

COCA COLA BOTTLING CO CONSOLIDATED /DE/  
Form 10-K  
March 18, 2016

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the fiscal year ended January 3, 2016

Commission file number 0-9286

(Exact name of registrant as specified in its charter)

Delaware 56-0950585  
(State or other jurisdiction of (I.R.S. Employer  
incorporation or organization) Identification Number)

4100 Coca-Cola Plaza, Charlotte, North Carolina 28211

(Address of principal executive offices) (Zip Code)

(704) 557-4400

(Registrant's telephone number, including area code)

Securities Registered Pursuant to Section 12(b) of the Act:

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Title of Each Class Common Stock, \$1.00 Par Value	Name of Each Exchange on Which Registered The NASDAQ Global Select Market
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Securities Registered Pursuant to Section 12(g) of the Act:

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input type="radio"/>	Accelerated filer	<input checked="" type="radio"/>
Non-accelerated filer	<input type="radio"/>	Smaller reporting company	<input type="radio"/>

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter.

	Market Value as of June 26, 2015
Common Stock, \$1.00 Par Value	\$693,972,379
Class B Common Stock, \$1.00 Par Value	*

\*No market exists for the Class B Common Stock, which is neither registered under Section 12 of the Act nor subject to Section 15(d) of the Act. The Class B Common Stock is convertible into Common Stock on a share-for-share basis at the option of the holder.

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date.

Class	Outstanding as of March 4, 2016
Common Stock, \$1.00 Par Value	7,141,447
Class B Common Stock, \$1.00 Par Value	2,150,782

#### Documents Incorporated by Reference

Portions of the registrant's Proxy Statement to be filed pursuant to Section 14 of the Exchange Act with Part III, Items 10-14 respect to the registrant's 2016 Annual Meeting of Stockholders.

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## PART I

## Item 1. Business

## Introduction

Coca-Cola Bottling Co. Consolidated, a Delaware corporation (together with its majority-owned subsidiaries, the “Company,” “we” or “us”), produces, markets and distributes nonalcoholic beverages, primarily products of The Coca-Cola Company, which include some of the most recognized and popular beverage brands in the world. The Company was incorporated in 1980, and its predecessors have been in the nonalcoholic beverage manufacturing and distribution business since 1902. We are the largest independent Coca-Cola bottler in the United States.

We hold various agreements under which we produce, distribute and market sparkling beverages of The Coca-Cola Company, still beverages of The Coca-Cola Company such as POWERade, vitaminwater, Minute Maid Juices To Go and Dasani water products, and various other products, including Dr Pepper, Sundrop and Monster Energy products. Historically, our operational footprint included markets located in North Carolina, South Carolina, south Alabama, south Georgia, central Tennessee, western Virginia and West Virginia (the “Legacy Territories”).

Since April 2013, as part of The Coca-Cola Company’s plans to rebrand its North American bottling territories, we have engaged in a series of transactions with The Coca-Cola Company and Coca-Cola Refreshments, Inc. (“CCR”), a wholly-owned subsidiary of The Coca-Cola Company, to expand our distribution operations significantly through the acquisition both of rights to serve additional distribution territories previously served by CCR (the “Expansion Territories”) and of related distribution assets (the “Distribution Expansion Transactions”). The Company’s rights to distribute and market beverage products of The Coca-Cola Company in the Expansion Territories are governed by a Comprehensive Beverage Agreement entered into at each closing for Expansion Territories and are different from the rights we hold under agreements with The Coca-Cola Company to serve the markets located in the Legacy Territories.

The Company has acquired the following Expansion Territories as of January 3, 2016:

Expansion Territories	Closing Date
Johnson City and Morristown, Tennessee	May 23, 2014
Knoxville, Tennessee	October 24, 2014
Cleveland and Cookeville, Tennessee	January 30, 2015
Louisville, Kentucky and Evansville, Indiana	February 27, 2015
Lexington, Kentucky	May 1, 2015
Paducah and Pikeville, Kentucky	May 1, 2015
Norfolk, Staunton and Fredericksburg, Virginia and Elizabeth City, North Carolina	October 30, 2015

In addition to expanding our distribution territory, in September 2015 and February 2016, we announced our intention to engage in a series of transactions with The Coca-Cola Company and CCR to purchase seven manufacturing facilities (the “Expansion Manufacturing Facilities”) and related assets (the “Manufacturing Facility Expansion Transactions” and, together with the Distribution Expansion Transactions, the “Expansion Transactions”).

As of January 3, 2016, The Coca-Cola Company owned approximately 34.8% of our outstanding common stock, representing approximately 5.0% of the total voting power of our common stock and Class B common stock voting together as a single class. The Coca-Cola Company does not own any shares of our Class B common stock. J. Frank Harrison, III, the Company’s Chief Executive Officer and Chairman of the Company’s Board of Directors (the “Board”), currently owns or controls approximately 86% of the combined voting power of the Company’s outstanding common stock and Class B common stock as of January 3, 2016.

### Beverage Products

Nonalcoholic beverage products that we produce, market and distribute can be broken down into two categories:

- Sparkling beverages – beverages with carbonation, including energy drinks; and
- Still beverages – beverages without carbonation, including bottled water, tea, ready-to-drink coffee, enhanced water, juices and sports drinks.

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Sales of sparkling beverages were approximately 80%, 81% and 82% of total net sales for fiscal 2015 (“2015”), fiscal 2014 (“2014”) and fiscal 2013 (“2013”), respectively. Sales of still beverages were approximately 20%, 19%, and 18% of total net sales for 2015, 2014 and 2013, respectively.

The Company’s principal sparkling beverage is Coca-Cola. In each of the last three fiscal years, sales of products bearing the “Coca-Cola” or “Coke” trademark have accounted for more than half of our bottle/can volume to retail customers. In total, products of The Coca-Cola Company accounted for approximately 87%, 88% and 88% of our bottle/can volume to retail customers during 2015, 2014 and 2013, respectively.

We offer a range of flavors designed to meet the demands of our consumers. The main packaging materials for our beverages are plastic bottles and aluminum cans. In addition, we provide restaurants and other immediate consumption outlets with fountain or “post-mix” products. Post-mix products are dispensed through equipment that mixes the fountain syrup with carbonated or still water, enabling fountain retailers to sell finished products to consumers in cups or glasses.

Prior to August 2015, a subsidiary of the Company had developed certain beverage products which the Company, CCR and certain other Coca-Cola franchise bottlers marketed and distributed in the territories they served. These products included Tum-E Yummies, a vitamin-C enhanced flavored drink, and Fuel in a Bottle power shots. We sold this subsidiary to The Coca-Cola Company in August 2015, but we continue to distribute Tum-E Yummies in the territories we serve.

The following table sets forth some of our most important products, including products that both The Coca-Cola Company and other beverage companies have licensed to us.

The Coca-Cola Company Sparkling Beverages		Products Licensed
(including Energy		by Other Beverage
Products)	Still Beverages	Companies
Coca-Cola	glacéau smartwater	Dr Pepper
Diet Coke	glacéau vitaminwater	Diet Dr Pepper
Coca-Cola Zero	Dasani	Sundrop
Coca-Cola Life		Monster Energy
	Dasani Flavors	products
Sprite	POWERade	Full Throttle
Fanta Flavors	POWERade Zero	NOS®
Sprite Zero	Minute Maid Adult	
Mello Yello	Refreshments	
Cherry Coke	Minute Maid Juices To Go	
Seagrams Ginger Ale	Gold Peak Tea	
Cherry Coke Zero	FUZE	
Diet Coke Splenda®	Tum-E Yummies	

Fresca

Pibb Xtra

Barqs Root Beer

TAB

#### Beverage Agreements for Legacy Territories

We hold a number of contracts with The Coca-Cola Company which entitle us to produce, market and distribute in the Legacy Territories The Coca-Cola Company's nonalcoholic beverages in bottles, cans and five gallon pressurized pre-mix containers. We have similar arrangements with Dr Pepper Snapple Group, Inc. and other beverage companies for the Legacy Territories. For the Expansion Territories, the Company holds its rights to market and distribute The Coca-Cola Company's nonalcoholic beverages under Comprehensive Beverage Agreements that do not include the right to produce such beverages. The beverage agreements pertaining to the Expansion Territories are described below following the description of contracts for the Legacy Territories under the heading "Beverage Agreements with The Coca-Cola Company for the Expansion Territories" and "Beverage Agreements with Other Licensors for the Expansion Territories."

We purchase concentrates from The Coca-Cola Company and produce, market and distribute its principal sparkling beverages in the Legacy Territories under two basic forms of beverage agreements with The Coca-Cola Company: (i) beverage agreements that cover sparkling beverages bearing the trademark "Coca-Cola" or "Coke" (the "Coca-Cola Trademark Beverages" and "Cola Beverage Agreements"), and (ii) beverage agreements that cover other sparkling beverages of The Coca-Cola Company (the "Allied Beverages" and "Allied Beverage Agreements" or collectively referred to as the "Cola and Allied Beverage Agreements"). The Company is party to Cola Beverage Agreements and Allied Beverage Agreements for various specified Legacy Territories.



We also purchase as finished goods and distribute certain still beverages, such as sports drinks and juice drinks, from The Coca-Cola Company (or its designees or joint ventures), and produce, market and distribute Dasani water products, pursuant to the terms of marketing and distribution agreements applicable to the Legacy Territories (the “Still Beverage Agreements”).

#### Cola Beverage Agreements with The Coca-Cola Company

The Cola Beverage Agreements for the Legacy Territories provide that we will purchase our entire requirements of concentrates or syrups for Coca-Cola Trademark Beverages from The Coca-Cola Company at prices, terms of payment, and other terms and conditions of supply determined from time-to-time by The Coca-Cola Company at its sole discretion and prohibit us from producing, distributing, or handling cola products other than those of The Coca-Cola Company. We have the exclusive right to manufacture and distribute Coca-Cola Trademark Beverages for sale in authorized containers in the Legacy Territories. The Coca-Cola Company may determine, at its sole discretion, what types of containers are authorized for use with its products. The Company may not sell Coca-Cola Trademark Beverages outside of the Legacy Territories except by agreement with The Coca-Cola Company.

We are obligated, among other things, to:

- maintain such plant and equipment, staff and distribution and vending facilities that are capable of manufacturing, packaging, and distributing Coca-Cola Trademark Beverages in accordance with the Cola Beverage Agreements and in sufficient quantities to satisfy fully the demand for these beverages in the Legacy Territories;
- undertake quality control measures and maintain sanitation standards prescribed by The Coca-Cola Company;
- develop, stimulate and satisfy fully the demand for Coca-Cola Trademark Beverages in the Legacy Territories;
- use all approved means and spend such funds on advertising and other forms of marketing as may be reasonably required to satisfy that objective; and
- maintain such sound financial capacity as may be reasonably necessary to ensure the performance of our obligations to The Coca-Cola Company.

We are required to meet annually with The Coca-Cola Company to present our marketing, management, and advertising plans for the Coca-Cola Trademark Beverages for the upcoming year, including financial plans showing that we have the consolidated financial capacity to perform our duties and obligations to The Coca-Cola Company. The Coca-Cola Company may not unreasonably withhold approval of such plans. If we carry out these plans in all material respects, we will be deemed to have satisfied our obligations to develop, stimulate, and satisfy fully the demand for the Coca-Cola Trademark Beverages and to maintain the requisite financial capacity for the period of time covered by the plan. Failure to carry out such plans in all material respects would constitute an event of default that, if not cured within 120 days of written notice of the failure, would give The Coca-Cola Company the right to terminate the Cola Beverage Agreements. If at any time we fail to carry out a plan in all material respects in any geographic segment of the Legacy Territories, as defined by The Coca-Cola Company, and such failure is not cured within six months of written notice of the failure, The Coca-Cola Company may reduce the territory covered by that Cola Beverage Agreement by eliminating the portion of the territory in which such failure has occurred.

The Coca-Cola Company has no obligation under the Cola Beverage Agreements to participate with us in expenditures for advertising and marketing. As it has in the past, The Coca-Cola Company may contribute to such expenditures and undertake independent advertising and marketing activities, as well as advertising and sales promotion programs which require mutual cooperation and financial support of the Company. The future levels of marketing funding support and promotional funds provided by The Coca-Cola Company may vary materially from the levels provided in prior years.

If we acquire control, directly or indirectly, of any bottler of Coca-Cola Trademark Beverages, or any party controlling a bottler of Coca-Cola Trademark Beverages, we must cause the acquired bottler to amend its agreement for the Coca-Cola Trademark Beverages to conform to the terms of the Cola Beverage Agreements.

The Cola Beverage Agreements are perpetual, subject to termination by The Coca-Cola Company upon the occurrence of an event of default by the Company. Events of default with respect to each Cola Beverage Agreement include:

- production, sale or ownership in any entity which produces or sells any cola product not authorized by The Coca-Cola Company or a cola product that might be confused with or is an imitation of the trade dress, trademark, tradename or authorized container of a cola product of The Coca-Cola Company;
- insolvency, bankruptcy, dissolution, receivership, or the like;

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- any disposition by the Company of any voting securities of any bottling company subsidiary without the consent of The Coca-Cola Company; and
- any material breach of any of our obligations under that Cola Beverage Agreement that remains unresolved for 120 days after written notice by The Coca-Cola Company.

If any Cola Beverage Agreement is terminated because of an event of default, The Coca-Cola Company has the right to terminate all other Cola Beverage Agreements to which we are a party.

We are prohibited from assigning, transferring or pledging our Cola Beverage Agreements or any interest therein, whether voluntarily or by operation of law, without the prior consent of The Coca-Cola Company.

#### Allied Beverage Agreements with The Coca-Cola Company

The Allied Beverage Agreements contain provisions that are similar to those of the Cola Beverage Agreements with respect to the sale of beverages outside the Legacy Territories, authorized containers, planning, quality control, transfer restrictions and related matters, but have certain significant differences from the Cola Beverage Agreements. Under the Allied Beverage Agreements, we have exclusive rights to distribute the Allied Beverages in authorized containers in specified Legacy Territories. Similar to the Cola Beverage Agreements, we have advertising, marketing, and promotional obligations, but without restriction for most brands as to the marketing of products with similar flavors, as long as there is no manufacturing or handling of other products that would imitate, infringe upon, or cause confusion with, the products of The Coca-Cola Company. The Coca-Cola Company has the right to discontinue any or all Allied Beverages, and the Company has a right, but not an obligation, under the Allied Beverage Agreements to elect to market any new beverage introduced by The Coca-Cola Company under the trademarks covered by the respective Allied Beverage Agreements.

Allied Beverage Agreements have a term of 10 years and are renewable at our option for an additional 10 years at the end of each term. We intend to renew substantially all of the Allied Beverage Agreements as they expire. The Allied Beverage Agreements are subject to termination in the event of default by the Company. The Coca-Cola Company may terminate an Allied Beverage Agreement in the event of:

- insolvency, bankruptcy, dissolution, receivership, or the like;
- termination of a Cola Beverage Agreement by either party for any reason; or
- any material breach of any of our obligations under that Allied Beverage Agreement that remains unresolved for 120 days after required prior written notice by The Coca-Cola Company.

#### Supplementary Agreement Relating to Cola and Allied Beverage Agreements

The Company and The Coca-Cola Company are parties to a Letter Agreement (the “Supplementary Agreement”) that supplements or modifies some of the provisions of the Cola and Allied Beverage Agreements. The Supplementary Agreement provides that The Coca-Cola Company will:

- exercise good faith and fair dealing in its relationship with us under the Cola and Allied Beverage Agreements;
- offer marketing funding support and exercise its rights under the Cola and Allied Beverage Agreements in a manner consistent with its dealings with comparable bottlers;
- offer to us any written amendment to the Cola and Allied Beverage Agreements (except amendments dealing with transfer of ownership) which it enters into with any other bottler in the United States which are parties to contracts substantially similar to the Cola and Allied Beverage Agreements; and
- subject to certain limited exceptions, sell syrups and concentrates to us at prices no greater than those charged to other bottlers which are parties to contracts substantially similar to the Cola and Allied Beverage Agreements.

The Supplementary Agreement also permits transfers of our capital stock that would otherwise be limited by the Cola and Allied Beverage Agreements.

Impact of Territory Conversion Agreement on Cola and Allied Beverage Agreements

Nearly all of our Cola and Allied Beverage Agreements are subject to being amended, restated and converted into a Final CBA pursuant to the Territory Conversion Agreement described below, as disclosed in the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission (the "SEC") on September 28, 2015.

#### Pricing of Coca-Cola Trademark Beverages and Allied Beverages

Pursuant to the Cola and Allied Beverage Agreements, except as provided in the Supplementary Agreement and in incidence-based pricing agreements, The Coca-Cola Company establishes the prices charged to the Company for concentrates of Coca-Cola Trademark Beverages and Allied Beverages. The Coca-Cola Company has no rights under the beverage agreements to establish the resale prices at which we sell its products.

Since 2008, we have purchased concentrate from The Coca-Cola Company for all sparkling beverages for which we purchase concentrate from The Coca-Cola Company under an incidence-based pricing arrangement and have not purchased concentrates at standard concentrate prices as was our practice in prior years. During the two-year term of our incidence-based pricing agreement that ended on December 31, 2015, the pricing of such concentrate was governed by the incidence-based pricing model rather than the Cola and Allied Beverage Agreements for the Legacy Territories. Under the incidence-based pricing model, the concentrate price The Coca-Cola Company charges is impacted by a number of factors, including the incidence rate in effect, our pricing and sales of finished products, the channels in which the finished products are sold and package mix. We expect to enter into a similar incidence-based pricing agreement with The Coca-Cola Company during fiscal 2016.

#### Still Beverage Agreements with The Coca-Cola Company

The Still Beverage Agreements for the Legacy Territories contain provisions that are similar to the Cola and Allied Beverage Agreements with respect to authorized containers, planning, quality control, transfer restrictions and related matters, but have certain material differences. Unlike the Cola and Allied Beverage Agreements, which grant us exclusivity in the distribution of the covered beverages in the Legacy Territories, the Still Beverage Agreements grant exclusivity but permit The Coca-Cola Company to test-market the still beverage products in the Legacy Territories, subject to our right of first refusal, and to sell the still beverages to commissaries for delivery to retail outlets in the Legacy Territories where still beverages are consumed on-premises, such as restaurants. The Coca-Cola Company must pay us certain fees for lost volume, delivery, and taxes in the event of such commissary sales. Approved alternative route to market projects undertaken by the Company, The Coca-Cola Company, and other bottlers of Coca-Cola products would, in some instances, permit delivery of certain products of The Coca-Cola Company into the territories of almost all bottlers, in exchange for compensation in most circumstances, despite the terms of the beverage agreements making such territories exclusive. Also, under the Still Beverage Agreements for the Legacy Territories, we may not sell other beverages in the same product category.

The Coca-Cola Company, at its sole discretion, establishes the prices we must pay for the still beverages purchased as finished goods or, in the case of Dasani, the concentrate or finished goods, but has agreed, under certain circumstances for some products, to give the benefit of more favorable pricing if such pricing is offered to other bottlers of Coca-Cola products.

Each Still Beverage Agreement for the Legacy Territories has a term of 10 or 15 years and is renewable at our option for an additional 10 years at the end of each term. We intend to renew substantially all of the Still Beverage Agreements as they expire.

Nearly all of our Still Beverage Agreements are subject to being amended, restated and converted into a Final CBA in the future pursuant to the Territory Conversion Agreement described below, as disclosed in our Current Report on Form 8-K filed with the SEC on September 28, 2015.

#### Other Beverage Agreements with The Coca-Cola Company

We have entered into a distribution agreement with Energy Brands, Inc. (“Energy Brands”), a wholly owned subsidiary of The Coca-Cola Company. Energy Brands, also known as glacéau, is a producer and distributor of branded enhanced water products including vitaminwater and smartwater (still beverage products), and fruitwater (a sparkling water drink). The agreement has a term of 10 years and automatically renews for succeeding 10-year terms, subject to a 12-month nonrenewal notification by the Company. The agreement covers most of the Legacy Territories, requires us to distribute Energy Brands enhanced water products exclusively, and permits Energy Brands to distribute the products in some channels within the Legacy Territories.

Nearly all of our agreements with Energy Brands are subject to being amended, restated and converted into a Final CBA in the future pursuant to the Territory Conversion Agreement described below, as disclosed in our Current Report on Form 8-K filed with the SEC on September 28, 2015.

We also sell Coca-Cola and other post-mix products of The Coca-Cola Company on a non-exclusive basis. The Coca-Cola Company establishes the prices charged to us for its post-mix products. In addition, we produce some products for sale to other Coca-Cola bottlers and CCR. These sales have lower margins but allow us to achieve higher utilization of our production equipment and facilities.

#### Beverage Agreements with Other Licensors

We have beverage agreements for the Legacy Territories with Dr Pepper Snapple Group, Inc. for Dr Pepper and Sundrop brands which are similar to the Cola and Allied Beverage Agreements for the Legacy Territories. These beverage agreements are perpetual in nature but may be terminated by us upon 90 days' notice. The price for syrup or concentrate is set by the beverage companies from time to time. These beverage agreements also contain similar restrictions on the use of trademarks, approved bottles, cans and labels and sale of imitations or substitutes as well as termination for cause provisions. We also sell post-mix products of Dr Pepper Snapple Group, Inc.

In 2015, we also signed a new distribution agreement with Monster Energy Company that substantially expanded the territory where we have rights to distribute energy drink products offered, packaged and/or marketed by Monster Energy Company under the primary brand name "Monster" so that it now includes the same geographic territory the Company services for the distribution of beverage products of The Coca-Cola Company.

The territories covered by beverage agreements with other licensors for the Legacy Territories are not always aligned with the Legacy Territories covered by the Cola and Allied Beverage Agreements but are generally within those territory boundaries. Sales of beverages by the Company under these other agreements in the Legacy Territories represented approximately 13% of our bottle/can volume to retail customers for each of 2015, 2014 and 2013.

#### The Expansion Transactions

Beginning in May 2014, we engaged in a series of Distribution Territory Expansion Transactions with The Coca-Cola Company and CCR. Each of the principal asset purchase agreements we entered into for Distribution Territory Expansion Transactions (the "Distribution Asset Purchase Agreements") provided for us to (a) purchase from CCR (i) certain rights relating to the distribution, promotion, marketing and sale of certain beverage brands not owned or licensed by The Coca-Cola Company ("cross-licensed brands") but then distributed by CCR in the applicable portion of the Expansion Territories and (ii) certain assets related to the distribution, promotion, marketing and sale of both The Coca-Cola Company brands and cross-licensed brands then distributed by CCR in the applicable portion of the Expansion Territories (collectively, "Transferred Assets"), and (b) assume certain liabilities and obligations of CCR relating to the business acquired. At each of the closings under the Distribution Asset Purchase Agreements, the Company, CCR and The Coca-Cola Company entered into a comprehensive beverage agreement ("Initial CBA") pursuant to which CCR granted us certain exclusive rights ("CBA Rights") to distribute, promote, market and sell the

Covered Beverages and Related Products distinguished by the Trademarks (as those terms are defined in the Initial CBAs) in the applicable portion of the Expansion Territories in exchange for us agreeing to make a quarterly sub-bottling payment to CCR on a continuing basis.

In April 2013, we entered into a non-binding letter of intent with The Coca-Cola Company (the “April 2013 LOI”) for the first Distribution Territory Expansion Transaction, which contemplated our acquisition of CBA Rights and Transferred Assets relating to distribution territories previously served by CCR in eastern Tennessee, central Kentucky and portions of Indiana (the “April 2013 LOI Territories”). From May 2014 to May 2015, we completed the acquisition of the April 2013 LOI Territories from CCR in a series of five asset purchase transactions and one asset exchange transaction (the “Asset Exchange Transaction”). In the Asset Exchange Transaction, we exchanged certain of our assets relating to the marketing, promotion, distribution and sale of Coca-Cola and other beverage products in the territory previously served by our facilities and equipment in Jackson, Tennessee, including the rights to produce such beverages in the Jackson, Tennessee territory, for certain assets of CCR relating to the marketing, promotion, distribution and sale of Coca-Cola and other beverage products in the portion of the April 2013 LOI Territories previously served by CCR’s facilities and equipment in Lexington, Kentucky, including the rights to produce such beverages in the Lexington, Kentucky territory. Our rights with respect to the Lexington, Kentucky territory are governed by Cola and Allied Beverage Agreements, Still Beverage Agreements and other agreements similar to those we have with respect to the Legacy Territories.

In May 2015, we entered into a non-binding letter of intent with The Coca-Cola Company (the “May 2015 LOI”), which contemplated our acquisition from CCR, in two phases, of additional CBA Rights and Transferred Assets relating to distribution territories that include the major markets of Baltimore, Maryland; Alexandria, Norfolk and Richmond, Virginia; the District of Columbia; Cincinnati, Columbus and Dayton, Ohio; and Indianapolis, Indiana.

In September 2015, we entered into an asset purchase agreement with CCR (the “September 2015 APA”) for the first phase of additional Distribution Territory Expansion Transactions contemplated by the May 2015 LOI for CBA Rights and Transferred Assets



relating to distribution territories served by CCR in eastern and northern Virginia, most of Delaware, the entire State of Maryland, the District of Columbia, and parts of North Carolina, Pennsylvania and West Virginia. During 2015, we closed one Distribution Territory Expansion Transaction under the September 2015 APA providing us with CBA Rights and Transferred Assets relating to distribution territories previously served by CCR in Norfolk, Fredericksburg and Staunton, Virginia and Elizabeth City, North Carolina. We are continuing to work towards a definitive agreement with CCR for the remaining Distribution Territory Expansion Transactions contemplated by the May 2015 LOI for CBA Rights and Transferred Assets relating to distribution territories previously served by CCR in central and southern Ohio, northern Kentucky and parts of Indiana and Illinois.

In September 2015, we entered into a non-binding letter of intent with The Coca-Cola Company (the “September 2015 LOI”) which contemplated our acquisition of six regional manufacturing facilities and related assets from CCR in two phases.

In October 2015, we entered into an asset purchase agreement with CCR (the “October 2015 APA”) for the first phase of Manufacturing Facility Expansion Transactions contemplated by the September 2015 LOI which provides for our acquisition of three regional manufacturing facilities located in Sandston, Virginia; Silver Springs, Maryland; and Baltimore, Maryland. We are continuing to work towards a definitive agreement with CCR for the remaining Manufacturing Facility Expansion Transactions contemplated by the September 2015 LOI, which includes three manufacturing facilities located in Indianapolis, Indiana; Portland, Indiana; and Cincinnati, Ohio.

As part of these Expansion Transactions, we have agreed, subject to certain limited exceptions, to refrain until January 1, 2020 from acquiring or developing any line of business inside or outside of our territories governed by a Comprehensive Beverage Agreement or similar agreement without the consent of The Coca-Cola Company, which consent may not be unreasonably withheld.

#### Beverage Agreements with The Coca-Cola Company for the Expansion Territories

Pursuant to the Initial CBAs entered into among the Company, CCR and The Coca-Cola Company at each of the closings under the Distribution Asset Purchase Agreements, we are obligated to make quarterly sub-bottling payments to CCR based on sales of certain beverages and beverage products that are sold under the same trademarks that identify a Covered Beverage, Related Product or certain cross-licensed brands. As of January 3, 2016, we had recorded a liability of \$136.6 million to reflect the estimated fair value of the contingent consideration related to future sub-bottling payments. See Note 3 and Note 12 to the consolidated financial statements for additional information. Other than the brands of The Coca-Cola Company and related products and expressly permitted existing cross-licensed brands sold in an Expansion Territory, each Initial CBA provides that we will not be permitted to produce, manufacture, prepare, package, distribute, sell, deal in or otherwise use or handle any beverages, beverage components or other beverage products in the Expansion Territory unless otherwise consented to by The Coca-Cola Company.

We are obligated under the Initial CBAs to, among other things, make capital expenditures in our business in the Expansion Territories; buy exclusively from The Coca-Cola Company (directly or through CCR or another affiliate) or an authorized supplier, all beverage and related products we are authorized to distribute; expend funds for marketing and promoting the beverage and related products we are authorized to distribute; and maintain certain financial capacity in order to be financially able to perform our obligations under the Initial CBAs.

Each Initial CBA has a term of ten years and is automatically renewed for successive additional terms of ten years each unless we give notice to terminate at least one year prior to the expiration of a ten year term. The Initial CBA is subject to customary termination provisions by The Coca-Cola Company, including the Company's insolvency, bankruptcy or similar proceedings and cross-default with other beverage agreements.

Pursuant to a territory conversion agreement entered into with CCR and The Coca-Cola Company in September 2015 (the "Territory Conversion Agreement"), we have agreed, subject to limited exceptions, to amend, restate and convert all of our Cola and Allied Beverage Agreements, Still Beverage Agreements, Initial CBAs and other bottling agreements with The Coca-Cola Company or CCR that authorize us to produce and/or distribute certain covered beverages defined in the Initial CBAs (excluding any bottling agreements with respect to the greater Lexington, Kentucky territory we received pursuant to the Asset Exchange Transaction) to a new and final form comprehensive beverage agreement (the "Final CBA" and, together with the Initial CBAs, referred to as the "CBAs" or the "Comprehensive Beverage Agreements") in the future as disclosed in our Current Report on Form 8-K filed with the SEC on September 28, 2015. The Final CBA is similar to the Initial CBA in many respects, but will include certain modifications and several new business, operational, governance and sale process provisions, including the need to obtain The Coca-Cola Company's prior approval of a potential purchaser of the Company or our aggregate businesses directly and primarily related to the marketing, promotion, distribution and sale of certain beverages of The Coca-Cola Company. The Coca-Cola Company will also have the right to terminate the Final CBA in the event of an uncured default by us.

At the time of the conversion of the bottling agreements for the Legacy Territories to the Final CBA, CCR will pay to us a fee in an amount equivalent to 0.5 times the EBITDA we generate from sales in the Legacy Territories of Beverages (as defined in the Final CBA) either (i) owned by The Coca-Cola Company or licensed to The Coca-Cola Company and sublicensed to us, or (ii) owned by or licensed to Monster Energy Company on which we pay, and The Coca-Cola Company receives, a facilitation fee.

#### Beverage Agreements with Other Licensors for the Expansion Territories

We have a regional master license agreement for the Expansion Territories with Dr Pepper Snapple Group, Inc. for Dr Pepper brands. This agreement is generally similar to our beverage agreements with Dr Pepper Snapple Group, Inc. for the Legacy Territories, but has a term of ten years, renewable at our option for an additional ten-year term. In addition, we also have the right under our new distribution agreement with Monster Energy Company to distribute energy drink products offered, packaged and/or marketed by Monster Energy Company under the primary brand name “Monster” within the Expansion Territories.

#### Product Supply Arrangements

We have historically had a production arrangement with CCR to buy and sell finished products at cost. In the Distribution Territory Expansion Transactions, we have, with certain exceptions, agreed to continue purchasing finished beverage products from CCR’s manufacturing facilities that were then servicing customers in certain of the Expansion Territories at a cost-based price, subject to adjustment in accordance with our current incidence-based pricing agreement with The Coca-Cola Company described above, as applicable to the Expansion Territory. Under certain exceptions, we may produce finished goods for our own distribution in an Expansion Territory.

#### Regional Manufacturing Agreements with The Coca-Cola Company for the Expansion Territories

In fiscal 2016, the Company acquired an Expansion Manufacturing Facility in Sandston, Virginia pursuant to the October 2015 APA. We are now authorized to manufacture beverages bearing trademarks of The Coca-Cola Company using cold-fill technology at the Sandston, Virginia facility pursuant to an Initial Regional Manufacturing Agreement (“Initial RMA”). The Initial RMA refers to those beverages as “Authorized Covered Beverages.” We anticipate entering into a similar Initial RMA at each subsequent closing under the October 2015 APA. Subject to the right of The Coca-Cola Company to terminate the Initial RMA in the event of an uncured default by the Company, the Initial RMA has a term that continues for the duration of the term of our CBAs with The Coca-Cola Company and CCR. Other than Authorized Covered Beverages, certain cross-licensed brands that we are permitted to distribute under our CBAs, and certain other expressly permitted existing cross-licensed brands, the Initial RMA provides that we will not manufacture at the Expansion Manufacturing Facilities any Beverages, Beverage Components (as such terms are defined in the form of the Initial RMA) or other beverage products unless otherwise consented to by The Coca-Cola Company.

Pursuant to its terms, each Initial RMA will be amended, restated and converted into a final form of regional manufacturing agreement (“Final RMA”) concurrent with the conversion of our bottling agreements to the Final CBA under the Territory Conversion Agreement. Under the Final RMA, our aggregate business directly and primarily related to the manufacture of Authorized Covered Beverages, permitted third party beverage products and other beverages and beverage products of The Coca-Cola Company will be subject to the same agreed upon sale process provisions included in the Final CBA, including the need to obtain The Coca-Cola Company’s prior approval of a potential purchaser of such manufacturing business. The Coca-Cola Company will have the right to terminate the Final RMA in the event of an uncured default by us. The Final RMA also will be subject to termination by The Coca-Cola Company in the event of an uncured default by us under the Final CBA or under the NPSG Governance Agreement (described below).

#### National Product Supply Governance Agreement

In connection with our expanded manufacturing operations and role in the national Coca-Cola product supply system, we entered into an agreement with The Coca-Cola Company and three other regional producing bottlers in October 2015 to form a national product supply group (the “NPSG Governance Agreement”). The NPSG Governance Agreement establishes the framework for Coca-Cola system strategic infrastructure investment and divestment planning, network optimization of all plant to distribution center sourcing and new product/packaging infrastructure planning. Under the NPSG Governance Agreement, each of the other regional producing bottlers and the Company have agreed to make investments in our respective manufacturing assets and implement Coca-Cola system strategic investment opportunities that are approved by the governing board of the national product supply group and consistent with the terms of the NPSG Governance Agreement.

#### Markets Served and Production and Distribution Facilities

We currently hold bottling rights in the Legacy Territories and Expansion Territories from The Coca-Cola Company covering the majority of North Carolina, South Carolina and West Virginia, and portions of Alabama, Mississippi, Tennessee, Kentucky, Illinois,

Indiana, Virginia, Pennsylvania, Maryland, Georgia and Florida. The total population within the Company's Legacy Territories and Expansion Territories completed as of January 3, 2016 is approximately 32.8 million.

As of January 3, 2016, we currently operate in nine principal geographic markets. Certain information regarding each of these markets follows:

1. North Carolina. This region includes the majority of North Carolina, including Charlotte, Raleigh, Greensboro, Winston-Salem, High Point, Hickory, Asheville, Fayetteville, Wilmington, Elizabeth City and the surrounding areas. The region has a population of approximately 9.7 million. We have a production/distribution facility in Charlotte and 12 sales distribution facilities located throughout the region.
2. South Carolina. This region includes the majority of South Carolina, including Charleston, Columbia, Greenville, Myrtle Beach and the surrounding areas. The region has a population of approximately 4.0 million. There are 6 sales distribution facilities located throughout the region.
3. Southern Alabama/Mississippi. This region includes a portion of southwestern Alabama, including Mobile and surrounding areas, and a portion of southeastern Mississippi. The region has a population of approximately 1.0 million. We have a production/distribution facility in Mobile and 4 sales distribution facilities located throughout the region.
4. Southern Georgia/ Florida. This region includes a small portion of eastern Alabama, a portion of southwestern Georgia, including Columbus and surrounding areas, and a portion of the Florida Panhandle. This region has a population of approximately 1.1 million. We have 4 sales distribution facilities located throughout the region.
5. Tennessee. This region includes a significant portion of central and eastern Tennessee, including Nashville, Johnson City, Morristown, Knoxville, Cleveland, Cookeville and surrounding areas, a small portion of southern Kentucky and a small portion of northwest Alabama. The region has a population of approximately 4.4 million. We have a production/distribution facility in Nashville and 7 sales distribution facilities located throughout the region. The region includes portions of the Company's Legacy Territories and several Expansion Territories.
6. Western Virginia. This region includes most of southwestern Virginia, including Roanoke and surrounding areas, a portion of the southern piedmont of Virginia, a portion of northeastern Tennessee and a portion of southeastern West Virginia. The region has a population of approximately 1.6 million. We have a production/distribution facility in Roanoke and 4 sales distribution facilities located throughout the region.
7. West Virginia. This region includes most of the state of West Virginia and a portion of southwestern Pennsylvania. The region has a population of approximately 1.4 million. We have 8 sales distribution facilities located throughout the region.
8. Kentucky. This region includes a significant portion of Kentucky, including Lexington, Louisville, Paducah, Pikeville, Kentucky and surrounding areas, a portion of southern Indiana, including Evansville, and a portion of southeastern Illinois. The region has a population of approximately 4.8 million. We have 5 sales distribution facilities located throughout the region, all which have been acquired in 2015.
9. Eastern Virginia. This region includes a significant portion of eastern and northern Virginia, including Norfolk, Staunton and Fredericksburg, Virginia and surrounding areas. The region has a population of approximately 4.8 million. We have 3 sales distribution facilities located throughout the regions, all which have been acquired in 2015.

In fiscal 2016, we acquired additional Expansion Territories in Easton and Salisbury, Maryland and Richmond and Yorktown, Virginia, as well as the Expansion Manufacturing Facility in Sandston, Virginia. We also entered into a non-binding letter of intent with The Coca-Cola Company in February 2016 which contemplates our acquisition of

additional CBA Rights and Transferred Assets relating to distribution territories currently served by CCR in northern Ohio and northern West Virginia and an additional Expansion Manufacturing Facility located in Twinsburg, Ohio.

We are a member of South Atlantic Canners, Inc. (“SAC”), a manufacturing cooperative located in Bishopville, South Carolina. All eight members of SAC are Coca-Cola bottlers and each member has equal voting rights. We receive a fee for managing the day-to-day operations of SAC pursuant to a management agreement. Management fees earned from SAC were \$1.9 million, \$1.8 million and \$1.6 million in 2015, 2014 and 2013, respectively. SAC’s bottling lines supply a portion of our volume requirements for beverage products. We have a commitment with SAC that requires minimum annual purchases of 17.5 million cases of beverage products through June 2024. Purchases from SAC by the Company for finished products were \$145 million, \$132 million and \$137 million in 2015, 2014 and 2013, respectively, or 28.3 million cases, 25.9 million cases and 26.2 million cases of finished product, respectively.

## Raw Materials

In addition to concentrates purchased from The Coca-Cola Company and other beverage companies for use in our beverage manufacturing, we also purchase sweetener, carbon dioxide, plastic bottles, cans, closures and other packaging materials, as well as equipment for the production, distribution and marketing of nonalcoholic beverages.

We purchase substantially all of our plastic bottles (12-ounce, 16-ounce, 20-ounce, 24-ounce, half-liter, 1-liter, 1.25-liter, 2-liter, 253 ml and 300 ml sizes) from manufacturing plants owned and operated by Southeastern Container and Western Container, two entities owned by various Coca-Cola bottlers, including the Company. We currently obtain all of our aluminum cans (7.5-ounce, 12-ounce and 16-ounce sizes) from two domestic suppliers. None of the materials or supplies we use are currently in short supply.

Along with all other Coca-Cola bottlers in the United States, we are a member in Coca-Cola Bottlers' Sales and Services Company, LLC ("CCBSS"), which was formed in 2003 to facilitate various procurement functions and the distribution of beverage products of The Coca-Cola Company with the intention of enhancing the efficiency and competitiveness of the Coca-Cola bottling system in the United States. CCBSS negotiates the procurement for the majority of our raw materials (excluding concentrate).

We are exposed to price risk on commodities such as aluminum, corn, PET resin (a petroleum-based product), and fuel which affects the cost of raw materials used in the production of finished products. We both produce and procure these finished products. Examples of the raw materials affected are aluminum cans and plastic bottles used for packaging and high fructose corn syrup used as a product ingredient. Further, we are exposed to commodity price risk on oil, which impacts our cost of fuel used in the movement and delivery of our products. We participate in commodity hedging and risk mitigation programs administered both by CCBSS and by the Company. In addition, no limit is placed on the price The Coca-Cola Company and other beverage companies can charge for concentrate.

## Customers and Marketing

Our products are sold and distributed directly to retail stores and other outlets, including food markets, institutional accounts and vending machine outlets. During 2015, approximately 68% of our bottle/can volume to retail customers was sold for future consumption. The remaining bottle/can volume to retail customers of approximately 32% was sold for immediate consumption, primarily through dispensing machines owned either by the Company, retail outlets or third party vending companies. In 2015, our largest customer, Wal-Mart Stores, Inc., accounted for approximately 22% of our total bottle/can volume to retail customers and our second largest customer, Food Lion, LLC, accounted for approximately 7% of our total bottle/can volume to retail customers. Wal-Mart Stores, Inc. and Food Lion, LLC accounted for approximately 15% and 5% of the Company's total net sales, respectively. The loss of either Wal-Mart Stores, Inc. or Food Lion, LLC as customers could have a material adverse effect on the operating and financial results of the Company. All of our beverage sales are to customers in the United States.

New product introductions, packaging changes and sales promotions have been the primary sales and marketing practices in the nonalcoholic beverage industry in recent years and have required and are expected to continue to require substantial expenditures. Brand introductions from the Company and The Coca-Cola Company in recent years include Tum-E Yummies, Coca-Cola Zero, Dasani flavors, Coca-Cola Life, Full Throttle and Gold Peak tea products.

New packaging introductions include the 253 ml bottle, the 1.25-liter bottle, the 7.5-ounce sleek can, the 2-liter contour bottle for Coca-Cola products, and the 16-ounce bottle/24-ounce bottle package.

We sell our products primarily in nonrefillable bottles and cans, in varying proportions from market to market. For example, there may be as many as 23 different packages for Diet Coke within a single geographic area. Bottle/can volume to retail customers during 2015 was approximately 54% bottles, 45% cans and 1% other containers.

Advertising in various media, primarily television and radio, is relied upon extensively in the marketing of our products. The Coca-Cola Company, Monster Energy Company and Dr Pepper Snapple Group, Inc. (collectively, the “Beverage Companies”) make substantial expenditures on advertising in the Legacy Territories and Expansion Territories. We have also benefited from national advertising programs conducted by the Beverage Companies. In addition, we expend substantial funds on our own behalf for extensive local sales promotions of our products. Historically, these expenses have been partially offset by marketing funding support the Beverage Companies provide to us in support of a variety of marketing programs, such as point-of-sale displays and merchandising programs. While the Beverage Companies have provided us with marketing funding support in the past, our bottling agreements generally do not obligate the Beverages Companies to do so.

The substantial outlays we make for marketing and merchandising programs are generally regarded as necessary to maintain or increase revenue, and any significant curtailment of marketing funding support provided by the Beverage Companies for marketing programs which benefit us could have a material adverse effect on our operating and financial results.



In addition to our marketing and merchandising programs, we believe a sustained and planned charitable giving program is an essential component of our success by supporting our brand through supporting the communities we serve. Since 2009, we have given approximately \$9.0 million to various donor advised charitable funds. In March 2016, the Board approved a one-time special contribution of \$4 million and an annual contribution of \$2 million for 2016 in light of the Company's financial performance, expanded distribution territory footprint and future business prospects. The Company intends to continue its charitable contributions in future years subject to the Company's financial performance and other business factors.

### Seasonality

Sales of our products are seasonal with the highest sales volume occurring in the second and third quarters. We have, and believe CCR has, adequate production capacity to meet sales demand for sparkling and still beverages during these peak periods. See "Item 2. Properties" for information relating to utilization of our production facilities. Sales volume can also be impacted by weather conditions.

### Competition

The nonalcoholic beverage market is highly competitive. Our competitors include bottlers and distributors of nationally advertised and marketed products and regionally advertised and marketed products, as well as bottlers and distributors of private label beverages in supermarket stores. The sparkling beverage market (including energy products) comprised 79% of our bottle/can volume to retail customers in 2015. In each region in which we operate, between 90% and 95% of sparkling beverage sales in bottles, cans and other containers are accounted for by the Company and its principal competitors, which in each region includes the local bottler of Pepsi-Cola and, in some regions, the local bottler of Dr Pepper, Royal Crown and/or 7-Up products.

The principal methods of competition in the nonalcoholic beverage industry are point-of-sale merchandising, new product introductions, new vending and dispensing equipment, packaging changes, pricing, price promotions, product quality, retail space management, customer service, frequency of distribution and advertising. We believe we are competitive in our territories with respect to these methods of competition.

### Government Regulation

The production and marketing of beverages are subject to the rules and regulations of the United States Food and Drug Administration ("FDA") and other federal, state and local health agencies. The FDA also regulates the labeling of containers under The Nutrition Labeling and Education Act of 1990. The Nutrition Facts label has not changed significantly since it was first introduced in 1994. In 2014, the FDA proposed two new rules that would result in major changes to nutrition labels on all food packages, including the packaging for our products, that would, among other things, require those labels to display caloric counts in large type, reflect larger portion sizes and display on a separate line on the label the amount of sugars that are added to the product. The comment period on the two original proposed rules closed in August 2014. In 2015, the FDA issued a supplemental proposed rule that would, among other things, require declaration of the percent daily value for added sugars and change the current footnote on the Nutrition Facts label. The comment period on the supplemental proposed rule closed in October 2015. If these proposed rules are adopted by the FDA, we expect to have up to two years to put the required labeling changes into effect on the packaging for the products we manufacture and distribute.

As a manufacturer, distributor and seller of beverage products of The Coca-Cola Company and other soft drink manufacturers in exclusive territories, we are subject to antitrust laws of general applicability. However, pursuant to

the United States Soft Drink Interbrand Competition Act, soft drink bottlers such as the Company may have an exclusive right to manufacture, distribute and sell a soft drink product in a defined geographic territory if that soft drink product is in substantial and effective competition with other products of the same general class in the market. We believe such competition exists in each of the exclusive geographic territories in the United States in which we operate.

From time to time, legislation has been proposed in Congress and by certain state and local governments which would prohibit the sale of soft drink products in nonrefillable bottles and cans or require a mandatory deposit as a means of encouraging the return of such containers in an attempt to reduce solid waste and litter. We are currently not impacted by this type of proposed legislation.

Soft drink and similar-type taxes have been in place in West Virginia and Tennessee for several years. Proposals have been introduced by members of Congress and certain state governments that would impose excise and other special taxes on certain beverages that we sell. We cannot predict whether any such legislation will be enacted.

Most of the beverage products sold by the Company are classified as food or food products and are therefore eligible for purchase using supplemental nutrition assistance (“SNAP”) benefits by consumers purchasing them for home consumption. Some states and

localities have proposed barring the use of SNAP benefits by recipients in their jurisdictions to purchase some of the products we manufacture. The United States Department of Agriculture rejected such a proposal by a major American city as recently as 2011. Energy drinks that have a Nutrition Facts label are classified as food and are eligible for purchase for home consumption using SNAP benefits while energy drinks that are classified as a supplement by the FDA are not.

We have experienced public policy challenges regarding the sale of soft drinks in schools, particularly elementary, middle and high schools. A number of states have regulations restricting the sale of soft drinks and other foods in schools. Many of these restrictions have existed for several years in connection with subsidized meal programs in schools. The focus has more recently turned to the growing health, nutrition and obesity concerns of today's youth. Restrictive legislation, if widely enacted, could have an adverse impact on our products, image and reputation.

#### Environmental Remediation

We do not currently have any material capital expenditure commitments for environmental compliance or environmental remediation for any of our properties. We do not believe compliance with federal, state and local provisions that have been enacted or adopted regarding the discharge of materials into the environment, or otherwise relating to the protection of the environment, will have a material effect on our capital expenditures, earnings or competitive position.

#### Employees

As of January 3, 2016, we had approximately 7,600 full-time employees, of whom approximately 500 were union members. The total number of employees, including part-time employees, was approximately 9,500. Approximately 5% of our labor force is covered by collective bargaining agreements. One collective bargaining agreement covering approximately 25 of our employees expired during 2015 and we entered into a new agreement in 2015. Three collective bargaining agreements covering approximately 65 of our employees will expire in fiscal 2016.

#### Exchange Act Reports

The Company makes available free of charge through our website, [www.cokeconsolidated.com](http://www.cokeconsolidated.com), our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, proxy statement and all amendments to these reports. These reports are available on our website as soon as reasonably practicable after such materials are electronically filed with, or furnished to, the SEC. The information provided on our website is not part of this report and is not incorporated herein by reference.

The SEC also maintains a website, [www.sec.gov](http://www.sec.gov), which contains reports, proxy and information statements and other information filed electronically with the SEC. Any materials that we file with the SEC may also be read and copied at the SEC's Public Reference Room, 100 F Street, N.E., Room 1580, Washington, DC 20549. Information on the operations of the Public Reference Room is available by calling the SEC at 1-800-SEC-0330.

#### Item 1A. Risk Factors

In addition to other information in this Form 10-K, the following risk factors should be considered carefully in evaluating the Company's business. The Company's business, financial condition or results of operations could be materially and adversely affected by any of these risks.

The Company may not be able to respond successfully to changes in the marketplace.

The Company operates in the highly competitive nonalcoholic beverage industry and faces strong competition from other general and specialty beverage companies. The Company's response to continued and increased customer and competitor consolidations and marketplace competition may result in lower than expected net pricing of the Company's products. The Company's ability to gain or maintain the Company's share of sales or gross margins may be limited by the actions of the Company's competitors, which may have advantages in setting their prices due to lower raw material costs. Competitive pressures in the markets in which the Company operates may cause channel and product mix to shift away from more profitable channels and packages. If the Company is unable to maintain or increase volume in higher-margin products and in packages sold through higher-margin channels (e.g., immediate consumption), pricing and gross margins could be adversely affected. The Company's efforts to improve pricing may result in lower than expected sales volume.

Changes in how significant customers market or promote the Company's products could reduce revenue.

The Company's revenue is affected by how significant customers market or promote the Company's products. If the Company's significant customers change the manner in which they market or promote the Company's products, the Company's revenue and profitability could be adversely impacted.

Changes in the Company's top customer relationships could impact revenues and profitability.

The Company is exposed to risks resulting from several large customers that account for a significant portion of its bottle/can volume and revenue. The Company's two largest customers accounted for approximately 29% of the Company's 2015 bottle/can volume to retail customers and approximately 20% of the Company's total net sales. The loss of one or both of these customers could adversely affect the Company's results of operations. These customers typically make purchase decisions based on a combination of price, product quality, consumer demand and customer service performance and generally do not enter into long-term contracts. In addition, these significant customers may re-evaluate or refine their business practices related to inventories, product displays, logistics or other aspects of the customer-supplier relationship. The Company's results of operations could be adversely affected if revenue from one or more of these customers is significantly reduced or if the cost of complying with these customers' demands is significant. If receivables from one or more of these customers become uncollectible, the Company's results of operations may be adversely impacted.

Changes in public and consumer preferences related to nonalcoholic beverages could reduce demand for the Company's products and reduce profitability.

The Company's business depends substantially on consumer tastes and preferences that change in often unpredictable ways. The success of the Company's business depends in large measure on working with the Beverage Companies to meet the changing preferences of the broad consumer market. Health and wellness trends throughout the marketplace have resulted in a shift from sugar sparkling beverages to diet sparkling beverages, tea, sports drinks, enhanced water and bottled water over the past several years. Failure to satisfy changing consumer preferences, particularly those of young people, could adversely affect the profitability of the Company's business.

The Company's sales can be impacted by the health and stability of the general economy.

Unfavorable changes in general economic conditions, such as a recession or economic slowdown in the geographic markets in which the Company does business, may have the temporary effect of reducing the demand for certain of the Company's products. For example, economic forces may cause consumers to shift away from purchasing higher-margin products and packages sold through immediate consumption and other highly profitable channels. Adverse economic conditions could also increase the likelihood of customer delinquencies and bankruptcies, which would increase the risk of uncollectibility of certain accounts. Each of these factors could adversely affect the Company's revenue, price realization, gross margins and overall financial condition and operating results.

The inability of the Company to successfully integrate the operations acquired in the Expansion Transactions and in any future Expansion Transactions into the Company's existing operations and implement the new contractual arrangements for the Expansion Transactions could adversely affect the Company's business, financial condition or results of operations.

The Company faces several potential risks relative to the Expansion Transactions including, without limitation, the Company's ability to successfully combine the Company's existing business with the distribution territories and manufacturing facilities acquired in the Expansion Transactions, including integrating production, distribution, sales and administrative support activities and information technology systems between the Company's Legacy Territory operations and the operations acquired in the Expansion Transactions; and the Company's ability to successfully operate in the Expansion Territories and to operate the Expansion Manufacturing Facilities. Other risks involve

motivating, recruiting and retaining key employees; conforming standards, controls (including internal control over financial reporting, environmental compliance and health and safety compliance), procedures and policies and business cultures between the Company and the operations acquired in the Expansion Transactions; growing business with existing customers and attracting new customers; and other unanticipated problems and liabilities. The completed Expansion Transactions and any future expansion transactions also involve certain other financial and business risks, including that the Company might not realize a satisfactory return on the Company's investment, that the Company's assumptions regarding potential growth, synergies or cost savings could turn out to have been incorrect, or that the transactions divert key members of the Company's management's attention and other available resources from its existing business in the Legacy Territories.

Miscalculation of the Company's need for infrastructure investment could impact the Company's financial results in both the Company's Legacy and Expansion Territories and any future expansion territories.

Projected requirements of the Company's infrastructure investments in both the Company's Legacy and Expansion Territories and any future expansion territories may differ from actual levels if the Company's volume growth is not as the Company anticipates. The Company's infrastructure investments are generally long-term in nature; therefore, it is possible that investments made today may not generate the returns expected by the Company due to future changes in the marketplace. Significant changes from the Company's expected returns on cold drink equipment, fleet, technology and supply chain infrastructure investments could adversely affect the Company's consolidated financial results.

The Company's inability to meet requirements under its beverage agreements could result in the loss of distribution rights.

Approximately 87% of the Company's bottle/can volume to retail customers in 2015 consisted of products of The Coca-Cola Company, which is the sole supplier of these products or of the concentrates or syrups required to manufacture these products. The remaining 13% of the Company's bottle/can volume to retail customers in 2015 consisted of products of other beverage companies. The Company must satisfy various requirements under its beverage agreements, including the new CBAs for the Expansion Territories, which include additional obligations the Company must perform. Failure to satisfy these requirements could result in the loss of distribution rights for the respective products under one or more of these beverage agreements. The occurrence of other events defined in these agreements could also result in the termination of one or more beverage agreements.

Changes in the inputs used to calculate the Company's acquisition related contingent consideration liability could have a material adverse impact on the Company's financial results.

The acquisition related contingent consideration liability consists of the estimated amounts due to The Coca-Cola Company under the Comprehensive Beverage Agreements over the remaining useful life of the related distribution rights intangible assets. Changes in business conditions or other events could materially change both the projections of future cash flows and the discount rate used in the calculation of the fair value of contingent consideration under the Comprehensive Beverage Agreements. These changes could materially impact the fair value of the related contingent consideration and could materially impact the amount of noncash expense (or income) recorded each reporting period.

Decreases from historic levels of marketing funding support could reduce the Company's profitability.

Material changes in the performance requirements, or decreases in the levels of marketing funding support historically provided, under marketing programs with The Coca-Cola Company and other beverage companies, or the Company's inability to meet the performance requirements for the anticipated levels of such marketing funding support payments, could adversely affect the Company's profitability. While the Company does not believe there will be significant changes in the levels of marketing funding support by the Beverage Companies, there can be no assurance that historic levels will continue.

Changes in The Coca-Cola Company's and other beverage companies' levels of advertising, marketing spending and product innovation could reduce the Company's sales volume.

The Coca-Cola Company's and other beverage companies' levels of advertising, marketing spending and product innovation directly impact the Company's operations. While the Company does not believe there will be significant changes in the levels of marketing and advertising by the Beverage Companies, there can be no assurance that historic levels will continue. The Company's volume growth will also continue to be dependent on product innovation by the Beverage Companies, especially The Coca-Cola Company. Decreases in marketing, advertising and product innovation by the Beverage Companies could adversely impact the profitability of the Company.

The inability of the Company's aluminum can or plastic bottle suppliers to meet the Company's purchase requirements could reduce the Company's profitability.

The Company currently obtains all of its aluminum cans from two domestic suppliers and all of its plastic bottles from two domestic cooperatives. The inability of these aluminum can or plastic bottle suppliers to meet the Company's requirements for containers could result in short-term shortages until alternative sources of supply can be located. The Company attempts to mitigate these risks by working closely with key suppliers and by purchasing business interruption insurance where appropriate. Failure of the aluminum can or plastic bottle suppliers to meet the Company's purchase requirements could reduce the Company's profitability.



The inability of the Company to offset higher raw material costs with higher selling prices, increased bottle/can volume or reduced expenses could have an adverse impact on the Company's profitability.

Raw material costs, including the costs for plastic bottles, aluminum cans and high fructose corn syrup, have been subject to significant price volatility in the past and may continue to be in the future. In addition, there are no limits on the prices The Coca-Cola Company and other beverage companies can charge for concentrate. If the Company cannot offset higher raw material costs with higher selling prices, increased sales volume or reductions in other costs, the Company's profitability could be adversely affected.

The consolidation among suppliers of certain of the Company's raw materials could have an adverse impact on the Company's profitability.

In recent years, there has been consolidation among suppliers of certain of the Company's raw materials. The reduction in the number of competitive sources of supply could have an adverse effect upon the Company's ability to negotiate the lowest costs and, in light of the Company's relatively small in-plant raw material inventory levels, has the potential for causing interruptions in the Company's supply of raw materials.

The reliance on purchased finished goods from external sources makes the Company subject to incremental risks that could have an adverse impact on the Company's profitability.

Although the Company has purchased manufacturing assets and plans to continue to purchase additional manufacturing assets in the future, the Company remains reliant on purchased finished goods from external sources versus the Company's internal production. As a result, the Company is subject to incremental risk including, but not limited to, product availability, price variability, and product quality and production capacity shortfalls for externally purchased finished goods. The Company's operations in the Expansion Territories are more exposed to this risk than the Company's operations in the Legacy Territories because, with exceptions under which the Company may produce finished goods itself and for exceptions relating to Expansion Manufacturing Facilities acquired by the Company that have served the Expansion Territories, the Company is required under the CBAs for the Expansion Territories to purchase finished goods from CCR and other authorized external sources in accordance with the terms and conditions of the Finished Goods Supply Agreement entered into by the Company at the closing of each Expansion Territory transaction in quantities required to satisfy fully the demand for beverages and related products the Company is authorized under the CBAs to distribute in the Expansion Territory.

The Company's participation in the National Product Supply Group (the "NPSG") may create additional risk because we will not exercise sole decision making authority over national product supply system issues that affect the Company and other members of the NPSG Board may have different interests than we do.

Pursuant to the NPSG Governance Agreement, the Company has agreed to abide by decisions made by the NPSG governing board (the "NPSG Board") that are made in accordance with the governance processes and principles outlined in the NPSG Governance Charter that is part of the NPSG Agreement. Even though the Company will be a member of the NPSG Board, the Company will not exercise sole decision-making authority relating to the decisions of the NPSG Board, and the interests of other members of the NPSG Board may diverge from those of the Company. These may include decisions made to benefit the Coca-Cola system as a whole but have a negative impact on the Company's profitability, including decisions regarding strategic investment and divestment, optimal national product supply sourcing and new product or packaging infrastructure planning.

Increases in fuel prices or the inability of the Company to secure adequate supplies of fuel could have an adverse impact on the Company's profitability.

The Company uses significant amounts of fuel in the distribution of its products. International or domestic geopolitical or other events could impact the supply and cost of fuel and could impact the timely delivery of the Company's products to its customers. While the Company is working to reduce fuel consumption and manage the Company's fuel costs, there can be no assurance that the Company will succeed in limiting the impact on the Company's business or future cost increases. The Company may use derivative instruments to hedge some or all of the Company's projected diesel fuel and gasoline purchases. These derivative instruments relate to fuel used in the Company's delivery fleet and other vehicles. Sustained upward pressure in these costs could reduce the profitability of the Company's operations.

Sustained increases in workers' compensation, employment practices and vehicle accident claims costs could reduce the Company's profitability.

The Company uses various insurance structures to manage its workers' compensation, auto liability, medical and other insurable risks. These structures consist of retentions, deductibles, limits and a diverse group of insurers that serve to strategically transfer and mitigate the financial impact of losses. The Company uses commercial insurance for claims as a risk reduction strategy to minimize

catastrophic losses. Losses are accrued using assumptions and procedures followed in the insurance industry, adjusted for company-specific history and expectations. Although the Company has actively sought to control increases in these costs, there can be no assurance that the Company will succeed in limiting future cost increases. Continued upward pressure in these costs could reduce the profitability of the Company's operations.

Sustained increases in the cost of employee benefits could reduce the Company's profitability.

The Company's profitability is substantially affected by the cost of pension retirement benefits, postretirement medical benefits and current employees' medical benefits. In recent years, the Company has experienced significant increases in these costs as a result of macro-economic factors beyond the Company's control, including increases in health care costs, declines in investment returns on pension assets and changes in discount rates used to calculate pension and related liabilities. Although the Company has actively sought to control increases in these costs, there can be no assurance the Company will succeed in limiting future cost increases, and continued upward pressure in these costs could reduce the profitability of the Company's operations.

Product safety and quality concerns, including concerns related to perceived artificiality of ingredients, could negatively affect the Company's business.

The Company's success depends in large part on its ability to maintain consumer confidence in the safety and quality of all its products. The Company has rigorous product safety and quality standards. However, if beverage products taken to market are or become contaminated or adulterated, the Company may be required to conduct costly product recalls and may become subject to product liability claims and negative publicity, which would cause its business to suffer. In addition, regulatory actions, activities by nongovernmental organizations and public debate and concerns about perceived negative safety and quality consequences of certain ingredients in the Company's products, such as non-nutritive sweeteners, may erode consumers' confidence in the safety and quality issues, whether or not justified, and could result in additional governmental regulations concerning the marketing and labeling of the Company's products, negative publicity, or actual or threatened legal actions, all of which could damage the reputation of the Company's products and may reduce demand for the Company's products.

Cybersecurity risks - technology failures or cyberattacks on the Company's systems could disrupt the Company's operations and negatively impact the Company's business.

The Company increasingly relies on information technology systems to process, transmit and store electronic information. For example, the Company's production and distribution facilities, inventory management and driver handheld devices all utilize information technology to maximize efficiencies and minimize costs. Furthermore, a significant portion of the communication between personnel, customers and suppliers depends on information technology. Like most companies, the Company's information technology systems may be vulnerable to interruption due to a variety of events beyond the Company's control, including, but not limited to, natural disasters, terrorist attacks, telecommunications failures, computer viruses, hackers and other security issues. The Company may also experience difficulties integrating systems from Expansion Territories with those in its Legacy Territories. The Company has technology security initiatives and disaster recovery plans in place to mitigate the Company's risk to these vulnerabilities, but these measures may not be adequate or implemented properly to ensure that the Company's operations are not disrupted.

Changes in interest rates could adversely affect the profitability of the Company.

As of February 28, 2016, only the Company's \$450 million revolving credit facility was subject to changes in short-term interest rates. On February 28, 2016, the Company had \$75.0 million outstanding borrowings on the \$450 million revolving credit facility. If interest rates increase in the future, the Company's borrowing cost could increase, which could result in a reduction of the Company's overall profitability. The Company's pension and postretirement medical benefits costs are also subject to changes in interest rates. A decline in interest rates used to discount the

Company's pension and postretirement medical liabilities could increase the cost of these benefits and increase the overall liability.

The level of the Company's debt could restrict the Company's operating flexibility and limit the Company's ability to incur additional debt to fund future needs.

As of February 28, 2016, the Company had \$753.6 million of debt and capital lease obligations. The Company's level of debt requires the Company to dedicate a substantial portion of the Company's future cash flows from operations to the payment of principal and interest, thereby reducing the funds available to the Company for other purposes. The Company's debt can negatively impact the Company's operations by (1) limiting the Company's ability and/or increasing the cost to obtain funding for working capital, capital expenditures and other general corporate purpose, including funding the cash purchase price of future territory expansions; (2) increasing the Company's vulnerability to economic downturns and adverse industry conditions by limiting the Company's ability to react to changing economic and business conditions; and (3) exposing the Company to a risk that a significant decrease in cash flows from operations could make it difficult for the Company to meet the Company's debt service requirements.

The Company's credit ratings could be negatively impacted by changes to The Coca-Cola Company's credit ratings.

The Company's credit rating could be significantly impacted by capital management activities of The Coca-Cola Company and/or changes in the credit ratings of The Coca-Cola Company. A lower credit rating could significantly increase the Company's interest costs or could have an adverse effect on the Company's ability to obtain additional financing at acceptable interest rates or to refinance existing debt.

Changes in legal contingencies could adversely impact the Company's future profitability.

Changes from expectations for the resolution of outstanding legal claims and assessments could have a material adverse impact on the Company's profitability and financial condition. In addition, the Company's failure to abide by laws, orders or other legal commitments could subject the Company to fines, penalties or other damages.

Legislative changes that affect the Company's distribution, packaging and products could reduce demand for the Company's products or increase the Company's costs.

The Company's business model is dependent on the availability of the Company's various products and packages in multiple channels and locations to better satisfy the needs of the Company's customers and consumers. Laws that restrict the Company's ability to distribute products in schools and other venues, as well as laws that require deposits for certain types of packages or those that limit the Company's ability to design new packages or market certain packages, could negatively impact the financial results of the Company.

In addition, excise or other taxes imposed on the sale of certain of the Company's products by the federal government and certain state and local governments could cause consumers to shift away from purchasing products of the Company. If enacted, such taxes could materially affect the Company's business and financial results, particularly if they were enacted in a form that incorporated them into the shelf prices for the Company's products.

Significant additional labeling or warning requirements may inhibit sales of affected products.

In 2014 and again in 2015, the FDA proposed major changes to the nutrition labels required on all packaged foods and beverages, including those for most of the Company's products. If the proposed changes are adopted, the Company and its competitors will be required to make nutrition label updates, which include updating serving sizes, including information about total calories in a beverage product container and providing information about any added sugars or nutrients. If the pending FDA nutrition label changes proposed become final, they will increase the Company's costs and could inhibit sales of one or more of the Company's major products. The timeline for implementation of any final regulations adopted by the FDA regarding changes to required nutrition labels is currently expected to be a period of up to two years.

Changes in income tax laws and increases in income tax rates could have a material adverse impact on the Company's financial results.

The Company is subject to income taxes within the United States. The Company's annual income tax rate is based upon the Company's income and the federal tax laws and the various state tax laws within the jurisdictions in which the Company operates. Increases in federal or state income tax rates and changes in federal or state tax laws could have a material adverse impact on the Company's financial results.

Additional taxes resulting from tax audits could adversely impact the Company's future profitability.

An assessment of additional taxes resulting from audits of the Company's tax filings could have an adverse impact on the Company's profitability, cash flows and financial condition.

Natural disasters and unfavorable weather could negatively impact the Company's future profitability.

Natural disasters or unfavorable weather conditions in the geographic regions in which the Company does business could have an adverse impact on the Company's revenue and profitability. Unusually cold or rainy weather during the summer months may have a temporary effect on the demand for the Company's products and contribute to lower sales, which could adversely affect the Company's profitability for such periods. Prolonged drought conditions in the geographic regions in which the Company does business could lead to restrictions on the use of water, which could adversely affect the Company's ability to manufacture and distribute products and the Company's cost to do so.

Global climate change or legal, regulatory, or market responses to such change could adversely impact the Company's future profitability.

There is some scientific sentiment that increased concentrations of carbon dioxide, methane and other greenhouse gases ("GHGs") in the atmosphere may have been the dominant cause of observed warming of the earth's climate system since the mid-20<sup>th</sup> century, and that continued emission of GHGs could cause further warming and long-lasting changes in components of the global climate system, potentially increasing the likelihood of severe, pervasive and irreversible impacts for people and ecosystems. Changing weather patterns, along with the increased frequency or duration of extreme weather and climate events, such as an increase in the number of heavy precipitation events, could impact some of the Company's facilities and the availability or increase the cost of key raw materials that the Company uses to produce its products. In addition, the sale of the Company's products can be impacted by weather conditions and climate events.

Growing concern over the effects of climate change, including warming of the global climate system, has led to legislative and regulatory initiatives directed at limiting GHG emissions. For example, the United States Environmental Protection Agency (USEPA) has proposed regulations under the Clean Air Act to reduce GHG emissions from existing coal-fired power plants that would require each state to submit a plan specifying how it would reduce GHG emissions from existing coal-fired power plants located within its borders. It is anticipated that when the states implement their plans they could lead to the eventual closing of many of these plants. These USEPA proposed regulations or future laws enacted or regulations adopted to limit GHG emissions that directly or indirectly affect the Company's production, distribution, packaging, cost of raw materials, fuel, ingredients and water could all impact the Company's business and financial results.

Issues surrounding labor relations could adversely impact the Company's future profitability and/or its operating efficiency.

Approximately 5% of the Company's employees are covered by collective bargaining agreements. The inability to renegotiate subsequent agreements on satisfactory terms and conditions could result in work interruptions or stoppages, which could have a material impact on the profitability of the Company. Also, the terms and conditions of existing or renegotiated agreements could increase costs, or otherwise affect the Company's ability to fully implement operational changes to improve overall efficiency. One collective bargaining agreement covering approximately 25 of the Company's employees expired during 2015 and the Company entered into new agreements in 2015. Three collective bargaining agreement covering approximately 65 of the Company's employees will expire during 2016.

The Company's ability to change distribution methods and business practices could be negatively affected by Coca-Cola bottler system disputes within the United States.

Litigation filed by some U.S. bottlers of Coca-Cola products indicates that disagreements may exist within the Coca-Cola bottler system concerning distribution methods and business practices. Although the litigation has been resolved, disagreements among various Coca-Cola bottlers could adversely affect the Company's ability to fully implement its business plans in the future.

Obesity and other health concerns may reduce demand for some of the Company's products.

Consumers, public health officials, public health advocates and government officials are becoming increasingly concerned about the public health consequences associated with obesity, particularly among young people. The production and marketing of beverages are subject to the rules and regulations of the FDA and other federal, state and local health agencies. The FDA also regulates the labeling of containers under The Nutrition Labeling and Education Act of 1990. The Nutrition Facts label has not changed significantly since it was first introduced in 1994. In March 2014 and again in July 2015, the FDA proposed new rules that would result in major changes to nutrition labels on all food packages, including the packaging for the Company's products, that would, among other things, require those

labels to display caloric counts in large type, reflect larger portion sizes and display on a separate line on the label the amount of sugars that are added to the product. If these proposed rules are adopted by the FDA, the Company expects to have up to two years to put the required labeling changes into effect on the packaging for the products it manufactures and distributes. In addition, some researchers, health advocates and dietary guidelines are encouraging consumers to reduce the consumption of sugar, including sugar sparkling beverages. Increasing public concern about these issues, possible new taxes and governmental regulations concerning the production, marketing, labeling or availability of the Company's beverages, and negative publicity resulting from actual or threatened legal actions against the Company or other companies in the same industry relating to the marketing, labeling or sale of sugar sparkling beverages may reduce demand for these beverages, which could adversely affect the Company's profitability.

The Company has experienced public policy challenges regarding the sale of soft drinks in schools, particularly elementary, middle and high schools.

A number of states have regulations restricting the sale of soft drinks and other foods in schools. Many of these restrictions have existed for several years in connection with subsidized meal programs in schools. The focus has more recently turned to the growing



health, nutrition and obesity concerns of today's youth. The impact of restrictive legislation, if widely enacted, could have an adverse impact on the Company's products, image and reputation.

If the financing of any future territory or other acquisitions involves issuing additional equity securities, their issuance would be dilutive and could affect the market price of the Company's Common Stock.

Acquisitions of the distribution and manufacturing assets of CCR in the Expansion Transactions completed to date have been financed with available cash, public debt issuance, or by draws on our revolving credit facility. The Company may fund any future distribution, manufacturing or other acquisition transactions through the use of existing cash, cash equivalents or investments, debt financing, including draws on the Company's revolving credit facility, the issuance of equity securities, or a combination of the foregoing. Any future acquisitions of additional distribution, manufacturing or other assets that are financed in whole or in part by issuing additional shares of the Company's Common Stock would be dilutive, which could affect the market price of our Common Stock.

Provisions in the Final CBA and the Final RMA with The Coca-Cola Company could delay or prevent a change in control of the Company, which could adversely affect the price of our Common Stock.

Provisions in the Final CBA and the Final RMA require the Company to obtain The Coca-Cola Company's prior approval of a potential buyer of the Company's Coca-Cola distribution or manufacturing related businesses, which could delay or prevent a change in control of the Company or the ability of the Company to sell such businesses. The Company annually can obtain a list of approved third party buyers from The Coca-Cola Company or, upon receipt of a third party offer to purchase the Company or its Coca-Cola related business, may seek approval of such buyer by The Coca-Cola Company. In addition, the Final CBA and the Final RMA contain a sale process provision that would apply if the Company notifies The Coca-Cola Company that it wishes to sell the distribution or manufacturing business to The Coca-Cola Company, which process includes default terms and conditions of sale and a third party valuation should the Company and The Coca-Cola Company choose to use them. The Final CBA and the Final RMA also include terms that would apply in the event The Coca-Cola Company terminates the Final CBA or the Final RMA following the Company's default thereunder.

The concentration of the Company's capital stock ownership with the Harrison family limits other stockholders' ability to influence corporate matters.

Members of the Harrison family, including the Company's Chairman and Chief Executive Officer, J. Frank Harrison, III, beneficially own shares of Common Stock and Class B Common Stock representing approximately 86% of the total voting power of the Company's outstanding capital stock. In addition, three members of the Harrison family, including Mr. Harrison, serve on the Board of Directors of the Company. As a result, members of the Harrison family have the ability to exert substantial influence or actual control over the Company's management and affairs and over substantially all matters requiring action by the Company's stockholders. Additionally, as a result of the Harrison family's significant beneficial ownership of the Company's outstanding voting stock, the Company has relied on the "controlled company" exemption from certain corporate governance requirements of The NASDAQ Stock Market LLC. This concentration of ownership may have the effect of delaying or preventing a change in control otherwise favored by the Company's other stockholders and could depress the stock price. It also limits other stockholders' ability to influence corporate matters and, as a result, the Company may take actions that the Company's other stockholders may not view as beneficial.

Item 1B. Unresolved Staff Comments

None.

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## Item 2. Properties

As of February 28, 2016, the principal properties of the Company include its corporate headquarters, 5 production/distribution facilities and 56 sales distribution centers. The Company owns 3 production/distribution facilities and 45 sales distribution centers, and leases its corporate headquarters, 2 production/distribution facilities, 11 sales distribution centers and 4 additional storage warehouses.

Facility Type	Location	Square Feet	Lease/ Own	Lease Expiration	2015 Rent (in millions)
Corporate headquarters <sup>(1)(3)</sup>	Charlotte, NC	175,000	Lease	2021	\$ 4.2
Production/ Distribution Combination Center <sup>(2)(3)</sup>	Charlotte, NC	647,000	Lease	2020	\$ 3.8
Production/ Distribution Combination Center	Nashville, TN	330,000	Lease	2024	\$ 0.5
Warehouse	Charlotte, NC	367,000	Lease	2022	\$ 0.8
Distribution Center	Lavergne, TN	220,000	Lease	2026	\$ 0.7
Distribution Center	Charleston, SC	50,000	Lease	2027	\$ 0.3
Distribution Center	Greenville, SC	57,000	Lease	2018	\$ 0.8
Warehouse	Roanoke, VA	111,000	Lease	2025	\$ 0.8
Distribution Center	Clayton, NC	233,000	Lease	2026	\$ 1.1
Production Center	Roanoke, VA	316,000	Own	N/A	N/A
Production Center	Mobile, AL	271,000	Own	N/A	N/A
Distribution Center	Louisville, KY	300,000	Lease	2029	\$ 1.1
Distribution Center	Lexington, KY	171,000	Own	N/A	N/A
Distribution Center	Norfolk, VA	158,000	Own	N/A	N/A
Distribution Center	Knoxville, TN	153,000	Own	N/A	N/A
Distribution Center	Columbus, GA	132,000	Own	N/A	N/A
Warehouse	Bishopville, SC	100,000	Lease	2017	\$ 0.2
Distribution Center	Cleveland, TN	75,000	Lease	2030	\$ 0.2
Customer Center	Charlotte, NC	71,000	Lease	2030	\$ 0.1
Production/ Distribution Combination Center	Sandston, VA	319,000	Own	N/A	N/A

<sup>(1)</sup>Includes two adjacent buildings totaling 175,000 square feet

<sup>(2)</sup>Includes a 542,000 square foot production center and adjacent 105,000 square foot distribution center

<sup>(3)</sup>The leases under these facilities are with a related party

The approximate percentage utilization of the Company's production facilities is indicated below:

Location	Percentage Utilization*
Charlotte, North Carolina	75 %
Mobile, Alabama	59 %
Nashville, Tennessee	78 %
Roanoke, Virginia	72 %
Sandston, Virginia	61 %

\* Estimated 2016 production divided by capacity (based on operations of 6 days per week and 20 hours per day).

The Company currently has sufficient production capacity to meet its operational requirements. In addition to the production facilities noted above, the Company utilizes a portion of the production capacity at SAC, a cooperative located in Bishopville, South Carolina, that owns a 261,000 square foot production facility.

The Company's products are generally transported to sales distribution facilities for storage pending sale. The number of sales distribution facilities by market area as of February 28, 2016 was as follows:

Location	Number of Facilities
North Carolina	12
South Carolina	6
South Alabama	4
South Georgia	4
Tennessee	7
Kentucky/Indiana	5
Western Virginia	4
Eastern Virginia / Maryland (1)	6
West Virginia	8
Total	56

(1) Includes three sales distribution facilities acquired in the Expansion Territories on January 29, 2016. The Company's facilities are all in good condition and are adequate for the Company's operations as presently conducted.

The Company also operates approximately 2,900 vehicles in the sale and distribution of the Company's beverage products, of which approximately 2,050 are route delivery trucks. In addition, the Company owns approximately 283,400 beverage dispensing and vending machines for the sale of the Company's products in the Company's bottling territories.

Item 3. Legal Proceedings

The Company is involved in various claims and legal proceedings which have arisen in the ordinary course of its business. Although it is difficult to predict the ultimate outcome of these claims and legal proceedings, management believes that the ultimate disposition of these matters will not have a material adverse effect on the financial condition, cash flows or results of operations of the Company. No material amount of loss in excess of recorded amounts is believed to be reasonably possible as a result of these claims and legal proceedings.

Item 4. Mine Safety Disclosures

Not applicable.

Executive Officers of the Company

The following is a list of names and ages of all the executive officers of the Company indicating all positions and offices with the Company held by each such person. All officers have served in their present capacities for the past five years except as otherwise stated.

J. FRANK HARRISON, III, age 61, is Chairman of the Board of Directors and Chief Executive Officer. Mr. Harrison, III was appointed Chairman of the Board of Directors in December 1996. Mr. Harrison, III served as Vice Chairman from November 1987 through December 1996 and was appointed as the Company's Chief Executive Officer in May 1994. He was first employed by the Company in 1977 and has served as a Division Sales Manager and as a Vice President.

HENRY W. FLINT, age 61, is President and Chief Operating Officer, a position he has held since August 2012. He has served as a Director of the Company since April 2007. Previously, he was Vice Chairman of the Board of Directors of the Company, a position he held since April 2007. Previously, he was Executive Vice President and Assistant to the Chairman of the Company, a position to which he was appointed in July 2004. Prior to that, he was a Managing Partner at the law firm of Kennedy Covington Lobdell & Hickman, L.L.P. with which he was associated from 1980 to 2004.

WILLIAM J. BILLIARD, age 49, is Vice President, Chief Accounting Officer. His previous position of Vice President, Operations Finance and Chief Accounting Officer began in November 2010. He was first employed by the Company in February 2006 with the title of Vice President, Controller and Chief Accounting Officer. Before joining the Company, he was Senior Vice President, Interim Chief Financial Officer and Corporate Controller of Portrait Corporation of America, Inc., a portrait photography studio company, from September 2005 to January 2006 and Senior Vice President, Corporate Controller from August 2001 to September 2005. Prior to that, he served as Vice President, Chief Financial Officer of Tailored Management, a long-term staffing company, from August 2000 to August 2001. Portrait Corporation of America, Inc. filed a voluntary petition for reorganization under Chapter 11 of the U.S. Bankruptcy Code in August 2006.

ROBERT G. CHAMBLESS, age 50, is Senior Vice President, Sales, Field Operations and Marketing, a position he has held since August 2010. Previously, he was Senior Vice President, Sales, a position he held since June 2008. He held the position of Vice President - Franchise Sales from early 2003 to June 2008 and Region Sales Manager for our Southern Division between 2000 and 2003. He was Sales Manager in the Company's Columbia, South Carolina branch between 1997 and 2000. He has served the Company in several other positions prior to this position and was first employed by the Company in 1986.

CLIFFORD M. DEAL, III, age 54, is Vice President and Treasurer, a position he has held since June 1999. Previously, he was Director of Compensation and Benefits from October 1997 to May 1999. He was Corporate Benefits Manager from December 1995 to September 1997 and was Manager of Tax Accounting from November 1993 to November 1995.

MORGAN H. EVERETT, age 34, is Vice President, a position she has held since January 2016. She has served as a Director of the Company since May 2011. Previously, she was Community Relations Director of the Company, a position she held since January 2009. She has served the Company in other positions prior to this position and was first employed by the Company in 2004.

JAMES E. HARRIS, age 53, is Senior Vice President, Shared Services and Chief Financial Officer, a position he has held since January 28, 2008. He served as a Director of the Company from August 2003 until January 25, 2008 and was a member of the Audit Committee and the Finance Committee. He served as Executive Vice President and Chief Financial Officer of MedCath Corporation, an operator of cardiovascular hospitals, from December 1999 to January 2008. From 1998 to 1999, he was Chief Financial Officer of Fresh Foods, Inc., a manufacturer of fully cooked food



products. From 1987 to 1998, he served in several different officer positions with The Shelton Companies, Inc. He also served two years with Ernst & Young LLP as a senior accountant.

UMESH M. KASBEKAR, age 58, is Vice Chairman of the Board of Directors and Secretary of the Company, a position he has held since January 2016 and is Secretary of the Company, a position he has held since August 2012. Previously he was Senior Vice President, Planning and Administration, a position he held since January 1995. Prior to that, he was Vice President, Planning, a position he was appointed to in December 1988.

DAVID M. KATZ, age 47, is Senior Vice President, a position he has held since January 2013. Previously, he was Senior Vice President Midwest Region for Coca-Cola Refreshments (“CCR”) a position he held since 2011. Prior to the formation of CCR, he was Vice President, Sales Operations for Coca-Cola Enterprises Inc.’s (“CCE”) East Business Unit. In 2008, he was promoted to President and Chief Executive Officer of Coca-Cola Bottlers’ Sales and Services Company, LLC. He began his Coca-Cola career in 1993 with CCE as a Logistics Consultant.

KIMBERLY A. KUO, age 45, is Senior Vice President of Public Affairs, Communications and Communities, a position she has held since January 2016. Before joining the Company, she operated her own communications and marketing consulting firm, Sterling

Strategies, from January 2014 to December 2015. Prior to that, she served as Chief Marketing Officer at Baker and Taylor, a book and entertainment distributor from February 2009 to July 2013. Prior to her experience at Baker and Taylor, she served in various communications and government affairs roles on Capitol Hill, in political campaigns, trade associations, and corporations.

LAUREN C. STEELE, age 61, is Senior Vice President, Corporate Affairs, a position to which he was appointed in March 2012. Prior to that, he was Vice President of Corporate Affairs, a position he had held since May 1989. He is responsible for governmental, media and community relations for the Company.

MICHAEL A. STRONG, age 62, is Senior Vice President, Employee Integration and Transition, a position he has held since December 2014. Prior to December 2014, he was Senior Vice President, Human Resources, a position to which he was appointed in March 2011. Previously, he was Vice President of Human Resources, a position to which he was appointed in December 2009. He was Region Sales Manager for the North Carolina West Region from December 2006 to November 2009. Prior to that, he served as Division Sales Manager and General Manager as well as other key sales related positions. He joined the Company in 1985 when the Company acquired Coca-Cola Bottling Company in Mobile, Alabama, where he began his career.

## PART II

## Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

The Company has two classes of common stock outstanding, Common Stock and Class B Common Stock. The Common Stock is traded on the NASDAQ Global Select Market under the symbol COKE. The table below sets forth for the periods indicated the high and low reported sales prices per share of Common Stock. There is no established public trading market for the Class B Common Stock. Shares of Class B Common Stock are convertible on a share-for-share basis into shares of Common Stock.

	Fiscal Year			
	2015		2014	
	High	Low	High	Low
First quarter	\$112.00	\$86.90	\$89.40	\$65.74
Second quarter	149.40	111.07	86.56	72.01
Third quarter	194.43	126.31	77.84	68.75
Fourth quarter	220.93	170.01	95.65	73.04

A quarterly dividend rate of \$.25 per share on both Common Stock and Class B Common Stock was maintained throughout 2015 and 2014. Shares of Common Stock and Class B Common Stock have participated equally in dividends since 1994.

Pursuant to the Company's certificate of incorporation, no cash dividend or dividend of property or stock other than stock of the Company, as specifically described in the certificate of incorporation, may be declared and paid on the Class B Common Stock unless an equal or greater dividend is declared and paid on the Common Stock.

The amount and frequency of future dividends will be determined by the Company's Board of Directors in light of the earnings and financial condition of the Company at such time, and no assurance can be given that dividends will be declared or paid in the future.

The number of stockholders of record of the Common Stock and Class B Common Stock, as of March 4, 2016, was 2,615 and 10, respectively.

On March 8, 2016 and March 3, 2015, the Compensation Committee determined that 40,000 shares of restricted Class B Common Stock, \$1.00 par value, should be issued (pursuant to a Performance Unit Award Agreement approved in 2008) to J. Frank Harrison, III, in connection with his services in 2015 and 2014 as Chairman of the Board of Directors and Chief Executive Officer of the Company. As permitted under the terms of the Performance Unit Award Agreement, 19,080 of such shares were settled in cash to satisfy tax withholding obligations in connection with the vesting of the performance units related to both the 2015 and 2014 awards. The shares issued to Mr. Harrison, III were issued without registration under the Securities Act of 1933 (the "Securities Act") in reliance on Section 4(a)(2) of the Securities Act.

Presented below is a line graph comparing the yearly percentage change in the cumulative total return on the Company's Common Stock to the cumulative total return of the Standard & Poor's 500 Index and a peer group for the period commencing January 2, 2011 and ending January 3, 2016. The peer group is comprised of Dr Pepper Snapple Group, Inc., The Coca-Cola Company, Cott Corporation, National Beverage Corp. and PepsiCo, Inc.

The graph assumes that \$100 was invested in the Company's Common Stock, the Standard & Poor's 500 Index and the peer group on January 2, 2011 and that all dividends were reinvested on a quarterly basis. Returns for the companies included in the peer group have been weighted on the basis of the total market capitalization for each company.

	1/2/11	1/1/12	12/30/12	12/29/13	12/28/14	1/3/16
CCBCC	\$ 100	\$ 108	\$ 122	\$ 138	\$ 169	\$ 352
S&P 500	\$ 100	\$ 102	\$ 118	\$ 157	\$ 178	\$ 181
Peer Group	\$ 100	\$ 108	\$ 115	\$ 137	\$ 158	\$ 167

## Item 6. Selected Financial Data

The following table sets forth certain selected financial data concerning the Company for the five fiscal years ended January 3, 2016. The data is derived from audited consolidated financial statements of the Company. See Management's Discussion and Analysis of Financial Condition and Results of Operations and the accompanying notes to consolidated financial statements for additional information.

In thousands (except per share data) Summary of Operations	Fiscal Year*				
	2015**	2014**	2013	2012	2011
Net sales	\$2,306,458	\$1,746,369	\$1,641,331	\$1,614,433	\$1,561,239
Cost of sales	1,405,426	1,041,130	982,691	960,124	931,996
Selling, delivery and administrative expenses	802,888	619,272	584,993	565,623	541,713
Total costs and expenses	2,208,314	1,660,402	1,567,684	1,525,747	1,473,709
Income from operations	98,144	85,967	73,647	88,686	87,530
Interest expense, net	28,915	29,272	29,403	35,338	35,979
Other income (expense), net	(3,576 )	(1,077 )	—	—	—
Gain on exchange of franchise territory	8,807	—	—	—	—
Gain on sale of business	22,651	—	—	—	—
Bargain purchase gain, net of tax of \$1,265	2,011	—	—	—	—
Income before taxes	99,122	55,618	44,244	53,348	51,551
Income tax expense	34,078	19,536	12,142	21,889	19,528
Net income	65,044	36,082	32,102	31,459	32,023
Less: Net income attributable to noncontrolling					
interest	6,042	4,728	4,427	4,242	3,415
Net income attributable to Coca-Cola Bottling					
Co. Consolidated	\$59,002	\$31,354	\$27,675	\$27,217	\$28,608
Basic net income per share based on net income					
attributable to Coca-Cola Bottling Co.					
Consolidated:					
Common Stock	\$6.35	\$3.38	\$2.99	\$2.95	\$3.11
Class B Common Stock	\$6.35	\$3.38	\$2.99	\$2.95	\$3.11
Diluted net income per share based on net income					
attributable to Coca-Cola Bottling Co.					
Consolidated:					
Common Stock	\$6.33	\$3.37	\$2.98	\$2.94	\$3.09
Class B Common Stock	\$6.31	\$3.35	\$2.97	\$2.92	\$3.08
Cash dividends per share:					
Common Stock	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00
Class B Common Stock	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00
Year-End Financial Position					
Total assets	\$1,850,816	\$1,433,076	\$1,276,156	\$1,283,474	\$1,362,425
Current portion of debt	—	—	20,000	20,000	120,000
Current portion of obligations under capital leases	7,063	6,446	5,939	5,230	4,574
Obligations under capital leases	48,721	52,604	59,050	64,351	69,480
Long-term debt	623,879	444,759	378,566	403,386	403,219
	243,056	183,609	191,320	135,259	129,470

Total equity of Coca-Cola Bottling Co.  
Consolidated

\*All years presented are 52-week fiscal years except 2015 which was a 53-week year. The estimated net sales, gross margin and selling, delivery and administrative expenses for the additional week in 2015 of approximately \$39 million, \$14 million and \$10 million, respectively, are included in the reported results for 2015.

\*\*For additional information on acquisitions and divestitures in 2015 and 2014, see Management's Discussion and Analysis on Financial Condition and Results of Operations and the accompanying notes to the consolidated financial statements.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following Management's Discussion and Analysis of Financial Condition and Results of Operations ("M,D&A") of Coca-Cola Bottling Co. Consolidated (the "Company") should be read in conjunction with the consolidated financial statements of the Company and the accompanying notes to the consolidated financial statements.

The fiscal years presented are the 53-week period ended January 3, 2016 ("2015") and the 52-week periods ended December 28, 2014 ("2014") and December 29, 2013 ("2013"). The Company's fiscal year ends on the Sunday closest to December 31 of each year.

The consolidated financial statements include the consolidated operations of the Company and its majority-owned subsidiaries including Piedmont Coca-Cola Bottling Partnership ("Piedmont"). Noncontrolling interest consists of The Coca-Cola Company's interest in Piedmont, which was 22.7% for all periods presented. Piedmont is the Company's only significant subsidiary that has a noncontrolling interest. Noncontrolling interest income of \$6.0 million in 2015, \$4.7 million in 2014 and \$4.4 million in 2013 are included in net income on the Company's consolidated statements of operations. In addition, the amount of consolidated net income attributable to both the Company and noncontrolling interest are shown on the Company's consolidated statements of operations. Noncontrolling interest primarily related to Piedmont totaled \$79.4 million and \$73.3 million at January 3, 2016 and December 28, 2014, respectively. These amounts are shown as noncontrolling interest in the equity section of the Company's consolidated balance sheets.

#### Expansion Transactions

Since April 2013, as a part of The Coca-Cola Company's plans to rebrand its North American bottling territories, the Company has engaged in a series of transactions with The Coca-Cola Company and Coca-Cola Refreshments, Inc. ("CCR"), a wholly-owned subsidiary of The Coca-Cola Company, to expand our distribution operations significantly through the acquisition of rights to serve additional distribution territories previously served by CCR (the "Expansion Territories") and of related distribution assets (the "Distribution Territory Expansion Transactions"). During 2015, the Company completed its acquisitions of Expansion Territories announced as part of the April 2013 letter of intent signed with The Coca-Cola Company which included Expansion Territories in parts of Tennessee, Kentucky and Indiana previously served by CCR.

As a part of these transactions, in May 2015, the Company also completed an exchange transaction where it acquired certain assets of CCR relating to the marketing, promotion, distribution and sale of Coca-Cola and other beverage products in the territory previously served by CCR's facilities and equipment located in Lexington, Kentucky (including the rights to produce such beverages in the Lexington, Kentucky territory) in exchange for certain assets of the Company relating to the marketing, promotion, distribution and sale of Coca-Cola and other beverage products in the territory previously served by the Company's facilities and equipment located in Jackson, Tennessee (including the rights to produce such beverages in the Jackson, Tennessee territory). The net assets received by the Company in the Lexington-for-Jackson exchange transaction, after deducting the value of certain retained assets and retained liabilities, was approximately \$10.5 million, which was paid in cash at closing and is subject to a final post-closing adjustment.

On May 12, 2015, the Company and The Coca-Cola Company entered into a second non-binding letter of intent (the "May 2015 LOI") pursuant to which CCR would grant the Company in two phases certain exclusive rights for the distribution, promotion, marketing and sale of The Coca-Cola Company-owned and licensed products in additional territories currently served by CCR and would sell the Company certain assets that included rights to distribute those cross-licensed brands distributed in the territories by CCR as well as the assets used by CCR in the distribution of the cross-licensed brands and The Coca-Cola Company brands. The major markets that would be served as part of the

expansion contemplated by the May 2015 LOI include: Baltimore, Alexandria, Norfolk, Richmond, Washington, DC, Cincinnati, Columbus, Dayton and Indianapolis.

On September 23, 2015, the Company and CCR entered into an asset purchase agreement for the first phase of this additional Distribution Territory Expansion Transaction contemplated by the May 2015 LOI (the “September 2015 APA”) by acquiring Expansion Territory in: (i) eastern and northern Virginia, (ii) the entire state of Maryland, (iii) the District of Columbia, and (iv) parts of Delaware, North Carolina, Pennsylvania and West Virginia (the “Next Phase Territories”). The first closing for the series of Next Phase Territories transactions (the “Next Phase Territories Transactions”) occurred on October 30, 2015 for Norfolk, Fredericksburg and Staunton in Virginia and Elizabeth City in North Carolina. The second closing for the series of Next Phase Territories Transactions occurred on January 29, 2016 for Easton and Salisbury, Maryland and Richmond and Yorktown, Virginia. The closings for the remainder of the Next Phase Territories Transactions are expected to occur in the first half of 2016. At each of the October 2015 and January 2016 closings, the Company entered into, and anticipates it will enter into at subsequent closings of the Next Phase Territories Transactions, a comprehensive beverage agreement with CCR in substantially the same form as the form of comprehensive beverage agreement currently in effect in the territories acquired in the earlier Distribution Territory Expansion Transactions (the “Initial CBA”) that will require the Company to make a quarterly sub-bottling payment to CCR on a continuing basis for the grant of exclusive rights to distribute, promote, market and sell the Covered Beverages and Related Products (as defined in the Initial CBA) in the applicable Next Phase Territories.



While the Company is preparing to close the remainder of the Next Phase Territories Transactions and begin the process of transitioning the business conducted by CCR in the Next Phase Territories from CCR to the Company, the Company is continuing to work towards a definitive agreement or agreements with The Coca-Cola Company for the remainder of the proposed distribution territory expansion described in the May 2015 LOI, including distribution territories in central and southern Ohio, northern Kentucky and parts of Indiana and Illinois (the “Subsequent Phase Territories”).

Territory	Acquisition / Exchange Date	(Net) Cash Purchase Price (In Millions)
Johnson City and Morristown, Tennessee	May 23, 2014	\$ 12.2
Knoxville, Tennessee	October 24, 2014	30.9
Cleveland and Cookeville, Tennessee	January 30, 2015	13.2
Louisville, Kentucky and Evansville, Indiana	February 27, 2015	18.0
Paducah and Pikeville, Kentucky	May 1, 2015	7.5
Lexington, Kentucky for Jackson, Tennessee Exchange	May 1, 2015	10.5
Norfolk, Fredericksburg and Staunton, Virginia and Elizabeth City, North Carolina	October 30, 2015	26.1

The cash purchase price amounts included in the table above are subject in each case to a final post-closing adjustment and, as a result, may either increase or decrease.

The financial results for the Expansion Territories have been included in the Company’s consolidated financial statements from their acquisition or exchange dates. These territories contributed \$143.2 million and \$29.0 million in net sales and \$2.6 million in operating loss and \$1.9 million in operating income in the fourth quarter of 2015 (“Q4 2015”) and the fourth quarter of 2014 (“Q4 2014”), respectively. These territories contributed \$437.0 million and \$45.1 million in net sales and \$6.9 million and \$3.4 million in operating income in 2015 and 2014, respectively.

#### Manufacturing Letter of Intent and Definitive Agreement for Manufacturing Facilities Serving Next Phase Territories

The May 2015 LOI contemplated that The Coca-Cola Company would work collaboratively with the Company and certain other expanding participating bottlers in the U.S. (“EPBs”) to implement a national product supply system. As a result of subsequent discussions among the EPBs and The Coca-Cola Company, on September 23, 2015, the Company and The Coca-Cola Company entered into a non-binding letter of intent (the “Manufacturing LOI”) pursuant to which CCR would sell six manufacturing facilities (“Regional Manufacturing Facilities”) and related manufacturing assets (collectively, “Manufacturing Assets”) to the Company as the Company becomes a regional producing bottler (“Regional Producing Bottler”) in the national product supply system (the “Manufacturing Facility Expansion Transactions”). Similar to, and as an integral part of, the Distribution Territory Expansion Transactions described in the May 2015 LOI, the sale of the Manufacturing Assets by CCR to the Company would be accomplished in two phases. The first phase includes three Regional Manufacturing Facilities located in Sandston, Virginia; Silver Spring,

Maryland; and Baltimore, Maryland that serve the Next Phase Territories. The second phase includes three Regional Manufacturing Facilities located in Indianapolis, Indiana; Portland, Indiana; and Cincinnati, Ohio that serve the Subsequent Phase Territories. On October 30, 2015, the Company and CCR entered into a definitive purchase and sale agreement for the Manufacturing Assets that comprise the three Regional Manufacturing Facilities located in Sandston, Virginia; Silver Spring, Maryland; and Baltimore, Maryland (the “Next Phase Manufacturing Transactions”). The first closing for the series of Next Phase Manufacturing Transactions occurred on January 29, 2016 for the Sandston, Virginia facility. The Company anticipates that the closings of the acquisitions of Manufacturing Assets in Silver Spring and Baltimore, Maryland will be completed in the first half of 2016.

The rights for the manufacture, production and packaging of specified beverages at the Regional Manufacturing Facilities will be granted by The Coca-Cola Company to the Company initially pursuant to an initial regional manufacturing agreement substantially in the form attached to the Manufacturing LOI (the “Initial RMA”). Pursuant to its terms, the Initial RMA will be amended, restated and converted into a final form of regional manufacturing agreement (the “Final RMA”) concurrent with the conversion of the Company’s Bottling Agreements (as defined below) to the Final CBA as described in the description of the Territory Conversion Agreement (defined and described below).

While the Company is preparing to close the remainder of the Next Phase Manufacturing Transactions and begin the process of transitioning the business conducted by CCR at the Regional Manufacturing Facilities from CCR to the Company, the Company is continuing to work towards a definitive agreement or agreements with The Coca-Cola Company for the remainder of the proposed Manufacturing Facility Expansion Transactions described in the Manufacturing LOI, which includes three manufacturing facilities located in Indianapolis, Indiana; Portland, Indiana; and Cincinnati, Ohio.

On October 30, 2015, the Company, The Coca-Cola Company and the other EPBs who are considered Regional Producing Bottlers entered into a national product supply governance agreement substantially in the form attached to the Manufacturing LOI (the “NPSG Governance Agreement”). Pursuant to the NPSG Governance Agreement, The Coca-Cola Company and the Regional Producing Bottlers have formed a national product supply group (the “NPSG”) and agreed to certain binding governance mechanisms, including a governing board (the “NPSG Board”) comprised of a representative of (i) the Company, (ii) The Coca-Cola Company and (iii) each other Regional Producing Bottler. The stated objectives of the NPSG include, among others, (i) Coca-Cola system strategic infrastructure investment and divestment planning; (ii) network optimization of all plant to distribution center sourcing; and (iii) new product/packaging infrastructure planning. The NPSG Board will make and/or oversee and direct certain key decisions regarding the NPSG, including decisions regarding the management and staffing of the NPSG and the funding for the ongoing operations thereof. Pursuant to the decisions of the NPSG Board made from time to time and subject to the terms and conditions of the NPSG Governance Agreement, the Company and each other Regional Producing Bottler will make investments in their respective manufacturing assets and will implement Coca-Cola system strategic investment opportunities that are consistent with the NPSG Governance Agreement.

#### Territory Conversion Agreement

Concurrent with their execution of the September 2015 APA, the Company, CCR and The Coca-Cola Company executed a territory conversion agreement (the “Territory Conversion Agreement”), which provides that, except as noted below, all of the Company’s master bottle contracts, allied bottle contracts, Initial CBAs and other bottling agreements with The Coca-Cola Company or CCR that authorize the Company to produce and/or distribute the Covered Beverages or Related Products (as defined therein) (collectively, the “Bottling Agreements”) would be amended, restated and converted (upon the occurrence of certain events described below) to a new and final comprehensive beverage agreement (the “Final CBA”). The conversion would include all of the Company’s then existing Bottling Agreements in the Expansion Territories and in all other territories in the United States where the Company has rights to market, promote, distribute and sell beverage products owned or licensed by The Coca-Cola Company (the “Legacy Territory”), but would not affect any Bottling Agreements with respect to the greater Lexington, Kentucky territory. At the time of the conversion of the Bottling Agreements for the Legacy Territory to the Final CBA, CCR will pay a fee to the Company in cash (or another mutually agreed form of payment or credit) in an amount equivalent to 0.5 times the EBITDA the Company generates from sales in the Legacy Territory of Beverages (as defined in the Final CBA) either (i) owned by The Coca-Cola Company or licensed to The Coca-Cola Company and sublicensed to the Company, or (ii) owned by or licensed to Monster Energy Company on which the Company pays, and The Coca-Cola Company receives, a facilitation fee.

The Company may elect to cause the conversion of the Bottling Agreements to the Final CBA to occur at any time by giving written notice to The Coca-Cola Company. Further, if the transactions contemplated by the September 2015 APA are consummated, then the conversion will occur automatically upon the earliest of (i) the consummation of all of the transactions described in the May 2015 LOI regarding the Subsequent Phase Territories (the “Subsequent Phase Territory Transactions”), (ii) January 1, 2020, as long as The Coca-Cola Company has satisfied certain obligations described in the Territory Conversion Agreement regarding its intent to complete the Subsequent Phase Territory Transactions, or (iii) 30 days following the Company’s (a) termination of good faith negotiations of the Subsequent Phase Territory Transactions on terms similar to the Next Phase Territory Transactions or (b) notification that it no longer wants to pursue the Subsequent Phase Territory Transactions.

The Final CBA is similar to the Initial CBA in many respects, but also includes certain modifications and several new business, operational and governance provisions. For example, the Final CBA contains provisions that apply in the event of a potential sale of the Company or its aggregate businesses directly and primarily related to the marketing, promotion, distribution, and sale of Covered Beverages and Related Products (collectively, the “Business”). Under the Final CBA, the Company may only sell the Business to either The Coca-Cola Company or third party buyers

approved by The Coca-Cola Company. The Company annually can obtain a list of such approved third party buyers from The Coca-Cola Company or, upon receipt of a third party offer to purchase the Business, may seek approval of such buyer by The Coca-Cola Company. In addition, the Final CBA contains a sale process that would apply if the Company notifies The Coca-Cola Company that it wishes to sell the Business to The Coca-Cola Company. In such event, if the Company and The Coca-Cola Company are unable in good faith to negotiate terms and conditions of a binding purchase and sale agreement, including the purchase price for the Business, then the Company may either withdraw from negotiations with The Coca-Cola Company or initiate a third-party valuation process described in the Final CBA to determine the purchase price for the Business and, upon such third party's determination of the purchase price, may decide to continue with its potential sale of the Business to The Coca-Cola Company. The Coca-Cola Company would then have the option to (i) purchase the Business for such purchase price pursuant to defined terms and conditions set forth in the Final CBA (including, to the extent not otherwise agreed by the Company and The Coca-Cola Company, default non-price terms and conditions of the acquisition agreement) or (ii) elect not to purchase the Business, in which case the Final CBA would automatically be amended to, among other things, permit the Company to sell the Business to any third party without obtaining The Coca-Cola Company's prior approval of such third party.

The Final CBA also includes terms that would apply in the event The Coca-Cola Company terminates the Final CBA following the

Company's default thereunder. These terms include a requirement that The Coca-Cola Company acquire the Business upon such termination as well as the purchase price payable to the Company in such sale. The Final CBA specifies that the purchase price would be determined in accordance with a third-party valuation process equivalent to that employed if the Company notifies The Coca-Cola Company that it desires to sell the Business to The Coca-Cola Company; provided, the purchase price would be 85% of the valuation of the Business determined in the third-party valuation process if the Final CBA is terminated as a result of the Company's willful misconduct in violating certain obligations in the Final CBA with respect to dealing in other beverage products and other business activities, if a change in control occurs without the consent of The Coca-Cola Company or if the Company disposes of a majority of the voting power of any subsidiary of the Company that is a party to an agreement regarding the distribution or sale of Covered Beverages or Related Products.

Under the Final CBA, the Company will be required to ensure that it achieves an equivalent case volume per capita change rate that is not less than one standard deviation below the median of such rates for all U.S. Coca-Cola bottlers. If the Company fails to comply with the equivalent case volume per capita change rate obligation for two consecutive years, it would have a twelve-month cure period to achieve an equivalent case volume per capita change rate within such standard before it would be considered in breach under the Final CBA and the previously described termination provisions are triggered. The Final CBA also requires the Company to make minimum, ongoing capital expenditures at a specified level.

#### Annapolis Make Ready Center Acquisition

As a part of the Expansion Transactions, on October 30, 2015, the Company acquired from CCR a "make-ready center" in Annapolis, Maryland for approximately \$5.3 million, subject to a final post-closing adjustment. The Company recorded a bargain purchase gain of \$2.0 million on this transaction after applying a deferred tax liability of approximately \$1.3 million. The Company uses the make-ready center to deploy and refurbish vending and other sales equipment for use in the marketplace.

#### Sale of BYB Brands, Inc.

On August 24, 2015, the Company sold BYB Brands, Inc. ("BYB"), a wholly owned subsidiary of the Company, to The Coca-Cola Company. Pursuant to the stock purchase agreement dated July 22, 2015, the Company sold all of the issued and outstanding shares of capital stock of BYB for a cash purchase price of \$26.4 million, subject to a final post-closing adjustment. As a result of the sale, the Company recognized a gain of \$22.7 million in 2015, which was recorded in the Consolidated Statements of Operations in the line item titled "Gain on sale of business." BYB contributed \$23.9 million and \$34.1 million in net sales and \$1.8 million in operating income and \$0.4 million in operating loss in 2015 and 2014, respectively.

#### New Monster Distribution Agreement

Prior to April 6, 2015, the Company distributed energy drink products packaged and/or marketed by Monster Energy Company ("MEC") under the primary brand name "Monster" ("MEC Products") in certain portions of the Company's territories. On March 26, 2015, the Company and MEC entered into a new distribution agreement granting the Company rights to distribute MEC Products throughout all of the geographic territory the Company currently services for the distribution of Coca-Cola products, commencing April 6, 2015.

#### Pension Lump Sum Settlement

In 2013, the Company announced a limited Lump Sum Window distribution of present valued pension benefits to terminated plan participants meeting certain criteria. The benefit election window was open during the third quarter of

2013 and benefit distributions occurred during the fourth quarter of 2013. Based upon the number of plan participants electing to take the lump-sum distribution and the total amount of such distributions, the Company incurred a noncash charge of \$12.0 million in the fourth quarter of 2013 when the distributions were made in accordance with the relevant accounting standards. The reduction in the number of plan participants and the reduction of plan assets reduced the cost of administering the pension plan.

## Net Sales by Product Category

The Company's net sales in the last three fiscal years by product category were as follows:

In Thousands	Fiscal Year		
	2015	2014	2013
<b>Bottle/can sales:</b>			
Sparkling beverages (including energy products)	\$1,503,683	\$1,124,802	\$1,063,154
Still beverages	397,901	279,138	247,561
<b>Total bottle/can sales</b>	<b>1,901,584</b>	<b>1,403,940</b>	<b>1,310,715</b>
<b>Other sales:</b>			
Sales to other Coca-Cola bottlers	178,777	162,346	166,476
Post-mix and other	226,097	180,083	164,140
<b>Total other sales</b>	<b>404,874</b>	<b>342,429</b>	<b>330,616</b>
<b>Total net sales</b>	<b>\$2,306,458</b>	<b>\$1,746,369</b>	<b>\$1,641,331</b>

## Areas of Emphasis

Key priorities for the Company include territory and manufacturing expansion, revenue management, product innovation and beverage portfolio expansion, distribution cost management, and productivity.

## Revenue Management

Revenue management requires a strategy that reflects consideration for pricing of brands and packages within product categories and channels, highly effective working relationships with customers and disciplined fact-based decision-making. Revenue management has been and continues to be a key driver which has a significant impact on the Company's results of operations.

## Product Innovation and Beverage Portfolio Expansion

Innovation of both new brands and packages has been and is expected to continue to be important to the Company's overall revenue. New products and packaging introductions over the last several years include Coca-Cola Life, the 1.25-liter bottle, 7.5-ounce sleek can, 253 ml and 300 ml bottles, and the 2-liter contour bottle for Coca-Cola products.

## Distribution Cost Management

Distribution costs represent the costs of transporting finished goods from Company locations to customer outlets. Total distribution costs amounted to \$222.9 million, \$211.6 million and \$201.0 million in 2015, 2014 and 2013, respectively. Over the past several years, the Company has focused on converting its distribution system from a conventional routing system to a predictive system. This conversion to a predictive system has allowed the Company to more efficiently handle increasing numbers of products. In addition, the Company has closed a number of smaller sales distribution centers reducing its fixed warehouse-related costs.

The Company has three primary delivery systems for its current business:

- bulk delivery for large supermarkets, mass merchandisers and club stores;
- advanced sale delivery for convenience stores, drug stores, small supermarkets and on-premises accounts; and
- full service delivery for its full service vending customers.

Distribution cost management will continue to be a key area of emphasis for the Company.

Productivity

A key driver in the Company's selling, delivery and administrative ("S,D&A") expense management relates to ongoing improvements in labor productivity and asset productivity.

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## Items Impacting Operations and Financial Condition

The comparison of operating results for 2015 to the operating results for 2014 and 2013 are affected by the impact of one additional selling week in 2015 due to the Company's fiscal year ending on the Sunday closest to December 31<sup>st</sup>. The estimated net sales, gross margin and S,D&A expenses for the additional selling week in 2015 of approximately \$39 million, \$14 million and \$10 million, respectively, are included in reported results in 2015.

The following items affect the comparability of the financial results presented below:

### 2015

- \$22.7 million gain on the sale of BYB;
- \$20.0 million of expenses related to acquiring and transitioning Expansion Territories;
  - \$8.8 million gain on the exchange of certain Expansion Territories and related assets and liabilities;
- \$437.0 million in net sales and \$6.9 million of operating income related to Expansion Territories;
- \$3.6 million recorded in other expense as a result of an unfavorable fair value adjustment to the Company's contingent consideration liability related to the Expansion Territories;
- \$3.4 million pre-tax unfavorable mark-to-market adjustments related to our commodity hedging program;
- \$1.1 million favorable income tax adjustment related to the reduction of a state corporate tax rate; and
- \$1.1 million favorable income tax adjustment related to a reduction in the valuation allowance related to the sale of BYB.

### 2014

- \$12.9 million of expenses related to acquiring and transitioning new distribution territories;
- \$45.1 million in net sales and \$3.4 million of operating income related to Expansion Territories; and
- \$1.1 million recorded in other expense as a result of an unfavorable fair value adjustment to the Company's contingent consideration liability related to the Expansion Territories.

### 2013

- \$12.0 million noncash settlement charge related to the voluntary lump-sum pension distribution;
- \$5.0 million of expenses related to acquiring and transitioning new distribution territories;
- \$3.1 million favorable adjustment to net sales related to a refund of 2012 cooperative trade marketing funds paid by the Company to The Coca-Cola Company that were not spent in 2012; and
- \$2.3 million decrease to income tax expense related to state legislation enacted in 2013.

## Results of Operations

2015 Compared to 2014

A summary of the Company's financial results for 2015 and 2014:

In Thousands (Except Per Share Data)	Fiscal Year			% Change
	2015	2014	Change	
Net sales	\$2,306,458	\$1,746,369	\$560,089	32.1
Cost of sales	1,405,426	1,041,130	364,296	35.0
Gross margin	901,032	705,239	195,793	27.8
S,D&A expenses	802,888	619,272	183,616	29.7
Income from operations	98,144	85,967	12,177	14.2
Interest expense, net	28,915	29,272	(357 )	(1.2 )
Other income (expense), net	(3,576 )	(1,077 )	(2,499 )	N/M
Gain on exchange of franchise territory	8,807	—	8,807	N/M
Gain on sale of business	22,651	—	22,651	N/M
Bargain purchase gain, net of tax of \$1,265	2,011	—	2,011	N/M
Income before taxes	99,122	55,618	43,504	78.2
Income tax expense	34,078	19,536	14,542	74.4
Net income	65,044	36,082	28,962	80.3
Net income attributable to noncontrolling interest	6,042	4,728	1,314	27.8
Net income attributable to Coca-Cola Bottling Co.				
Consolidated	\$59,002	\$31,354	\$27,648	88.2
Basic net income per share:				
Common Stock	\$6.35	\$3.38	\$2.97	87.9
Class B Common Stock	\$6.35	\$3.38	\$2.97	87.9
Diluted net income per share:				
Common Stock	\$6.33	\$3.37	\$2.96	87.8
Class B Common Stock	\$6.31	\$3.35	\$2.96	88.4

## Net Sales

Net sales increased \$560.1 million, or 32.1%, to \$2.31 billion in 2015 compared to \$1.75 billion in 2014.

This increase in net sales was principally attributable to the following (in millions):

## Amounts Attributable to:

\$ 373.4	Net sales increase related to the Expansion Territories, reduced by the 2014 comparable sales of Legacy Territory exchanged for Expansion Territories in 2015
80.3	6.0% increase in bottle/can volume to retail customers in the Company's Legacy Territories primarily due to an increase in energy beverages, including MEC Products, and still beverages
69.3	4.9% increase in bottle/can sales price per unit to retail customers in the Company's Legacy Territories, primarily due to an increase in energy beverage volume, including MEC Products (which have a higher

	sales price per unit), and an increase in all beverage categories sales price per unit except the water beverage category
25.8	Increase in external transportation revenue
12.4	7.6% increase in sales volume to other Coca-Cola bottlers primarily due to a volume increase in all beverage categories
(9.1	) Decrease in sales of the Company's own brand products primarily due to the sale of BYB during the third quarter of 2015
4.0	2.3% increase in sales price per unit of sales to other Coca-Cola bottlers primarily due to a higher percentage of energy beverages, including MEC Products and still beverages which have a higher sales price per unit than nonenergy sparkling beverages
3.0	3.4% increase in post-mix sales price per unit
1.0	Other
\$ 560.1	Total increase in net sales

The 6.0% increase in bottle/can volume to retail customers (excluding Expansion Territories) represented a 3.8% increase in sparkling beverages and a 14.7% increase in still beverages. The growth trajectory and driving factors of sparkling and still beverages are different. Sparkling beverages, other than energy beverages, are in a mature state and have a lower growth trajectory, while still beverages and energy beverages have a higher growth trajectory primarily driven by changing customer preferences.

In 2015, the Company's bottle/can sales to retail customers accounted for 82.4% of the Company's total net sales. Bottle/can net pricing is based on the invoice price charged to customers reduced by promotional allowances. Bottle/can net pricing per unit is impacted by the price charged per package, the volume generated in each package and the channels in which those packages are sold.

Product category sales volume in 2015 and 2014 as a percentage of total bottle/can sales volume and the percentage change by product category were as follows:

Product Category	Bottle/Can Sales Volume		Bottle/Can Sales Volume	
	2015	2014	% Increase	
Sparkling beverages (including energy products)	78.6	79.9	%	27.3%
Still beverages	21.4	20.1	%	37.2%
Total bottle/can volume				