CARPENTERS HEALTH & WELFARE FUND, et al.,

Plaintiffs,

vs.

THE COCA-COLA COMPANY,

Defendant.

CONSOLIDATED CLASS ACTION COMPLAINT
FOR VIOLATION OF THE SECURITIES EXCHANGE ACT OF 1934
Plaintiffs allege:

**SUMMARY AND OVERVIEW**

1. This is a class action on behalf of all purchasers of the common stock of The Coca-Cola Company ("Coke" or the "Company") between 10/21/99 and 3/6/00 (the "Class Period"). During 89-97, Coke was one of the world's premier growth companies, consistently reporting 8+% and 15+% annual increases in revenues and earnings per share ("EPS"), respectively. Under the leadership of its Chairman and Chief Executive Officer ("CEO") Roberto Goizueta, Coke restructured its business during 89-97 by selling off its majority ownership interest in several of its bottling companies around the world, generating hundreds of millions of dollars in profits for Coke as part of the so-called "49% solution," while retaining effective control over its bottlers and the huge worldwide distribution network into which Coke sold beverage concentrate. Coke generated its revenues and profits by selling beverage concentrate (measured in gallons of concentrate or cases) and "toll" products (pre-mixed and bottled products) to its bottlers, who, in turn, bottled Coke beverage products and sold them to grocery chains and consumers (measured in cases of beverage) – with over 70% of Coke's revenues and profits coming from overseas sales. Coke-Japan constituted 25%-30% of Coke's worldwide operating income during the Class Period. As part of restructuring its business model, during the 3rdQ 96 Coke announced it had reduced, i.e., "deloaded," the inventory levels of beverage concentrate held by its bottlers to relieve its bottlers' inventory burdens, improve the financial condition of its bottlers and reduce concentrate inventories to more optimal levels. As Coke restructured its business model it reported very positive results, boosted in part by generating millions in profits from selling off Coke's majority interests in its bottlers. By the end of 96, Coke captured 50% of the worldwide
non-alcoholic beverage market, as Coke was achieving annual concentrate gallonage and EPS growth of 8% and 19%, respectively.

2. As a result, Coke's stock was a very strong performer. Goizueta became one of the most highly respected CEOs in the world and was extraordinarily bullish about Coke's prospects for continued strong, profitable growth, as shown by the following statements made by him during 96-97:

7/15/96:

The Coca-Cola Company... reported today that second-quarter earnings per share increased 20 percent ....

"This Company is piling growth on top of growth, and that equals strong performance today and continued vast opportunity for tomorrow"....

10/15/96:

The Coca-Cola Company... reported today that third-quarter earnings per share increased 22 percent ....

"... [O]ur business continued its strong performance, exceeding our publicly stated long-term goal for earnings per share growth ....

"... [T]he solid performance we foresee for our business over both the short and long term, position us well to continue to deliver the reliable earnings growth we have had over the past fifteen years."

1/31/97:

The Coca-Cola Company... today reported a 19 percent increase in earnings per share in 1996 ... on top of a 19 percent increase in 1995.

"1996 was another record year for The Coca-Cola Company, with strong earnings, unit volume and market share gains, once again meeting every one of our long-term objectives...."

"Our 1996 results are the product of years of methodically investing ... in our worldwide infrastructure including ... bottlers. Those investments have brought our global business system to a new higher level of performance which points to strong momentum going into the new year and augurs well for the years ahead. This chapter in the Coca-Cola story is just starting."

4/14/97:
The Coca-Cola Company ... reported today that first-quarter earnings per share increased 43 percent ....

"Our extremely strong first quarter unit case volume gain demonstrates the continuing power of our aligned global bottling system and is a solid start towards, once again, achieving our long term volume and EPS growth objectives ...."

7/17/97:

The Coca-Cola Company ... reported today that second-quarter earnings per share increased 26 percent ....

"Our bottling investment strategy is yielding an increasingly aligned Company/Bottler system with greater capability to capture the huge opportunities for profitable growth" ....

* * *

"The Company's results in the first half of 1997 ... leave the Company poised for a year of unusually strong growth" ....

In fact, Goizueta was so euphoric about Coke's prospects he often spoke of "our infinite opportunity for growth."

3. Tragically, Goizueta suddenly died in 10/97. Goizueta was succeeded as Coke's Chairman and CEO by M. Douglas Ivester – an accountant who had been Coke's Chief Financial Officer ("CFO") before serving as Goizueta's second-in-command for several years. Unfortunately, as Ivester took over, economic slowdowns in some of Coke's most important overseas markets began to adversely affect Coke's business. Also by late 97, Coke had largely exhausted its ability to continue to generate profits by one-time sales of its large interests in major bottlers to third parties, leaving Coke much more dependent on the performance of its now-weakening ongoing core business operations to produce profitable growth than had been the case in prior years. Thus, beginning in late 97 and early 98, Coke's revenue growth slowed dramatically. As Coke's revenues flattened in 97 and then actually declined in 98, Coke's EPS fell from $1.64 in 97 to just $1.42 in 98, a far cry from Coke's historic 8+% and 15%-20% per year revenue and EPS growth, and Coke's
return on shareholder equity plunged from 56.5% in 97 to 42% in 98. Coke's stock collapsed from $88-15/16 in 7/98 to as low as $56-5/8 by 9/98 – a loss of over $85 billion in shareholder market capitalization in just two months! This sharp decline in Coke's stock price is shown below:

As a result of this sharp decline, Coke's stock had badly under-performed the stocks of similar companies since Ivester succeeded Goizueta, which was a great embarrassment to Ivester and disappointment to Coke's shareholders and Board of Directors.
4. By early 99, Coke's stock recovered somewhat on investors' hopes that Coke, under Ivester's leadership, would show better results during 99. However, during the first part of 99, the actual performance of Coke's business worsened, due to the increasingly negative impact of the same types of problems that had hurt Coke's results during 97-98. In order to conceal the true extent of the negative impact of these adverse conditions on Coke's operations, during the 1stQ 99, Ivester and Coke's three other top officers, Jack L. Stahl (Coke's President and Chief Operating Officer ("COO")), James E. Chestnut (Coke's CFO) and Douglas Daft (Senior Vice President of Coke and President of Coke's Middle and Far East Group), caused Coke to ship millions of dollars of excessive, unwanted and unneeded beverage concentrate to
several of Coke's major bottlers – amounts of concentrate well beyond levels justified by consumer demand – including Coca-Cola Enterprises (Coke's largest bottler), which bottled Coke for the United States and Western Europe (except Germany), Coca-Cola Erfrischungsgetranke AG, which bottled Coke for Germany, Coca-Cola Beverages, which bottled Coke for the Baltic States and Russia, several Coca-Cola bottlers in Japan and Coca-Cola SABCO, which bottled Coke for Southern Africa – thus boosting Coke's revenues, net income and EPS, as detailed in ¶¶119-128. In some cases, defendants went so far as to improperly recognize revenue on transactions without even shipping the excessive, unwanted concentrate or syrup, as detailed in ¶¶128-130. As a result of being forced to accept these excessive beverage concentrate shipments, even though Coke's beverage concentrate shipments to its bottlers overall declined in the 1stQ 99 compared to the 1stQ 98, these key Coke bottlers began to accumulate excessive amounts of concentrate inventory during the 1stQ 99, above the 31-33 days of supply needed to efficiently operate their bottling businesses or justified by current consumer demand.

5. To make matters worse, in 6/99 a serious health scare involving Coke occurred in Belgium when it was reported that contaminated Coke had apparently caused illness requiring medical treatment of 250 Belgian children. This quickly mushroomed into the worst Coke contamination scare in history and the Company's worst public relations crisis ever, which Ivester appeared to many to be unable to manage or control. Some European countries briefly banned the sale of Coke and Coke had to engage in the largest recall of its products in its history. Consumption of Coke declined sharply in Europe. In order to conceal the true extent of the negative impact of the fundamental problems which were adversely impacting Coke's business, as now exacerbated by the European health scare, during the 2ndQ 99 Ivester, Stahl, Chestnut and Daft again forced Coke bottlers, including those for the U.S. and
Western Europe, Germany, Japan and Southern Africa, to accept millions of dollars of additional shipments of excessive, unwanted and unnecessary beverage concentrate well beyond the levels justified by consumer demand. Thus, even though Coke's beverage concentrate shipments to its bottlers overall declined in the 2ndQ 99, compared to the 2ndQ 98, the excessive shipments to these key bottlers further elevated the number of days of concentrate inventory in these bottlers' hands to even more excessive levels than those that existed at the end of the 1stQ 99.

6. Notwithstanding Coke's secretly causing hundreds of millions of dollars of excessive, unwanted and unneeded concentrate on key bottlers during the first half of 99, Coke's publicly represented first-half 99 results were still disappointing. As a result of those disappointing results, plus the negative publicity surrounding the European health scare and Coke's early 9/99 warning to analysts that its 3rdQ 99 results would be slightly less than earlier forecast, by 10/99, Coke's stock fell to its lowest level in several years – just $47-5/16 per share, about half the level Coke stock sold for in 7/98 – a decline that had wiped out $105 billion in Coke shareholder market capitalization during Ivestor's regime! This decline in Coke's stock – which took it to its lowest levels in four years – is shown below:
7. This decline in Coke's stock price was especially disturbing because it represented a very substantial under-performance by Coke stock compared to the stocks of similar companies, as well as Coke's arch-rival, Pepsi:
8. This large 98-99 stock price decline angered Coke's shareholders – especially its large institutional shareholders who were pressuring Coke to improve its performance. Coke's large 98-99 stock decline caused substantial unrest in Coke's Board of Directors, especially with key directors Herbert Allen (Allen & Co.) and Warren Buffet (Berkshire Hathaway), who controlled companies which were huge Coke shareholders, owning millions of Coke shares. By mid-99, the Board was questioning Ivester's leadership of the Company so seriously that it was beginning to threaten Ivester's continuation as Chairman and CEO. Because of the poor performance of Coke during 98 and the first half of 99, and the problems Coke encountered due to the European health scare, analysts and investors viewed Coke's 3rdQ and 4thQ 99 as critical quarters for Coke – when Ivester would demonstrate that his management team had overcome these problems and was restoring Coke's EPS growth to its historic 15%-20% levels. As Coke's 3rdQ 99 unfolded, the adverse impact of the European health scare, combined with continued sluggish consumer demand for Coke's beverages in many parts of the world, was even worse than Coke's executives had anticipated. Ivester, Stahl, Chestnut and Daft realized that, unless something was done, Coke's 3rdQ 99 results were going to be even worse than the slightly reduced levels forecast by Coke in early 9/99 – results that would infuriate Coke's large shareholders and its Board, likely resulting in Ivester's ouster from his position of power, prestige and profit as Coke's CEO and Chairman.

9. Thus, Ivester, Stahl, Chestnut and Daft again caused Coke's bottlers in Japan, the Baltic States and Russia, Germany, Southern Africa and the United States/Western Europe to accept millions of dollars of excessive, unwanted and unneeded shipments of Coke beverage concentrate, as detailed in ¶¶119-128. Coke's reported overall beverage concentrate shipments to its bottlers declined 6% and 2% in the 1stQ and 2ndQ 99 compared to the like periods in 98. However, had Coke's
gallonage shipments of beverage concentrate in the 1stQ and 2ndQ 99 been based on true consumer demand and its bottlers' true inventory needs, they would have declined by much higher percentage amounts from the 98 shipment levels. But, by secretly causing key bottlers to again accept shipments of hundreds of millions of dollars of excessive, unwanted and unneeded concentrate, by manipulating shipment information for fountain syrup and by improperly recognizing revenue, Coke was able to publicly report 3rdQ 99 flat gallonage shipments of beverage concentrate compared to the 3rdQ 98, falsify Coke's 3rdQ 99 revenues, net income and EPS, as detailed in ¶¶113-146, and meet its 3rdQ 99 revenue, net income and EPS forecasts, thus concealing the true extent of the decline of Coke's business due to negative macro-economic factors in several of its overseas markets, the adverse impact of the European health scare and the lack of expected performance of certain investments—investments Coke later wrote off.

10. While Coke's 3rdQ 99 shipments of excessive amounts of beverage concentrate to bottlers enabled Coke to meet its 3rdQ revenue and EPS forecasts, they very much exacerbated the already serious concentrate inventory over-supply situation with those major bottlers. By the end of the 3rdQ 99, i.e., 9/30/99, Ivester, Stahl, Chestnut and Daft knew that during 99 Coke had shipped some $300-$400 million of excessive, unneeded and unwanted beverage concentrate to key Coke bottlers, thus inflating Coke's internal 99 revenues, net income and EPS. When Coke reported its 3rdQ 99 results on 10/21/99 – the start of the Class Period – which met forecasted levels of revenue and EPS, Coke reported flat beverage concentrate gallonage shipments, deceptively indicating that Coke had met forecasted levels of results when, in fact, Coke did so only by making millions of dollars of unjustified and excessive concentrate shipments and manipulating syrup information.
11. Worse yet, Coke also deceptively presented its declining and then flat gallonage shipments of concentrate during 99 as a positive development by telling analysts that its flat gallonage shipments were due to Coke bottlers voluntarily reducing their levels of beverage concentrate inventory, which was the opposite of what was actually happening! Coke also indicated to analysts that the voluntary beverage concentrate inventory reduction by these bottlers was improving the financial condition of those bottlers and had set the stage for substantial revenue growth by Coke as consumer demand for its products picked up in late 99 and early 00, because that pick-up in consumer demand would result in bottlers stepping-up their purchases of beverage concentrate from Coke to replenish their lean inventories. This enabled Coke to credibly but falsely tell investors that its business trends were "very encouraging," that the Company was seeing "steady improvements" in Europe and Japan and that Coke's 3rdQ 99 results "set[ ] the stage for positive momentum" for Coke going forward. Coke also forecast 4thQ 99 EPS of $.30-$31, 99 EPS of $1.29-$1.31, 00 EPS of $1.50-$1.60 and 01 EPS of $1.75+, indicating that because consumer demand was now beginning to strengthen, Coke expected beverage case shipments to accelerate materially in the 4thQ 99. According to Coke, this would result in an increase in beverage concentrate shipments to Coke's bottlers, because their inventories of beverage concentrate had become "lean" during 99 due to their voluntary efforts to destock or deload beverage concentrate inventory. Again, just the opposite was true, and Coke's EPS forecasts for the balance of 99 and 00 were knowingly false.

12. Thus, Coke was able to credibly forecast strong revenue and EPS growth in the 4thQ 99 and during 00 in part because it led investors to believe that concentrate inventory levels of Coke's bottlers had been reduced to such low levels that the emerging increase in consumer demand for Coke would immediately
translate into increased shipments of concentrate to bottlers. Then, in early 11/99, Coke told key analysts that it was imposing the largest concentrate price increase in history on Coca-Cola Enterprises, Coke's domestic and Western European bottler, in part due to strengthening consumer demand for Coke, and that it hoped to increase concentrate prices to other key bottlers as well. Again, Coke told analysts that bottler inventories were "lean" and at proper levels due to bottlers' voluntary destocking of concentrate inventories during 99. Coke said this was positive, as Coke bottlers would not be writing down concentrate inventories in 00. This imminent increase in gallonage shipments of beverage concentrate, combined with the largest concentrate price increases in Coke's history was an extremely bullish combination for Coke – increased sales at increased prices equals strong profit growth!

13. As a result of Coke meeting its 3rdQ 99 forecasts and this very bullish message to analysts and the investment community, including forecasts of 4thQ 99 EPS of $.30-$31, full year 99 EPS of $1.27-$1.32, 00 EPS of $1.50-$1.60 and 01 EPS of $1.75+, Coke's stock recovered sharply from its early 10/99 low of $47-5/16 to as high as $69 on 12/3/99 – a huge increase in Coke's stock price in about 90 days, which restored over $52 billion in Coke stockholder market capitalization. This sharp increase in Coke's stock price, by which it very nearly climbed back to its 99 high by early 12/99, is shown below:
14. However, during Coke's rapid expansion during the Goizueta years, Coke had caused its key bottlers in Russia, the Baltic States, India and Japan to very rapidly expand their physical facilities in an effort to greatly expand Coke sales in those countries. In Russia, for instance, Coke and its European bottler, Coca-Cola Beverages, vastly expanded the bottling facilities there to produce Coke products for sale in Russia and the Baltic States. In Japan, Coke along with its bottlers there, decided to vastly expand the network of Coke beverage vending machines throughout Japan, including locating thousands of vending machines in new and previously unutilized locations. However, due to serious economic problems in Russia, the Baltic
States and India, the hoped-for and forecasted huge increases in the sale of Coke beverage products in those countries did not materialize.

15. By the end of 98 or early 99, two of Coke's largest bottling facilities in Russia were actually not operating and were essentially vacant, being used mostly for storage of other materials, rather than the production of Coke beverages. Russia's economic and currency crisis— including the collapse of the Ruble— greatly worsened during 98, which badly hurt Coke's business there, and Coke fired more than 300 of its staff in Russia since 8/98. During the first nine months of 99, Coke's business in Russia worsened, as its sales in Russia decreased 60% between 8/98 and 9/99, and Coke announced it would lay off 29% of its remaining office staff in Russia as of 9/30/99. As a result, Coke and its top executives knew by 9/30/99 that Coke would never recover its share of the investment in these two Russian bottling facilities. This meant those facilities had to be written down, which would result in a very substantial multi-hundred million dollar write-down of the Russian bottling assets. Likewise, by mid-99, as detailed in ¶136, defendants knew that Coke's operations in India were not paying off. Furthermore, defendants knew they should have written off $196 million worth of assets, almost all of which related to the write-off of vending machines and vending assets in Japan. As detailed in ¶¶138-144, beginning in at least 94, if not earlier, Coke funneled payments to its bottlers in order to offset the high price Coke was charging for product or to help defray its bottlers' operating expenses. To mask the negative impact these payments had on Coke's own financial statements, defendants improperly classified some of these payments in Coke's financial statements as assets in order to amortize the expense over many years, instead of recognizing the payments for what they in essence really were—a refund or subsidy for a portion of the high price the bottlers paid for product or ordinary marketing support payments that should have been expensed as incurred. Due to this scheme,
Coke was carrying over $100 million in assets on its balance sheet related to Japanese vending assets that it did not own and could not even locate. However, because taking these write-offs related to Russia, India and Japanese vending assets would very adversely impact Coke's reported earnings during what was already a difficult year of 99 and because such a write-down would also signify the truly weak condition of Coke's operations in those three important countries, Ivester, Stahl, Chestnut and Daft deliberately refused to take these required write-downs and chose instead to conceal these asset impairments and improper capitalizations of payments to Japanese bottlers, thus further artificially inflating Coke's reported 3rdQ 99 results.

16. During the 4thQ 99, Coke's business continued to perform very poorly with very weak demand for concentrate, as key Coke bottlers had by now already accumulated hundreds of millions of dollars worth of excess inventories of concentrate – close to 40 days' worth of inventory. Ivester, Stahl, Chestnut and Daft were under tremendous pressure to have Coke report good 4thQ 99 results, not only to meet the forecasts they had been making since Coke reported its 3rdQ 99 results on 10/21/99, but also to demonstrate to analysts and investors that Coke's business was returning to its historic EPS growth levels under the Ivester management team. Because Coke's actual concentrate volume sales in the 4thQ 99 were not meeting the levels forecast or necessary to meet Coke's 4thQ 99 forecasts, in order to continue to conceal the true extent of the deterioration in Coke's business, Ivester, Stahl, Chestnut and Daft again caused Coke's bottlers in the U.S. and Western Europe, Germany, Japan and Southern Africa to accept over $200 million in additional excessive, unneeded and unwanted shipments of concentrate – far beyond the levels justified by consumer demand for Coke beverages in those areas. As a result of these additional beverage concentrate shipments, these bottlers now accumulated concentrate inventories of over 40 days', in some cases 56 days', supply – a grossly
excessive amount of inventory for a commodity product like beverage concentrate. This shipment of hundreds of millions of dollars in excessive concentrate to bottlers, plus the actual (for Coca-Cola Enterprises) or potential (for Coke's other bottlers) large price increase in concentrate, exacerbated the already troubled financial condition of these bottlers. As a result, bottlers made outraged protests to Coke over the Company's abuse of its control of these bottlers and threatened to refuse to continue with this subterfuge of purchasing hundreds of millions of dollars of unneeded concentrate.

17. By 12/99, Ivester realized that his management team's falsification of reported results to meet Coke's forecasted levels of revenues and EPS by forcing key bottlers to accept millions of dollars of unneeded, unnecessary and unwanted concentrate during 99, improperly recognizing revenue and imposing a huge concentrate increase on bottlers – who were now fiercely complaining to Coke about Coke's abuse of its power to control them – could not be continued. Also by 12/99, Ivester and the other individual defendants realized that they could no longer conceal the overvaluation of Coke's interest in bottling assets in Russia, the Baltic States and India and the improper classification of payments to Japanese bottlers. Those assets would have to be written down at year end when Coke's independent auditors reviewed Coke's financial statements, which would cause Coke to likely suffer a 4thQ 99 loss rather than the forecasted EPS of $.30-$3.1 Coke had been forecasting. Thus, the individual defendants knew Coke would have to write off hundreds of millions in assets in the 4thQ 99, resulting in a loss instead of the $3.0-$3.1 EPS forecast, plus Coke also having to "dele" the excessive inventory by sharply reducing concentrate shipments to these anchor bottlers in at least the first half of 00, which would have a very adverse impact on Coke's sales, revenues, net income and EPS during at least the
first half of 00 – reducing revenues by at least $600 million and pre-tax profits by at least $400 million.

18. While Coke's stock had performed very poorly and under-performed stock of comparable companies and Pepsi during the months before the Class Period, during the Class Period, when Coke was making false and misleading statements, Coke's stock out-performed similar stocks and Pepsi, as shown below:

Coca Cola Co.
vs. Pepsico
October 5, 1999 - March 7, 2000
19. On 12/5/99, Coke's Board held an emergency secret special meeting, engineered by Allen and Buffet, at which Ivester was effectively fired – forced to resign and allowed to retire so he could keep his retirement benefits and avoid an ugly and embarrassing public confrontation. Then, on 12/6/99, Ivester – who was only 52 years old, had no children and had served as Coke's Chairman and CEO for just two years – suddenly announced he was **voluntarily "retiring,"** to be succeeded by Daft, Senior Vice President and President of Coke's Middle and Far East Group. Because this unexpected resignation shocked analysts and investors, Coke's stock plunged from $68-3/16 on 12/6/99 to $58-3/4 on 12/7/99 – a $25 billion, two-day market capitalization loss – due to concerns that Ivester's sudden "retirement" indicated there were serious undisclosed problems at Coke.
20. To refute these concerns, Coke falsely assured analysts that Ivester's retirement was \textit{voluntary and did not indicate that there were any serious undisclosed problems with Coke's business, that Coke had weathered the economic problems of the last two years extremely well, that Ivester would not have retired unless Coke's business was doing well and that Coke did not anticipate any significant change in the way it did business. Coke also reassured the market on 12/6/99 that Coke's core business strategy would not change and "[n]othing has changed about the business outlook."} Coke also deceptively assured analysts that Coke's 10/99 and 11/99 shipments \textit{were up}—concealing that this was only because Coke was continuing to ship hundreds of millions of dollars worth of unneeded and unwanted beverage concentrate to key bottlers in the U.S. and Western Europe, Germany, Japan and Southern Africa, who now had accumulated at least $600 million in excessive concentrate inventories, again falsely representing that Coke's business was improving and thus, Coke would meet its 4thQ 99, full year 99 and year 00 forecasted results.

21. On 1/26/00, in a press release Coke reported its 4thQ 99 results—\textit{a loss of $45 million or $.02 per share}—\textit{far below the $.30-.31 EPS forecasts, due, in part, to write-offs of $813 million, including $543 million due to Coke's overvaluation of its interests in bottling assets in Russia and the Baltic States and $196 million for vending assets in Japan.} In Coke's press release, Daft stated: "Despite these accounting write-downs, we remain fully committed to growing our business in these countries and believe the regions offer tremendous opportunity for per capita growth." Coke also announced it was firing 6,000 Coke employees—21% of Coke's global workforce— the largest firings in Coke's history! The $813 million in write-offs exceeded all of Coke's reported 3rdQ 99 net income of $787 million. The extent of these write-offs was enormous; after the write-off of $739 million ($543
million in Russia and the Baltic States plus $196 million in Japan), the remaining carrying value of the assets was only $297 million. Thus, if Coke is to be believed, 70% of these assets suddenly became worthless in the 4th Q 99. Worse yet, Coke also shocked investors by revealing that its 00 results would be much lower than earlier forecast, due to Coke deciding to have its key domestic and overseas bottlers, including those described earlier, engage in a huge beverage concentrate "destocking" or "deloading" program to reduce their levels of beverage concentrate inventory from over 40 days', and in some cases 56 days', inventory to less than 33 days. This was a truly massive reduction – amounting to 25% of worldwide Coke system concentrate inventories – which would cost Coke at least $600 million in revenue and $400 million in pretax income in the first half of 00 alone! These shocking disclosures about the beverage concentrate inventory levels of key Coke bottlers were completely contrary to everything Coke had said to analysts and investors about its bottlers' beverage concentrate inventory levels during 99 and as recently as a month or two earlier! Due to the resulting adverse impact of the massive inventory deload or destock on Coke's 00 revenues and EPS, analysts slashed the 00 EPS forecasts for Coke. Investors also savaged Coke's stock. Coke's stock, which had recovered to as high as $66-7/8 on 1/21/00 and traded as high as $66-1/16 on 1/25/00, fell sharply to $62-3/4 on 1/26/00, $58-7/16 on 1/27/00 and to $55-1/16 by 2/3/00.

22. On 1/27/00, The Wall Street Journal reported:

In a massive round of layoffs pushed by an activist board of directors, Coca-Cola Co. said it is slashing 20% of its work force, or 6,000 employees.

The embattled soft-drink giant said it would take $1.6 billion in one-time charges, far bigger than expected. More charges will follow this year, and Coke also warned that reducing shipments of soft-drink concentrate to bottlers selected by Coke would lower earnings in the first six months of the year.
The cuts were a bombshell....

Coke also reported its first earnings loss in at least a decade. Wall Street, baffled by the unexpected inventory write-down and fearing that Coke inflated its fourth-quarter sales by overselling concentrate, drove down Coke's stock.

* * *

... Wall Street was surprised by a provision for reductions in bottlers' inventories of soft-drink concentrate, the ingredient that Coke sells to its bottlers.

23. Coke's financial performance is set forth below:

THE COCA-COLA COMPANY
Quarterly Results
(in millions, except EPS)

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<th>1995 1stQ</th>
<th>2ndQ</th>
<th>3rdQ</th>
<th>4thQ</th>
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<td>$4,895</td>
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<td>revenues</td>
<td></td>
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<td>Gross profit</td>
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<tr>
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<td>9%</td>
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to prior year

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<th>2ndQ</th>
<th>3rdQ</th>
<th>4thQ</th>
<th>Year</th>
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<td>Net operating</td>
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<td>9%</td>
<td>1%</td>
<td>14%</td>
<td>8%</td>
</tr>
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to prior year
<table>
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<tr>
<th>Year</th>
<th>1stQ</th>
<th>2ndQ</th>
<th>3rdQ</th>
<th>4thQ</th>
<th>Year</th>
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<tr>
<td>1997</td>
<td>$4,138</td>
<td>$5,075</td>
<td>$4,954</td>
<td>$4,701</td>
<td>$18,868</td>
</tr>
<tr>
<td>1998</td>
<td>$4,457</td>
<td>$5,151</td>
<td>$4,747</td>
<td>$4,458</td>
<td>$18,813</td>
</tr>
<tr>
<td>1999</td>
<td>$4,400</td>
<td>$5,335</td>
<td>$5,139</td>
<td>$4,931</td>
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<th>4thQ</th>
<th>Year</th>
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<tbody>
<tr>
<td>Net operating revenues</td>
<td>$4,138</td>
<td>$5,075</td>
<td>$4,954</td>
<td>$4,701</td>
<td>$18,868</td>
</tr>
<tr>
<td>Gross profit</td>
<td>$2,843</td>
<td>$3,466</td>
<td>$3,295</td>
<td>$3,249</td>
<td>$12,853</td>
</tr>
<tr>
<td>Net income</td>
<td>$987</td>
<td>$1,314</td>
<td>$1,011</td>
<td>$817</td>
<td>$4,129</td>
</tr>
<tr>
<td>Diluted EPS</td>
<td>$.39</td>
<td>$.52</td>
<td>$.40</td>
<td>$.33</td>
<td>$1.64</td>
</tr>
<tr>
<td>Beverage concentrate shipments compared to prior year</td>
<td>7%</td>
<td>9%</td>
<td>14%</td>
<td></td>
<td>10%</td>
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<th>2ndQ</th>
<th>3rdQ</th>
<th>4thQ</th>
<th>Year</th>
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<tr>
<td>Net operating revenues</td>
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<td>$5,151</td>
<td>$4,747</td>
<td>$4,458</td>
<td>$18,813</td>
</tr>
<tr>
<td>Gross profit</td>
<td>$3,139</td>
<td>$3,652</td>
<td>$3,301</td>
<td>$3,159</td>
<td>$13,251</td>
</tr>
<tr>
<td>Net income</td>
<td>$857</td>
<td>$1,191</td>
<td>$888</td>
<td>$597</td>
<td>$3,533</td>
</tr>
<tr>
<td>Diluted EPS</td>
<td>$.34</td>
<td>$.48</td>
<td>$.36</td>
<td>$.24</td>
<td>$1.42</td>
</tr>
<tr>
<td>Beverage concentrate shipments compared to prior year</td>
<td>13%</td>
<td>9%</td>
<td>5%</td>
<td>-4%</td>
<td>6%</td>
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<tr>
<th></th>
<th>1stQ</th>
<th>2ndQ</th>
<th>3rdQ</th>
<th>4thQ</th>
<th>Year</th>
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<tbody>
<tr>
<td>Net operating revenues</td>
<td>$4,400</td>
<td>$5,335</td>
<td>$5,139</td>
<td>$4,931</td>
<td>$19,805</td>
</tr>
<tr>
<td>Gross profit</td>
<td>$3,097</td>
<td>$3,743</td>
<td>$3,489</td>
<td>$3,467</td>
<td>$13,796</td>
</tr>
<tr>
<td>Net income</td>
<td>$747</td>
<td>$942</td>
<td>$787</td>
<td>($45)</td>
<td>$2,431</td>
</tr>
<tr>
<td>Diluted EPS</td>
<td>$.30</td>
<td>$.38</td>
<td>$.32</td>
<td>($.02)</td>
<td>$.98</td>
</tr>
<tr>
<td>Beverage concentrate shipments compared to prior year</td>
<td>-6%</td>
<td>-2%</td>
<td>0%</td>
<td>8%</td>
<td>0%</td>
</tr>
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* 4thQ 99 includes impairment charges of $813 million
<table>
<thead>
<tr>
<th></th>
<th>1st Q **</th>
<th>2000</th>
<th>3rd Q</th>
<th>4th Q</th>
<th>Year</th>
</tr>
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<tbody>
<tr>
<td>Net operating revenues</td>
<td>$4,391</td>
<td>$5,621</td>
<td>$5,543</td>
<td>$4,903</td>
<td>$20,458</td>
</tr>
<tr>
<td>Gross profit</td>
<td>$2,993</td>
<td>$3,944</td>
<td>$3,807</td>
<td>$3,510</td>
<td>$14,254</td>
</tr>
<tr>
<td>Net income</td>
<td>($58)</td>
<td>$926</td>
<td>$1,067</td>
<td>$242</td>
<td>$2,177</td>
</tr>
<tr>
<td>Diluted EPS</td>
<td>($.02)</td>
<td>$.37</td>
<td>$.43</td>
<td>$.10</td>
<td>$.88</td>
</tr>
<tr>
<td>Beverage concentrate shipments compared to prior year</td>
<td>-4%</td>
<td>4%</td>
<td>8%</td>
<td>** 1st Q 00 includes write-down of $405 million for Indian bottling operations</td>
<td></td>
</tr>
</tbody>
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<table>
<thead>
<tr>
<th></th>
<th>1st Q **</th>
<th>2001</th>
<th>3rd Q</th>
<th>4th Q</th>
<th>Year</th>
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<tbody>
<tr>
<td>Net operating revenues</td>
<td>$4,479</td>
<td>$5,293</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gross profit</td>
<td>$3,134</td>
<td>$3,714</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net income</td>
<td>$863</td>
<td>$1,118</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Diluted EPS</td>
<td>$.35</td>
<td>$.45</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Beverage concentrate shipments compared to prior year</td>
<td>11%</td>
<td>2%</td>
<td>* As announced 6/18/01 but not yet filed with the SEC</td>
<td></td>
<td></td>
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24. During 2/00 and 3/00, Coke's stock continued to fall as analysts continued to digest Coke's shocking 4thQ 99 loss and the revelation of its huge concentrate "de-load" and how negative the implications of this information were for Coke's ongoing business performance. During this period, Coke executives continued to conceal from Coke's auditors, the market and the investing public the truly serious nature and actual negative impact of the problems which were adversely impacting Coke's business, in an attempt to cause analysts to continue to believe, despite Coke's 1/26/00 disclosures, that Coke would, in fact, continue to achieve its historic 8+% and 15%-20% revenue and EPS growth. Notwithstanding these continuing concealments and nondisclosures, analysts became increasingly convinced that Coke's long-term
growth prospects had become permanently impaired and that the concentrate inventory reduction would likely be worse (larger) than earlier disclosed and spread to more bottlers in other parts of the world, and so analysts lowered their rating on Coke and reduced the 00 and 01 EPS forecasts for Coke. On 3/7/00, Bloomberg reported that, based on the revelations of the past several weeks and continuing conversations with Coke executives, analysts had concluded that Coke would not be able to achieve a return to its historic 8+% and 15%-20% revenue and EPS growth at any time in the foreseeable future. Coke's stock fell to just $44-13/16 on 3/7/00 – its lowest price in years.
25. On 4/4/00, after the close of trading on the NYSE, Coke held a conference call to tell analysts that Coke's 1stQ 00 results and its 00 prospects would be worse than earlier forecast - a briefing that analysts found to be very disappointing and confirmed their increasing skepticism over Coke's ability to achieve the long-term 15% EPS and 7%-8% revenue growth that it had continued to insist it could achieve.

On 4/5/00, *The Wall Street Journal* reported:

Coke's Forecast for Sales Growth Falls Short of Analyst Estimates

Coca-Cola Co. released expectations for growth in world-wide sales volumes for the first quarter and the year that fell short of analysts' estimates, raising questions about how quickly the beverage company will be able to come through on a promise to deliver 7% to 8% volume growth over the long term.

26. Coke filed its 3rdQ 10Q for 00 on 10/27/00. According to the 3rdQ 00, Coke recorded charges of approximately $94 million in 3rdQ 00 which were attributed to "costs associated with the Company's Realignment." This brought total charges recorded for the first nine months of 00 up to approximately $965 million. Of this $965 million, Coke attributed approximately $405 million to the impairment of its Indian bottling assets, and approximately $560 million to the Realignment.

27. On 3/5/01 *CNBC News* reported that Coke's President and COO, Stahl, resigned from Coke's management team after 20 years at the Company, citing a conflict with Daft. On 3/7/01, Coke filed its 00 10K, reflecting a further decline in net income from $3,533 million in 98, and $2,431 million in 99, down to $2,177 in 00, with EPS declining respectively from $1.43 per share in '98, $.98 per share in 99 to $.88 per share in 00. It also revealed that Coke's economic profit declined precipitously in that three year range as well, down from $2,480 million in 98, and $1,128 million in 99, to $861 million in 00. In 4/01, Coke lowered its 01 sales growth projections from a previously reported 6% - 7% down to 5% - 6% and its per share earnings estimates down from 15% to 11% - 12%.
28. On 7/19/01, Coke reported its 2ndQ 01 results, and though earnings were slightly higher than the prior year, at $1.1 billion, or $.45 a share, compared to $926 million, or $.37 a share in 2ndQ 00, Coke also revealed that the higher net earnings were due to lower advertising expenditures and that 2ndQ 01 revenue had actually fallen 4% to $5.29 billion, compared to $5.48 billion in the second quarter last year. Upon this news, Coke's stock price fell $.91, closing at $46.22 per share. According to the Atlanta Constitution's report on July 19, 2001, these lower revenues caused analysts to doubt Coke's ability to hit its annual goal of 5%-6% growth. Finally, on 7/23/01, Coke announced that it would appoint Brian Dyson, a veteran former Coke executive, as vice chairman and COO of Coke to assume oversight of Coke's day-to-day operations from Daft.

29. The foldout chart following this page graphically presents key events related to this case:
Coca Cola Co.
October 21, 1999 - March 7, 2000
Daily Share Prices

$70
$65
$60
$55
$50
$45
$40
$35
$30
$25
$20
$15
$10
$5
$0

10/21/99
- Coke reports 3rd Q99 results -- Rev. $5.1 billion; Net income $787 million; EPS $3.22
- "Trends very encouraging"
- "Seeing steady improvements" in Germany and Japan
- Results "set the stage for positive momentum for our business"
- Flat beverage gallonage shipments due to voluntary bottler inventory reductions
- Forecasts 4th Q99 EPS $.30 - $.31, 99 EPS $1.29 - $1.31 and 00 EPS $1.50 - $1.60

11/99
- Coke announces largest concentrate price increase in history
- "Underlying fundamentals improving"; "European recall has subsided."
- Bottler concentrate inventory "leaner"; substantial destocking over past year bodes well for Coke. Analysts do not forecast bottlers will work down inventory in 00.
- Analysts raise 00 EPS estimates

12/5/99
- Investor voluntarily "retires"
- Retirement does not signal undisclosed problems with Coke's business.
- "Nothing has changed about business outlook"
- Core business strategy "will not change"

1/17/00
Management "examining every aspect of operations ... no decisions have been made..."

1/26/00
- 4th Q loss due to $813 million in writeoffs for Russian/Japan assets. Eliminates 70% of asset values.
- Coke fires 6,000 employees - largest layoff in history
- Bottler beverage concentrate inventory destocking will eliminate $800 million in Coke sales and $400 million pretax income in first half of 00. Eliminates 25% of bottlers' inventories worldwide.
- Coke's 00 EPS to be much lower than forecast.

Bloomberg reports analysts concluded Coke would not be able to return to 8% revenue and 15%-20% EPS growth
JURISDICTION AND VENUE

30. The claims asserted arise under §§10(b) and 20(a) of the Securities Exchange Act of 1934 ("1934 Act") and Rule 10b-5. Jurisdiction is conferred by §27 of the 1934 Act. Venue is proper pursuant to §27 of the 1934 Act, as Coke is headquartered here, false statements were made here, and acts giving rise to the violations complained of occurred here.

THE PARTIES

31. Plaintiffs Carpenters Health & Welfare Fund of Philadelphia & Vicinity and Local 144 Nursing Home Pension Fund, who were appointed as Lead Plaintiffs in these consolidation actions by Court order entered on 5/7/01, purchased shares of Coke common stock at artificially inflated prices during the Class Period and were damaged thereby. Plaintiff Gaetan LaValla purchased shares of Coke common stock at artificially inflated prices during the Class Period, as detailed in the certification attached to his Complaint, and was damaged thereby.

32. Defendant The Coca-Cola Company is headquartered in Atlanta, Georgia. Coke's common stock trades in an efficient market on the New York Stock Exchange ("NYSE"). Coke controlled each of the individual defendants.

33. a. Defendant M. Douglas Ivester ("Ivester") was CFO of Coke until 91, when he became President and COO of Coca-Cola USA. In 94, Ivester became President and COO of the Coca-Cola Company. In late 97, Ivester became Chairman and CEO of Coke, positions he held until he was fired – forced to resign and retire – on 12/6/99. Prior to the Class Period, Ivester paid himself a total of $3.5 million in incentive compensation payments in 97 and 98. Upon his termination, Ivester received premature vesting of all outstanding stock options and guaranteed payments of $1.5 million on 2/1/00, 2/1/01 and 2/1/02, in lieu of payment under the Company's Long-Term Incentive Plan.
b. Defendant Jack L. Stahl ("Stahl") was promoted to Executive Vice President of Coke on 1/18/00. Prior to that, Stahl served as Senior Vice President. Stahl was also elected President and COO on 2/17/00 and resigned in 3/01. He had been with Coke for 20 years and had risen in the ranks under Goizueta and Ivestor, starting out as an investor relations specialist and eventually becoming CFO and head of Coke's North American operations. In 2000, Stahl was paid $1.275 million pursuant to Coke's Executive Performance Incentive Plan ("EPIP") based on Coke's reported earnings performance. Payments made under the EPIP are performance related and are based on the individual's contributions to the improvement of operating results, growth and profitability of the Company. Stahl was paid a $275,000 discretionary incentive award in 98 and was paid $315,000 pursuant to Coke's EPIP in 97. Stahl received 500,000 shares of Coke stock in 2/00, to "ensure [his] retention," but he forfeited those shares when he resigned in 3/01, and instead received premature vesting of all outstanding stock options and $3.5 million in cash, plus $153,000 in lieu of payment under the Company's Long-Term Incentive Plan, received, in part, in exchange for entering into the following agreement:

In return for the payments, benefits and actions delivered ... you agree ... to keep confidential all confidential information relating to the business of the Company and not to disparage the Company, its officers or employees.

Stahl also received option awards at the time of the Company's annual award of such grants.

c. Defendant James E. Chestnut ("Chestnut") was CFO of Coke until 12/15/99, when he left that position for another position at Coke and became Executive Vice-President of Operations Support. In 2000, Chestnut was paid $687,500 pursuant to Coke's EPIP based on Coke's reported earnings performance. He received a $275,000 discretionary incentive award in 98 and a $315,000 payment under Coke's EPIP in 97. Chestnut received a stock option award of 270,000 shares of Coke stock
in 2/00, purportedly "to ensure retention of Company leadership during a critical time of the Company's transition." Chestnut also received option awards at the time of the Company's annual award of such grants.

d. Defendant Douglas Daft ("Daft") has been with the Company since 69, holding various executive positions since 84. He served in several different capacities during the Class Period. He was Senior Vice President of the Company from 91 until 12/5/99, and served as President of Coke's Middle and Far East Group and had management responsibility for the Africa Group and the Schweppes Beverage Division from 10/29/99 until 12/5/99. In 99, Daft became a director and served as President and COO of the Company from 12/5/99 through 2/17/00. Beginning on 2/17/00, Daft assumed the dual roles of Chairman of the Board and CEO of the Company. He currently serves as Chairman of the Executive Committee of the Board of Directors. During the Class Period, Daft increased his salary approximately 275% from $415,250 in 98 and $459,833 in 99, to $1,268,750 in 00. Additionally, in 00, Daft paid himself a $3 million bonus pursuant to Coke's EPIP based on Coke's reported earnings performance. He also paid himself $131,554 in "other compensation," $87,281,250 in restricted stock awards, and a "retention" stock option award of 650,000 shares of Coke stock (with a three-year cliff vesting schedule) he claimed was necessary to "ensure retention of Company leadership during a critical time of the Company's transition." In all, Daft caused Coke to pay him nearly $92 million in compensation in 00, plus the retention stock options, at the same time that Coke's net income available to common share owners was plummeting from $3,553 million in 98 and $2,431 million in 99, to $2,177 million in 00.
SCIENTER AND SCHEME ALLEGATIONS

A. Defendants' Scheme

34. Defendants are liable for intentionally and knowingly making false statements or for failing to disclose adverse facts or for intentionally and knowingly participating in a fraudulent scheme by which they inflated Coke stock.

35. During 87-97, Coke restructured its business by selling off the majority interest in several of its bottling companies around the world – the so-called "49% solution." This foisted on Coke's bottlers the heavily capital asset intensive operations of beverage bottling and distribution, i.e., bottling plants, trucks, vending machines, etc., while permitting Coke to retain effective control over the bottlers and providing it with a huge worldwide distribution network into which to sell beverage concentrate. As part of restructuring its business model, during the 3rdQ 96 Coke announced it was reducing, i.e., "deloading," the inventory levels of beverage concentrate held by its bottlers to relieve the bottlers' inventory burden, improve the bottlers' financial condition and reduce their concentrate inventories to more optimal levels. By the end of 96, Coke had captured 50% of the worldwide, non-alcoholic beverage market and was achieving annual concentrate gallonage and EPS growth of 8% and 19%, respectively, and appeared poised for continuing 15%-20% EPS growth going forward.

36. Goizueta died in 10/97 and was succeeded by Ivester. Unfortunately, as Ivester took over, Coke encountered economic slowdowns in some of Coke's most important overseas markets which began to adversely affect Coke's business. By the second half of 97, as economic conditions in several of Coke's important foreign markets worsened, sales of Coke beverage products in those markets slowed. Also by late 97, Coke had largely exhausted its ability to continue to generate profits by
one-time sales of part of its ownership interests in major bottlers to third parties, leaving Coke much more dependent on the performance of its now weakening ongoing core business operations to produce profitable growth than had been the case in prior years. Thus, beginning in late 97 and early 98, Coke's revenue growth slowed dramatically. As Coke's revenue growth flattened in 97 compared to 96, and then actually declined in 98 compared to 97, Coke's EPS fell from $1.64 in 97 to just $1.42 in 98, a far cry from Coke's historic 15%-20% per year EPS growth. Coke's return on shareholder equity plunged from 56.5% in 97 to 42% in 98. Coke's stock collapsed from $88-15/16 in 7/98 to as low as $56-5/8 by 9/98 – a loss of over $85 billion in shareholder market capitalization in just two months! This sharp decline in Coke stock price is shown below:

As a result of this sharp decline in Coke's stock, the stock had badly under-performed the stocks of similar companies since Ivester succeeded Goizueta, a stock
performance that was a terrible embarrassment to Ivester and his top management team.

Coca Cola Co.
vs. Proxy Peer Group
October 1997 - September 1998

37. Coke owned significant stock in certain key bottlers and has representatives on the Board of Directors of those bottlers consistent with its stock ownership. This stock ownership and Board membership, when combined with the fact that the bottlers are completely dependent upon Coke as the sole source of supply of the product they sell, means that, in fact, Coke has effective control of its bottlers. While Coke has, from time to time, publicly disclaimed having such control, in order to avoid being forced under applicable accounting principles to consolidate the bottlers' financial statements with its own, this disclaimer was, in fact, fiction, as it is indispensable to the proper operation of Coke's business that it maintain effective control of its bottlers, as these bottlers are the source of a vast majority of Coke's
revenue and the only way to distribute its products throughout the world and thus protect and enhance the Coke trademark worldwide.

38. In order to monitor and control Coke's worldwide operations – including those of its bottlers – Coke has an extremely sophisticated computerized financial and accounting control and reporting system. This financial and accounting system – which was overseen by Coke's CFO Chestnut – enabled Coke to closely track consumer demand for its products on a geographic basis corresponding to its bottlers' territories throughout the world by precisely measuring the number of cases of beverage product sold by its bottlers each week and to precisely account for the number of gallons of Coke beverage concentrate in the hands of each of its bottlers each week, measured both in total gallons and in each bottler's "days of sales" of Coke beverage products. Coke's top officers, including the individual defendants, regularly received these reports, which are a key tool used by them to manage Coke's business. In the U.S., Coke's top officers also regularly received reports regarding concentrate and bottler sales entitled "Value System" and "Case Sales System" reports. Furthermore, Coke-Japan distributed "Daily Sales Performance Reports" to Coke-Japan's top executives, including Daft. In Japan, Coke's top executives also regularly received reports regarding sales by bottlers entitled "INforM" and "Dealer Information System" reports. Thus, the individual defendants each actually knew the exact amount of beverage concentrate inventory in the hands of each Coke bottler and how that inventory compared to each bottler's sales of Coke products. Coke's accounting control and reporting system also enabled defendants to closely track sales of "toll" products, which are finished products purchased by Coke-Japan. Toll products arrive fully processed and packaged by a third party and require no bottling by Coke-Japan's bottlers. Coke-Japan resells toll products to its bottlers.
39. Because most of Coke's revenues came from selling beverage concentrate to its bottlers, Coke's top executives were focused on the sale of beverage concentrate to Coke's large bottlers, the factors that determined the rate of those sales, and the potential revenue resulting from those sales. Because beverage concentrate is a commodity product which can be easily and quickly produced (it is just a mixture of water, sugar and flavorings), Coke's bottlers had no need to maintain large inventories of beverage concentrate to meet consumer demand as would be the case with the inventory of a product that was difficult to produce or took substantial periods of time to produce. However, because Coke recorded revenues upon the shipment of beverage concentrate to its bottlers, Coke had a strong interest in shipping concentrate to bottlers even if the bottlers did not want to take additional concentrate or already had enough concentrate to properly and efficiently operate their business.

40. Thus, Coke's top executives — including the individual defendants — were constantly focused on how much inventory of beverage concentrate each of Coke's bottlers had on hand at any given time because this was the key indicator of future demand for Coke's beverage concentrate from these bottlers and thus Coke's future revenue, net income and EPS growth. Coke's top executives — including the individual defendants — also received very detailed monthly financial reports prepared by Chestnut's financial department, which provided detailed information with respect to the financial condition and performance of Coke and each of Coke's key bottlers around the world. The financial package provided Coke's beverage concentrate shipments and revenues not only on a consolidated basis but broken out as to each bottler around the world on a monthly and year-to-date basis, including a comparison of actual results to those planned or budgeted. Coke's high level executives also received volume reports on a daily basis which were broken out by market. Thus,
Coke's executives knew precisely how much beverage concentrate Coke had sold to each of its bottlers.

41. In addition, Coke's monthly financial package provided details as to the financial condition and performance of each of Coke's bottlers, including their beverage sales (measured in dollars or appropriate local currency) as well as case volume, and also included calculations of the number of days of sales each bottler had in Coke beverage concentrate inventory and trend analysis comparing concentrate inventory growth of bottlers and their revenue growth. Coke and the individual defendants knew on an ongoing basis how much inventory of Coke beverage concentrate each Coke bottler had and whether or not these Coke bottlers were under- or over-inventoried, given their rate of sales of Coke beverage products. Coke did not publicly disclose on a regular basis the number of days of sales in beverage concentrate inventory in the hands of its bottlers. Coke kept this information secret so that analysts would be unable to detect that Coke was manipulating its shipments of beverage concentrate to key bottlers to artificially inflate Coke's revenues, net income and EPS.

42. Coke executives — including the individual defendants — knew that they had the ability to directly impact Coke's revenues, net income and EPS in any given quarter by manipulating Coke's shipments of beverage concentrate to key bottlers. Because any "extra" shipments of beverage concentrate in a quarter to Coke's bottlers would come on top of Coke's ongoing beverage concentrate shipments, these shipments would not entail any significant additional overhead for Coke and would therefore have a disproportionately beneficial impact on Coke's net income and EPS.

43. During the first part of 99, the actual performance of Coke's business worsened due to the increasingly adverse impact of the negative economic conditions in several of Coke's key foreign markets. In order to conceal the true extent of the
negative impact of these adverse conditions on Coke's operations, during the 1stQ 99 Ivester, Stahl, Chestnut and Daft arranged for Coke to ship millions of dollars of excessive, unwanted and unneeded beverage concentrate in amounts well beyond levels justified by consumer demand. Coke made such shipments to several of its major bottlers, including Coca-Cola Enterprises (Coke's largest bottler), which bottled Coke for the United States and Western Europe (except Germany), Coca-Cola Erfrischungsgetranke AG, which bottled Coke for Germany, Coca-Cola Beverages, which bottled Coke for Russia and the Baltic States, several bottlers in Japan, and Coca-Cola SABCO, which bottled Coke for Southern Africa. This boosted Coke's 1stQ 99 revenues, net income and EPS. However, as a result of being forced to accept the beverage concentrate shipments these key Coke bottlers began to accumulate excessive amounts of concentrate inventory during the 1stQ 99, above the 31-33 days of supply needed to efficiently operate their bottling businesses or justified by current consumer demand.

44. In 6/99, a serious health scare involving Coke occurred in Belgium when it was reported that contaminated Coke had apparently caused illness requiring medical treatment of some 250 Belgian children. This quickly mushroomed into the worst Coke contamination scare in history and the Company's worst public relations crisis ever, which many believed Ivester did not effectively manage or control. Some European countries briefly banned the sale of Coke and Coke had to engage in the largest recall of its product in its history. Consumption of Coke declined sharply in Europe and modestly in some other parts of the world. In order to conceal the true extent of the negative impact of the fundamental problems which were adversely impacting Coke's business, as now exacerbated by the European health scare, during the 2ndQ 99 Ivester, Stahl, Chestnut and Daft again forced the Coke bottlers for the U.S. and Western Europe, Germany, the Baltic States and Russia, Japan and Southern
Africa to accept millions of dollars of additional shipments of excessive, unwanted and unnecessary beverage concentrate well beyond the levels justified by consumer demand. While these shipments boosted Coke's 2ndQ 99 revenues, net income and EPS, this further elevated the number of days of concentrate inventory in these bottlers' hands to higher and even more excessive levels than those that existed at the end of the 1stQ 99.

45. Notwithstanding Coke and the individual defendants secretly forcing hundreds of millions of dollars of excessive, unwanted and unneeded concentrate on key bottlers during the first half of 99, Coke's beverage concentrate shipments declined by 6% and 2% in the 1stQ and 2ndQ of 99 compared to the comparable 98 periods, and publicly represented first half 99 results were still disappointing. As a result of those disappointing results, plus the negative publicity surrounding the European health scare and Coke's early 9/99 warning to analysts that its 3rdQ 99 results would be slightly less than earlier forecast, by 10/99 Coke's stock fell to its lowest level in several years – just $47-5/16 per share, about half the level Coke stock sold for in 7/98 – a decline that had wiped out $105 billion in Coke shareholder market capitalization! This large and now protracted stock price decline caused outrage among Coke's shareholders – especially its large institutional shareholders who were pressuring Coke to improve its performance. This decline in Coke's stock – which took it to its lowest levels in four years – is shown below:
46. This decline in Coke's stock was especially disturbing because it represented a very substantial under-performance by Coke stock compared to the stocks of similar companies and Coke's arch-rival, Pepsi:
Coca Cola Company
vs. Peer Group
July 1, 1998 - October 1, 1999

Coca Cola Company
vs. Pepsico
July 1, 1998 - October 1, 1999
47. Coke's large 98-99 stock decline caused substantial unrest in Coke's Board of Directors, especially with key directors Allen and Buffet, who controlled companies which were huge Coke shareholders. Certain Board members, with Coke's large institutional shareholders and analysts who followed the Company, were demanding improved performance. It also questioned Ivester's leadership of the Company so seriously that it was beginning to threaten Ivester's continuation as Chairman and CEO. Because of the poor performance of Coke during 98 and the first half of 99, and the serious problems Coke encountered due to the European health scare, analysts and investors viewed Coke's 3rdQ 99 and 4thQ 99 as critical quarters for Coke - when Ivester would demonstrate that his management team was overcoming these problems and could restore Coke's EPS growth to its 15%-20% historic levels. As Coke's 3rdQ 99 unfolded, the adverse impact of the European health scare, combined with continued sluggish consumer demand for Coke beverages in many parts of the world, was even worse than Coke's executives had feared and, as a result, Ivester, Stahl, Chestnut and Daft realized that, unless something was done, Coke's 3rdQ 99 results were going to be even worse than the slightly reduced levels forecast by Coke in early 9/99. Thus, Ivester, Stahl, Chestnut and Daft caused Coke's bottlers in Japan, the Baltic States and Russia, Germany, Southern Africa and the United States/Western Europe to again accept millions of dollars of excessive, unwanted and unneeded shipments of Coke beverage concentrate, as detailed in ¶¶119-128. In some cases, defendants went so far as to improperly recognize revenue on transactions without even shipping the excessive, unwanted concentrate or syrup, as detailed in ¶¶128-130. Coke's reported beverage concentrate shipments to its bottlers declined 6% and 2% in the 1stQ and 2ndQ 99, compared to the same periods in 98. Had Coke's gallonage shipments of beverage concentrate in 99 to its bottlers been based on true consumer demand and its bottlers' true inventory needs, the
beverage concentrate shipments would have declined by much higher percentage amounts from the 98 shipment levels. Instead, the excessive shipments permitted Coke to achieve flat concentrate shipments in 99, compared to 98. And, by secretly forcing key bottlers it controlled to again accept shipments of hundreds of millions of dollars of excessive, unwanted and unneeded concentrate during the 3rdQ 99, and by improperly recognizing revenue, Coke was able to publicly report 3rdQ 99 flat gallonage shipments of beverage concentrate compared to the 3rdQ 98, and manipulate, falsify and artificially inflate Coke's 3rdQ 99 revenues, net income and EPS, as detailed in ¶¶113-146, thus concealing the true extent of the decline of Coke's business due to negative macro-economic factors in several of its overseas markets and the adverse impact of the European health scare, allowing Coke to meet its 3rdQ 99 revenue, net income and EPS forecasts.

48. While Coke's 3rdQ 99 shipments of excessive amounts of beverage concentrate to bottlers enabled Coke to meet its 3rdQ revenue and EPS forecasts, they very much exacerbated the already serious concentrate inventory over-supply situation with those major bottlers. By the end of the 3rdQ 99, 9/30/99, Ivester, Stahl, Chestnut and Daft knew that during 99 Coke had shipped some $300-$400 million of excessive, unneeded and unwanted beverage concentrate to key Coke bottlers, thus inflating Coke's interim 99 revenues, net income and EPS. When Coke reported its 3rdQ 99 results on 10/21/99, the start of the Class Period, which met forecasted levels of revenue and EPS, Coke reported flat beverage concentrate gallonage shipments, deceptively indicating that Coke had met forecasted levels of results despite those flat shipments when, in fact, Coke did so only by making millions of dollars of unjustified and excessive concentrate shipments. Worse yet, Coke also deceptively presented its declining and then flat gallonage shipments of concentrate during 99 as a positive development by telling analysts that its flat gallonage shipments were due
to Coke bottlers voluntarily reducing their levels of beverage concentrate inventory, which was the opposite of what was actually happening! Coke also indicated to analysts that the voluntary beverage concentrate inventory reduction by these bottlers was improving the financial condition of those bottlers and had set the stage for substantial revenue growth by Coke as consumer demand for its products picked up in late 99 and early 00, because that pick-up in consumer demand would result in bottlers stepping up their purchases of beverage concentrate from Coke to replenish their lean inventories. This enabled Coke to credibly but falsely forecast 4thQ 99 EPS of $.30-$ .31, 99 EPS of $1.27-$1.32, 00 EPS of $1.50-$1.60 and 01 EPS of $1.75+, stating that because consumer demand was now beginning to strengthen, Coke expected beverage case shipments to accelerate materially in the 4thQ 99, which would result in an increase in beverage concentrate shipments to Coke's bottlers, because their inventories of beverage concentrate had become "lean" during 99 due to their voluntary efforts to destock or reload beverage concentrate inventory. Again, just the opposite was true and Coke's EPS forecasts for the balance of 99 and 00 were knowingly false.

49. Thus, Coke was able to credibly forecast strong revenue and EPS growth in the 4thQ 99 and during 00 in part because concentrate inventory levels of Coke's bottlers had been reduced to such low levels that the emerging increase in consumer demand for Coke would immediately translate into increased shipments of concentrate to bottlers. Then, in early 11/99, Coke told key analysts that it was imposing the largest concentrate price increase in history on Coca-Cola Enterprises, Coke's domestic and Western European bottler, in part due to strengthening consumer demand for Coke, and that it hoped to increase concentrate prices to other key bottlers as well. This increase in gallonage shipments of beverage concentrate, reportedly because bottlers' concentrate inventories were low, combined
with the largest concentrate price increases in Coke's history was an extremely bullish combination for Coke – *increased sales at increased prices equals strong profit growth!* As a result of Coke meeting its 3rdQ 99 forecasts and this very bullish message to analysts and the investment community, including forecasts of 4thQ 99 EPS of $.30-.31, full year 99 EPS of $1.27-$1.32, 00 EPS of $1.50-$1.60 and 01 EPS of $1.75+, Coke's stock recovered sharply from its early 10/99 low of $47-5/16 to as high as $69 on 12/3/99 – a huge increase in Coke's stock price in about 90 days, which restored over $52 billion in Coke stockholder market capitalization. This sharp increase in Coke's stock price, by which it very nearly climbed back to its 99 high, is shown below:
50. By maintaining the fiction of independence of its anchor bottlers despite its effective control of them, Coke accounts for its interest in those bottlers by way of what is known as the "equity method" of accounting, picking up on Coke's balance sheet and income statement its share of the results of the bottlers' operations measured by its percentage ownership of the bottlers' stock. As a result, Coke retained a significant financial interest in the value of the assets of its key bottlers, even though those assets were not consolidated on Coke's balance sheet. This is because, under the equity method of accounting, any significant write-down or write-off of the assets of a bottler would be picked up by Coke in an amount equal to Coke's percentage ownership interest in that bottler. For this reason, Coke's top financial officers kept close tabs on the value of the assets of its key bottlers. During Coke's rapid expansion during the Goizueta years, Coke caused certain of its key bottlers, especially in Russia, the Baltic States, India and Japan, to very rapidly expand their physical facilities in an effort to greatly expand Coke sales in those countries. In Russia, for instance, Coke and its European bottler, Coca-Cola Beverages, vastly expanded the bottling facilities there to produce Coke products for sale in Russia and the Baltic States. In Japan, Coke along with its bottler there, Coca-Cola West Japan KK, decided to vastly expand the network of Coke beverage vending machines throughout Japan, including locating thousands of vending machines in new and previously unutilized types of locations. However, due to serious economic problems in Russia, the Baltic States and India, the hoped-for and forecasted huge increases in the sale of Coke beverage products in those countries did not materialize.

51. By the end of 98 or early 99, two of Coke's largest bottling facilities in Russia were actually not operating and were essentially vacant, being used mostly for storage of other materials, but not for the production of Coke beverages. Russia's
economic and currency crisis – including the collapse of the Ruble – greatly worsened during 98. As a result, Pepsi took a $218 million write-off for the impaired value of its Russian assets during 98. Likewise Cadbury Schweppes took a $100 million write-off of its Russian assets in 98. Yet Coke did not write down its Russian assets during the first nine months of 99, as Coke's situation in Russia worsened materially:

- Coke's sales in Russia decreased 60% between 8/98 and 9/99 and its sales in the Baltic States also declined sharply.
- Coke had fired more than 300 of its staff in Russia since 8/98.
- Coke was laying off 29% of its remaining office staff in Russia as of 9/30/99.

As a result, by 9/30/99, Coke and its top executives knew that Coke and its Russian bottler would never recover their investment in these two bottling facilities and thus those facilities had to be written down to the lower of cost or market, which meant a very substantial multi-hundred million dollar write-down for the Russian bottling assets alone. Likewise, by mid-99, as detailed in ¶136, defendants knew that Coke's operations in India were not paying off. Thus, they knew that in this instance as well these assets had to be written down. Furthermore, defendants knew they should have written off $196 million worth of assets, almost all of which related to the write-off of vending machines and vending assets in Japan. As detailed in ¶¶138-144, beginning in at least 94, if not earlier, Coke funneled payments to its bottlers in order to offset the high price Coke was charging for product or to help defray its bottlers' operating expenses. To mask the negative impact these payments had on Coke's own financial statements, defendants improperly classified some of these payments in Coke's financial statements as assets in order to amortize the expense over many years, instead of recognizing the payments for what they in essence really were – a refund or subsidy for a portion of the high price the bottlers paid for product or ordinary
marketing support payments that should have been expensed as incurred. However, because taking these write-offs related to Russia, India and Japan vending assets would very adversely impact Coke's reported earnings during what was already a difficult year of 99, and because such a write-down would also signify the truly weak condition of Coke's operations in those three important countries, Ivester, Stahl, Chestnut and Daft deliberately refused to take these required write-downs and concealed them, thus artificially inflating Coke's reported interim 99 results, including its 3rdQ 99 results.

52. During the 4thQ 99, Coke's business continued to perform very poorly, with very weak demand by bottlers for concentrate as key Coke bottlers had by now already accumulated hundreds of millions of dollars worth of excess inventories of concentrate – close to 40 days', and in some cases 56 days', worth of inventory. Ivester, Stahl, Chestnut and Daft were under tremendous pressure to have Coke report good 4thQ 99 results, not only to meet the forecasts they had been making since Coke reported its 3rdQ 99 results on 10/21/99, but also to demonstrate to analysts and investors that Coke's business was, in fact, returning to its historic EPS growth levels under the Ivester management team. Because Coke's actual concentrate volume sales in the 4thQ 99 were not meeting the levels forecast or necessary to meet Coke's 4thQ 99 revenue, net income and EPS forecasts, to continue to conceal the true extent of the deterioration in Coke's business, Ivester, Stahl, Chestnut and Daft again caused Coke's bottlers in the U.S. and Western Europe, Germany, Japan, the Baltic States and Russia and Southern Africa to accept over $200 million in additional excessive, unneeded and unwanted shipments of concentrate – far beyond the levels justified by consumer demand for Coke beverages in those areas. As a result of these additional beverage concentrate shipments, these bottlers now accumulated grossly excessive concentrate inventories of over 40 days' and, in
some cases 56 days', supply – a clearly excessive amount of inventory for a commodity product like beverage concentrate. This shipment of hundreds of millions of dollars in excessive concentrate to bottlers, plus the actual (for Coca-Cola Enterprises) or potential (for Coke's other bottlers) large price increase in concentrate, exacerbated the already troubled financial condition of these anchor bottlers. As a result, bottlers made outraged protests to Coke over Coke's abuse of its control of these bottlers in this way and threatened to refuse to continue with this subterfuge of continuing to purchase hundreds of millions of dollars of unneeded concentrate.

53. One indication of how Coke forced excessive, unwanted and unneeded concentrate on key bottlers is the volume of concentrate purchases by Coca-Cola Enterprises ("CCE")—Coke's largest bottler in the world—during 99. In each quarter of 99, CCE was forced by Coke to purchase more concentrate inventory than was justified by CCE's sales growth or consumer demand. CCE's concentrate inventories soared 16% during 99, while it sales growth grew only 8% – a 50% shortfall. The chart below shows this:
As a result of being forced by Coke to purchase millions of dollars of excessive concentrate during 99, CCE's business has been badly damaged. After reporting a 4thQ 99 loss, in early 00, CCE revealed dramatically lowered growth expectations going forward, resulting in analysts sharply reducing the CCE 00 and 01 EPS forecasts. CCE then reported a 1stQ 00 loss. CCE's stock collapsed from over $36 in early 99 to below $15 in 5/00, as shown below:

Coca Cola Enterprises, Inc.
January 4, 1999 - May 19, 2000
Daily Share Prices

54. The actions by Ivester, Stahl, Chestnut and Daft to cause key Coke bottlers to accept unwanted, unnecessary and thus excessive amounts of Coke beverage concentrate to artificially inflate Coke's reported interim 99 and year-end results, improperly recognizing revenue, in refusing to write down Coke's impaired
Russian, the Baltic States and India bottling assets, in improperly classifying payments to Japanese bottlers, as detailed in ¶¶113-146, were deliberate and conscious decisions and actions taken by them with the intent to manipulate Coke's reported financial results upward, artificially inflate the price of Coke common stock and deceive analysts, investors, the investment community and purchasers of Coke stock during the Class Period.

B. Motive and Opportunity to Commit Fraud

55. Defendants' motive and the opportunity to pursue the fraudulent scheme that inflated Coke's reported profits and the trading price of its stock provided evidence of intentional wrongdoing. Each defendant had the opportunity to commit and participate in the fraud alleged herein. As Coke's top officers and directors, they controlled the preparation of Coke's financial statements, as well as Coke's press releases, corporate reports, SEC filings and communications with analysts. Thus, they controlled the public dissemination of and could falsify the information about Coke's finances, business and prospects that reached the public and affected its stock price.

56. Defendants had the motive to commit and participate in the fraud alleged herein as well. For, Coke had a lucrative executive compensation program that gave its executives the opportunity to earn millions of dollars in annual incentive payments and long term incentive compensation that encouraged executives to increase volume performance, operating income and share prices, at all costs. This unusual compensation scheme gave Coke's executives – including the individual defendants in this action – a lucrative and direct economic motivation to manipulate upward Coke's 99 and 00 volume performance and reported profits and to artificially inflate Coke's stock price during 99 and 00.

57. Coke's lucrative executive compensation structure during the Class Period consisted of three primary components: (i) Base salary; (ii) Annual Incentives;
and (iii) Long-Term Incentives. Executives could participate in one of two types of annual incentive plans: the Annual Performance Incentive Plan or the Executive Performance Incentive Plan ("EPIP"), with the awards under the EPIP being more favorable because they provided tax advantages and were calculated based 95% on unit case volume growth and earnings per share. Long-term incentives comprised the largest portion of the total compensation package for executive officers and included awards of restricted stock, stock options, and Long-Term Performance Incentive Plan ("LPIP") awards. LPIP awards were also based on "unit case volume growth, growth in economic profit, operating profit margin and share of sales." Thus, awards made pursuant to both the EPIP and LPIP were designed to give executives incentive to report higher case volume and to keep reported revenues and share prices up at all costs.

58. In fact, according to Judith Fischer, managing director of Executive Compensation Advisory Services in Alexandria, Va., "[c]ompensation, especially at Coca-Cola, has been extremely lucrative for executives." However, as noted by Paul Lapides, director of the Corporate Governance Center at Kennesaw State University, this type of compensation results in "[t]he pressure to deliver on analysts' expectations quarter after quarter after quarter [which] becomes very wearing [and] CEOs more so than in the past are finding themselves wearier keeping up with those expectations over longer periods of time."

59. Thus, during the Class Period, when demand for concentrate was low due to over-stocked inventories and depressed global sales, the defendants caused Coke to force bottlers to accept millions of dollars of additional shipments of excessive, unwanted and unnecessary beverage concentrate, well beyond the levels justified by consumer demand, in order to keep case volume up and to prevent further decline in Coke's share price. In some cases, defendants went so far as to improperly
recognize revenue on transactions without even shipping the excessive, unwanted concentrate or syrup, as described in ¶¶128-130. Coke's executives faced a real threat of receiving nothing but their base salary if they could not keep reported volume growth and reported financial growth elevated because the incentive pay was tied directly to volume growth and financial results. In fact, this actually happened in 99, when all incentive awards were withheld due to poor volume and revenue performance. As explained in Coke's 00 Annual Proxy Statement, in 99, "[a]ctual growth in unit case volume and economic profit for the three-year period determined the level of payout, and economic profit performance fell below the minimum of the range, therefore yielding no payout for the performance period to plan participants." Thus, due to poor financial and volume growth in 96-98, no awards were made under either the EPIP or the LPIP in 1999.

60. The risk of not receiving incentive pay in 00 posed a daunting threat to the individual defendants. For instance, in 98, in addition to a base salary of $415,250, Daft obtained an additional $3,326,900 in annual and long-term incentive pay, comprising approximately 88% of his total annual pay. Similarly, in 98, in addition to a base salary of $465,000, Stahl received an additional $3,404,300 in annual and long-term incentive compensation, comprising approximately 88% of his total annual pay as well. Without the incentive pay, both of these defendants were forced to take what amounted to approximately 12% of their 98 salary in 99. Accordingly, throughout the Class Period, the individual defendants were under tremendous pressure to keep reported volume up, to keep reported financial results up and to prop up Coke's share price, or face receiving 12% of their salary again in 00.

61. Coke's 3/01 Proxy Statement listed the results of the executive compensation program for the individual defendants for 98, 99 and 00:
<table>
<thead>
<tr>
<th>NAME &amp; PRINCIPAL POSITION</th>
<th>FISCAL YEAR</th>
<th>SALARY</th>
<th>BONUS [EPIP or Discretionary Award]</th>
<th>OTHER ANNUAL COMPENSATION</th>
<th>RESTRICTED STOCK AWARDS</th>
<th>SECURITIES UNDERLYING OPTIONS</th>
<th>LP/IP PAYOUT</th>
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<tbody>
<tr>
<td>Douglas</td>
<td>1998</td>
<td>$415,250</td>
<td>$275,000</td>
<td>0</td>
<td>$2,700,000</td>
<td>0</td>
<td>$351,900</td>
</tr>
<tr>
<td>Daft</td>
<td>1999</td>
<td>459,833</td>
<td>0</td>
<td>0</td>
<td>125,000</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Chairman &amp; CEO</td>
<td>2000</td>
<td>1,268,750</td>
<td>3,000,000</td>
<td>$131,554</td>
<td>87,281,250</td>
<td>650,000</td>
<td>0</td>
</tr>
<tr>
<td>Jack L. Stahl President</td>
<td>1998</td>
<td>465,000</td>
<td>275,000</td>
<td>0</td>
<td>2,700,000</td>
<td>0</td>
<td>429,300</td>
</tr>
<tr>
<td>&amp; COO</td>
<td>1999</td>
<td>485,000</td>
<td>0</td>
<td>0</td>
<td>125,000</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>&amp; COO</td>
<td>2000</td>
<td>734,792</td>
<td>1,275,000</td>
<td>0</td>
<td>8,728,125</td>
<td>500,000</td>
<td>0</td>
</tr>
<tr>
<td>James E. Chestnut Exec. VP</td>
<td>1998</td>
<td>365,000</td>
<td>275,000</td>
<td>0</td>
<td>2,531,250</td>
<td>0</td>
<td>351,900</td>
</tr>
<tr>
<td></td>
<td>1999</td>
<td>400,000</td>
<td>0</td>
<td>0</td>
<td>543,125</td>
<td>117,500</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>2000</td>
<td>455,000</td>
<td>687,500</td>
<td>0</td>
<td>7,273,438</td>
<td>270,000</td>
<td>0</td>
</tr>
<tr>
<td>M. Douglas Ivester Former</td>
<td>1998</td>
<td>1,250,000</td>
<td>1,500,000</td>
<td>0</td>
<td>16,875,000</td>
<td>0</td>
<td>702,000</td>
</tr>
<tr>
<td>Chairman and CEO</td>
<td>1999</td>
<td>1,354,167</td>
<td>0</td>
<td>0</td>
<td>250,000</td>
<td>0</td>
<td>0</td>
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<tr>
<td></td>
<td>2000</td>
<td>250,000</td>
<td>0</td>
<td>81,850</td>
<td>0</td>
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62. This tremendous threat provided ample motive to the individual defendants to keep volume growth and financial results up, to improperly recognize revenue and to prop up Coke's share price. In addition to having the opportunity to manipulate Coke's reported financial reports, the individual defendants, and Coke itself, had the power, and thus the opportunity, to force the bottlers to accept the shipments of unneeded concentrate.

FALSE AND MISLEADING STATEMENTS 63. On 10/21/99, the beginning of the Class Period, Coke reported its 3rdQ 99 results, net operating revenues of $5.1 billion, net income of $787 million and EPS of $.32, via a release stating:

"Some of the trends in the quarter are very encouraging," commented M. Douglas Ivester, chairman, Board of Directors, and chief executive officer.... In fact, we achieved record third quarter case sales in every one of our operating groups and in many of our key markets such as Japan, Mexico, Brazil and the United States.... We believe this sets the stage for positive momentum for our business...."
As the Company looks into the fourth quarter and into the year 2000, it is encouraged with the trends in the following key areas:

* * *

- European Product Withdrawal – Over the past several months, the Company aggressively invested in marketing activities throughout Europe to ensure the long-term health of its brands. The Company is seeing steady improvements....

* * *

For the third quarter, diluted earnings per share were $0.32. These results reflect gallon shipments being even with the prior year....

* * *

Worldwide gallon shipments in the third quarter of 1999 were even with the prior year quarter on a reported basis.

64. On 10/21/99, subsequent to the release of its 3rdQ 99 results, Coke held a conference call for analysts, money and portfolio managers, institutional investors and large Coke shareholders to discuss Coke's 3rdQ results, its business and its prospects and had follow-up conversations with analysts Carpenter of DLJ, Levy of Schroder & Co., Romm of Credit Suisse First Boston, Solomon of Smith Barney, Thompson of Prudential Securities and Lane of Merrill Lynch. During these communications, Ivester, Stahl or Chestnut stated:

- Coke's business trends were very encouraging. Coke had turned the corner and was now positioned to return to its historic 15%-20% EPS growth rate.

- Coke was seeking steady improvement of its business in Europe and Japan – two of its largest and most important overseas markets.

- Despite weak economic conditions in several of Coke's major overseas markets and the aftermath of the European health scare, Coke had achieved flat concentrate gallonage shipments in the 3rdQ 99.

- Coke's flat concentrate gallonage shipments were due to key bottlers voluntarily reducing their beverage concentrate purchases to reduce their beverage concentrate inventories; this was positive for Coke, as bottler purchases of beverage concentrate would accelerate when consumer demand picked up in key overseas markets – which was now happening.
• Coke expected sharply increased beverage concentrate gallonage shipments in the 4thQ 99 and strong beverage concentrate gallonage increases in 00, leading to strong 00 EPS growth.

• Coke was now forecasting 4thQ 99 EPS of $.30-$31, 99 EPS of $1.29-$1.31 and 00 EPS of $1.50-$1.60.

65. On 10/22/99, The Wall Street Journal reported on Coke's 3rdQ 99 results and its conference call:

The earnings were in line with analysts' expectations.

* * *

But Coke says it is encouraged by some trends, such as "improving business conditions" in ... Germany and Japan.

* * *

World-wide gallon shipments of concentrate, the soft-drink base ingredient that Coke sells to its bottlers, remained flat, as bottlers outside the U.S. reduced their inventories to free up cash for marketing programs and other needs.

66. On 10/22/99, Schroder & Co. issued a report on Coke by Levy which was based on and repeated information provided her in the 10/21/99 conference call and in follow-up conversations with Ivester, Stahl or Chestnut. The report forecast 4thQ 99 EPS of $.30, and raised the 99 EPS forecast for Coke to $1.29 from $1.28 and the 00 EPS forecast to $1.54 from $1.48. The report stated:

* Volumes growth accelerated in September in many markets, including Germany ....

* We have raised our global volume growth forecasts ... in 2000, and ... in 2001.

* Concentrate gallonage growth should begin to match reported case sales in 4Q:99, after four quarters of bottler destocking .... This is critical to earnings growth, as gallons, not bottler cases sales, drive KO's profits.

* We are increasing our 4Q:99 estimate to $0.30 from $0.29 and full year 1999 to $1.29 from $1.28.

* We are raising our 2000 estimate to $1.54 from $1.48, and our 5-year EPS growth rate to 13%-14% from 12%.
67. On 10/22/99, DLJ Securities issued a report on Coke by Carpenter, which was based on and repeated information provided him in the 10/21/99 conference call and in follow-up conversations with Ivester, Stahl or Chestnut. The report forecast 99 EPS of $1.30, 00 EPS of $1.52 and 4thQ 99 EPS of $.30 for Coke and stated:

   Global volume trends are exhibiting encouraging signs of reemerging growth.

   **3Q is a decisive starting point in setting the stage for future sales, volume and earnings momentum.**

   * * *

   [W]e were very encouraged by what is clearly a rebounding global case volume trend, especially in several key markets such as Japan up 9%, Germany up 10% ... At this point, all five of KO's major geographic regions are now registering positive volume results and the financial and demand fall-out from the European recall is clearly subsiding.

   * * *

   [W]orldwide gallon shipments were flat in the third quarter.

68. On 10/22/99, Credit Suisse First Boston issued a report on Coke by Romm, which was based on and repeated information provided him in the 10/21/99 conference call and in follow-up conversations with Ivester, Stahl or Chestnut. The report forecast 99 and 00 EPS of $1.30 and $1.50, respectively, for Coke and stated:

   KO experienced solid improvements in Japan [and] Germany ....

   * * *

   The company remains comfortable with estimates in the $1.50-$1.60 range for [2000].

   * * *

   For the balance of 1999, KO should be able to deliver on our $0.30 estimate, which brings the full year to $1.30.

69. On 10/22/99, Salomon Smith Barney issued a report on Coke by Solomon which was based on and repeated information provided her in the 10/21/99 conference call and in follow-up conversations with Ivester, Stahl or Chestnut. The
report forecast 4thQ 99 EPS of $.31 and 99 and 00 EPS of $1.28 and $1.50, respectively, for Coke. The report also stated:

KO reported Q399 results yesterday.... **As expected, concentrate shipments (what actually drives the top line) were flat.... [A]n improvement over the first half of 1999.**

70. On 10/25/99, Prudential Securities issued a report on Coke by Thompson which was based on and repeated information provided her in the 10/21/99 conference call and in follow-up conversations with Ivester, Stahl or Chestnut. The report forecast 99 and 00 EPS of $1.30 and $1.55, respectively, for Coke and stated:

[W]e believe that not only are volumes improving in Western Europe where the company experienced the infamous recall at the beginning of the summer, but in addition there is an increasing amount of evidence that volumes have at least bottomed or are beginning to recover in several markets around the world which have been economically impacted.

* * *

**We strongly believe that ... all the bad news is out.**

* * *

**A Discussion Of The Business With Management Suggests To Us That The Tide Is Turning.**

71. On 10/27/99, Merrill Lynch issued a report on Coke by Lane which was based on and repeated information provided him in the 10/21/99 conference call and in follow-up conversations with Ivester, Stahl or Chestnut. The report forecast 4thQ 99 EPS of $.31 and 99 and 00 EPS of $1.31 and $1.52 for Coke. The report also stated:

Report confirms our thesis that the worst is behind us regarding the impact of the recent global meltdown on Coke's business and that the key underlying fundamental drivers of the business, particularly volumes ... are all improving.

* * *

Strong markets include 10% comparable growth in Germany (Coke's #5 largest market in terms of case volumes) and 9% comparable growth in Japan (#4), Coke's 2 key developed markets outside the U.S....[O]ver 1/3 of Coke's profits outside of North America come from Germany &
Japan combined, and these markets have been sluggish lately. Therefore, the strong performance in the quarter in these markets is very encouraging.

72. Following Coke's release of its 3rdQ 99 results and its positive presentations to analysts, Coke's stock jumped from $52-9/16 on 10/20/99 to as high as $59-3/8 by 10/29/99, just seven trading days later.

73. The statements made by defendants during 10/21/99-10/27/99 were materially false and misleading when made. The true facts, which defendants concealed, were:

a. During the first three quarters of 99, Coke had forced key bottlers to purchase over $400 million of unwanted and unneeded beverage concentrate, and, in some cases, went so far as to improperly recognize revenue without even shipping the excessive concentrate, as detailed in ¶¶119-130, which had artificially inflated Coke's reported results but meant Coke's revenues and EPS would be adversely impacted in the near future, and certainly in the first half of 00, when bottlers would have to "deload" this excessive concentrate inventory;

b. Coke's actual business trends were disappointing and discouraging, not encouraging, and to conceal and cover up the true extent of the negative impact of these adverse trends on Coke's business, Coke had shipped millions of dollars of unneeded and unwanted beverage concentrate to key bottlers in the 3rdQ 99 and thus had inflated Coke's 3rdQ 99 revenue, net income and EPS;

c. Coke's 3rdQ 99 results had not "set the stage for positive momentum for" Coke's business; in fact, Coke's pre-shipment of millions of dollars of unwanted and unnecessary beverage concentrate to key bottlers during 99, including the 3rdQ, had set the stage for a sharp revenue and EPS slowdown for Coke when these bottlers had to "deload" that excessive inventory by sharply reducing their purchases of beverage concentrate from Coke in the near future;
d. Coke was not *seeing steady improvements* in Europe following the 99 health scare; in fact, Coke's business in Germany and the Baltic States was not improving, as weak demand for Coke products persisted there, which Coke covered up by forcing bottlers there to accept the unnecessary and unneeded beverage concentrate shipments;

e. Coke was not *seeing steady improvements* in Asia following the 99 health scare; in fact, Coke's business in Japan was not improving, as weak demand for Coke products persisted there, which Coke covered up by forcing bottlers there to accept the unnecessary and unneeded beverage concentrate shipments;

f. Coke's flat concentrate gallonage shipments during the 3rdQ 99 had been achieved only by Coke's shipping hundreds of millions of dollars of unwanted and unneeded beverage concentrate to key Coke bottlers in the U.S. and Western Europe, Germany, the Baltic States, Japan and Southern Africa and were not the result of voluntary efforts by Coke's bottlers to reduce their concentrate inventories;

g. By 9/30/99, Coke had accumulated hundreds of millions of dollars of unproductive and over-valued assets in Russia and the Baltic States (bottling assets) and it had improperly classified payments to Japanese bottlers, which assets should have been written down by 9/30/99 and would have to be written down in the near-term, which would adversely impact Coke's net income and EPS in Coke's 4thQ 99 and year-end 99, as detailed in ¶¶131-135 and 138-144;

h. Coke's 3rdQ 99 revenues, net income and EPS of $5.1 billion, $787 million and $.32 were manipulated, false and misleading and artificially inflated, as detailed in ¶¶113-146; and

i. As a result of the foregoing negative conditions which were adversely impacting Coke's business, the defendants actually knew that Coke's
forecasts of 4thQ 99 EPS of $0.30-$0.31, 99 EPS of $1.29-$1.31 and 00 EPS of $1.50-$1.60 were false as they could not and would not be achieved.

74. In early 11/99, Coke's top executives told key analysts and members of the financial press that Coke was going to raise prices on concentrate, at least to CCE, by a higher amount than ever before. On 11/4/99, The Wall Street Journal reported:

Coca-Cola Co. is expected to raise the price of its concentrate sharply in the U.S. next year in a bid to improve profitability ... analysts say.

Coke could charge as much as 6% more on average next year for its concentrate, the base ingredient for soft drinks that it sells to bottlers ....

* * *

Mr. Conway said the expected price increase primarily would affect Coke's largest bottler, Coca-Cola Enterprises Inc., which is responsible for about 70% of Coke's North American volume. The price increase would be the largest to the bottler since it was formed in 1986.

Since Coke had just told analysts that due to increasing case volumes, especially in its key markets, Coke's beverage concentrate sales were about to accelerate, these large price increases were very bullish, as they signaled a sharp increase in Coke's profitability in late 99 and early 00.

75. On 11/2/99, Brown Brothers Harriman issued a report on Coke by Burry which was based on and repeated information provided him in conversations with Ivester, Stahl or Chestnut. The report forecast 99 and 00 EPS of $1.27 and $1.50, respectively, for Coke and stated:

The Coca-Cola stock has moved up about 20% in recent weeks, rebounding from a three-year low reached following the substantial decline experienced since mid-1998. The rebound is attributed to ... an announcement by the company's primary bottler, and confirmed by The Coca-Cola Company, that the concentrate producer would accelerate concentrate price increases as bottlers accelerate prices charged retailers.

The Coca-Cola Company should reverse its downward earnings per share trend in the fourth quarter of 1999 ... and the coming year should provide above-trendline comparisons given stabilization of formerly collapsing markets ....
76. On 11/22/99, Merrill Lynch issued a report on Coke by Lane which was based on and repeated information provided Merrill Lynch in conversations with Ivester, Stahl or Chestnut. The report forecast 99 and 00 EPS of $1.32 and $1.60 and 4thQ 99 EPS of $.31 for Coke and stated:

* Underlying fundamentals are improving.
  * * *

* Volumes are accelerating.

* Pricing is getting better.
  * * *

* Bottler concentrate inventories are leaner.

* Operating margins are poised to expand again.
  * * *

**Bottler concentrate inventories are leaner. There has been substantial destocking of concentrate inventories among bottlers over the past year as they maximized working capital needs during the recent turbulent times. This bodes well for Coke's concentrate shipments as bottler case volumes re-accelerate.**

77. On 11/23/99, Lehman Brothers issued a report on Coke by Branca, written after discussions with Ivester, Stahl or Chestnut, which was based on and repeated information provided by them. Ivester, Stahl or Chestnut reviewed this report before it was issued and assured Branca it was accurate. The report forecast 99 EPS of $1.28 and increased the 00 and 01 EPS forecasts for Coke to $1.52 and $1.76, respectively. It also stated:

* Given prospects for accelerating global volume growth, we are increasing our year 2000 worldwide case volume forecast from 5% to 6%.
  * * *

* Based on our expectation for improving worldwide case volume growth, we are increasing our year 2000 EPS forecast from $1.49 to $1.52 (a 19% jump) and lifting our 2001 EPS estimate from $1.69 to 1.76 (another 16% rise).
78. On 11/23/99, Credit Suisse First Boston issued a report on Coke by Romm, written after discussions with Ivester, Stahl or Chestnut, which was based on and repeated information provided by them. Ivester, Stahl or Chestnut reviewed this report before it was issued and assured Romm it was accurate. The report forecast 99 and 00 EPS of $1.30 and $1.60 for Coke and stated:

Concentrate increases will benefit KO

The Coca-Cola Company is expected to raise concentrate prices 5-7% to CCE, the company's domestic anchor bottler. This hike is approximately twice the rate of normal concentrate increases.... With the top line improvement at KO, gross profit margins are likely to benefit....

79. On 11/30/99, DLJ Securities issued a report on Coke by Carpenter, written after discussions with Ivester, Stahl or Chestnut, which was based on and repeated information provided by them. Ivester, Stahl or Chestnut reviewed this report before it was issued and assured Carpenter it was accurate. The report forecast 99, 00 and 01 EPS of $1.30, $1.52 and $1.75+, respectively, for Coke and stated:

1) the first half of 1999 marked a cyclical low point from a worldwide volume growth standpoint ....

* * *

4) the European product recall during the summer of 1999 has effectively subsided ....

5) KO's earnings growth will re-emerge at +15% rate entering into 2000 and 2001.

* * *

At this point, we remain comfortable with our fourth quarter earnings outlook for The Coca-Cola Company.... Our earnings forecast stands at $0.30 per share....

1. Double-digit sales growth re-emerges! We project that Coca-Cola will return to double-digit revenue growth in the fourth quarter, marking the first time since the second quarter of 1995!

* * *

3. Lower Global Bottler Inventories: Importantly for Coca-Cola, we expect gallon shipments to track at an equal pace to that of unit
case trends in the fourth quarter. This compares to prior periods in which gallon shipments trailed unit case performance as its worldwide bottling partners maintained low inventory levels. We believe bottler inventories are at sufficient levels and we do not forecast that its bottlers will be working down inventory at the end of the year.

80. As a result of the very bullish information about Coke put into the marketplace during the Class Period to date, Coke's stock soared higher, reaching $60+ by 11/17/99 and $69 by 12/3/99. This was a huge increase in Coke's stock price in less than 90 days, which restored over $52 billion in Coke stockholder market capitalization. This sharp increase in Coke's stock price, by which it very nearly climbed back to its 99 high, is shown below:

![Coca Cola Co. Daily Share Prices](image)

81. The statements made by defendants to analysts during 11/99 were false and misleading when made. The true facts, which defendants concealed, were:
e. Coke's flat concentrate gallonage shipments during 99 had been achieved only by Coke's shipping hundreds of millions of dollars of unwanted and unneeded beverage concentrate to key Coke bottlers in the U.S. and Western Europe, Germany, the Baltic States, Japan and Southern Africa and were not the result of voluntary efforts by Coke's bottlers to reduce their concentrate inventories; and

f. As a result of the foregoing negative conditions which were adversely impacting Coke's business, the defendants actually knew that Coke's forecasts of 4thQ 99 EPS of $.30-$3.1, 99 EPS of $1.28-$1.32 and 00 EPS of $1.50-$1.60 were false as they could not and would not be achieved.

82. By 12/99, Ivester and his cohorts realized that the falsification of Coke's reported results to meet Coke's forecasted levels of revenues and EPS by Coke forcing key bottlers to accept millions of dollars of unneeded, unnecessary and unwanted concentrate during 99 and by imposing a huge concentrate price increase on its bottlers — who were now fiercely complaining to Coke about Coke's abuse of its power to control them — could not be continued. Ivester knew Coke's interest in bottling assets in Russia, the Baltic States and India were grossly overvalued, and that defendants had improperly classified payments to Japanese bottlers, which assets should have been written down earlier in 99 and would have to be written down at year end, which would cause Coke to suffer a 4thQ 99 loss, not the EPS of $.30-$3.1 Coke was forecasting to analysts. This created a situation which Coke's top executives knew would result in Coke having to write off hundreds of millions in assets in the 4thQ 99, resulting in a loss instead of the $.30-$3.1 EPS forecast. In addition, this also meant that Coke would have to work off the excessive inventory by sharply reducing concentrate shipments to these anchor bottlers in 00, which would have a very adverse impact on Coke's sales, revenues, net income and EPS during at least the
first half of '00 – reducing revenues by at least $600 million and pre-tax profits by at least $400 million.

83. On 12/5/99, Coke's Board held an emergency secret special meeting, engineered by Allen and Buffet, at which Ivester was fired – forced to resign and retire. Then, without any prior warning, on 12/6/99, Ivester – who was only 52 years old, had no children and had served as Coke's Chairman and CEO for just two years – announced he was "retiring," to be succeeded by Daft. Coke's release quoted Ivester as stating: "After extreme reflection and thought, I have concluded that it is time for me to move on to the next stage of my life .... During the past two years ... [t]he Company has weathered the economic storm extremely well ...." This unexpected resignation shocked analysts and investors. Coke's stock plunged from $68-3/16 on 12/6/99 to $58-3/4 on 12/7/99 – a $25 billion, two-day market cap loss – due to investor concerns that Ivester's retirement indicated there were serious undisclosed problems at Coke. To refute investor and analyst concerns that there were undisclosed problems which were negatively impacting Coke's business, Coke immediately falsely assured analysts that Ivester's voluntary retirement did not indicate that there were any serious undisclosed problems with Coke's business and that Coke did not anticipate any significant change in the way it did business. A Coke spokesman reassured the market on 12/8/99 that Coke's core business strategy would not change and "[n]othing has changed about the business outlook."

84. In fact, Ivester had been forced out because Coke's business was worsening and a large asset write-down and beverage concentrate de-load were looming, which would hurt Coke's business very badly. Coke also deceptively assured analysts that Coke's 10/99 and 11/99 shipments were up – concealing that this was only because Coke was continuing to ship hundreds of millions of dollars of unneeded and unwanted beverage concentrate to key bottlers in the U.S. and Western
Europe, Germany, the Baltic States and Russia, Japan and Southern Africa, who now had accumulated at least $600 million in excessive concentrate inventories, again falsely representing that Coke's business was improving and thus, Coke would meet its 4thQ 99 full year 99 and year 00 forecasted results.

85. On 12/6/99, Lehman Brothers issued a report on Coke by Branca, which was based on and repeated information provided in conversations with Daft, Stahl or Chestnut. The report continued to forecast 99 and 00 EPS of $1.28 and $1.52, respectively for Coke, and stated:

* Chairman and CEO Doug Ivester has announced plans to retire ....

* This is clearly a surprise ....

* The company announced that 4Q99 worldwide volume was running above the 2.5% 3Q99 rate .... Guidance on ... EPS is, of course, unchanged ....

* Despite the management maneuvers, we do think that worldwide volume trends are improving and are still comfortable with our $0.30 4Q99 EPS forecast, our $1.52 year 2000 EPS estimate and our expectations for 2001 EPS of $1.76.

86. On 12/6/99, Credit Suisse First Boston issued a report on Coke by Romm, written after discussions with Daft, Stahl or Chestnut, which was based on and repeated information provided by them. The report continued to forecast 99 and 00 EPS of $1.30 and $1.60 for Coke and stated:

Ivester's decision was a complete surprise .... The management change had nothing to do with performance of Coke; we believe the company has turned the corner.

87. On 12/6/99, J.P. Morgan issued a report on Coke by Faucher, written after discussions with Daft, Stahl or Chestnut, which was based on and repeated information provided by them. The report continued to forecast 99 and 00 EPS of $1.28 and $1.48 and 4thQ 99 EPS of $.30 for Coke. It also stated:

Coke also announced that volume trends in October and November (excluding the Cadbury acquisitions) are running ahead of Q3's pace.
88. On 12/8/99, The Wall Street Journal ran an article on Coke stating:

Is Douglas Daft adroit enough to put the fizz back into Coke? It's going flat quickly. Job One for Coca-Cola Co.'s next chief will be providing reassurance that something isn't seriously amiss with the world's largest soft-drink company. The sudden resignation of M. Douglas Ivester as chairman and chief executive officer on Monday created anxiety that there may be more bad news to come, such as an earnings charge or that Coke is about to undertake a major strategy shift.

Randy Donaldson, a spokesman for Coke ... says that the core strategy of the company won't change.

* * *

Mr. Donaldson says Coke is still sticking to its annual growth targets of 7% to 8% in volume and 15% to 20% earnings per share. "Nothing has changed about the business outlook," he says.

89. On 12/8/99 or 12/9/99, Coke held an analysts meeting in New York City. During the meeting, Daft, Stahl and Chestnut reiterated that:

- Ivester had retired voluntarily. His retirement did not signal any serious undisclosed business problems at Coke.
- Nothing had changed about Coke's business outlook.
- Coke was experiencing increasing beverage concentrate volumes, as well as concentrate price increases. Thus, Coke was on course to achieve 4thQ 99 EPS of $.30-$31, 99 EPS of $1.28-$1.32, 00 EPS of $1.50-$1.60 and 01 EPS of $1.75+.

90. On 12/9/99, Prudential Securities issued a report on Coke by Thompson, written after discussions with Daft, Stahl or Chestnut, which was based on and repeated information provided by them. The report forecast 99 and 00 EPS of $1.30 and $1.55 and 4thQ 99 EPS of $.30 for Coke and stated:

We Were Surprised ... By The Early Retirement Of Doug Ivester .... However, while some people have interpreted his leaving as a signal that there is more chaos to come, we believe that just the opposite is the case. We continue to believe that as a result of the world wide economic recovery and the improvement in the company's distribution system the sluggish volume trends which have been experienced by the company in the recent past will accelerate significantly. We doubt that he would have retired in an environment in which the business was continuing to struggle.
The Company is currently saying that fourth quarter volume through the end of November was running ahead of the 3% rate registered in the third quarter. We see no reason why this trend shouldn't carry through the month of December.... While some investors seem to think that there is another negative fundamental "shoe to fall" at Coca-Cola, we remain convinced that this isn't the case.

91. On 1/13/00, PaineWebber issued a report "Initiating Coverage" on Coke by Greenberg. Because this was his first report on Coke, it was issued only after Greenberg had extensive discussions with Daft, Stahl or Chestnut and was based on and repeated information provided by them. Daft or Stahl reviewed this report before it was issued and assured Greenberg it was accurate. The report forecast 99, 00 and 01 EPS of $1.29, $1.52 and $1.74, respectively, for Coke and stated:

* We do not believe the resignation of CEO Doug Ivester will materially disrupt the solid foundation of momentum building at The Coca-Cola Company. We believe the one-two punch will be pricing discipline at home [and] volume growth abroad.... We expect modest system-wide pricing and operating leverage to drive operating income growth of 16%, EPS growth of 19% and return on invested capital growth of 25% in 2000.

* * *

JAPAN - - BACK ON TRACK AS ECONOMIC PICTURE IMPROVES.

Third quarter 1999 volume rebounded sharply, up 10% following a soft third quarter during the 1998 "Asian Contagion"....

GERMANY - - LOCKED AND LOADED.

The opportunity here may be overlooked due to the steady "white noise" on the continent since the summer product recall. Retail consolidation demands a highly focused and capable distribution system. We believe the formation of German anchor bottler CCEAG (70% of country volume) enables this as well as opportunities to smooth out per capita consumption at higher levels through more consistent execution.

* * *

Following two sub-par years, we expect operating profits to exceed double digits in 2000 and 2001. We believe 7% volume growth, better pricing (especially in the U.S.), and operating leverage should renew the
strength of this core fundamental. In so doing, EPS growth should accelerate.

92. On 1/14/00, Warburg Dillon Read issued a report on Coke by Spillane, written after discussions with Daft, Stahl or Chestnut, which was based on and repeated information provided by them. Daft, Stahl or Chestnut reviewed this report before it was issued and assured Spillane it was accurate. The report forecast 99 EPS of $1.28 and raised the 00 and 01 forecasted EPS for Coke to $1.52 and $1.74, respectively. It also stated:

We are upgrading KO ... to a Strong Buy .... We believe KO has the business model to assert itself as one of the best "consumer growth" plays. In our view as the company is able to demonstrate its ability to generate volume and earnings growth during 2000 it should be able to cast aside the negative issues which plagued it last year and focus attention on the growth prospects of its global reach.

93. The statements made by defendants during 12/99-1/00 were materially false and misleading when made. The true facts, which defendants concealed, were:

a. Ivester had not "retired" voluntarily, but rather, had been forced out and forced to retire due to his inability to turn Coke's business around and restore its EPS growth to double-digit levels;

b. During 99, Coke had forced key bottlers to purchase over $600 million of unwanted and unneeded beverage concentrate, and, in some cases, went so far as to improperly recognize revenue without even shipping the excessive concentrate, as detailed in ¶¶119-130, which had artificially inflated Coke's reported results but meant Coke's revenues and EPS would be adversely impacted in the near future and certainly in the first half of 00, when bottlers would have to "de-load" this excessive concentrate inventory;

c. Coke's actual business trends were disappointing and discouraging and its concentrate shipments were not actually increasing at the stated rate except for Coke's deliberate shipment of unnecessary and unwanted concentrate
inventory, which Coke was doing to conceal and cover up the true extent of the negative impact of these adverse trends on Coke's business;

d. Coke's business outlook had changed for the worse, as Coke's pre-shipment of millions of dollars of unwanted and unnecessary beverage concentrate to key bottlers during 99, including the 3rdQ and 4thQ, had set the stage for a sharp revenue and EPS slowdown for Coke when these bottlers had to "deleod" that excessive inventory by sharply reducing their purchases of beverage concentrate from Coke in the near future;

e. Coke's increasing concentrate gallonage shipments during the 4thQ 99 had been achieved only by Coke's shipping hundreds of millions of dollars of unwanted and unneeded beverage concentrate to key Coke bottlers in the U.S. and Western Europe, Germany, the Baltic States, Japan and Southern Africa;

f. Coke had accumulated hundreds of millions of dollars of unproductive and overvalued assets in Russia, the Baltic States and India and Coke had improperly classified payments to Japanese bottlers related to vending assets, which assets should have been written down and would have to be written down in the near-term, which would adversely impact Coke's net income and EPS in Coke's 4thQ 99, as detailed in ¶¶131-137 and 138-144; and

g. As a result of the foregoing negative conditions which were adversely impacting Coke's business, the defendants actually knew that Coke's forecasts of 4thQ 99 EPS of $.30-.31, 99 EPS of $1.28-$1.31, 00 EPS of $1.50-$1.60 and 01 EPS of $1.75+ were false as they could not and would not be achieved.

94. During mid-1/00, rumors circulated that Coke might take asset write-downs and announce layoffs when it reported its 4thQ 99 results in late 1/00. However, based on conversations with Daft, Stahl and Chestnut, analysts continued
to forecast strong volume gains for Coke and 4thQ 99 and 99 operating EPS of $.28-$.
$.31 and $1.28-$1.36, 00 EPS of $1.48-$1.54 and 01 EPS of $1.73-$1.75.

95. On 1/17/00, The Wall Street Journal ran an article on Coke, stating:
Street Seeks Real Thing on Coke Outlook
Wall Street has a message for CocaCola: Get real.
Douglas Daft, Coke's chairman-to-be, has buoyed his company's beleaguered stock by swiftly putting into place a new management team....

But some investors and analysts want more than a new image. If Mr. Daft is serious about changing Coke, they believe, he should lower the company's ambitious annual growth targets of 7% to 8% in volumes and 15% to 20% in per-share earnings. Those long-term goals they say have become a pipe dream, and only hurt Coke's credibility. Why, for instance, did Mr. Daft say three days into the job that he would stand by those goals?

* * *

Coke also could clear the decks by taking some charges in the fourth quarter, many analysts believe, so that lingering messes don't haunt Mr. Daft's coming reign. "We ... wouldn't be surprised by a move to 'clean house' in Q4 by taking several write-offs," Bill Pecoriello, an analyst with Sanford C. Bernstein & Co. wrote in a report last week.

* * *

Says a Coke spokesman: "The management team is examining every aspect of operations. At this point no decisions have been made and since we don't comment on rumor or speculation it would be inappropriate to comment further."

96. The statements made by Coke in 1/00 were false and misleading when made. The true facts, which defendants concealed, were:

a. Coke had accumulated hundreds of millions of dollars of unproductive and overvalued assets in Russia, the Baltic States and India and Coke had improperly classified payments to Japanese bottlers related to vending assets, which assets defendants knew would have to be written down, which would adversely impact Coke's net income and EPS in Coke's 4thQ 99, as detailed in ¶¶131-137 and 138-144;
b. Coke knew that a large beverage concentrate inventory de-load was going to be revealed in a few days; and

c. Thus, adverse decisions had already been made which would hurt Coke's stock, but were being concealed.

THE TRUTH IS BELATEDLY DISCLOSED

97. On 1/25/00, The Wall Street Journal reported:

Coke Is Expected to Take Large Charges For the Previous and Current Quarters

Analysts expect Coca-Cola Co., which reports fourth-quarter results tomorrow, to take combined pretax charges of as much as $700 million for that period as well as for the current first quarter, as it clears out poor-performing investments and cuts jobs.

* * *

Although Coke long denied any need to write down its Russia assets, analysts have recently been expecting a recognition of the reduced value of its seven company-owned bottling plants. The devaluation of the ruble in August 1998 caused Russian sales to drop as much as 60%. Mr. Pecoriello predicts the charge for Russia alone will amount to $300 million to $400 million. Coke is also expected to write down assets in India, after consolidating several independent bottlers.

Mr. Pecoriello said Coke is most likely to take an additional charge for the first quarter of about $150 million for severance costs to reduce its global head count by 2,000 or more. The layoffs, if as big as predicted, would rank among the biggest cuts ever to Coke's work force.

* * *

But cost cuts may not be enough to satisfy Wall Street, which is looking for Coke to increase volume and boost profitability even as sales growth for the soft-drink industry softens. Coke has had trouble hitting its annual targets of 7% to 8% volume growth and 15% to 20% earnings-per-share growth. Volume growth for 1999 is expected to come in at around 1%.

"Coke is about growth, not about saving your way to success," says Mr. Conway. "The important thing is what the volume, price and margin story will be over the long term."

98. On 1/26/00, Coke reported its 4th Q 99 results in a press release – a loss of $45 million or $.02 per share – far below the $.30-.31 EPS forecasts, due, in
part, to write-offs of $813 million, including $543 million due to Coke's overvaluation of its interests in bottling assets in Russia and the Baltic States and $196 million for vending assets in Japan. In Coke's press release, Daft stated: "Despite these accounting write-downs, we remain fully committed to growing our business in these countries and believe the regions offer tremendous opportunity for per capita growth." Coke also announced it was firing 6,000 Coke employees – 21% of Coke's global workforce – the largest firings in Coke's history! These $813 million in write-offs exceeded all of Coke's reported 3rdQ 99 net income of $787 million. The extent of these write-offs was enormous; after the write-off of $739 million, the remaining carrying value of the assets were only $297 million. Thus, if Coke is to be believed, 70% of these assets suddenly became worthless in the 4thQ 99. Worse yet, Coke also shocked investors by revealing that its 00 results would be much lower than earlier forecast, due to Coke deciding to have its key domestic and overseas bottlers, including those described earlier, engage in a huge beverage concentrate "destocking" or "deloading" program to reduce their levels of beverage concentrate inventory from over 40 days', and in some cases 56 days', inventory to less than 33 days. This was a truly massive reduction – amounting to 25% of worldwide Coke system concentrate inventories – which would cost Coke at least $600 million in revenue and $400 million in pretax income in the first half of 00 alone! These shocking disclosures about the beverage concentrate inventory levels of key Coke bottlers were completely contrary to everything Coke had said to analysts and investors about its bottlers' beverage concentrate inventory levels during 99 and as recently as a month or two earlier! Due to the resulting adverse impact of the massive inventory deload or destock on Coke's 00 revenues and EPS, analysts slashed the 00 EPS forecasts for Coke. Investors also savaged Coke's stock. Coke's stock, which had recovered to as high as $66-7/8 on 1/21/00
and traded as high as $66-1/16 on 1/25/00, fell sharply to $62-3/4 on 1/26/00, $58-7/16 on 1/27/00 and to $55-1/16 by 2/3/00.

99. On 1/27/00, The Wall Street Journal reported:

In a massive round of layoffs pushed by an activist board of directors, Coca-Cola Co. said it is slashing 20% of its work force, or 6,000 employees.

_The embattled soft-drink giant said it would take $1.6 billion in one-time charges, far bigger than expected.... Coke also warned that reducing shipments of soft-drink concentrate to bottlers selected by Coke would lower earnings in the first six months of the year._

_The cuts were a bombshell ...._

_Coke also reported its first earnings loss in at least a decade._ Wall Street, baffled by the unexpected inventory write-down and fearing that Coke inflated its fourth-quarter sales by overselling concentrate, drove down Coke's stock.

* * *

_The results included $813 million in charges that reflect Coke's overly ambitious investments in emerging markets. The write-downs are for bottling assets and the streamlining of manufacturing facilities in Russia, the Baltics, Japan and some other countries, Coke said._

_... Wall Street was surprised by a provision for reductions in bottlers' inventories of soft-drink concentrate, the ingredient that Coke sells to its bottlers._

100. As a result of the shocking disclosures about the beverage concentrate inventory levels of key Coke bottlers – _which was contrary to everything Coke had said to analysts and investors about its bottlers' beverage concentrate inventory levels during 99_ – and the adverse impact of the massive inventory deload or destock on Coke's 00 revenues and EPS, investors savaged Coke's stock. Coke's stock, which had recovered to as high as $66-7/8 on 1/21/00 and traded as high as $66-1/16 on 1/25/00, fell to $62-3/4 on 1/26/00, $58-7/16 on 1/27/00 and to $55-1/16 by 2/3/00.
101. During 2/00 and 3/00, Coke's stock continued to perform very poorly, falling steadily as analysts digested Coke's shocking 4thQ 99 loss and the revelations of its huge concentrate deload and how negative their implications were for Coke's ongoing business performance, i.e., Coke would not be able to achieve on an ongoing basis volume and EPS growth of 7%-8% and 15+%, respectively. During this period, Coke executives continued to conceal from Coke's auditors and the investment community the truly serious nature and actual negative impact of the problems which were adversely impacting Coke's business, in an attempt to cause analysts to continue to believe that, despite Coke's 1/26/00 disclosures, Coke would, in fact, continue to achieve its historic 8+% and 15%-20% revenue and EPS growth. Notwithstanding these continuing concealments and nondisclosures, on 3/7/00, Coke's stock fell to as low as $44-13/16, as analysts had become increasingly convinced that Coke would not be able to achieve a return to its historic revenue and EPS growth rates.

102. On 4/4/00, after the close of trading on the NYSE, Coke held a conference call to brief analysts on Coke's 1stQ 00 results and its 00 prospects — which analysts found to be disappointing and confirmed their increasing skepticism over Coke's ability to achieve the long-term growth goals it had continued to insist it could. On 4/5/00, The Wall Street Journal reported:

Coke's Forecast for Sales Growth Falls Short of Analyst Estimates

Coca-Cola Co. released expectations for growth in world-wide sales volumes for the first quarter and the year that fell short of analysts' estimates, raising questions about how quickly the beverage company will be able to come through on a promise to deliver 7% to 8% volume growth over the long term.

In a five-hour meeting called to outline its strategy and goals to analysts and investors, Coke said it expects world-wide unit-case volume to increase by about 1.5% for the quarter, excluding growth from its acquisition of brands from British rival Cadbury Schweppes PLC. Analysts had expected growth of 3% or more without the Cadbury brands....
Analysts had also expected the company to deliver volume growth of 5% to 6% for the year without the Cadbury brands, but the company expects it will achieve that level of growth only with the acquired brands. Analysts expect those brands to make up one percentage point of growth.

Several analysts reacted to these disappointing results as shown below:

**Lehman Brothers, 4/5/00:**

* After the close, management projected comparable 1Q2000 worldwide case volume growth of 1.5%, below the Consensus 3%-4% range – partially reflecting weaker-than-forecast (flat to up 1%) volume in North America and a disappointing (down -1% to -2%) case volume performance in Greater Europe.

* ... [M]anagement implied a comparable full-year 2000 case volume gain of 4%-5%, below our forecast and Consensus estimates for a 5%-6% year 2000 increase.

* ... [T]he disappointing volume outlook, combined with recent strength in the share price, suggests the stock is due for a pause.

**DLJ Securities, 4/5/00:**

The company announced that 10 unit case volume would increase approximately 1.5% on a comparable basis, which falls below our 3-5% projection. Additionally, guidance of achieving 5-6% full year unit volume growth now includes a 1% contribution from the acquired Cadbury Schweppes brands. Previously this contribution was not included in the company's 2000 outlook. Thus, it appears an even more conservative growth outlook for the business has emerged for this year.

**KEY POINTS FROM THE MEETING**

1. **A Lower Coca-Cola's EPS Growth Rate:** Management announced that The Coca-Cola Company would target approximately 15% long term EPS growth versus its old targeted growth range of 15-20%.

**Bear Stearns, 4/5/00:**

1Q Outlook. With 1Q volume growth likely to come in just ahead of 3%, the company must accelerate its 2Q, 3Q and 4Q growth to the 6%-7% range. 1Q volume guidance is 1% below expectations.
Brown Brothers Harriman, 4/5/00:

The annual volume and earnings per-share growth targets (7-8% and 15%, respectively) offered by the new top management are unrealistically optimistic. It remains a mystery why Doug Daft and Jack Stahl, the just-appointed number one and number two executives at The Coca-Cola Company, failed to establish attainable objectives at the start of their leadership tenure.

Credibility Called Into Question With 2000 Volume Downgrade

The current-year volume growth forecast was downgraded from 6-7% to 5-6% including acquired brands. Elimination of both the positive impact of acquired volume and the negative 1999 effect of product recalls on 2000 shipment comparisons results in an adjusted shipment growth forecast approximating 3% for the current 12-month interval. This limited upward movement from depressed prior-year shipment levels does not bolster confidence in management's much higher long-term projections.

103. Coke filed its 3rdQ 10Q for 00 on 10/27/00. According to the 3rdQ 10Q, Coke recorded charges of approximately $94 million in 3rdQ 00 which were attributed to "costs associated with the Company's Realignment." This brought total charges recorded for the first nine months of 00 up to approximately $965 million. Of this $965 million, Coke attributed approximately $405 million to the impairment of its Indian bottling assets, and approximately $560 million to the Realignment.

104. On 3/5/01 CNBC News reported that Coke's President and COO Stahl, resigned from Coke's management team after 20 years at the Company, citing a conflict with Daft. CNBC also reported that:

Street reaction was swift. The stock dipped to its lowest level in more than five months by midmorning.

*  *  *

While Coke's shares have been going flat for investors, Pepsico, meanwhile, has put on quite a performance over the past year, trading about 5 points off its high, up 73 cents today to $ 45.58.

105. The Associated Press reported on 3/5/01,

UBS Warburg analyst Caroline Levy cut her estimates of Coke earnings for this year and next and lowered her target price for the
company's shares from $61 to $52.

"We believe Jack Stahl's departure, while potentially clearing the way for a superior management structure, sends more distress signals through the current organization and could further lower morale," Levy wrote to clients.

Last week, CS First Boston lowered its per-share earnings estimate on Coke's shares from $1.68 to $1.58 for 2001.

"Our comfort level in their earnings has deteriorated drastically," Carpenter said. Analysts surveyed by First Call/Thomson Financial expect the company to earn $1.65 per share this year.

106. On 3/7/01, Coke filed its 00 10K, reflecting a further decline in net income from $3,533 million in 98, and $2,431 million in 99, down to $2,177 in 00, with EPS declining respectively from $1.43 per share in 98, $ .98 per share in 99 to $.88 per share in 00. It also revealed that Coke's economic profit declined precipitously in that three year range as well, down from $2,480 million in 98, and $1,128 million in 99, to $ 861 million in 00.

107. The Atlanta Journal and Constitution reported on 3/7/01 that:

[T]he company's luster has faded along with its sales and profitability. For example, in the company's 2000 annual report, now being sent to shareholders, Coca-Cola reported that its operating revenue grew at a 2.4 percent compound annual rate over the past five years, vs. 7.1 percent over 10 years.

As for operating income, it declined at a compound annual rate of 1.7 percent over the past five years, compared with an increase of 6.6 percent over the last 10 years.

The risk for investors is that Coca-Cola won't be able to deliver on its sales and profits goals in the near future, particularly with turmoil in management ranks, Schumann said.

* * *

Tuesday, Coca-Cola finished at $ 49.80, down 40 cents. It's the first time it has traded below $ 50 since Sept. 21.

So far this year, Coca-Cola is the second worst performer in the Dow Jones industrial average.

Coca-Cola is 46th from the bottom in the Standard & Poors 500-stock index.
108. On 3/30/01, Coke stock dropped to a 52-week low of $43.76 when Coca-Cola Enterprises, Coke's largest bottler in which it maintains a 40% equity interest, issued a negative earnings warning. Upon the news, Sanford Bernstein analyst Bill Pecoriello stated,

"Why the profit miss at CCE?" Pecoriello asked rhetorically. "Look no further than Coke (Coca-Cola Co.). ... We believe the combination of an empty marketing calendar in Q1 and profit pressures from reduced Coke marketing support are the real issues here." While CCE bottles and distributes the products, Coca-Cola is primarily responsible for providing the core ingredients and marketing the various brands.

109. In 4/01, Coke lowered its 01 sales growth projections from a previously reported 6% - 7% down to 5% - 6% and its per share earnings estimates down from 15% to 11% - 12%.

110. Then, in a 5/15/01 news release, Coke issued another profit warning, lowering its operating profit expectation from $2.6 billion to $2.46-$2.5 billion for 01. In a 5/16/01 explanatory conference call, Coke attributed part of the profit warning to decreased volume expectations in North America. Coke also cut its North American growth forecast in half from 2%-3% to 1%-2% for the balance of 2001 based largely on 1stQ 01 performance.

111. On 7/19/01, Coke reported its 2ndQ 01 results, and though earnings were slightly higher than the prior year, at $1.1 billion, or $.45 a share, compared to $926 million, or $.37 a share in 2ndQ 00, Coke also revealed that the higher net earnings were due to lower advertising expenditures and that 2ndQ 01 revenue had actually fallen 4% to $5.29 billion, compared to $5.48 billion in the second quarter last year. Upon this news, Coke's stock price fell $.91, closing at $46.22 per share. According to the Atlanta Constitution's report on July 19, 2001, these lower revenues caused analysts to doubt Coke's ability to hit its annual goal of 5%-6% growth.

112. Finally, on 7/23/01, Coke announced that it would appoint Brian Dyson, a veteran former Coke executive, as vice chairman and COO of Coke to assume
oversight of Coke's day-to-day operations from Daft. The *Wall Street Journal* added that Dyson will strengthen operations under Daft as the Company's stock continues in a slump and sales growth remains short of goals. Upon this announcement, Daft stated, "I love operations, but can't get into the detail myself." According to the *Wall Street Journal*, Dyson's appointment "is meant to give Mr. Daft some breathing room to develop and pick a successor from his management team ... while reducing the risk that one or more might leave at a crucial time." Coke's stock closed at $44.48 on 7/23/01, down $1.63 from the previous day.

**COKE'S FALSE AND MISLEADING FINANCIAL STATEMENTS**

113. Coke's financial statements and related disclosures for at least the 3rdQ, 4thQ and the year ended 99, if not earlier, were materially false and misleading because:

a. Coke artificially inflated its revenues and EPS for at least the 3rdQ, 4thQ and the year ended 99, by failing to accurately and fully disclose the impact of its excessive shipments of concentrate to bottlers which caused its operating revenues and EPS to be materially higher than they would have otherwise been during the Class Period and most particularly the 3rdQ and 4thQ of 99;

b. Coke prematurely and improperly recorded revenue on shipments of syrup and concentrate at the very end of quarters, when the product was not ordered by customers, not shipped until future quarters or not physically shipped at all;

c. Coke failed to timely record impairment of certain assets associated with the Company's and its bottlers' bottling and manufacturing operations in Russia, the Baltic States, the Caribbean, the Middle East, the Far East and North America during the 3rdQ 99 and in India during the 4thQ 99 and the year ended 99; and

d. Coke improperly capitalized payments funneled to its bottlers to help defray the bottler's operating costs. To mask the negative impact these payments
had on its own financial statements, Coke improperly classified the payments as assets in order to amortize the expense over many years, instead of recognizing the expense immediately as required by Generally Accepted Accounting Principles ("GAAP").

114. These practices artificially inflated Coke's 3rdQ 99, 4thQ 99 and year ended 12/31/99 results, making Coke's operating results for those periods neither indicative of Coke's underlying business nor indicative of the business trends investors could expect based on those results. Coke's failure to disclose these practices was a violation of GAAP and SEC rules.

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

A. Coke's Excessive Shipments of Concentrate to Manipulate Its Results

116. The SEC requires that, as to annual and interim financial statements filed with the SEC, registrants include a management's discussion and analysis section which provides information with respect to the results of operations and "also shall provide such other information that the registrant believes to be necessary to an understanding of its financial condition, changes in financial condition and results of operations." See Regulation S-K 17 C.F.R. §229.303(a).

117. Regulation S-K states that as to annual results, this management's discussion and analysis section shall:
(i) Describe any unusual or infrequent events or transactions or any significant economic changes that materially affected the amount of reported income from continuing operations and, in each case, indicate the extent to which income was so affected. In addition, describe any other significant components of revenues or expenses that, in the registrant's judgment, should be described in order to understand the registrant's results of operations.

(ii) Describe any known trends or uncertainties that have had or that the registrant reasonably expects will have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations. If the registrant knows of events that will cause a material change in the relationship between costs and revenues (such as known future increases in costs of labor or materials or price increases or inventory adjustments), the change in the relationship shall be disclosed.

17 C.F.R. §229.303(a)(3). As to interim financial statements, the discussion shall include the following:

4. The registrant's discussion of material changes in results of operations shall identify any significant elements of the registrant's income or loss from continuing operations which do not arise from or are not necessarily representative of the registrant's ongoing business.

17 C.F.R. §229.303 (Instructions to Paragraph (b) of Item 303).

118. GAAP, as set forth in FASB Statement of Concepts No. 1, ¶¶34 and 42, states 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. The information should be comprehensible to those who have a reasonable understanding of business and economic activities and are willing to study the information with reasonable diligence.

* * *

Financial reporting should provide information about an enterprise's financial performance during a period. 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' and creditors' expectations about future enterprise performance, those expectations are commonly based at least partly on evaluations of past enterprise performance.

For this reason, financial reporting includes not only financial statements and the notes thereon, but also other means of communicating information that relates directly or
indirectly to the information in the financial statements. See FASB Statement of Concepts No. 1, ¶7.

1. Defendants Deceptively Disguise Their Improper Loading Practices as "Y2k Preparation" At Results Meetings

119. During 99, Coke was shipping excessive amounts of concentrate to bottlers to inflate its own results, as detailed in ¶¶4-11. This practice of excessive concentrate loading was regularly discussed and decided upon at Coke's monthly meetings called "Results Meetings" which occurred after the close of every month. High level Coke executives attended the Results Meetings. The Results Meetings were also attended by Coke's Financial Analysts from the Corporate Services department, who were assigned to monitor a particular region of the world, such as Asia, North America or South America. When he was Coke's controller, Chestnut ran the Results Meetings until he was promoted to CFO. Gary Fayard, a former partner at E&Y (Coke's auditors), then became controller and ran the Results Meetings until 12/1/99, when he was promoted to CFO. Connie McDaniel took over directing the Results Meetings when she succeeded Fayard on 12/1/99. During a Results Meeting in 99, high level Coke executives hatched a deceptive plan to conceal their decision to "stuff channels" (i.e., load concentrate) in late 99, by cloaking the excessive shipments as a necessary "Y2K preparation." As Coke convinced their bottlers to take more concentrate under the guise of preparing for Y2K, defendants knew this was simply a ploy to increase volume concentrate sales. Defendants shipped excess concentrate to Coke's bottlers who had the facilities to store it, as well as those bottlers who had the highest volume sales. Defendants expected that significant levels of this "loaded concentrate" could not be used by the bottlers and would be returned. In fact, in 99, many of Coke's contracts with bottlers were changed to include a special contract term whereby excess concentrate shipped to the bottlers worldwide could be returned to the concentrate manufacturing plants. In some cases, because concentrate was a
perishable product, in order to cause bottlers to accept unwanted concentrate at the end of 4thQ 99, Coke had to assure several of its bottlers that Coke would replace or give credit for any excess concentrate the bottler accepted that could not be used before its six month shelf life expired. In other cases, in order to cause bottlers to accept excessive amounts of concentrate, Coke promised the bottlers that, in the event the concentrate could not be used, the bottler would not be obligated to pay Coke, as Coke would make arrangements to help the bottler unload the excess concentrate by delivering it to other bottlers. GAAP, as set forth in FASB Statement of Standards ("SFAS") No. 48, does not allow the recognition of revenue if the buyer of the product is not obligated to pay the seller if the product cannot be used, or the seller has a continuing obligation to assist the buyer in bringing about the resale of the product. SFAS 48, ¶6, states:

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.

d. The buyer acquiring the product for resale has economic substance apart from that provided by the seller.

e. The seller does not have significant obligations for future performance to directly bring about resale of the product by the buyer.

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

(Emphasis added.)
120. In this case, neither criteria b. nor e. were met because certain bottlers were not obligated to pay for the concentrate if they could not use it, and Coke had a future obligation to find another customer to take the product if the original bottler could not use it.

121. Coke was able to load excess concentrate on its bottlers as the bottlers had little ability to resist Coke due to Coke's ownership interests in many of the bottlers as well as their reliance on Coke for all of their supplies of concentrate. In fact, when Coke ultimately admitted that the 2000 results would be adversely affected by inventory adjustments by its bottlers, it characterized the adjustments as a decision made by Coke (rather than the bottlers) to reduce bottlers' inventories.

122. By the end of the 3rdQ 99, if not earlier, Coke's bottlers were experiencing growth in inventories much greater than their growth in sales and Coke's excessive concentrate shipping had reached the point where bottlers had become so overstocked that many were becoming increasingly resistant to excess shipments of concentrate from Coke. CCE, for example, which was Coke's largest bottler, was experiencing year-over-year increases in inventory much greater than its increase in sales:
123. The bottlers were increasingly resistant to accepting more Coke concentrate for the simple reason that they could not accept any more product without seriously undermining their own respective financial situations. One bottler even characterized Coke's treatment of the bottlers as Coke "raping the bottlers." Thus, the individual defendants knew that the excessive shipments would have to be curtailed and that the current quarter's results were not indicative of the trends in Coke's business the Company was actually experiencing and that, as a result of the Company's practices in all four quarters of 99, Cokes's 00 results would be adversely affected.

124. And, in fact, Coke's 00 results were very disappointing due to what it called a reduction of bottler inventory or a "de-load" of bottler concentrate inventory.
Essentially, Coke's bottlers needed to reduce their product purchases in order to work through the excessive concentrate shipped to them by Coke in 99. While Coke characterized the inventory adjustment as its own voluntary decision, evidencing the control Coke had over the bottlers, the truth was that the inventory adjustment was required due to the inability of bottlers to continue to accept excessive shipments of concentrate. Coke was in essence robbing 00 results to report favorable interim and year end 99 results in violation of GAAP, causing the reported 99 revenues and pretax earnings to be inflated by $600 million and $400 million respectively, and the results to be misleading.

2. Japan Gets Overloaded With Excessive Concentrate

125. A specific example of Coke's overloading practices is Coke's relationship with the bottlers in Japan on whom Coke loaded excessive concentrate throughout the Class Period. This loading generally occurred in the last weeks of a financial reporting period, allowing Coke to "make its numbers" at the eleventh hour, but only by reporting higher sales volume than would have been possible without the loading. This added to the bottlers' backlog of concentrate, setting the stage for an inevitable downturn when this deception finally caught up with defendants.

126. In fact, during the Class Period, Coke created an internal planning report entitled "CCJC sales by bottler (in standard units)" that reported projected concentrate sales by volume and revenue to each of the Japanese bottlers for a 30-day period and compared it to the corresponding month in the prior year. The volume of concentrate sales to bottlers noted on this report was broken down into three columns: "Natural," "Additional," and "Total" sales. "Total" sales were equal to the Company's sales targets, i.e., what defendants had led the market and the investing public to expect. "Natural" sales, on the other hand, consisted of the amount of concentrate that the bottlers actually would be able to use under the existing market trends, i.e., what Coke
could expect bottlers to buy without any pressure from the Company to load concentrate. "Additional" sales consisted of the shortfall – the difference between what Coke had to sell to meet the market's expectations ("total" sales) and what bottlers would buy without loading pressure ("natural" sales). Thus, "additional" sales equaled the amount of concentrate that bottlers did not need to buy but that Coke needed to sell -- the amount that Coke needed to load. On this report, these "additional" sales were very significant, substantially exceeding "natural sales," and they could not be achieved based on then-existing "natural" demand. The report indicates that defendants' loading practices caused bottlers in Japan to accept an extra month's worth of concentrate on top of their already bloated inventory levels. Coke's senior executives at Atlanta headquarters would decide what the "additional" sales needed to be for each region in order for the Company to meet the market's expectations. The "CCJC sales by bottler (in standard units)" report was prepared by the finance group in Japan. It was distributed to the senior management team in Japan in order to document instructions the finance group had received from Daft in Atlanta.

127. As discussed herein, throughout the course of '99, the Board of Directors was becoming increasingly unhappy with the performance of Ivester and his management team. As a result, defendants were under enormous pressure to "meet their numbers" in 4thQ '99. In order to achieve sales targets and inflate Coke's revenues, defendants caused bottlers to take "additional" concentrate by providing a cash incentive. In 12/99, Coke allotted approximately ¥720 million to be given to Japanese bottlers for this purpose. This ¥720 million cash pay-off was essentially leveraged into ¥20,892,000,000 additional, yet fictitious, revenue for the month. This translates into approximately $200,000,000 – or more than 25% of Coke's net income for 4thQ '99 before write-offs. A meeting of approximately 15 Coke executives was held in Japan in mid-12/99 (with approximately two weeks left in the quarter), to
discuss how to allocate this ¥720 million in incentive money among the Japanese bottlers, the instructions they had received from Atlanta and how to get bottlers to accept enough "additional" concentrate (despite the bottlers' already bloated inventories) so that defendants could achieve Japan's sales targets. As a result of the 12/99 meeting in Japan, the executives assigned to the various bottlers contacted the bottlers and offered them the incentive money to cause the bottlers to record incremental non-existent sales, which the bottlers agreed to do. In this manner, Coke was able to meet its Japan sales targets.

B. Coke's Improper Recognition of Revenue Using a "Ship-in-Place" Scheme

128. To prematurely and improperly recognize revenue at quarter-end and year-end during the Class Period, defendants employed a scheme whereby they recorded revenue on transactions when concentrate or syrup was neither ordered by the distributor nor shipped in the quarter the revenue was recognized, if at all. This practice was most prevalent with Coke's large volume customers and distributors such as McDonalds, Burger King and Sysco. For instance, to boost sagging results in Japan in 1999, Daft called the Deputy Division President for Japan ("DDP-Japan") and told him to load volume in high-impact channels. In turn, the DDP-Japan called the Senior Vice President of Coke-Japan and instructed him to convince Japanese bottlers or distributors to accept additional, unordered concentrate and toll products. Several meetings were held in which documents were circulated that described the normal flow of product volume versus the much higher arbitrary target volume and the necessary loading volume to cover the shortfall. Included in the discussion was how much additional marketing and incentive money would potentially be needed and available to cause the bottlers to take incremental inventory. Often, because McDonalds was such a big customer in Japan, the DDP-Japan logically looked to the McDonalds distributors to accept more volume. However, to the extent his department was
unsuccessful in persuading McDonalds' distributors to accept excess product, the
DDP-Japan would order his staff to record revenue anyway by manipulating the
computer system to record a sale of concentrate to these distributors without actually
shipping it. This was done even though no product was shipped and despite the fact
that the distributors expressly told Coke-Japan that they did not want any excess
product at that time.

129. Notwithstanding the fact that it was clearly improper and in violation of
GAAP to recognize revenues on such transactions when bottlers had not even ordered
product or expressly told Coke they did not want it, it was also improper to record
revenue before the product was delivered. The Securities and Exchange
Commission's Auditing and Enforcement Release ("AAER") No. 108 specifies that
revenue may not be recognized unless all the following conditions, among others, are
met:

(1) The risks of ownership must have passed to the buyer;

(2) The customer must have made a fixed commitment to
purchase the goods, preferably reflected in written
documentation;

(3) The buyer, not the seller, must request that the transaction be
on a bill and hold basis. The buyer must have a substantial
business purpose for ordering the goods on a bill and hold basis;

(4) There must be a fixed schedule for delivery of the goods. The
date for delivery must be reasonable and must be consistent with
the buyer's business purposes (e.g., storage periods are
customary in the industry);

(5) The seller must not have retained any specific performance
obligations such that the earning process is not complete;

(6) The ordered goods must have been segregated from the seller's
inventory and not be subject to being used to fill other orders; and

(7) The equipment must be complete and ready for shipment.

SEC AAER No. 108 (emphasis added).
130. Coke should not have recognized revenue on transactions where the concentrate was neither ordered nor delivered because such transactions did not satisfy criteria (1), (2), (3) or (4) of the SEC's AAER No. 108 above.

C. Coke's Failure to Properly Account for Impaired Assets

131. GAAP, as set forth in FASB Statement of Concepts ("Concepts") No. 5, requires that an entity record a loss when it becomes apparent that an asset has been impaired. See Concepts No. 5, ¶87. According to GAAP, as set forth in SFAS No. 121, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of, an entity shall review long-lived assets and certain identifiable intangibles to be held and used for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. See SFAS No. 121, ¶4.

132. By the end of the 3rdQ 99, the individual defendants knew that Coke's operations in Japan, Eastern Europe, Turkey, India and Russia were performing very poorly and that the Company's investment in those locations was not paying off. This was not Coke's first indication of problems in these areas as these areas had been problematic for several quarters by the 3rdQ 99. Nevertheless, in order to avoid causing the Company's somewhat disappointing earnings to be even worse, the defendants did not record a timely and adequate loss to account for the impairment of the assets in those locations.

133. Ultimately, in the 4thQ 99, when Coke's results were audited by the Company's outside accountants, Coke was forced to accrue a charge for $813 million, $543 million of which related to Coke's impaired assets in bottling and manufacturing in Russia, the Mideast and Far East and North America. The $813 million charge exceeded all the net income of $787 million Coke reported in net income in the 3rdQ 99.
134. Coke's belated write-off of $543 million in impaired assets in Russia should have been recorded in the 3rdQ ended 9/30/99, at the latest, based on factors existing as of 9/30/99:

- Russia's economic crisis deepened significantly during 98 causing an almost immediate decline in the sale of beverages in that country. As a result, Pepsi recorded a $218 million charge related to the deterioration of its business in Russia during the fourth quarter of 98. Cadbury Schweppes also recorded a fourth quarter 98 £68 million (or approximately $100 million) charge stemming from the effects of the collapse of the Ruble on Cadbury Russia.

- Coke's sales in Russia decreased 60% between 8/98 and 9/30/99.

- The Baltic States sales of Coke were adversely affected by the collapse of the Ruble which occurred in 98.

- Coke had more than 300 Coke staff which had been made redundant since 8/98.

- Coke had already abandoned two large bottling factories in Russia prior to the end of the 3rdQ 99.

- Coke was in the process of laying off 29% (38 out of 130) of its office staff in Russia as of 9/30/99.

135. The extent of these write-offs was enormous. After the write-off of $543 million, the remaining carrying value of the assets was only $140 million. Thus, if Coke is to be believed, 80% of these assets suddenly became worthless in the 4thQ 99.

136. Coke ultimately also recorded an additional $405 million charge to write down its assets in India in the 1stQ 00. Coke's belated write-off of $405 million in impaired assets in India should have been recorded in the 4thQ ended 12/31/99, if not earlier, based on factors existing as of 12/31/99 and earlier.

- Coca-Cola India continued to report losses from operations in the Indian territories by 6/99, which were reeling under some of the territories' worse performances ever by late 99.

- Coke management was keenly aware of the problems in India by the Fall of 99. In 8/99, Ivester began to implement a plan to shake up Coca-Cola India management. In late 8/99, in the first ever visit of a Coke CEO to India, Ivester traveled to India to meet with Coca-Cola India senior staff and to see first-hand how bad things were. As a result, Ivester
immediately relieved CEO Donald Short of his duties and relocated him to London and caused both Coca-Cola India's Head of Operations and its Head of Bottling to either be transferred or leave the Company.

- By the end of 3rdQ 99, Coke began a massive restructuring effort in India in an attempt to control Coca-Cola India's poor performance.
- On 12/19/99, the India Business Insight ran an article on Coca-Cola India pointing out that both Coke and Pepsi were unable to reduce prices in India and, as a consequence, "parts of the state-of-the-art bottling plants in the soft drinks industry are idling."
- By 10/99, Coke had announced plans to introduce an early retirement scheme in all its India plants that eventually affected 1200 excess staff. In 1/00, Coke announced the layoff of another 600 persons in India.

137. The extent of the Indian write-offs was enormous. After the $405 million charge, the remaining carrying value of the assets was only $300 million. Thus, if Coke is to be believed, about 60% of these assets suddenly became worthless in first quarter of 00.

D. Coke's Improper Classification of Payments to Bottlers as Purported Vending Assets

138. To help report a favorable profit margin, Coke increased its revenue figure by pricing and selling its concentrate to bottlers at a premium. To cause its bottlers to pay the high concentrate price however, it was necessary for Coke to "give back" some of the premium to bottlers in the form of "support payments" which it recorded as an operating expense on its income statement. As discussed below, Coke improperly capitalized some of these payments.

139. Ultimately, for the 4thQ 99, during the time in which Coke's results were being audited by Ernst & Young, LLP ("E&Y"), Coke was also forced to take a charge to write-off $196 million worth of assets, of which the major portion related to the write-off of vending machines and vending assets in Japan. Several factors, however, indicate the charges should have been recorded, at the very latest, one quarter sooner. Beginning in at least 1994, if not earlier, Coke funneled payments to its bottlers in order to offset the high price Coke was charging for product or to help
defray its bottlers' operating expenses. To mask the negative impact these payments had on Coke's own financial statements, defendants improperly classified some of these payments in Coke's financial statements as assets in order to amortize the expense over many years, instead of recognizing the payments for what they in essence really were – a refund or subsidy for a portion of the high price the bottlers paid for product or an ordinary marketing support payment that should have been expensed as incurred. In Japan alone, these expenses ranged from $20 million to $70 million each year from at least 94 through 99.

140. Coke made such payments to the bottlers under a program called Bottler's Incentive Investment Plan ("BIIP"). Under BIIP, Coke's expenditures were labeled as support to purportedly help its bottlers purchase vending machines and refrigerated displays, which are typically depreciable assets. However, defendants knew these payments were, in essence, simply subsidies or ordinary marketing support expenses that should have been expensed immediately in conformance with GAAP (see FASB Concepts No. 6 and AICPA Statement of Position ("SOP") 93-7) rather than improperly capitalized as fixed assets or depreciated over several years for at least the following reasons, among others:

a. Coke often had no idea whether or not its bottlers actually used the BIIP funds for vending machines and it often did not care. It was well known within Coke management that in practice, under the BIIP program throughout 94 to 98, bottlers were not required to spend the funds on vending assets. In fact, internally at Coke, defendants recognized that payments to bottlers under the BIIP program were not "tied to tangible, measurable and specific criteria." In Japan, for example, Coke management knew that the funds were merely a way of helping out the bottler, irrespective of what the money was spent on. Further, Coke knew that arbitrarily labeling the funds "payment for vending equipment" was a farce as, in many cases, the
availability of BIIP funds to particular bottlers did not have a significant impact on the bottlers' decision to buy vending machines. For instance, it was common knowledge at Coke that in Japan, Japanese bottlers had no choice but to purchase vending machines regardless of whether or not Coke provided BIIP funds because the vending channel was the primary way Japanese consumers purchased product. This simple reality was driven by the prevalence of vending machines in Japan, which account for more than 50% of all soft drink sales in Japan. Japan has more vending machines than the entire rest of the world combined. There are approximately 930,000 Coke vending machines in Japan, more than two times as many as its closest competitor there.

b. Coke neither owned nor controlled any actual vending machines purchased and owned by its bottlers. Notwithstanding the fact that, in practice, BIIP funds could often be used in any manner the bottler chose, and to the extent that a bottler may have actually used the funds to purchase vending machines, the machines actually belonged to and were the property of the bottlers. GAAP, specifically Concepts No. 6, states that an asset cannot simultaneously be an asset of more than one entity. Further, GAAP also specifies that, in order for Coke to have an asset, it needed to control the future benefit conveyed by the asset, and that the ability to receive such future benefit must be conferred by legal right:

Assets

25. Assets are probable future economic benefits obtained or controlled by a particular entity as a result of past transactions or events.

* * *

Control by a Particular Entity

183. Paragraph 25 defines assets in relation to specific entities. Every asset is an asset of some entity; moreover, no asset can simultaneously be an asset of more than one entity, although a particular physical thing or other agent that provides future economic benefit may provide separate benefits to two or more entities at the same time (paragraph 185). To have an asset, an entity must control future economic benefit to the extent that it can benefit from the asset and
generally can deny or regulate access to that benefit by others, for example, by permitting access only at a price.

184. Thus, an asset of an entity is the future economic benefit that the entity can control and thus can, within limits set by the nature of the benefit or the entity's right to it, use as it pleases. The entity having an asset is the one that can exchange it, use it to produce goods or services, exact a price for others' use of it, use it to settle liabilities, hold it, or perhaps distribute it to owners.

* * *

Control and legal rights

186. As some of the preceding discussion indicates, an entity's ability to obtain the future economic benefit of an asset commonly stems from legal rights. Those rights share the common feature of conferring ability to obtain future economic benefits, but they vary in other ways. For example, ownership, a contract to use, and a contract to receive cash confer different rights.

Concepts No. 6 (emphasis added). Coke knew that the BIIP payments did not qualify as assets on its financial statements because Coke knew that it did not have ownership, legal right to, or control, as defined in SFAC No. 6 above, over the bottlers' vending assets. Further, it is clear that capitalization of another company's assets is not allowed under GAAP, even if Coke had a minority interest in such a company, because no asset can simultaneously be an asset of more than one company under SFAC No. 6 above.

c. Notwithstanding the fact that Coke did not own its bottlers' vending machine assets, and to the extent the bottler may have even purchased some vending machines using BIIP funds, Coke often had no idea where such purported equipment was physically located, whether or not it was actually being used, was in usable condition, or was ever even placed into service. Coke had no system in place to track the location of the vending machines owned by its bottlers (which are regularly moved from location to location). Consequently, Coke could not account for over 70% of all vending machines worldwide. GAAP, as set forth in SFAS No. 121, ¶¶4, 5, requires that an entity record a loss when it becomes apparent that an asset has been
impaired. Because Coke could not ascertain whether many of the vending assets of its bottlers were still viable, being used, or even whether they physically existed, it should have recorded a charge to recognize the impairment by 3rdQ 99, if not earlier.

141. Ultimately, when the balance of the improperly capitalized payments labeled vending equipment in Coke's accounting records became too large to hide, E&Y, the Company's auditors, took note and were very uncomfortable with Coke's practice of capitalizing these BIIP expenditures. E&Y informed defendants that the Company needed to change this method of accounting. Defendants, however, strongly resisted the auditors, and in 12/98 sought to placate them by:

a. proposing changes to the BIIP program whereby Coke would no longer capitalize the payments to bottlers unless Coke had at least minority ownership interest in the bottler (Coke incorrectly hoped this would create an argument that it had some sort of quasi interest in the asset), and Coke would require supporting documents and other criteria surrounding the purchase of vending assets; and

b. agreeing to create and disseminate a new written Company accounting directive indicating that funds given to bottlers could not be capitalized unless they were expressly used by the bottler for vending assets.

142. Accordingly, in 12/98, with great fanfare, Coke renamed the BIIP program the Capability and Asset Performance Program ("CAPPr"), and created and disseminated a new internal Coke accounting directive called "Accounting in-charge rule no. 1998-28" ("AIC-1998-28"). However, in practice, these changes made little difference in Coke's accounting practices and did not keep Coke from continuing to improperly capitalize payments made to its bottlers in 99. In fact, one high level Coke executive in Japan regularly waived these new preconditions to receiving CAPPr money from Coke in 99.
143. Eventually, during its 99 quarterly reviews and year-end audit, E&Y finally understood Coke's accounting charade and, fed up with Coke's improper accounting for these payments, forced Coke to write off as much as $196 million of the balance of the purported payments for vending assets it capitalized from 94 through 99 because of at least the following reasons:

   a. Coke did not really own or control the assets purchased with BIIP/CAPPr funds – the bottlers did; and

   b. Coke could not provide adequate documentation to allow E&Y to actually verify whether large portions of the vending assets Coke recorded on its own books under the BIIP/CAPPr payments were actually purchased, owned, were in service, or even where the assets were physically located. In short, Coke was unable to account for approximately 70% of all vending machines and was unable to prove to E&Y that many of the assets in question even physically existed.

144. By arbitrarily classifying and cloaking these payments as depreciable assets in its financial statements and improperly amortizing the cost over several years, instead of as incurred, Coke violated GAAP and understated its expenses and inflated its assets by as much as $196 million in 3rdQ 99.

145. Due to these accounting improprieties described in ¶¶116-144, the Company presented its financial results and statements in a manner which violated GAAP, including the following fundamental accounting principles:

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

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

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

d. 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 Concepts No. 1, ¶50);

e. 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 Concepts No. 1, ¶42);

f. 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 is a notion that is central to accounting (FASB Concepts No. 2, ¶¶58-59);

g. The principle of completeness, which means that nothing is left out of the information that may be necessary to insure that it validly represents underlying events and conditions was violated (FASB Concepts No. 2, ¶79); and
h. 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 Concepts No. 2, ¶¶95, 97).

146. Further, the undisclosed adverse information concealed by defendants during the Class Period is the type of information which, because of SEC regulations, regulations of the national stock exchanges and customary business practice, is expected by investors and securities analysts to be disclosed and is known by corporate officials and their legal and financial advisors to be the type of information which is expected to be and must be disclosed.

STATUTORY SAFE HARBOR

147. The statutory safe harbor provided for forward-looking statements ("FLS") does not apply to the false FLS pleaded. The safe harbor has no application to Coke's false financial statements. None of the specific oral FLS were identified as "forward-looking statements" when made, it was not stated that actual results "could differ materially from those projected," nor did meaningful cautionary statements identifying important factors that could cause actual results to differ materially from those in the FLS accompany those FLS. The defendants are liable for the false FLS pleaded because, at the time each FLS was made, the speaker knew the FLS was false and the FLS was authorized and/or approved by an executive officer of Coke who knew that the FLS was false. None of the historic or present-tense statements made by defendants were assumptions underlying or relating to any plan, projection or statement of future economic performance, as they were not stated to be such assumptions underlying or relating to any projection or statement of future economic performance when made nor were any of the projections or forecasts made by
defendants expressly related to or stated to be dependent on those historic or present-tense statements when made.

CLASS ACTION ALLEGATIONS

148. Plaintiffs bring this action as a class action pursuant to Fed. R. Civ. P. 23(a) and (b)(3) on behalf of all persons, excluding defendants, who purchased Coke stock between 10/21/99 and 3/6/00, inclusive, (the "Class").

149. Class members are so numerous that joinder of them is impracticable. As of February 21, 2000, there were 2,472,450,605 shares of Coke common stock outstanding, held by thousands of holders of record. Coke is listed and actively traded on the NYSE. While the exact number of Class members is unknown to plaintiffs at this time and can only be ascertained through appropriate discovery, plaintiffs believe there are many thousands of Class members who purchased Coke stock at artificially inflated prices during the Class Period. Record owners and other members of the Class may be identified from records maintained by Coke 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.

150. 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, including:

   a. whether defendants violated the federal securities laws;
   b. whether defendants' Class Period statements omitted and/or misrepresented material facts;
   c. whether defendants participated in and pursued the common course of conduct complained of herein;
   d. whether the market price of Coke stock was artificially inflated throughout the Class Period;
e. whether defendants knew or recklessly disregarded that their statements were false; and
f. whether the Class sustained damages and, if so, the appropriate measure.

151. Plaintiffs' claims are typical of the claims of the other members of the Class.

152. Plaintiffs have no interests which are contrary to or in conflict with those of the Class and they will fairly and adequately protect the interests of the Class. Plaintiffs have retained counsel competent and experienced in class and securities litigation.

153. A class action is superior to all other available methods for the fair and efficient adjudication of this controversy. Joinder of all Class members is impracticable. Plaintiffs know of no difficulty to be encountered in the management of this action that would preclude its maintenance as a class action.

CLAIM FOR RELIEF

154. Defendants violated §10(b) and Rule 10b-5 by:
   a. Employing devices, schemes and artifices to defraud;
   b. Making untrue statements of material facts and omitting to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and
   c. Engaging in acts, practices and a course of business that operated as a fraud or deceit upon the Class in connection with their purchases of Coke stock.

155. Class members were damaged. In reliance on the integrity of the market, they paid artificially inflated prices for Coke stock.

156. The undisclosed adverse information concealed by defendants during the Class Period is the type of information which, because of SEC regulations, regulations
of the national stock exchanges and customary business practice, is expected by investors and securities analysts to be disclosed and is known by corporate officials and their legal and financial advisors to be the type of information which is expected to be and must be disclosed.

157. Plaintiffs and the Class have suffered damages in that, in reliance on the integrity of the market, they paid artificially inflated prices for Coke stock. Plaintiffs and the Class would not have purchased Coke stock at the prices they paid, or at all, if they had been aware that the market prices had been artificially and falsely inflated by defendants' misleading statements.

PRAYER

WHEREFORE, plaintiffs pray for judgment as follows: declaring this action to be a proper class action; awarding damages, including interest; and such other relief as the Court may deem proper.

JURY DEMAND

Plaintiffs demand a trial by jury.

DATED: July 25, 2001

CHITWOOD & HARLEY

Martin D. Chitwood
Georgia Bar No. 124950
Edward H. Nicholson, Jr.
Georgia Bar No. 543420
David A. Bain
Georgia Bar No. 032449
M. Krissi Temple
Georgia Bar No. 687020
2900 Promenade II
1230 Peachtree Street, N.E.
Atlanta, GA 30309
Telephone: 404/873-3900
Fax: 404/876-4476
William S. Lerach
Katherine L. Blanck
Diane P. Doherty
600 West Broadway, Suite 1800
San Diego, CA 92101
Telephone: 619/231-1058
Fax: 619/231-7423

Co-Lead Counsel for Plaintiffs
UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF GEORGIA
ATLANTA DIVISION

CARPENTERS HEALTH &
WELFARE FUND, et al.,

Plaintiffs,

vs.

THE COCA-COLA COMPANY,

Defendant.

x

CERTIFICATE OF SERVICE

This is to certify that I have this day served a true and correct copy of the
within CONSOLIDATED CLASS ACTION COMPLAINT FOR VIOLATION OF
THE SECURITIES EXCHANGE ACT OF 1934 by hand delivery and overnight
delivery upon counsel for Defendants at the addresses notated below:

M. Robert Thornton
Jeffrey S. Cashdan
Stephen P. Devereaux
Dan S. McDevitt
KING & SPALDING
191 Peachtree Street
Atlanta, Georgia 30303-1763

Ronald L. Olson
Marc T. G. Dworsky
Munger, Tolles & Olson LLP
355 South Grand Avenue
35th Floor
Los Angeles, California 90071

ATTORNEYS FOR DEFENDANTS

This 25th day of July, 2001.

David A. Bain