CONSOLIDATED AMENDED CLASS ACTION COMPLAINT

Lead Plaintiff, Oklahoma Firefighters Pension and Retirement System (the “Lead Plaintiff” or “Plaintiff”), on behalf of all persons and entities who purchased or otherwise acquired the common stock of Central Freight Lines, Inc. (“Central Freight” or the “Company”), from December 12, 2003 through March 17, 2005 (the “Class Period”), including those who acquired their shares pursuant to Central Freight’s December 12, 2003 Initial Public Offering (“IPO”), by and through the undersigned attorneys, alleges the following upon information and belief, except as to those allegations concerning the Plaintiff, which are alleged upon personal knowledge. Plaintiff’s information and belief allegations are based upon, among other things, their investigation, including without limitation: (i) the review and analysis of filings made by Central Freight with the United States Securities and Exchange Commission (“SEC”); (ii) the review and analysis of press releases, public statements, news articles and other publications disseminated by or concerning the trucking industry, Central Freight, and the Individual Defendants Robert V. Fasso, Jerry C. Moyes, and Jeffrey A. Hale; (iii) the review and analysis of Central Freight’s analyst conference calls; (iv) the review and analysis of securities analysts’ reports concerning Central Freight; (v) interviews with former Central Freight employees; and (vi) the review and analysis of other publicly available information concerning Central Freight and the Individual Defendants.
Plaintiff believes that further substantial evidentiary support will exist for the allegations in this Consolidated Amended Class Action Complaint ("Complaint") after a reasonable opportunity for discovery.

**NATURE OF THE ACTION**

1. This Complaint is brought on behalf of persons or entities who have purchased or otherwise acquired the common stock of Central Freight during the Class Period (the "Class"), including those who purchased their shares in or traceable to Central Freight's December 12, 2003 IPO pursuant to its false and misleading Registration Statement/Prospectus, seeking to pursue remedies under the Securities Act of 1933 (the "Securities Act") (15 U.S.C. § 77 et seq.) and the Securities Exchange Act of 1934 (the "Exchange Act") (15 U.S.C. § 78 et seq.) and Rule 10b-5 promulgated thereunder (17 C.F.R. § 240.10b-5).

2. The Complaint alleges violations of Sections 11, 12(a)(2) and 15 of the Securities Act and Sections 10(b) and 20(a) of the Exchange Act and Rule 10b-5 promulgated thereunder.

**INTRODUCTION TO SECURITIES ACT CLAIMS**

3. Central Freight is a non-union, regional less-than-truckload ("LTL") carrier based in the southwestern United States. As an LTL carrier, Central Freight picks up multiple freight shipments from multiple customers on a single truck and then routes that freight for delivery. Throughout the Class Period, Central Freight described itself in news releases and other publicly disseminated documents as the one of the ten largest LTL carriers in the nation with a management team of hand-picked proven leaders.

4. On December 12, 2003, the Registration Statement/Prospectus ("Registration Statement") for the 8.5 million share (5.7 million shares from the Company plus 2.8 million
shares from Jerry C. Moyes) IPO of Central Freight common stock was filed with the SEC and priced as follows:

<table>
<thead>
<tr>
<th></th>
<th>Per Share</th>
<th>Total</th>
</tr>
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<tbody>
<tr>
<td>Public Offering Price</td>
<td>$ 15.00</td>
<td>$ 127,500,000</td>
</tr>
<tr>
<td>Underwriting Discount</td>
<td>$ 1.05</td>
<td>$ 8,925,000</td>
</tr>
<tr>
<td>Proceeds, before Expenses, to Central Freight</td>
<td>$ 13.95</td>
<td>$ 79,515,000</td>
</tr>
<tr>
<td>Proceeds to the Individual Defendant Moyes</td>
<td>$ 13.95</td>
<td>$ 39,060,000</td>
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5. The IPO was accomplished via the Registration Statement filed with the SEC and declared effective on December 12, 2003. The Individual Defendants signed the Registration Statement and are collectively responsible for the accuracy of the offering document. On December 12, 2003, Central Freight filed its defective Registration Statement/Prospectus and the shares began trading.

6. The Registration Statement was materially false and misleading for the following reasons:

i) Despite representing to the investing public that the loss of one or more of their five largest customers could significantly and adversely affect their cash flow, market share, and profits, Central Freight failed to disclose that they were in fact on the verge of losing $40 million worth of business from one of their five largest customers, Wal-Mart, at the time of the IPO;

ii) Central Freight further concealed its true insurance costs because its freight deliveries were late, damaged and often lost or undelivered, and as a result of this decline in service, numerous customers filed claims with Central Freight. Therefore, the Company failed to disclose that its claims accruals (which represented the estimated costs to repair and replace damaged goods resulting from cargo claims), at the time of IPO, were excessively high and eroding the Company's margins.

iii) In addition, the Company also failed to disclose that its internal controls were in utter disarray at the time of the 2003 IPO and, accordingly, this would effect the Company's ability to properly and effectively manage the business.
7. Following the IPO in December 2003, Defendants continued to make false and misleading statements, including statements concerning (1) the Company’s acquisition of Eastern Oregon Fast Freight, Inc. (“EOFF”); (2) the continual lack of effective internal controls; and (3) its excessive claims rate.

8. In this regard, despite representing to the investing public that such a transaction would be highly beneficial to Central Freight, Defendants knowingly and/or recklessly failed to disclose that the acquisition and subsequent integration of EOFF would be a disaster because most of EOFF’s customers were competitors of Central Freight. And thus, Central Freight would eventually lose most of this business. The reason Defendants entered into this transaction in the first quarter of 2004 was to mask the Company’s inability to make first quarter earnings estimates. This is corroborated by Central Freight’s former Senior Vice President of Operations.

9. Moreover, the Company also failed to disclose that its internal controls continued to be in utter disarray throughout the Class Period and, accordingly, the Company’s ability to effectively manage the business was completely undermined.

10. Central Freight also concealed its true claims ratio during the Class Period. Due to the fact that Central Freight had massive problems with lost, damaged or undelivered freight, it needed to take larger reserves in order to eventually pay these claims. However, Defendants intentionally failed to take larger reserves, so that their claims ratio would compare favorably with the industry standard.
11. On March 16, 2004, the first hint of a problem emerged as the Company announced its substantially lower earnings guidance for the first quarter of 2004 as a result of the EOFF acquisition and subsequent integration.

12. However, it was not until March of 2005, when the Company fully began to disclose the truth. In fact, on March 17, 2005, the Company disclosed that it had material weaknesses in its internal controls, and thus its revenue and inventory numbers were unreliable. On this shocking news, Central Freight's stock price plummeted 26% from the prior day's close of $6.80 per share, to close on March 17, 2005 at $5.04 per share.

13. To further support the Defendants' scienter, Defendant Moyes and his family sold 4,075,000 shares of Central Freight stock for proceeds of over $61 million while in possession of undisclosed adverse information.

**JURISDICTION AND VENUE**

14. The claims asserted herein arise under and pursuant to Sections 11, 12(a)(2) and 15 of the Securities Act (15 U.S.C. §§ 77k, 77l(a)(2), and 77o) and Sections 10(b) and 20(a) of the Exchange Act (15 U.S.C. §§ 78j(b) and 78 t(a)), and Rule 10b-5 promulgated thereunder (17 C.F.R. § 240.10b-5).

15. This Court has jurisdiction over the subject matter of this action pursuant to Section 22(a) of the Securities Act (15 U.S.C. § 77v(a)) and Section 27 of the Exchange Act (15 U.S.C. 78aa), and 28 U.S.C. §§ 1331 and 1337.

16. Venue is proper in this Judicial District pursuant to Section 22(a) of the Securities Act and Section 27 of the Exchange Act, and 28 U.S.C. § 1391(b) and (c). Many of the acts and transactions alleged herein, including the preparation and dissemination of materially false and
misleading information, occurred in substantial part in this District. Additionally, the Company
cconducts business and maintains its principal executive offices in this Judicial District.

17. In connection with the acts, conduct and other wrongs alleged in this Complaint,
Defendants, directly or indirectly, used the means and instrumentalities of interstate commerce,
including but not limited to, the United States mails, interstate telephone communications and
the facilities of the national securities exchange.

PARTIES

18. Lead Plaintiff, Oklahoma Firefighters Pension and Retirement System,
("Oklahoma Firefighters") as set forth in the certification filed in connection with its Lead
Plaintiff Motion, incorporated herein by reference, acquired its shares in or traceable to Central
Freight's IPO pursuant to its materially false and misleading Registration Statement at artificially
inflated prices and was damaged when the true facts were publicly disclosed causing the stock
price drop. On March 8, 2005, Oklahoma Firefighters was appointed Lead Plaintiff by the Court.

19. Defendant Central Freight is a Nevada corporation that maintains its principal
place of business within this judicial district at 5601 West Waco Drive, Waco, Texas 76710.
Central Freight is a non-union, regional LTL carrier based in the southwestern United States. As
an LTL carrier, Central Freight picks up multiple freight shipments from multiple customers on a
single truck and then routes that freight for delivery.

20. Defendant Robert V. Fasso ("Fasso") was, at all relevant times, the Company's
Chief Executive Officer ("CEO") and President of Central Freight during the Class Period.
Fasso signed the Company's false and misleading Registration Statement.
21. Defendant Jerry C. Moyes ("Moyes") was, at all relevant times, the Company’s Chairman of the Board of Directors during the Class Period. Moyes signed the Company’s false and misleading Registration Statement.

22. Defendant Jeffrey A. Hale ("Hale") was, at all relevant times, the Company’s Chief Financial Officer ("CFO") during the Class Period. Hale signed the Company’s false and misleading Registration Statement.

23. Fasso, Moyes and Hale are herein referred to collectively as the “Individual Defendants.”

24. During the Class Period, each of the Individual Defendants, as senior executive officers and/or directors of Central Freight had access to undisclosed adverse information concerning its business, operations, operational trends, finances, products, markets and present and future business prospects via access to internal corporate documents, conversations and connections with other corporate officers and employees, attendance at management and Board of Directors meetings and committees thereof, and via reports and other information provided to them in connection therewith. Because of their possession of such information, with respect to the Exchange Act claims, the Individual Defendants knew or recklessly disregarded the fact that adverse facts specified herein had not been disclosed to, and were being concealed from, the investing public.

25. As officers and controlling persons of a publicly-held company whose common stock was registered with the SEC pursuant to the Exchange Act, and was traded on the NASDAQ and governed by the provisions of the federal securities laws, the Individual Defendants each had a duty to promptly disseminate accurate and truthful information with
respect to the Company’s financial condition and performance, growth, operation, financial
statements, business, markets, management, earnings and present and future business prospects,
and to correct any previously-issued statements that had become materially misleading or untrue,
so that the market price of the Company’s publicly-traded common stock would be based upon
truthful and accurate information. The Individual Defendants’ misrepresentations and omissions
during the Class Period violated these specific requirements and obligations.

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

27. The Individual Defendants, by virtue of their positions of control and authority as
officers and/or directors of the Company, were able to and did control the content of the various
SEC filings, press releases and other public statements pertaining to the Company during the
Class Period. The Individual Defendants were provided with copies of the documents alleged
herein to be misleading prior to or shortly after their issuance and/or had the ability and/or
opportunity to prevent their issuance or cause them to be corrected. Accordingly, the Individual
Defendants are responsible for the accuracy of the public reports and releases detailed herein and
are therefore primarily liable for the representations contained therein.

28. With respect to the Exchange Act claims, each of the Defendants is liable as a
participant in a fraudulent scheme and course of business that operated as a fraud or deceit on the
Class by disseminating materially false and misleading statements and/or concealing material
adverse facts. Defendants' fraudulent scheme and course of business that operated as a fraud or
deceit on the Class were: (i) deceiving the investing public regarding Central Freight's prospects,
business, operations, management and the intrinsic value of Central Freight's common stock; (ii)
artificially inflating the price of Central Freight common stock; (iii) causing the Plaintiff and
other members of the Class to purchase or otherwise acquire Central Freight common stock at
artificially inflated prices; and (iv) permitting Moyes and his family to reap over $61million in
proceeds through the IPO.

29. With respect to the Securities Act claims, each of the Defendants owed to the
purchasers of Central Freight common stock, including Plaintiff and other Class members, the
duty to make a reasonable and diligent investigation of the statements contained in the
Registration Statement issued in connection with the IPO. This duty included performing an
appropriate investigation to ensure that the statements contained therein were true, and that there
were no omissions of material fact required to be stated in order to make the statements
contained therein not misleading. As herein alleged, each of the Defendants violated these
specific duties and obligations. As a result of these violations, the offering price of Central
Freight common stock was artificially inflated.
PLAINTIFF'S CLASS ACTION ALLEGATIONS

30. Plaintiff brings this action as a class action pursuant to Federal Rule of Civil Procedure 23(a) and (b)(3) on behalf of all persons and entities who purchased or otherwise acquired the common stock of Central Freight, during the Class Period, including those who acquired their shares pursuant to Central Freight’s December 12, 2003 IPO. Excluded from the Class are Defendants, the officers and directors of the Company, at all relevant times, members of their immediate families and their legal representatives, heirs, successors or assigns and any affiliates or entity in which Defendants have or had a controlling interest.

31. The members of the Class are so numerous that joinder of all members is impracticable. The disposition of their claims in a class action will provide substantial benefits to the parties and the Court. Throughout the Class Period, Central Freight’s common stock was actively traded on the NASDAQ. During the Class Period, Central Freight had more than 17 million shares of stock outstanding. While the exact number of Class members is unknown to Plaintiff at this time and will only be ascertained through appropriate discovery, Plaintiff believes that there are hundreds of members in the proposed Class. Record owners and other members of the Class may be identified from records maintained by Central Freight or its transfer agent and may be notified of the pendency of this action by mail, using the form of notice similar to that customarily used in securities class actions.

32. Plaintiff’s claims are typical of the claims of the members of the Class, as all members of the Class are similarly affected by Defendants’ wrongful conduct in violation of federal securities laws complained of herein.
33. Plaintiff will fairly and adequately protect the interests of the members of the
Class and has retained counsel competent and experienced in class and securities litigation.
Plaintiff is a member of the Class and does not have interests antagonistic to, or in conflict with,
the other members of the Class.

34. Common questions of law and fact exist as to all members of the Class. Among
the questions of law and fact common to the Class are:

(1) Whether the federal securities laws were violated by Defendants’ acts as
alleged herein;

(2) Whether the December 12, 2003 Registration Statement filed with the
SEC in connection with the IPO contained misstatements of material fact
or omitted to state material facts necessary in order to make the statements
made, in light of the circumstances under which they were made, not
misleading;

(3) Whether each of the Defendants had a duty to make a reasonable and
diligent investigation of the statements contained in the Registration
Statement filed with the SEC in connection with the IPO at the time it
became effective, but failed to do so;

(4) Whether the price of Central Freight’s common stock was artificially
inflated due to the non-disclosures and misstatements complained of
herein;

(5) Whether statements made by Defendants to the investing public during the
Class Period misrepresented or omitted material facts about, inter alia, the
business, operations and management of Central Freight;

(6) Whether, solely with respect to the Exchange Act claims, Defendants
knew or recklessly disregarded that their statements were false and
misleading; and

(7) To what extent the members of the Class have sustained damages and the
proper measure of damages.

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

**UNDISCLOSED ADVERSE INFORMATION**

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

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

38. At all relevant times, the material misrepresentations and omissions particularized in the Complaint directly or proximately caused or were a substantial contributing cause of the damages sustained by Plaintiff and other members of the Class. As described herein, during the Class Period, Defendants made or caused to be made a series of materially false or misleading
statements about Central Freight’s business, prospects, and operations. These material misstatements and omissions had the cause and effect of creating in the market an unrealistically positive assessment of Central Freight and its business, prospects and operations, thus causing the Company’s common stock to be overvalued and artificially inflated at all relevant times.

39. Defendants’ materially false and misleading statements during the Class Period resulted in Plaintiff and other members of the Class purchasing the Company’s common stock at artificially inflated prices, thus causing the damages complained of herein.

40. 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 practices, 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.

**SUBSTANTIVE ALLEGATIONS**

**Background**

41. Defendant Central Freight is a non-union, regional LTL carrier based in the southwestern United States. As an LTL carrier, the Company picks up multiple freight shipments from multiple customers on a single truck and then routes that freight for delivery. In December 2002, Central Freight expanded service in a seven-state, Midwest region, establishing all-points coverage in six of these states. The Company offers regional LTL services to customers in its eight-state core southwest region, its expanded seven-state Midwest region and two additional contiguous states.
Central Freight’s strategy was to operate multiple regional LTL fleets, each of which focuses on next-day and second day service in its region, complemented by inter-regional freight delivery between regions. The key elements of the Company’s growth strategy included: increasing business and service offerings in their core region; building density in their Midwest region; expanding to additional regions; and pursuing strategic acquisitions.

**THE IPO**

To implement their growth strategy, on December 12, 2003, the Company announced its IPO of 8,500,000 shares of common stock priced at $15.00 per share. Through the IPO, Central Freight raised approximately $77.9 million in proceeds, and Defendant Moyes and his family personally reaped over $61 million in proceeds.

Defendant Moyes, his family, and trusts for the benefit of his family, beneficially owned approximately 82.4% of Central Freight’s outstanding stock before the IPO. After the IPO, Defendant Moyes, his family, and certain trusts for the benefit of his family held 44.1% of the Company’s common stock. As majority shareholder and Chairman of the Board of Directors of Central Freight, Defendant Moyes had substantial control over Central Freight.

**Defendants’ Materially False And Misleading Statements In The December 12, 2003 IPO Registration Statement**

On December 12, 2003, Central Freight filed its false and misleading Registration Statement with the SEC and the common stock began trading.

A. **Loss Of Customer Business**

In the Company’s Prospectus filed December 12, 2003, Defendants stated that:

The loss of one or more of our five largest customers could significantly and adversely affect our cash flow, market share, and profits.
In 2002 . . . our five largest customers accounted for approximately 15.4% of our total revenues. Our largest customers are under no firm obligation to ship with us and the contracts are generally terminable upon 30 or 60 days’ notice. . . . If we lose one or more of our large customers, or if there is a decline in the amount of services those customers purchase from us, our cash flow, market share, and profits could be adversely affected. (Emphasis in original).

47. Despite representing in its Registration Statement that the loss of one or more of the Company’s five largest customers could significantly and adversely affect their cash flow, market share, and profits, Central Freight failed to disclose that they were in fact on the verge of losing significant business from Wal-Mart, one of their five largest customers.

48. According to Central Freight’s former Terminal Manager in Laredo, Texas (“TM1”) employed by the Company from early 2000 through August 2004, and a former Terminal Manager in Milwaukee, Wisconsin (“TM2”) employed by Central Freight from November 2003 through October 2004, each of whom reported to the Senior Vice President of Operations, from mid-2003 and continuing at the beginning of the Class Period, trailers filled with Wal-Mart merchandise were hidden in Central Freight’s Minneapolis terminal. Wal-Mart senior executives, according to TM2, were calling Fasso concerned about their undelivered merchandise and that they had been complaining to the Terminal Manager about these delivery problems for more than 2-3 months. As a result of Central Freight’s inability to timely and effectively deliver the freight, Wal-Mart finally withdrew $40 million in business from Central Freight in January 2004, according to TM1 and TM2. Another former employee of Central Freight, the Terminal Manager in Conroe, Texas (“TM3”), who was employed from 1997 through the closing of the terminal in August 2004, corroborated that the problems with Wal-Mart shipments were going on for months before Wal-Mart cancelled a significant amount of orders in January 2004.
49. Another former employee of Central Freight, the Terminal Manager in Springfield, Missouri ("TM4"), who was employed under Will Deorsey from August 2003 until the IPO, stated that in the second and third quarters of 2003, in an effort to prepare for the IPO, Defendant Fasso demanded that there be significant personnel cuts throughout the Company. The Terminal Manager of Minneapolis, Levy Fry, simply did not have the manpower to deal with Wal-Mart’s demands, according to TM4. In fact, TM4 explained that Levy Fry’s complaints, prior to the IPO, to Will Deorsey (also TM4’s boss) requesting more men and more trucks were ignored. Thereafter, according to TM4, Wal-Mart’s freight just sat in the yard at the terminal. According to TM4, Fasso and Will Deorsey spoke on the phone everyday and that Fasso knew about the problems in Minneapolis prior to the IPO.

B. Claims Accrual

50. Claims accruals represent the estimated costs to repair and replace damaged goods resulting from cargo claims. Insurance accruals reflect the estimated cost of claims for bodily injury and property damage, workers’ compensation and employee health care not covered by insurance.

51. As explained by TM3, when freight is not shipped or it is damaged, the customer files a claim with Central Freight. Central Freight then has to pay that claim and is stuck with the damaged or non-shipped merchandise. According to the former Vice President of Operations for Central Freight ("VPO"), a freight bill may only be $100 but the claim amount that Central Freight would pay for lost or damaged freight may be $5000 depending on the freight shipped. VPO worked for Central Freight from June 1992 through July 2004 and from early 2002 through
July 2004, held the position of Senior Vice President where he oversaw the operations of the entire Company. VPO reported directly to Defendant Fasso.

52. With respect to Insurance and Claims, the Registration Statement stated:

This category includes the cost of insurance premiums and the accruals we make for claims within our self-insured retention amounts, primarily for personal injury, property damage, physical damage to our equipment, and cargo claims. These expenses will vary primarily based upon the frequency and severity of our accident experience and the market for insurance.

* * *

Insurance and claims increased $2.7 million, or 28.1%, from $9.6 million for the 2002 period to $12.3 million for the 2003 period. The increase in insurance and claims expense resulted primarily from an increase in working days and the accrual of $1.9 million in estimated liabilities for claims that arose prior to 2003 ($1.8 million of which related to two accidents in 2002), compared with no increase in such reserves for prior period claims recorded in the 2002 period. As a percentage of operating revenues, insurance and claims increased from 3.7% for the 2002 period to 4.1% for the 2003 period.

53. The Registration Statement also stated:

Ongoing insurance and claims expense could significantly reduce our earnings.

* * *

If the number or severity of claims for which we are self-insured increases, we suffer adverse development in claims compared with our reserves, or any claim exceeds the limits of our insurance coverage, our financial results could be materially and adversely affected. (Emphasis in original).

54. With respect to the Insurance and Claims numbers in the Registration Statement the Defendants stated:

While management believes that amounts included in the accompanying financial statements are adequate, such estimates may be more or less than the amounts ultimately paid when the claims are settled. The estimates are continually reviewed and any changes are reflected in current operations. (Emphasis added.)
55. The statements in ¶¶ 52-54 were false and/or misleading because they failed to disclose the Company's true insurance and claims numbers. According to a former Division Sales Manager ("DSM"), employed by Central Freight from July 2001 through August 2004, the true claims rate was excessively high around the time of the IPO and jumped five fold in January 2004, because, without disclosing this material fact in its Registration Statement, Central Freight held off paying most of the claims in 2003 - prior to the IPO. DSM also confirmed the industry standard of approximately 1% - 1 1/2%, and DSM believes that in January 2004, Central Freight's claims rate jumped to 10%. A 10% claims rate meant that for every dollar earned, ten cents was paid out to claims. According to DSM, a 10% rate indicates that Central Freight withheld payment of most claims for several months prior to the IPO. Central Freight is self-insured, and unless the claim amount reaches an excessive number, Central Freight pays all of its claims according to DSM. DSM reported to Art Sempler, Senior Vice President of Sales and Operations, who worked closely with and reported to Fasso.

56. TM4 confirmed DSM's statements regarding the excessive claims. TM4 said the claims rate was high because the quality of service was declining which raised the rate of claims. Specifically, according to TM4, freight deliveries were late, damaged and often lost or undelivered. As a result of Central Freight's decline in service, numerous customers filed claims with Central Freight. Fasso was aware that the rate was high, according to TM4, as Fasso was on the conference calls with terminal managers, sometime in mid-to-late 2003, when the claims rate was discussed.

1The aforementioned name was provided by a confidential witness, therefore, the spelling may be phonetic.
According to DSM, as a result of substantial employee layoffs and terminal closures in late 2003, shipments were not being delivered and customers were filing significant insurance claims. DSM further explained that because of the significant reduction in employees freight was continually being lost, damaged and/or abandoned.

C. Internal Controls

The Company also made false and misleading statements regarding its internal control systems in the Registration Statement including the following:

We grew substantially between our first full year of operation in 1998 and 2001, but our operating results were less than we desired and we experienced an operating loss during 2001. **Over the past two years, we have assembled a new senior management team and began executing a strategic plan designed to increase the efficiency of our operations and expand our geographic territory.** We focused on streamlining our terminal network, routing freight efficiently through that network, improving our freight mix through a comprehensive yield management program, and applying our dynamic resource planning process to our operations. **Our improved efficiency has resulted in a substantial amount of our revenue equipment and terminal assets being used at less than full capacity.** As a result, these assets are now available for additional freight without further capital expenditure. Because our dynamic resource planning process has only been partially applied in our freight movement process, we believe that our strategic plan affords us the opportunity for continued margin improvement and revenue growth in the future. (Emphasis added).

These statements were materially false and misleading as of the date of the IPO because by this time the Company was suffering severe staffing shortages which led to breakdowns in the internal controls of the Company. In this regard, according to TM3, Fasso, in mid-2003, cut approximately 200-300 people in supervisory roles across the Company, and that without these people in leadership positions, scheduling and operations were in disarray.

According to VPO, one of the internal control problems with regard to revenue stemmed from Fasso’s elimination of centralized billing. VPO explained that, prior to the IPO,
every freight bill was examined at a central location by auditors who reviewed all the bills to
determine the accuracy of each bill. According to VPO, there were somewhere between 35 to 50
employees in the billing department. However, VPO stated that Fasso needed to show in the
financials that he was cutting costs and that the financials were improving in preparation for the
IPO, so Fasso eliminated all centralized billing and left it to persons in the field to figure out.
Therefore, according to VPO, there were no longer any internal controls in place to audit the
freight bills. Prior to the IPO, as explained by VPO, it was widely known at the Company that
there were problems with the revenue numbers because of the lack of central billing and controls.
According to VPO, historically there were average adjustments to revenue of 1½ - 2% after the
freight bills went through the billing controls. However, by the end of 2003, VPO stated, due to
the lack of controls and a centralized billing system, the adjustments to revenue went to 5½ %.

61. According to DSM, Central Freight’s Managers and area Vice Presidents
complained to Fasso as early as the second and third quarters of 2003, that they needed help to
try to keep freight moving. However, by the fourth quarter 2003, Central Freight was having
problems keeping up with orders. As stated by DSM, Central Freight’s service was “very bad”
and customers were unhappy by the fourth quarter of 2003. All of these facts preceded the IPO
and rendered the Company’s statements regarding the strength of its internal controls and its
efficiencies materially false and misleading.

Defendants’ Materially False And Misleading Statements
During The Class Period - Post December 12, 2003 IPO

A. The EOFF Acquisition

62. Following the completion of the IPO, Defendants continued to make false and
misleading statements. Specifically, on February 6, 2004, the Company held its first conference
call with analysts to discuss its Fourth Quarter 2003 earnings. During this call, Fasso talked about the Northwest expansion. Fasso stated that the Company expected to have its Northwest expansion opened and running in the second quarter of 2004. **In fact, Fasso stated that the Northwest expansion “should be simpler in this respect, that it will require less infrastructure as opposed to 14 terminals in six states [as in its Midwest acquisition]. This will require five or six terminals to start.”** (Emphasis added). Fasso continued by stating that with regard to the Northwest expansion:

> we believe in our strategy it is very critical that as we expand and trigger growth, the productivity gains occur simultaneously. And there’s a few reasons. One is it offsets the expansion costs, and secondly we use that productivity gain for less hiring. If one doesn’t meet the other, you have complications. You have to cull people and then you have to hire later.

63. During this February 6, 2004 conference call, when questioned when the Pacific Northwest expansion would get underway, Fasso responded that “[w]e’re going to do it as soon as we get the pieces together. Right now it’s looking like more May, June.” (Emphasis added).

64. Despite Fasso’s May or June estimated time frame and his statements that the Northwest expansion would be simpler and require less infrastructure requiring only 5 or 6 terminals to start, within six weeks of the conference call, the Company announced on March 16, 2004, its accelerated expansion into the Pacific Northwest through its purchase of EOFF, a carrier that operated 21 terminals. According to VPO and DSM, Fasso pushed the EOFF purchase through in March 2004, because Central Freight’s first quarter earnings in 2004 were going to be dismal despite the Company’s IPO. The Company needed an excuse as to why earnings were going to be down in the first quarter of 2004 and used the acquisition of EOFF to
mask the true reasons why earnings were down. Defendants’ statements were false and misleading because Defendants knew, despite their prior representations to the contrary, that the Northwest expansion would be immediate, three or four times larger than represented, and that the acquisition of EOFF would erode the Company’s margins through, *inter alia*, a massive loss of customers and personnel.

65. To further corroborate the fact that the Company wanted to push the EOFF acquisition through quickly, according to VPO, the EOFF acquisition did not follow *any* of the normal procedures that the Company had employed in prior acquisitions. Namely, VPO stated that Central Freight did not send personnel to EOFF prior to the acquisition to create an operational strategy to move the freight, etc. According to VPO, normally on “day one” of an acquisition, a team of persons would be in place in each of the acquired terminals to train those employees on new procedures. TM3 also stated that the purchase of EOFF happened very quickly. According to TM3, within one month of the purchase (by the second quarter of 2004), Central Freight’s competitors that were using EOFF, namely ABF and Roadway, among others, had moved their business to other interline companies. Within months of the acquisition, according to VPO, EOFF terminals began closing.

66. Fasso knew that the acquisition and subsequent integration of EOFF was going to be at the very best difficult and at the worst disastrous. In this regard, around the time of the announcement of the EOFF purchase, according to VPO and DSM, Defendant Fasso told both VPO and DSM, among others, that he knew EOFF’s customers were actually competitors of Central Freight. In fact, according to TM3, as an interline trucking company that shipped freight in obscure areas for large, longhaul trucking companies such as Central Freight’s competitors, at
the time of the EOFF acquisition, EOFF had little to no business of its own. DSM stated that Defendant Fasso knew that because EOFF's customers were competitors, that they would seek other shippers. DSM estimated that approximately 80% of EOFF's business customers left after the Central Freight purchase. Several executives and officers, namely Art Sempler, Doak Slay, Will Deorsey, Cliff Cordes and Patrick Curry, were all on conference calls around the time of the announcement of the EOFF acquisition, with Fasso and DSM, wherein Fasso acknowledged that he knew Central Freight was going to lose money on the EOFF acquisition because the EOFF customers were Central Freight competitors.

67. Thus, it was evident that the true motivation behind the acquisition of EOFF was to use it as the reason for the declining first quarter numbers, so as to not have to disclose to the market the true reasons for declining income and revenue numbers (i.e., the severe lack of internal controls).

B. Lack of Internal Controls

68. On May 18, 2004, the Company filed with the SEC its quarterly report on Form 10-Q for the quarter ended April 3, 2004 ("2004 First Quarter 10-Q"). Individual Defendants Fasso and Hale signed the Certification of CEO and CFO Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. Defendants Fasso and Hale certified that "[t]he information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company."

69. In its 2004 First Quarter 10-Q, Defendants also stated that:

As required by Rule 13a-15 under the Exchange Act, the Company has carried out an evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures as of the end of the period covered by this report. This evaluation was carried out under the supervision
and with the participation of the Company's management, including our Chief Executive Officer and our Chief Financial Officer. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of the end of the period covered by this report. During the Company's first fiscal quarter, there were no changes in the Company's internal control over the financial reporting that have materially affected, or that are reasonably likely to materially affect, the Company's internal control over financial reporting.

The Company has confidence in its internal controls and procedures.

70. Additionally, Individual Defendants Fasso and Hale signed and certified the 2004 First Quarter 10-Q as follows:

1. I have reviewed this quarterly report on Form 10-Q of Central Freight Lines, Inc.;

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

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

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

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

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

c). Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

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

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

71. Additionally, on August 13, 2004, and November 16, 2004, the Company filed with the SEC its quarterly reports on Form 10-Q for the quarters ended July 3, 2004 and October 2, 2004, respectively. In each of these filings, Individual Defendants Fasso and Hale signed the Certification of CEO and CFO Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. Defendants Fasso and Hale certified that “[t]he information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.”

72. Individual Defendants Fasso and Hale also signed and certified its August 13, 2004, and November 16, 2004 10-Q’s with language substantially similar to ¶¶ 69-70.
73. The statements contained in ¶¶ 68-72, referenced above, were each materially false and misleading when made. In fact, the Company’s internal controls were lacking and the Defendants did not have confidence in its internal controls and procedures. Specifically, according to VPO, one of the major internal control problems stemmed from Fasso’s elimination of centralized billing. VPO explained that prior to the Class Period, every freight bill was examined at a central location by auditors who reviewed all the bills to determine the accuracy of each bill. According to VPO, there were somewhere between 35 to 50 employees in the billing department who oversaw the examination and accurate processing of the freight bills. However, VPO stated that Defendant Fasso needed to show in the financials that he was cutting costs and that the financials were improving in preparation for the IPO, so Defendant Fasso eliminated all centralized billing and left it to persons in the field to figure out. Therefore, according to VPO, there were no longer any controls to audit the freight bills. Prior to the IPO, as explained by VPO, it was widely known at the Company that there were problems with the revenue numbers because of the lack of central billing and controls. According to VPO, historically there were average adjustments to revenue of 1½ - 2% after the freight bills went through the billing controls. However, by the end of 2003, VPO stated, due to the lack of controls and a centralized billing system, the adjustments to revenue went to 5½ %.

74. Additionally with respect to the lack of internal controls regarding accounting for inventory, VPO explained that because of Fasso’s massive cuts in personnel, there was a lack of internal controls, and simply not enough people to properly account for inventory.

75. According to TM1 the Company initiated “severe cuts in customer services and safety” which, by the first and second quarters of 2004, caused a large number of customers to
take their business to Central Freight’s competition. Additionally, according to TM2 there were various shipping problems in later 2003 and throughout his tenure in 2004 because Central Freight did not have adequate staffing to keep up with shipments.

76. According to VPO, the Board of Directors met via conference call on July 4th weekend of 2004. During this call, VPO explained to the Board the various problems with the lack of internal controls in billing, and also explained to the Board that because of the problems resulting from, among other things, the massive cuts to personnel, the Company would continue lose more “good people.” VPO left the Company shortly after this conference call.

C. Claims Accrual

77. As described above, claims accruals represent the estimated costs to repair and replace damaged goods resulting from cargo claims. Insurance accruals reflect the estimated cost of claims for bodily injury and property damage, workers’ compensation and employee health care not covered by insurance.

78. As explained by TM3, when freight is not shipped or it is damaged, the customer files a claim with Central Freight. Central Freight then has to pay that claim and is stuck with the damaged or non-shipped merchandise. According to VPO, a freight bill may only be $100 but the claim amount that Central Freight would pay for lost or damaged freight may be $5000 depending on the freight shipped.

79. With respect to insurance and claims, the Company’s 10-Q, filed with the SEC, for the First Quarter ended April 3, 2004, stated:

Insurance and claims increased $0.8 million, or 27.6%, from $2.9 million for the 2003 quarter to $3.7 million for the 2004 quarter. The increase in insurance and claims expense resulted primarily from an increase in the frequency and severity of cargo claims that were partially offset by a reduction in our third party accident
claims. As a percentage of operating revenues, insurance and claims increased from 2.9% for the 2003 quarter to 3.9% for the 2004 quarter. The 2003 first quarter, as a percentage of revenue, was the lowest quarter in 2003. For the 2003 full year, insurance and claims amounted to 4.0% of revenues.

80. With respect to the insurance and claims numbers in the 10-Q for the First Quarter of 2004 Defendants again stated:

While management believes that amounts included in the accompanying financial statements are adequate, such estimates may be more or less than the amounts ultimately paid when the claims are settled. The estimates are continually reviewed and any changes are reflected in current operations.

81. The statements in ¶¶ 79-80 were false and/or misleading because they failed to disclose the Company’s true insurance and claims numbers. According to DSM, the true claims rate was excessively high around the time of the IPO and jumped five fold in January 2004, because, without disclosing this material fact in its 10-Q for the First Quarter 2004, Central Freight held off paying most of the claims in 2003 - prior to the IPO. DSM also confirmed the industry standard of approximately 1% - 1½%, and DSM believes that in January 2004, Central Freight’s claims rate jumped to 10%. A 10% claims rate meant that for every dollar earned, ten cents was paid out to claims. According to DSM, a 10% rate indicates that Central Freight withheld payment of most claims for several months prior to the IPO. Central Freight is self-insured, and unless the claim amount reaches an excessive number, Central Freight pays all of its claims according to DSM.

82. TM4 confirmed DSM’s statements regarding the excessive claims. According to TM4, Central Freight is in an industry were the claims average is 0.96 - 1.5% of every dollar going to claims. TM4 said the claims rate was high because the quality of service was declining which raised the rate of claims. Specifically, according to TM4, freight deliveries were late,
damaged and often lost or undelivered. As a result of Central Freight’s decline in service, numerous customers filed claims with Central Freight.

**The Truth Begins To Emerge**

83. In a March 16, 2004 press release, in an effort to conceal the fact that Central Freight’s First Quarter earnings in 2004 were dismal despite the Company’s IPO and that their operating ratios were nowhere near the operating ratios promised by the Defendants to the market, the Company announced that as a result of its accelerated expansion into the Pacific Northwest through its acquisition of EOFF, the Company now expected substantially lower earnings for the first quarter of 2004.

84. Once this news hit the market, Central Freight’s stock price plummeted 30% from the prior day’s close of $18.20 per share, to close on March 17, 2004 at $12.85 per share.

85. On March 17, 2005, the Company announced its financial and operating results for the quarter and year ended December 31, 2004. In its release, the Company finally began to reveal that Central Freight had material weaknesses in its internal controls relating to revenue and inventory. Additionally, the Company announced a $0.5 million discrepancy in inventory was discovered, which was noted as involving an additional material weakness. The Company also reported that it expected its auditors to issue an adverse opinion on the effectiveness of the Company’s internal controls.

86. Upon the release of these shocking revelations to investors, Central Freight’s stock price plummeted almost 26% from the prior day’s close of $6.80 per share, to close on March 17, 2005 at $5.04 per share.
87. On March 31, 2005, Central Freight filed its annual report on Form 10-K for the year ended December 31, 2004 ("10-K for 2004"), as well as a press release on Form 8-K.

88. The Company finally disclosed on March 31, 2005, in its 10-K for 2004, the following material weaknesses in its internal controls:

The Company's policies and procedures were not sufficient to ensure that transactions processed through the Company's billing system resulted in accounting for and reporting of such transactions pursuant to the provisions of the respective customer contract. . . . These deficiencies result in more than a remote likelihood that a material misstatement of the annual or interim consolidated financial statements would not be prevented or detected.

The Company's procedures were not sufficient to ensure the accuracy of reported amounts for the Company's tire and spare parts inventories. . . . This deficiency results in more than a remote likelihood that a material misstatement of the annual or interim consolidated financial statements would not be prevented or detected.

The Company did not maintain policies and procedures to ensure that the accounting for valuation allowances associated with deferred taxes was in accordance with U.S. generally accepted accounting principles. . . . This deficiency results in more than a remote likelihood that a material misstatement of the annual or interim consolidated financial statements would not be prevented or detected.

Because of the material weaknesses described above, our management has concluded that our internal controls over financial reporting were not effective as of December 31, 2004. KPMG LLP has issued an attestation report on our management's assessment of our internal control over financial reporting. . . . (Emphasis added).

89. Also on March 31, 2005, in its Form 8-K, Central Freight reported an additional material weakness in its internal controls, relating to the calculation of the valuation allowance for deferred tax assets. The release also reported adjustments to Central Freight's insurance and claims expense, income tax benefit (expense), and net loss, as well as balance sheet adjustments, which were made after the Company's press release on March 16, 2005.
Furthermore, on May 3, 2005, following the conclusion of the Company’s 2005 Annual Meeting of Stockholders, Moyes informed the Company that he was resigning from the Board of Directors, effective immediately.

**Additional Scienter Allegations For Exchange Act Claims**

91. As alleged herein with respect to Exchange Act claims, Defendants acted with scienter in that Defendants knew or recklessly disregarded that the public documents and statements issued or disseminated in the name of the Company were materially false and misleading; knew or recklessly disregarded that such statements or documents would be issued or disseminated to the investing public; and, knowingly or recklessly and substantially participated or acquiesced in the issuance or dissemination of such statements or documents as primary violations of the federal securities laws. As set forth elsewhere herein in detail, Defendants, by virtue of their receipt of information reflecting the true facts regarding Central Freight, their control over, and/or their associations with the Company which made them privy to confidential proprietary information concerning Central Freight, participated in the fraudulent scheme alleged herein.

92. Defendants knew and/or recklessly disregarded the falsity and misleading nature of the information which they caused to be disseminated to the investing public. The ongoing fraudulent scheme described in this Complaint could not have been perpetrated over a substantial period of time, nor occur, without the knowledge and complicity of the personnel at the highest level of the Company, including the Individual Defendants.
**Defendant Moyes Sale Of Stock**

93. With regard to Defendant Moyes sale of stock, Defendant Moyes was motivated to artificially inflate the initial offering price of the Central Freight common stock through Defendants false statements, misrepresentations, and omissions in order to sell substantial portions of his personal holdings and realize significant profits. During the IPO, Defendant Moyes sold Central Freight common stock despite adverse information about Central Freight that he knew but had not been disclosed to the public.

94. During the IPO, while the Company's common stock was artificially inflated as a result of Defendants’ false and misleading representations of the Company’s customer business, claims accruals, and internal controls, Defendant Moyes and his family sold 4,075,000 shares of Central Freight common stock, representing nearly 50% of their holdings, for total proceeds of approximately $61 million.

95. Defendant Moyes sold his shares because he knew that the Defendants’ statements about the current condition and success of Central Freight’s business, as well as strong future prospects, were false and misleading and were concealing the serious negative conditions in Central Freight’s business as detailed herein. Indeed, Defendant Moyes offered his stock for sale during a time when he knew that the Company was going to be negatively impacted in the first quarter of 2004 by the loss of a significant amount of business from one of its five largest customers, its excessive claims accruals, and lack of internal controls.
96. Thus, while in possession of undisclosed adverse information, Defendant Moye and his family, sold the following shares of Central Freight common stock to reap over $61 million in proceeds:

<table>
<thead>
<tr>
<th>Transaction Date</th>
<th>Price (per share)</th>
<th>Shares</th>
<th>Proceeds</th>
</tr>
</thead>
<tbody>
<tr>
<td>December 17, 2003</td>
<td>$15.00</td>
<td>115,516</td>
<td>$1,732,740</td>
</tr>
<tr>
<td>December 17, 2003</td>
<td>$15.00</td>
<td>3,859,484</td>
<td>$57,892,260</td>
</tr>
<tr>
<td>December 17, 2003</td>
<td>$15.00</td>
<td>100,000</td>
<td>$1,500,000</td>
</tr>
</tbody>
</table>

**TOTAL:** 4,075,000 | **$61,125,000**

97. The sale of stock by Defendant Moyes and his family is strong evidence of scienter on the part of the Defendants.

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

98. At all relevant times, the market for Central Freight common stock was an efficient market for the following reasons, among others:

a. Central Freight’s stock met the requirements for listing, and was listed and actively traded on the NASDAQ, a highly efficient and automated market;

b. As a regulated issuer, Central Freight filed periodic public reports with the SEC and NASDAQ;

c. Central Freight regularly communicated with public investors via established market communication and mechanisms, including through regular dissemination of press releases on the national circuits of major newswire services and through other wide-ranging public disclosures, such as communications with the financial press and other similar reporting services; and

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

\[2\text{Name of Reporting Person is listed as Moyes Childrens Trust}\]
99. As a result of the foregoing, the market for Central Freight common stock promptly digested current information regarding Central Freight from all publicly-available sources and reflected such information in Central Freight’s stock price. Under these circumstances, all purchasers of Central Freight common stock during the Class Period suffered similar injury through their purchase of Central Freight common stock at artificially inflated prices and a presumption of reliance applies.

**No Safe Harbor**

100. The statutory safe harbor provided for forward-looking statements under certain circumstances does not apply to any of the alleged false statements pleaded in this Complaint. Many of the specific statements pleaded herein were not identified as “forward-looking statements” when made. To the extent there were any forward-looking statements, there were no meaningful cautionary statements identifying important factors that could cause actual results to differ materially from those purportedly forward-looking statements. Alternatively, to the extent that the statutory safe harbor does apply to any forward-looking statements pleaded herein, Defendants are liable for those false forward-looking statements because at the time each of those forward-looking statements was made, the particular speaker knew that the particular forward-looking statement was false, and/or the forward-looking statement was authorized and/or approved by an executive officer of Central Freight who knew that those statements were false when made.
FIRST CLAIM
Violation Of Section 11 Of The Securities Act
Against All Defendants

101. Plaintiff repeats and realleges each and every allegation contained above, excluding all allegations above that contain facts necessary to prove any elements not required to state a Section 11 claim under the Securities Act, including without limitation, scienter.

102. This claim is brought by Plaintiff who obtained Central Freight stock pursuant to the Registration Statement on behalf of itself and other members of the Class. Each Class member acquired their shares pursuant to or traceable to, and in reliance on, the Registration Statement. This claim is based upon principles of strict liability and negligence only.

103. Individual Defendants as signatories of the Registration Statement, as directors and/or officers of Central Freight and controlling persons of the issuer, owed to the holders of the stock obtained through the Prospectus the duty to make a reasonable and diligent investigation of the statements contained in the Registration Statement and the Prospectus at the time they became effective to ensure that such statements were true and correct and that there was no omission of material facts required to be stated in order to make the statements contained therein not misleading. Defendants knew, or in the exercise of reasonable care should have known, of the material misstatements and omissions contained in or omitted from the Registration Statement as set forth herein. As such, Defendants are liable to the Class.

104. None of the Defendants made a reasonable investigation or possessed reasonable grounds for the belief that the statements contained in the Registration Statement were true or that there was no omission of material facts necessary to make the statements made therein not misleading.
105. Defendants issued and disseminated, caused to be issued or disseminated, and participated in the issuance and dissemination of, material misstatements to the investing public which were contained in the Prospectus, which misrepresented or failed to disclose, *inter alia*, the facts set forth above. By reason of the conduct herein alleged, each Defendant violated and/or controlled a person who violated § 11 of the Securities Act.

106. As a direct and proximate result of Defendants’ acts and omissions in violation of the Securities Act, the market price of Central Freight stock was artificially inflated and Plaintiff and the Class suffered substantial damage in connection with their ownership of Central Freight common stock pursuant to the Registration Statement.

107. Central Freight is the issuer of the stock sold via the Registration Statement. As issuer of the stock, the Company is strictly liable to Plaintiff and the Class for the material misstatements and omissions therein.

108. At the times they obtained their shares of Central Freight, the Plaintiff and members of the Class did so without knowledge of the facts concerning the misstatements or omissions alleged herein, and sustained damage as a result. Plaintiff and other members of the Class could not have reasonably discovered the nature of Defendants’ misstatements or omissions.

109. In connection with the IPO, the Defendants, directly or indirectly, used the means and instrumentalities of interstate commerce and the U.S. mails.

110. This action is brought within one year after discovery of the untrue statements and omissions in and from the Registration Statement should have been made through the exercise of reasonable diligence, and within three years of the effective date of the Registration Statement.
111. By virtue of the foregoing, Plaintiff and the other members of the Class are entitled to damages under § 11 of the Securities Act, as measured by the provisions of § 11(e), from the Defendants and each of them, jointly and severally.

SECOND CLAIM
Violation Of Section 12(a)(2) Of The Securities Act
Against All Defendants

112. Plaintiff repeats and realleges each and every allegation contained above, excluding all allegations above that contain facts necessary to prove any elements not required to state a § 12(a)(2) claim, including without limitation, scienter.

113. This claim is brought pursuant to §12(a)(2) of the Securities Act on behalf of all purchasers of Central Freight common stock pursuant to, or traceable to, the IPO.

114. Each of the Defendants was an offeror or seller of a security, specifically Central Freight common stock sold in the IPO.

115. By means of the IPO Prospectus, Defendants offered and sold shares of the Company’s common stock to Plaintiffs and/or other members of the Class in return for proceeds in excess of $77 million.

116. The actions of solicitations taken by Defendants included participation in the preparation and dissemination of the false and misleading Registration Statement. Additionally, one or more of the Defendants participated in the acts detailed as follows:

a) Defendants made the decision to conduct the IPO, to do it at the selected offering price and to make the sale in the United States. They actively and jointly drafted, revised, and approved the IPO Prospectus and other written selling materials by which the IPO was made to the investing public. These written materials were “selling documents” and calculated by the Defendants to create interest in the common stock offered and were widely distributed by the Defendants for that purpose;
b) Defendants finalized the IPO Prospectus and/or caused it to become effective. But for the Defendants having signed and/or drafted the IPO Prospectus, the IPO could not have been made; and

c) Defendants conceived and planned the IPO and together, jointly orchestrated all activities necessary to effect the sale of these common stock to the investing public by issuing the common stock, promoting the common stock, and supervising their distribution and ultimate sale to the investing public.

117. The Central Freight common stock offered and sold in the IPO by Defendants were offered and sold through the use of interstate communication, the use of interstate commerce, and the use of the mails.

118. The Central Freight common stock was offered and sold through the use of the IPO Prospectus, which contained untrue statements of material fact or omitted to state material facts necessary in order to make the statements made not misleading.

119. Defendants were obligated to make a reasonable and diligent investigation of the written statements made in the IPO Prospectus to ensure that such statements were true and that there was no omission to state a material fact required to be stated in order to make the statements contained therein not misleading.

120. Plaintiff and other members of the Class purchased Central Freight common stock pursuant to, or traceable to, the defective IPO Prospectus. Plaintiff did not know, or in the exercise of reasonable diligence could not have known, of the untruths and omissions contained in the IPO Prospectus.

121. Those plaintiffs who continued to own Central Freight common stock offer to tender their holdings in return for the consideration paid for the common stock together with interest thereon.
122. By reason of the conduct alleged herein, each Defendant violated §12(a)(2) of the Securities Act. As a direct and proximate result of the Defendants’ conduct, Plaintiff and the other members of the Class suffered substantial damage in connection with the purchase of the common stock pursuant to, or traceable to the IPO Prospectus.

THIRD CLAIM
Violation Of Section 15 Of The Securities Act
Against The Individual Defendants

123. Plaintiff repeats and realleges each and every allegation contained above, excluding all allegations above that contain facts necessary to prove any elements not required to state a Section 15 claim under the Securities Act, including without limitation, scienter.

124. This claim is asserted against the Individual Defendants and is based upon § 15 of the Securities Act. This claim is based upon the principles of strict liability and negligence only.

125. The Individual Defendants, by virtue of their offices, directorship and specific acts were, at the time of the wrongs alleged herein and as set forth herein, a controlling person of Central Freight within the meaning of § 15 of the Securities Act. The Individual Defendants had the power and influence and exercised same to cause Central Freight to engage in the acts described herein.

126. The Individual Defendants’ position made them privy to and provided them with actual knowledge of the material facts concealed from the Plaintiff and the Class.

127. By virtue of the conduct alleged herein, the Individual Defendants are liable for the aforesaid wrongful conduct and are liable to the Plaintiff and the Class for damages suffered.
FOURTH CLAIM
Violation of Section 10(b) of the Exchange Act and Rule 10b-5 Promulgated Thereunder Against All Defendants

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

129. During the Class Period, Defendants carried out a plan, scheme and course of conduct which was intended to and, throughout the Class Period, did: (a) deceive the investing public, including Plaintiff and other Class members, as alleged herein; (b) artificially inflate and maintain the market price of Central Freight's common stock; and, (c) cause Plaintiff and other members of the Class to purchase Central Freight common stock at artificially inflated prices. In furtherance of this unlawful scheme, plan and course of conduct, Defendants, and each of them, took the actions set forth herein.

130. Defendants (a) employed devices, schemes, and artifices to defraud; (b) made untrue statements of material fact and/or omitted to state material facts necessary to make the statements not misleading; and (c) engaged in acts, practices, and course of business which operated as a fraud and deceit upon the purchasers of the Company's common stock in an effort to maintain artificially high market prices for Central Freight common stock in violation of Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder. All Defendants are sued either as primary participants in the wrongful and illegal conduct charged herein or as controlling persons as alleged below.

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

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

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

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

135. The Defendants had actual knowledge of the misrepresentations and omissions of material facts set forth herein, or acted with reckless disregard for the truth in that they failed to ascertain and to disclose such facts, even though such facts were available to them. Such Defendants’ material misrepresentations and/or omissions were done knowingly or recklessly and for the purpose and effect of concealing Central Freight’s operating condition and future business prospects from the investing public and supporting the artificially inflated price of its common stock. As demonstrated by Defendants’ overstatements and misstatements of the Company’s business, operations and earnings throughout the Class Period, Defendants, if they did not have actual knowledge of the misrepresentations and omissions alleged, were reckless in failing to obtain such knowledge by deliberately refraining from taking those steps necessary to discover whether those statements were false or misleading.
136. As a result of the dissemination of the materially false and misleading information and failure to disclose material facts, as set forth above, the market price of Central Freight common stock was artificially inflated during the Class Period. In ignorance of the fact that market prices of Central Freight’s publicly-traded common stock was artificially inflated, and relying directly or indirectly on the false and misleading statements made by Defendants, or upon the integrity of the market in which the common stock trades, and/or on the absence of material adverse information that was known to or recklessly disregarded by Defendants but not disclosed in public statements by Defendants during the Class Period, Plaintiff and the other members of the Class acquired Central Freight common stock during the Class Period at artificially high prices and were damaged thereby.

137. At the time of said misrepresentations and omissions, Plaintiff and other members of the Class were ignorant of their falsity, and believed them to be true. Had Plaintiff and the other members of the Class and the marketplace known the truth regarding the problems that Central Freight was experiencing, which were not disclosed by Defendants, Plaintiff and other members of the Class would not have purchased or otherwise acquired their Central Freight common stock, or, if they had acquired such common stock during the Class Period, they would not have done so at the artificially inflated prices which they paid.

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

139. As a direct and proximate result of the Defendants’ wrongful conduct, Plaintiff and the other members of the Class suffered damages in connection with their respective purchases and sales of the Company’s common stock during the Class Period.
FIFTH CLAIM
Violation Of Section 20(a) Of The Exchange Act
Against The Individual Defendants

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

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

142. In particular, each of the Individual Defendants had direct and supervisory involvement in the day-to-day operations of the Company and, therefore, is presumed to have had the power to control or influence the particular transactions giving rise to the common stock violations as alleged herein, and exercised the same.

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

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

(A) Determining that this action is a proper class action, and certifying Plaintiff as class representative under Rule 23 of the Federal Rules of Civil Procedure;

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

(C) Awarding Plaintiff and the Class their reasonable costs and expenses incurred in this action, including allowance of fees for Plaintiff's attorneys and experts; and

(D) Such other and further relief as the Court may deem just and proper.
JURY TRIAL DEMANDED

Plaintiff hereby demands a trial by jury.

Dated May 9, 2005

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