ranging from 63.86% to 106.44% of their annual base salaries based, in part, upon CCE's attainment of 98.7% of its budgeted sales volume of CCE's products.

136. The Individual Defendants also received "Performance-Based Equity Grants" as "a significant part of the[ir] compensation" through stock option awards

based on ownership guidelines representing a multiple ranging from “three to seven times the executive’s base salary.” On February 3, 2003 and February 17, 2003, CCE granted 1,255,000 options to individuals who were executive officers at the time of grant. CCE granted another 780,000 options to the individuals who were executives as of February 18, 2003. CCE set the exercise price of its stock option awards equal to market price of CCE’s common stock on the grant date. Under the program, one-third of Defendants’ option grants become exercisable after each of the first, second, and third anniversaries of the grant date.

137. During 2003, CCE’s 1,319,000 shares of restricted stock and restricted stock units were awarded, 740,000 of which were awarded to individuals who were executive officers at the time of their grant. The restrictions on the stock are essentially lifted when the average market value of CCE’s stock increases 10%.

138. Finally, the compensation of Defendant Alm, CCE’s Chief Executive Officer, also is directly tied to sales volume goals. Thus, according to CCE’s 2004 proxy statement:

the chief executive officer’s cash bonus should be tied to our performance in several financial areas. For 2003, the committee established specific targets related to the budgeted operating income and sales volume of Coca-Cola Enterprises, as compared to the goals for those financial items in the 2003 budget. In the first quarter of 2004, Mr. Kline received \$1,004,261 under the annual bonus plan for the 2003 performance period.

Defendants Evaluated Their Internal Controls

139. Defendants admit they evaluated CCE's disclosure controls and procedures and found nothing wrong with them. According to CCE's 2003 Form 10-

K:

Coca-Cola Enterprises Inc., under the supervision and with the participation of management, including the Chief Executive Officer and the Chief Financial Officer, evaluated the effectiveness of our "disclosure controls and procedures" (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934 (the Exchange Act)) as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that our disclosure controls and procedures are effective in timely making known to them material information required to be disclosed in our reports filed or submitted under the Exchange Act. There has been no change in our internal control over financial reporting during the quarter ended December 31, 2003 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting. (Emphasis added).

140. As alleged herein, Defendant CCE and the Individual Defendants acted with scienter in that Defendants knew or were severely reckless in not knowing that the public documents and statements, issued or disseminated by or in the name of the Company were materially false and misleading; knew or were severely reckless in not knowing that such statements or documents would be issued or disseminated to the investing public; and knowingly and/or recklessly substantially participated or acquiesced in the issuance or dissemination of such statements or documents as

primary violators of the federal securities laws.

DEFENDANTS VIOLATED GAAP

141. During the Class Period, the Company's financial results were materially overstated. The Company's financial statements did not present, in all material respects, the Company's true financial condition, and did not reflect all adjustments which were necessary for a fair statement of the interim and full year period presented.

142. According to CCE's 2003 Annual report to Shareholders, filed with the SEC as part of CCE's 2003 Form 10-K, CCE's revenue recognition policy is as follows:

Revenue Recognition: We recognize net revenues from the sale of our products when legal title transfers to the customer and in the case of full service vending, when we collect cash from vending machines. We earn service revenues for equipment maintenance and production when services are performed.

143. The Company's internal controls were inadequate and, as a result, the Company improperly accounted for its assets.

144. The Company's interim financial statements for at least fiscal year 2003 and the first two quarters of 2004 were not presented in conformity with GAAP or principles of fair reporting.

145. Defendants failed to disclose the existence of known trends, events or uncertainties that it reasonably expected would have a material unfavorable impact on

net revenues or income, in violation of Item 303 of Regulation S-K under the federal securities laws (17 C.F.R. 229.303), and that failure to disclose rendered the statements that were made during the Class Period materially false and misleading.

146. Statement of Financial Accounting Standards No. 48 (“FAS 48”), “Revenue Recognition When Right of Return Exists,” provides in pertinent part:

FAS 48 Summary

This statement specifies how an enterprise should account for sales of its product in which the buyer has a right to return the product. Revenue from those sales transactions shall be recognized at time of sale only if all of the conditions specified by the Statement are met. If those conditions are not met, revenue recognition is postponed; if they are met, sales revenue and cost of sales in the income statement shall be reduced to reflect estimated returns and expected costs or losses shall be accrued.

.....

Criteria for Recognizing Revenue When Right of Return Exists

6. If an enterprise sells its product but gives the buyer the right to return the product, revenue from the sales transaction shall be recognized at time of sale only if all of the following conditions are met:

a. The seller’s price to the buyer is substantially fixed or determinable at the date of sale.

b. The buyer has paid the seller, or the buyer is obligated to pay the seller and the obligation is not contingent on resale of the product.

c. The buyer’s obligation to the seller would not be changed in the event of theft or physical destruction or damage of the product.

.....

f. The amount of future returns can be reasonably estimated (paragraph 8).

7. If sales revenue is recognized because the conditions of paragraph 6 are met, any costs or losses that may be expected in connection with any returns shall be accrued in accordance with FASB Statement No. 5, Accounting for Contingencies. Sales revenue and cost of sales reported in the income statement shall be reduced to reflect estimated returns.

8. The ability to make a reasonable estimate of the amount of future returns depends on many factors and circumstances that will vary from one case to the next. However, the following factors may impair the ability to make a reasonable estimate:

- a. The susceptibility of the product to significant external factors, such as technological obsolescence or changes in demand
- b. Relatively long periods in which a product may be returned

In Appendix B: Summary of Consideration of Comments on Exposure Draft,

FAS 48 further provides the following:

The Board has clarified the wording of paragraph 6(b) to clarify that the condition is met if the buyer pays the seller at time of sale or if the buyer does not pay at time of sale but is obligated to pay at a specified date or dates. If, however, the buyer does not pay at time of sale and the buyer's obligation to pay is contractually or implicitly excused until the buyer resells the product, then the condition is not met.

147. SEC Staff Accounting Bulletin: No. 101—Revenue Recognition in Financial Statements (“SAB 101”), as amended by SAB 104 on December 17, 2003, provides further guidance on appropriate revenue recognition practices. The SEC has determined that revenue generally is realized or realizable and earned when all of the

following criteria are met:

- Persuasive evidence of an arrangement { the agreed-upon transaction } exists,
- Delivery has occurred or services have been rendered,
- The seller's price to the buyer is fixed or determinable, and
- Collectibility is reasonably assured.

148. A consignment arrangement is one where revenue should not be recognized merely upon delivery of the product. The SEC noted in SAB 101/104:

[S]ituations may exist where title to delivered products passes to a buyer, but the substance of the transaction is that of a consignment or a financing. Such arrangements require a careful analysis of the facts and circumstances of the transaction, as well as an understanding of the rights and obligations of the parties, and the seller's customary business practices in such arrangements. The staff believes that the presence of one or more of the following characteristics in a transaction precludes revenue recognition even if title to the product has passed to the buyer:

1. The buyer has the right to return the product and:

a) the buyer does not pay the seller at the time of sale, and the buyer is not obligated to pay the seller at a specified date or dates

b) the buyer does not pay the seller at the time of sale but rather is obligated to pay at a specified date or dates, and the buyer's obligation to pay is contractually or implicitly excused until the buyer resells the product or subsequently consumes or uses the product

4. Fixed or Determinable Sales Price

A company's contracts may include customer cancellation or termination clauses. Cancellation or termination provisions may be

indicative of a demonstration period or an otherwise incomplete transaction. Examples of transactions that financial management and auditors should be aware of and where such provisions may exist include “side” agreements and significant transactions with unusual terms and conditions. These contractual provisions raise questions as to whether the sales price is fixed or determinable. The sales price in arrangements that are cancelable by the customer are neither fixed nor determinable until the cancellation privileges lapse.

SAB 104 further provides:

Question 1

Facts: Paragraph 8 of SFAS No. 48 lists a number of factors that may impair the ability to make a reasonable estimate of product returns in sales transactions when a right of return exists. [footnote omitted] The paragraph concludes by stating “other factors may preclude a reasonable estimate.”

Question: what “other factors,” in addition to those listed in paragraph 8 of SFAS No. 48, has the staff identified that may preclude a registrant from making a reasonable and reliable estimate of product returns?

Interpretive Response: The staff believes that the following additional factors, among others, may affect or preclude the ability to make reasonable and reliable estimates of product returns: (1) significant increases in or excess levels of inventory in a distribution channel (sometimes referred to as “channel stuffing”), (2) lack of “visibility” into or the inability to determine or observe the levels of inventory in a distribution channel and the current level of sales to end users, (3) expected introductions of new products that may result in the technological obsolescence of and larger than expected returns of current products

The staff reminds registrants that if a transaction fails to meet all of the conditions of paragraphs 6 and 8 in SFAS No. 48, no revenue may be recognized until those conditions are subsequently met or the return

privilege has substantially expired, whichever occurs first. [footnote omitted] Simply deferring recognition of the gross margin on the transaction is not appropriate.

149. By failing to file financial statements with the SEC which conformed to the requirements of GAAP, such financial statements were presumptively misleading and inaccurate pursuant to Regulation S-X, 17 CFR §210.4-01(a)(1).

150. As a result of its accounting improprieties, particularly with respect to the Company's revenue recognition practices, the Company's reported financial results also violated at least the following provisions of GAAP for which each defendant is responsible:

- The principle that financial reporting should provide information that is useful to present and potential investors and creditors and other users in making rational investment, credit and similar decisions was violated (FASB Statement of Concepts No. 1, & 34);
- The principle that financial reporting should provide information about the economic resources of an enterprise, the claims to those resources, and the effects of transactions, events and circumstances that change resources and claims to those resources was violated (FASB Statement of Concepts No. 1, & 40);
- The principle that financial reporting should provide information about how management of an enterprise has discharged its stewardship responsibility to owners (stockholders) for the use of enterprise resources entrusted to it was violated. To the extent that management offers securities of the enterprise to the public, it voluntarily accepts wider responsibilities for accountability to prospective investors and to the public in general (FASB Statement of Concepts No. 1, & 50);

- The principle that financial reporting should provide information about an enterprise's financial performance during a period was violated. Investors and creditors often use information about the past to help in assessing the prospects of an enterprise. Thus, although investment and credit decisions reflect investors' expectations about future enterprise performance, those expectations are commonly based at least partly on evaluations of past enterprise performance (FASB Statement of Concepts No. 1, & 42);
- The principle that financial reporting should be reliable in that it represents what it purports to represent was violated. That information should be reliable as well as relevant to a notion that is central to accounting (FASB Statement of Concepts No. 2, && 58-59);
- The principle of completeness, which means that nothing is left out of the information that may be necessary to ensure that it validly represents underlying events and conditions, was violated (FASB Statement of Concepts No. 2, & 79); and
- The principle that conservatism be used as a prudent reaction to uncertainty to try to ensure that uncertainties and risks inherent in business situations are adequately considered was violated. The best way to avoid injury to investors is to try to ensure that what is reported represents what it purports to represent (FASB Statement of Concepts No. 2, && 95, 97).

LOSS CAUSATION/ECONOMIC LOSS

151. During the Class Period, as detailed herein, Defendants engaged in a scheme to deceive the market and a course of conduct that artificially inflated CCE's stock price and operated as a fraud or deceit on Class Period purchasers or acquirers of CCE stock.

152. Later, however, when the truth concerning CCE's troubled business

operations, finances and lack of business success entered the market and became apparent to investors, CCE stock fell precipitously as the prior artificial inflation came out of CCE's stock price. As a result of their purchases of CCE stock during the Class Period, Lead Plaintiffs and other members of the Class suffered economic loss, *i.e.*, damages under the federal securities laws.

153. Defendants failed to disclose to the marketplace that, in order to achieve CCE's reported financial performance and meet analyst earnings and revenue expectations during the Class Period, Defendants inflated the Company's results with its wide-spread practice of channel stuffing and improperly recognized revenue from consignment-like sales associated with the channel-stuffing, in violation of GAAP.

154. This conduct caused and maintained the artificial inflation in CCE's stock price throughout the Class Period and until the truth was revealed to the market. Defendants' false and misleading statements had the intended effect and caused CCE stock to trade at artificially inflated levels throughout the Class Period.

155. On July 29, 2004, Defendants disclosed that CCE would not meet its previously estimated earnings guidance for 2004, due primarily to declines in its European sales volumes. However, rather than reveal the primary underlying cause of those volume declines, channel stuffing and improper revenue recognition, Defendants blamed the decline on the weather.

156. As a result of this partial revelation of the truth, CCE's stock dropped 25% during a single day on record trading volume of 18,573,800 shares. At the close of business on July 28, 2004, CCE's stock price was \$25.03 per share. At the close of business on July 29, 2004, one day after Defendants' disclosures, CCE's stock price fell to \$20.63.

157. The 25% decline in CCE's stock price at the end of the Class Period was a direct result of the nature and extent of Defendants' fraud finally being revealed to investors and the market. The timing and magnitude of CCE's stock price declines negate any inference that the loss suffered by Lead Plaintiffs and other Class members was caused by changed market conditions, macroeconomic or industry factors or Company-specific facts unrelated to Defendants' fraudulent conduct. On the same day, the Standard & Poor's 500 securities index was up slightly. The economic loss, *i.e.*, damages, suffered by Lead Plaintiffs and other Class members was a direct result of Defendants' fraudulent scheme to artificially inflate CCE's stock price and the subsequent significant decline in the value of CCE's stock when Defendants' prior misrepresentations and other fraudulent conduct was revealed.

NO SAFE HARBOR

158. 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. The specific statements pleaded herein were not identified as "forward-looking statements" when made. Nor was it stated with respect to any of the statements forming the basis of this complaint that actual results "could differ materially from those projected." 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.

159. 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 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 CCE who knew that those statements were false when made.

**COUNT I AGAINST CCE AND THE INDIVIDUAL DEFENDANTS FOR
VIOLATIONS OF SECTION 10(b) OF
THE EXCHANGE ACT AND RULE 10b-5**

160. Lead Plaintiffs repeat and reallege each and every allegation contained in the above paragraphs, as if fully set forth herein. This claim is asserted against CCE and the Individual Defendants.

161. Defendants, jointly and severally, carried out a plan, scheme and course

of conduct which was intended to and did deceive the investing public, including Lead Plaintiffs and other Class members, and artificially inflate and maintain the market price of the Company's common stock, as alleged herein. In furtherance of this unlawful scheme, plan, and course of conduct, Defendants, jointly and severally, took the actions set forth herein.

162. 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 made not misleading; and (c) engaged in acts, practices and a course of business which operated as a fraud and deceit upon the members of the proposed Class in an effort to maintain artificially high market prices for CCE securities in violation of Section 10(b) of the Exchange Act and Rule 10b-5.

163. In addition to the duties of full disclosure imposed on Defendants as a result of their making of affirmative statements and reports, or participation in the making of affirmative statements and reports to the investing public, the Individual Defendants had a duty to promptly disseminate truthful information that would be material to investors in compliance with the integrated disclosure provisions of the SEC as embodied in SEC Regulation S-X (17 C.F.R. § 210.01 et seq.) and Regulation S-K (17 C.F.R. § 229.10 et seq.) and other SEC regulations, including accurate and truthful information with respect to the Company's operations and performance so that

the market prices of the Company's publicly traded securities would be based on truthful, complete and accurate information.

164. CCE and the Individual Defendants, individually and in concert, directly and indirectly, by the use of means and instrumentalities of interstate commerce and/or the mails, engaged and participated in a continuous course of conduct to conceal adverse material information about the Company's financial results, business, operations, and future outlook as specified herein. CCE and the Individual 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 purchasers of CCE common stock concerning the value and performance and continued substantial growth of CCE. This 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 the Company's financial and business operations in the light of the circumstances under which they were made, not misleading, as set forth more particularly herein. Defendants engaged in transactions, practices and a course of business which operated as a fraud and deceit upon the members of the proposed Class.

165. 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 undertaken knowingly or recklessly and for the purpose and effect of concealing the true state of CCE's operations and business affairs from the investing public and supporting the artificially inflated price of CCE's securities.

166. 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 CCE securities was artificially inflated throughout the Class Period. Unaware of the fact that the market price of CCE securities was 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 the truth of any representations made to appropriate agencies as to the investing public, at the times at which any statements were made, and/or on the absence of material adverse information that was known to or recklessly disregarded by Defendants but not disclosed to the public, Lead Plaintiffs and the other members of the Class purchased CCE at artificially high prices and were damaged thereby.

167. By virtue of the foregoing, Defendants have violated Section 10(b) of the Exchange Act, and Rule 10b-5 promulgated thereunder. As a direct and proximate

result of Defendants' wrongful conduct, Lead Plaintiffs and the other members of the Class suffered damages in connection with their acquisition of CCE securities.

**COUNT II AGAINST THE INDIVIDUAL DEFENDANTS AND
DEFENDANT JOHNSTON PURSUANT TO § 20(a) OF THE EXCHANGE
ACT**

168. Lead Plaintiffs repeat and reallege each and every allegation contained in the above paragraphs, as if fully set forth herein. This claim is asserted against the Individual Defendants. The Individual Defendants acted as "control persons" of CCE within the meaning of Section 20(a) of the Exchange Act as alleged herein. By virtue of their executive positions and/or Board membership as alleged above, these 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 that Lead Plaintiffs contend are false and misleading. These Defendants were provided with or had unlimited access to copies of the Company's internal reports, press releases, public filings and other statements alleged by Lead Plaintiffs 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.

169. In particular, these Defendants had direct involvement in the day-to-day operations of the Company and therefore are 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.

170. As set forth above, CCE violated Section 10(b) and Rule 10b-5 by its acts and omissions as alleged in this Complaint. By virtue of their positions as controlling persons of CCE, the Individual Defendants are liable pursuant to Section 20(a) of the Exchange Act. As a direct and proximate result of Defendants' wrongful conduct, Lead Plaintiffs and the other members of the Class suffered damages in connection with their acquisition of CCE securities.

**COUNT III FOR VIOLATION OF § 20A OF THE EXCHANGE ACT
AGAINST DEFENDANT JOHNSTON**

171. Plaintiffs repeat and reallege each and every allegation contained above. This claim is asserted against Defendant Johnston.

172. Defendant Johnston, by virtue of his position as a CCE director, had access to, and was in possession of, material non-public information about CCE at the time of his sales of 6,481,693 shares of CCE stock for proceeds of \$172,623,979 during the Class Period.

173. By virtue of his sales of stock while in possession of material non-public information about CCE, Defendant Johnston violated § 20(a) of the Exchange Act and applicable rules and regulations thereunder.

174. Defendant Johnston's sale of 980,600 shares of CCE stock on May 4, 2004 were made contemporaneously with Lead Plaintiff Mississippi PERS purchase of 3,330 shares of CCE stock on May 4, 2004.

175. Defendant Johnston's sale of 698,282 shares of CCE stock on May 5, 2004 were made contemporaneously with Lead Plaintiff City of Philadelphia's purchase of 18,500 shares of CCE stock on May 5, 2004.

176. Defendant Johnston's sale of 145,200 shares of CCE stock on June 16, 2004 were made contemporaneously with Lead Plaintiff Puerto Rico GERS' purchase of 10,700 shares of CCE stock on June 16 and 18, 2004.

177. Defendant Johnston's sale of 145,200 shares of CCE stock on June 23, 2004 were made contemporaneously with Lead Plaintiff Puerto Rico GERS' purchase of 3,700 shares of CCE stock on June 24 and 25, 2004.

178. Defendant Johnston's sale of 145,200 shares of CCE stock on June 30, 2004 were made contemporaneously with Lead Plaintiff Puerto Rico GERS' purchase of 3,400 shares of CCE stock on June 30 and July 1, 2004.

179. Lead Plaintiffs Mississippi PERS, City of Philadelphia and Puerto Rico GERS and all other members of the Class who purchased shares of CCE stock contemporaneously with sales of CCE stock by Defendant Johnston: (a) have suffered substantial damages in that, in reliance on the integrity of the market, they paid

artificially inflated prices for CCE stock as a result of the violations of § 10(b) and Rule 10b-5 alleged herein; and (b) would not have purchased CCE securities at the prices they paid, or at all, if they had been aware that the market prices had been artificially and falsely inflated by the Defendants' misleading statements and concealment of material facts. At the time of the purchases by Lead Plaintiffs Mississippi PERS, City of Philadelphia, Puerto Rico GERS and Class Members, the fair market value of the CCE securities was substantially less than the price paid for them.

180. By reason of Lead Plaintiffs' and Class Members' purchases of CCE common stock contemporaneously with Defendant Johnston's sales of stock, Plaintiffs suffered recoverable damages. Under § 20A of the Exchange Act, Defendant Johnston is liable to Plaintiff and all members of the Class for all profits gained and losses avoided by them as a result of these contemporaneous transactions.

WHEREFORE, Plaintiffs pray for relief and judgment, as follows:

1. Determining that this action is a proper class action and certifying
2. Plaintiffs as class representatives under Rule 23 of the Federal Rules of Civil Procedure;
3. Awarding compensatory damages in favor of Plaintiffs and the other
4. 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;

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

6. Awarding Plaintiffs and the Class such other and further relief as the

Court

may deem just and proper.

JURY TRIAL DEMANDED

Plaintiffs hereby demand a trial by jury.

Respectfully submitted this 30th day of June 2006.

/s/ Martin D. Chitwood

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CERTIFICATE OF SERVICE

This is to certify that on June 30, 2006, I electronically filed the Consolidated Complaint for Violation of the Federal Securities Laws with the Clerk of the Court using the CM/ECF system which will automatically send email notification of such filings to the following attorneys of record:

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