COCA COLA BOTTLING CO CONSOLIDATED /DE/
Form DEF 14A
March 25, 2008

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant þ

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Check the appropriate box:

o Preliminary Proxy Statement
o **Confidential, For Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
þ Definitive Proxy Statement
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COCA-COLA BOTTLING CO. CONSOLIDATED
(Name of Registrant as Specified in Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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COCA-COLA BOTTLING CO. CONSOLIDATED
4100 COCA-COLA PLAZA
CHARLOTTE, NORTH CAROLINA 28211
(704) 557-4400

Notice of Annual Meeting of Stockholders
to be held on
April 29, 2008

To The Stockholders of
Coca-Cola Bottling Co. Consolidated:

Notice Is Hereby Given that the Annual Meeting of Stockholders (the Annual Meeting) of Coca-Cola Bottling Co. Consolidated will be held at our Snyder Production Center, 4901 Chesapeake Drive, Charlotte, North Carolina 28216 on Tuesday, April 29, 2008, at 10:00 a.m., local time, for the purpose of considering and acting upon the following:

1. The election of eleven directors to serve until the next Annual Meeting and until their successors have been elected and qualified.

2. Approval of an award of performance units to our Chairman and Chief Executive Officer.

3. A proposal to ratify the selection of PricewaterhouseCoopers LLP as our independent registered public accounting firm for fiscal year 2008.

4. Such other business as may properly come before the Annual Meeting or any adjournment thereof.

The Board of Directors has fixed the close of business on March 14, 2008 as the record date for determining the stockholders entitled to notice of and to vote at the Annual Meeting and any adjournment thereof, and only holders of our Common Stock and Class B Common Stock of record on such date will be entitled to notice of or to vote at the Annual Meeting. A list of stockholders will be available for inspection at least ten days prior to the Annual Meeting at our principal executive offices at 4100 Coca-Cola Plaza, Charlotte, North Carolina 28211.

The Board of Directors will appreciate your prompt vote. Registered holders of our stock may vote by a toll free telephone number, the Internet or by the prompt return of the enclosed proxy card, dated and signed. Instructions regarding all three methods of voting are set forth on the enclosed proxy card. You may revoke your proxy at any time prior to the vote at the Annual Meeting. If you decide to attend the Annual Meeting and wish to change your proxy vote, you may do so automatically by voting in person at the Annual Meeting.

By Order of the Board of Directors

Henry W. Flint
Secretary

March 25, 2008

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PROXY STATEMENT

ANNUAL MEETING OF STOCKHOLDERS OF COCA-COLA BOTTLING CO. CONSOLIDATED to be held on April 29, 2008

Introduction

This Proxy Statement is being furnished by the Board of Directors of Coca-Cola Bottling Co. Consolidated (Coca-Cola Consolidated) in connection with the solicitation of proxies by the Board of Directors for use at the Annual Meeting of Stockholders (the Annual Meeting) to be held at our Snyder Production Center, 4901 Chesapeake Drive, Charlotte, North Carolina 28216 on Tuesday, April 29, 2008, at 10:00 a.m., local time, and at any adjournment thereof. On or about March 25, 2008, we will begin mailing to our stockholders this Proxy Statement and the accompanying form of proxy, the 2007 Summary Annual Report to Stockholders and the Annual Report on Form 10-K for the year ended December 30, 2007. Our principal executive offices are located at 4100 Coca-Cola Plaza, Charlotte, North Carolina 28211.

Record Date, Vote Required and Related Matters

The Board of Directors has fixed the close of business on March 14, 2008 as the record date for the determination of stockholders entitled to notice of and to vote at the Annual Meeting. At the close of business on March 14, 2008, we had 6,643,677 shares of Common Stock and 2,499,652 shares of Class B Common Stock issued and outstanding. Each share of Common Stock is entitled to one vote per share and each share of Class B Common Stock is entitled to 20 votes per share (or an aggregate of 56,636,717 votes with respect to the Common Stock and the Class B Common Stock voting together as a single class). Each stockholder may exercise his right to vote either in person or by properly executed proxy. The Common Stock and Class B Common Stock will vote together as a single class on all matters considered at the Annual Meeting.

Any person giving a proxy pursuant to this solicitation may revoke it at any time before it is voted at the Annual Meeting by (1) delivering a written notice of revocation to our Secretary at our principal executive offices, (2) submitting a later-dated proxy relating to the same shares by mail, telephone or the Internet or (3) attending the Annual Meeting and voting in person. If a choice is specified in the proxy, shares represented thereby will be voted in accordance with such choice. If no choice is specified, the proxy will be voted as follows:

1. **FOR** the eleven nominees to the Board of Directors listed herein;

2. **FOR** approval of the performance unit award to our Chairman and Chief Executive Officer (the 2008 Performance Unit Award); and

3. **FOR** the ratification of the selection of PricewaterhouseCoopers LLP as our independent registered public accounting firm for fiscal year 2008.

The presence, in person or by proxy, of the holders of a majority of the votes eligible to be cast by the holders of Common Stock and Class B Common Stock voting together as a class is necessary to constitute a quorum at the Annual Meeting. Directors are elected by a plurality of the votes cast at a meeting at which a quorum is present. The affirmative vote of holders of a majority of the total votes of our Common Stock and Class B Common Stock, voting together as a single class, present in person or by proxy and entitled to vote on the subject matter is required for the approval of the 2008 Performance Unit Award and the ratification of PricewaterhouseCoopers LLC as our independent registered public accounting firm for fiscal year 2008.

Abstaining votes and broker non-votes are counted for purposes of establishing a quorum, but are not counted in the election of directors and therefore have no effect on the election. In a vote on the other proposals to be considered at the meeting, an abstaining vote will have the same effect as a vote against the proposals, but a broker non-vote will not be included in the tabulation of the voting results and therefore will not affect the outcome of the vote. A broker non-vote occurs when a nominee holding shares for a beneficial owner does not vote on a particular matter because the nominee does not have discretionary voting power for that particular matter and has not received instructions from the beneficial owner.

The Board of Directors has been informed that J. Frank Harrison, III intends to vote an aggregate of 1,984,495 shares of our Common Stock and 2,499,250 shares of our Class B Common Stock (representing 51,969,495 votes and an aggregate of 91.8% of the total voting power of the Common Stock and Class B Common Stock together as of the record date) **FOR** electing the Board of Directors nominees for director, **FOR** approval of the 2008 Performance Unit Award, and **FOR** the ratification of the selection of PricewaterhouseCoopers LLP as our independent registered public accounting firm for fiscal year 2008.

The Board of Directors is not aware of any matters to be brought before the Annual Meeting or any adjournment thereof other than the matters described above and routine matters incidental to the conduct of the Annual Meeting. If, however, other matters are properly presented, it is the intention of the persons named in the accompanying proxy or their substitutes to vote the shares represented by the proxy in accordance with their best judgment on such matters.

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Principal Stockholders

As of March 14, 2008, the only persons known to us to be beneficial owners of more than 5% of the Common Stock or Class B Common Stock were as follows:

Name and Address	*Class*	*Amount and Nature of Beneficial Ownership*	*Percentage of Class*	*Total Votes(1)*	*Percentage of Total Votes(1)*
J. Frank Harrison, III, J. Frank	Common Stock	4,483,745(2)(3)	49.0%		
Harrison Family, LLC and three Harrison Family Limited Partnerships, as a group 4100 Coca-Cola Plaza Charlotte, NC 28211	Class B Common	2,499,250(4)(3)	99.98%	51,969,495	91.8%
The Coca-Cola Company	Common Stock	1,984,495(5)(3)	29.9%		
One Coca-Cola Plaza Atlanta, GA 30313	Class B Common	497,670(3)	19.9%	11,937,895	21.1%
Coca-Cola Enterprises Inc. 2500 Windy Ridge Parkway Atlanta, GA 30339	Common Stock	578,947(6)	8.7%	578,947	1.0%
River Road Asset Management, LLC 462 South 4th Street, Suite 1600 Louisville, KY 40202	Common Stock	467,987(7)	7.0%	352,759	0.6%

(1) In calculating the total votes and percentage of total votes, no effect is given to conversion of Class B Common Stock into Common Stock. A total of 6,643,677 shares of Common Stock and 2,499,652 shares of Class B Common Stock was outstanding on March 14, 2008.

(2) Consists of (a) 2,499,250 shares of Class B Common Stock beneficially owned by such persons as described in note (4) that are convertible into shares of Common Stock and (b) 1,984,495 shares of Common Stock held by The Coca-Cola Company subject to the terms of the Voting Agreement and Irrevocable Proxy (described in note (3) below) as to which Mr. Harrison has shared voting and no investment power.

(3) J. Frank Harrison, III, J. Frank Harrison Family, LLC and the Harrison Family Limited Partnerships (described in note (4) below) are parties to a Voting Agreement with The Coca-Cola Company. The Coca-Cola Company has also granted an Irrevocable Proxy to Mr. Harrison, the terms of which provide Mr. Harrison an irrevocable

proxy for life concerning the shares of Common Stock and Class B Common Stock owned by The Coca-Cola Company. See *Certain Transactions* below.

(4) Consists of (a) a total of 1,605,534 shares of Class B Common Stock held by the JFH Family Limited Partnership FH1, JFH Family Limited Partnership SW1 and JFH Family Limited Partnership DH1 (collectively, the Harrison Family Limited Partnerships), as to which Mr. Harrison, in his capacity as the Consolidated Stock Manager of J. Frank Harrison Family, LLC (the general partner of each of the Harrison Family Limited Partnerships), has sole voting and investment power, (b) 497,670 shares of Class B Common Stock held by The Coca-Cola Company subject to the terms of the Voting Agreement and Irrevocable Proxy (described in note (3) above) as to which Mr. Harrison has shared voting and no investment power, (c) 235,786 shares of Class B Common Stock held by certain trusts for the benefit of certain relatives of the late J. Frank Harrison, Jr. as to which Mr. Harrison has sole voting and investment power, and (d) 160,260 shares of Class B Common Stock held by Mr. Harrison as to which he has sole voting and investment power.

(5) Such information is derived from Amendment No. 26 to Schedule 13D filed by The Coca-Cola Company on April 1, 2003. With respect to the Common Stock ownership information, the amount shown excludes 497,670 shares issuable upon conversion of shares of Class B Common Stock.

(6) Such information is derived from Amendment No. 5 to Schedule 13G filed by Coca-Cola Enterprises Inc. on February 6, 2008.

(7) Such information is derived from the Schedule 13G filed by River Road Asset Management, LLC on February 13, 2008.

Proposal 1:
Election of Directors

The Board of Directors consists of between nine and twelve members as fixed from time to time by our stockholders or the Board of Directors. The Board of Directors currently has eleven members. Vacancies and newly-created directorships may be filled by a majority of the directors then in office, although less than a quorum, or by a sole remaining director. Eleven directors are to be elected at the Annual Meeting to hold office until the next Annual Meeting of Stockholders and until their successors are duly elected and qualified.

It is the intention of the persons named as proxies in the accompanying form of proxy to vote all proxies solicited for the eleven nominees listed below, unless the authority to vote is withheld. Each of the nominees were elected to their current terms on the Board of Directors at the 2007 Annual Meeting of Stockholders, except for James H. Morgan. James H. Morgan was appointed to his current term on February 27, 2008 to fill a vacancy on the Board of Directors. If for any reason any nominee shall not become a candidate for election at the Annual Meeting, an event not now anticipated, the proxies will be voted for the eleven nominees including any substitutes that will be designated by the Board of Directors. The proxies solicited through this Proxy Statement will in no event be voted for more than eleven persons.

Nominees for Election of Directors

J. FRANK HARRISON, III, age 53, is our Chairman of the Board of Directors and Chief Executive Officer. Mr. Harrison served as Vice Chairman of the Board of Directors from November 1987 through his election as Chairman in December 1996 and was appointed as our Chief Executive Officer in May 1994. He was first employed by us in 1977 and has served as a Division Sales Manager and as a Vice President. Mr. Harrison is a director of Wachovia Bank & Trust, N.A., Southern Region Board. He is Chairman of the Executive Committee and Chairman of the Finance Committee.

H. W. MCKAY BELK, age 51, was appointed President and Chief Merchandising Officer of Belk, Inc., an operator of retail department stores, in March 2004. Prior to this appointment, Mr. Belk had served as President, Merchandising and Marketing of Belk, Inc. since May 1998. Mr. Belk served as President and Chief Merchandise Officer of Belk Stores Services, Inc., a provider of services to retail department stores, from March 1997 to April 1998. Mr. Belk served as President, Merchandise and Sales Promotion of Belk Stores Services, Inc. from April 1995 through March 1997. Mr. Belk is also a director of Belk, Inc. He has been a director of Coca-Cola Consolidated since May 1994 and is Chairman of the Audit Committee and a member of the Executive Committee and Compensation Committee.

SHARON A. DECKER, age 51, has been the Chief Executive Officer of The Tapestry Group, a faith based non-profit organization, since September 2004. Prior to founding The Tapestry Group, Ms. Decker served as the President of The Tanner Companies, a direct seller of women s apparel, from August 2002 to September 2004. From August 1999 to July 2002, she was President of Doncaster, a division of The Tanner Companies. Ms. Decker was President and Chief Executive Officer of the Lynnwood Foundation, which created and manages a conference facility and leadership institute, from 1997 until 1999. From 1980 until 1997, she served Duke Energy Corporation in a number of capacities, including as Corporate Vice President and Executive Director of the Duke Power Foundation. She also serves as a director of Family Dollar Stores, Inc., a discount retailer, and SCANA Corporation, a diversified utility company. Ms. Decker has been a director of Coca-Cola Consolidated since May 2001. Ms. Decker is a member of the Audit Committee and the Retirement Benefits Committee.

WILLIAM B. ELMORE, age 52, is our President and Chief Operating Officer, positions he has held since January 2001. He was Vice President, Value Chain from July 1999 to December 2000, Vice President, Business Systems from August 1998 to June 1999, Vice President, Treasurer from June 1996 to July 1998 and Vice President, Regional Manager for the Virginia, West Virginia and

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Tennessee Divisions from August 1991 to May 1996. Mr. Elmore has been a director of Coca-Cola Consolidated since January 2001. He is Chairman of the Retirement Benefits Committee and a member of the Executive Committee.

HENRY W. FLINT, age 53, is our Vice Chairman of the Board of Directors, a position he has held since April 2007. Mr. Flint served as Executive Vice President and Assistant to the Chairman from July 2004 to April 2007. Mr. Flint was Co-Managing Partner of the law firm of Kennedy Covington Lobdell & Hickman, L.L.P. from January 2000 to July 2004, a firm with which he was associated since 1980. Mr. Flint has also served as our Secretary since 2000. Mr. Flint is a member of the Finance Committee and Retirement Benefits Committee.

DEBORAH S. HARRISON, age 47, has been an affiliate broker with Fletcher Bright Company, a real estate brokerage firm located in Chattanooga, Tennessee, since February 1997. Ms. Harrison also served as a Trustee of the Girls Preparatory School in Chattanooga, Tennessee from 1997 to 2004. Ms. Harrison has been a director of Coca-Cola Consolidated since May 2003 and is a member of the Finance Committee.

NED R. McWHERTER, age 77, is retired. He served as a Governor of the United States Postal Service from 1995 to 2003 and as Governor of the State of Tennessee from January 1987 to January 1995. Mr. McWherter is also a former director of Volunteer Distributing Company, a beverage distributor, Eagle Distributors, Inc., a snack food distributor, and Piedmont Natural Gas Company, Inc., an energy and services company. He has been a director of Coca-Cola Consolidated since 1995 and is a member of the Compensation Committee.

JAMES H. MORGAN, age 60, has served as President and Chief Executive Officer of Krispy Kreme Doughnuts, Inc. since January 2008. Since January 2002, Mr. Morgan has served as Chairman and Chief Investment Officer of Covenant Capital, LLC (formerly Morgan Semones Associates, LLC), an investment management firm, which is the General Partner of The Morgan Crossroads Fund. Previously, Mr. Morgan served as a consultant for Wachovia Securities, Inc., a securities and investment banking firm, from January 2000 to May 2001. From April 1999 to December 1999, Mr. Morgan was Chairman and Chief Executive Officer of Wachovia Securities, Inc. Mr. Morgan was employed by Interstate/Johnson Lane, an investment banking and brokerage firm, from 1990 to 1999 in various capacities, including as Chairman and Chief Executive Officer. Mr. Morgan is the Chairman of the Board of Directors of Krispy Kreme Doughnuts, Inc. Mr. Morgan has been a director of the Company since February 2008 and is a member of the Audit Committee and the Finance Committee.

JOHN W. MURREY, III, age 65, has been an Assistant Professor at Appalachian School of Law in Grundy, Virginia since August 2003. Mr. Murrey was of counsel to the law firm of Shumacker Witt Gaither & Whitaker, P.C., in Chattanooga, Tennessee until December 2002, a firm with which he was associated since 1970. Mr. Murrey is a director of The Dixie Group, Inc., a carpet manufacturer. He has been a director of Coca-Cola Consolidated since March 1993 and is a member of the Retirement Benefits Committee.

CARL WARE, age 64, retired from The Coca-Cola Company in February 2003. Mr. Ware served as Executive Vice President, Public Affairs and Administration for The Coca-Cola Company, from January 2000 to February 2003. He served as President of the Africa Group of The Coca-Cola Company from January 1993 to January 2000. Mr. Ware has been a director of Coca-Cola Consolidated since February 2000. Mr. Ware is also a director of Chevron Corporation, a petroleum products company, and Cummins Inc., an engine manufacturer and distributor. Mr. Ware is a member of the Finance Committee.

DENNIS A. WICKER, age 55, has been a partner in the Raleigh, North Carolina office of the law firm of Helms Mulliss & Wicker, PLLC since 2001. He served as Lt. Governor of the State of North Carolina from 1993 to 2001. Mr. Wicker served as Chairman of North Carolina Community Colleges and as Chairman of North Carolina s Technology Council. Mr. Wicker also serves as a director of

First Bancorp, a bank holding company, and Air T, Inc, an air transportation services company. Mr. Wicker has been a director of Coca-Cola Consolidated since May 2001. Mr. Wicker serves as the Lead Independent Director and is the Chairman of the Compensation Committee and a member of the Executive Committee and Audit Committee.

J. Frank Harrison, III and Deborah S. Harrison are brother and sister. In accordance with the operating agreement of J. Frank Harrison Family, LLC and certain trusts for the benefit of certain relatives of the late J. Frank Harrison, Jr., Mr. Harrison, III intends to vote the shares of our stock owned or controlled by such entities for the election of Ms. Harrison to the Board of Directors.

Corporate Governance

The Board of Directors

The Board of Directors held four meetings during the fiscal year ended December 30, 2007. Each director attended at least 75% of all of the meetings of the Board of Directors and the Committees of the Board of Directors on which he or she served during fiscal year 2007. Absent extenuating circumstances, each of the members of the Board of Directors is required to attend the Annual Meeting in person. All of the then current members of the Board of Directors attended the 2007 Annual Meeting.

The full Board of Directors has determined that the following directors and nominees for director are independent directors within the meaning of the applicable listing standards of The NASDAQ Stock Market LLC (Nasdaq): H.W. McKay Belk, Sharon A. Decker, Ned R. McWherter, James H. Morgan, John W. Murrey, III and Dennis A. Wicker.

The Audit Committee

The Board of Directors has an Audit Committee whose current members are Messrs. Belk (Chairman), Morgan and Wicker and Ms. Decker. The primary purpose of the Audit Committee is to act on behalf of the Board of Directors in its oversight of all material aspects of our accounting and financial reporting processes, internal controls and audit functions, including our compliance with Section 404 of the Sarbanes-Oxley Act of 2002. The Audit Committee functions pursuant to a written charter adopted by the Board of Directors, a copy of which was attached to our proxy statement for our 2007 Annual Meeting of Stockholders. The Board of Directors has determined that Mr. Morgan is an audit committee financial expert within the meaning of the regulations of the Securities and Exchange Commission (the SEC), and that all of the members of the Audit Committee are independent within the meaning of the applicable Nasdaq listing standards. The Audit Committee met four times in fiscal year 2007. The formal report of the Audit Committee for fiscal year 2007 is set forth below under the caption *Audit Committee Report.*

The Compensation Committee

The Board of Directors has a Compensation Committee whose current members are Messrs. Wicker (Chairman), Belk and McWherter. The Compensation Committee administers our compensation plans, reviews and establishes the compensation of our executive officers and makes recommendations to the Board of Directors concerning such compensation and related matters. The Compensation Committee does not function pursuant to a written charter. The Compensation Committee met two times in fiscal year 2007. The formal report of the Compensation Committee for fiscal year 2007 is set forth below under the caption *Compensation Committee Report.*

For a description of the Compensation Committee s processes and procedures for the consideration and determination of executive compensation, see *Executive Compensation Compensation Discussion and Analysis* below. The Compensation Committee also reviews,

approves and recommends to the Board of Directors for approval the compensation of the members of the Board of Directors. In approving annual director compensation, the Compensation Committee considers recommendations of management and approves the recommendations with such modifications as the Committee deems appropriate. In 2007, management s recommendations were based on a Director Pay Study completed by Hewitt Associates. Hewitt Associates was retained by management and directed to provide an analysis of director compensation, which was compiled using a sample of regionally-based companies and published surveys. The Compensation Committee does not engage its own consultants.

Nominations of Directors

The Board of Directors does not have a standing Nominating Committee comprised solely of independent directors. The Board of Directors is not required to have such a committee because we qualify as a controlled company within the meaning of Rule 4350(c)(5) of the Nasdaq listing standards. We currently qualify as a controlled company because more than 50% of our voting power is controlled by our Chairman and Chief Executive Officer, J. Frank Harrison, III (the Controlling Stockholder). Rule 4350(c)(5) was adopted by Nasdaq in recognition of the fact that a majority stockholder may control the selection of directors and certain key decisions of a company by virtue of his or her ownership rights.

The Board of Directors has delegated to its Executive Committee the responsibility for identifying, evaluating and recommending director candidates to the Board of Directors, subject to the final approval of the Controlling Stockholder who is also a member of the Executive Committee. The current members of the Executive Committee are Messrs. Harrison (Chairman), Belk, Elmore and Wicker. Messrs. Belk and Wicker are independent directors within the meaning of the applicable Nasdaq rules. Messrs. Harrison and Elmore do not qualify as independent directors. The Executive Committee met one time in fiscal year 2007.

The Executive Committee does not function pursuant to a formal written charter. However, taking into consideration the fact that we are a controlled company and that all director candidates must be acceptable to the Controlling Stockholder, the Board of Directors has approved the following nomination and appointment process for the purpose of providing our constituencies with a voice in the identification of candidates for nomination and appointment.

In identifying potential director candidates, the Executive Committee may seek input from other directors, executive officers, employees, community leaders, business contacts, third-party search firms and any other sources deemed appropriate by the Executive Committee. The Executive Committee will also consider director candidates recommended by stockholders to stand for election at the next Annual Meeting, so long as such recommendations are submitted in accordance with the procedures described below under *Stockholder Recommendations of Director Candidates.* James H. Morgan, a nominee for election to the Board of Directors, was recommended to the Governance and Nominating Committee by the Chief Executive Officer.

In evaluating director candidates, the Executive Committee does not set specific, minimum qualifications that must be met by a director candidate. Rather, in evaluating candidates for recommendation to the Board of Directors, the Executive Committee considers the following factors in addition to any other factors deemed appropriate by the Executive Committee:

- whether the candidate is of the highest ethical character and shares the values of our company;
- whether the candidate s reputation, both personal and professional, is consistent with our image and reputation;
- whether the candidate possesses expertise or experience that will benefit us and is desirable given the current make-up of the Board of Directors;

- whether the candidate is independent as defined by the applicable Nasdaq listing standards and other applicable laws, rules or regulations regarding independence;

- whether the candidate is eligible to serve on the Audit Committee or other Board committees under the applicable Nasdaq listing standards and other applicable laws, rules or regulations;

- whether the candidate is eligible by reason of any legal or contractual requirements affecting us or our stockholders;

- whether the candidate is free from conflicts of interest that would interfere with the candidate s ability to perform the duties of a director or that would violate any applicable listing standard or other applicable law, rule or regulation;

- whether the candidate s service as an executive officer of another company or on the boards of directors of other companies would interfere with the candidate s ability to devote sufficient time to discharge his or her duties as a director; and

- if the candidate is an incumbent director, the director s overall service to our company during the director s term, including the number of meetings attended, the level of participation and the overall quality of performance of the director.

All director candidates, including candidates appropriately recommended by stockholders, are evaluated in accordance with the process described above. In all cases, however, the Executive Committee will not recommend any potential director candidate if such candidate is not acceptable to the Controlling Stockholder.

Stockholder Recommendations of Director Candidates

Stockholders who wish to recommend director candidates for consideration by the Executive Committee may do so by submitting a written recommendation to the Chairman of the Executive Committee c/o our Secretary at 4100 Coca-Cola Plaza, Charlotte, North Carolina 28211. Such recommendation must include sufficient biographical information concerning the director candidate, including a statement regarding the director candidate s qualifications. The Executive Committee may require such further information and obtain such further assurances concerning the director candidate as it deems reasonably necessary to the consideration of the candidate.

Recommendations by stockholders for director candidates to be considered for the 2009 Annual Meeting of Stockholders must be submitted by November 25, 2008. The submission of a recommendation by a stockholder in compliance with these procedures does not guarantee the selection of the stockholder s candidate or the inclusion of the candidate in our proxy statement; however, the Executive Committee will consider any such candidate in accordance with the procedures described above under the caption *Nominations of Directors.*

Stockholder Communications with the Board of Directors

Stockholders may, at any time, communicate with any of our directors by sending a written communication to such director c/o our Secretary at 4100 Coca-Cola Plaza, Charlotte, North Carolina 28211. All communications received in accordance with these procedures will be reviewed by the Secretary and forwarded to the appropriate director or directors unless such communications are considered, in the reasonable judgment of the Secretary, to be improper for submission to the intended recipient. Examples of stockholder communications that would be considered improper for submission include communications that:

do not relate to the business or affairs of our company or the functioning or constitution of the Board of Directors or any of its committees;

relate to routine or insignificant matters that do not warrant the attention of the Board of Directors;

are advertisements or other commercial solicitations;

are frivolous or offensive; or

are otherwise not appropriate for delivery to directors.

Compensation Committee Interlocks and Insider Participation

H.W. McKay Belk, Ned R. McWherter and Dennis A. Wicker served on the Compensation Committee in fiscal year 2007. None of the directors who served on the Compensation Committee in fiscal year 2007 has ever served as one of our officers or employees. During fiscal year 2007, none of our executive officers served as a director or member of the Compensation Committee (or other committee performing similar functions) of any other entity of which an executive officer served on our Board of Directors or Compensation Committee.

Compensation Committee Report

The Compensation Committee of the Board of Directors has reviewed and discussed the below section titled *Executive Compensation Compensation Discussion and Analysis* with management, and, based on such review and discussions, recommended to the Board of Directors that the section be included in the Proxy Statement and the Annual Report on Form 10-K for the year ended December 30, 2007.

Submitted by the Compensation Committee of the Board of Directors.

Dennis A. Wicker, Chair
H. W. McKay Belk
Ned R. McWherter

Executive Compensation

Compensation Discussion and Analysis

The following is a discussion and analysis of the material elements of our compensation program as it relates to our Chief Executive Officer, our Chief Financial Officer for fiscal year 2007 and the other executive officers named in the Summary Compensation Table, which appears below. This discussion is intended to provide perspective to the tables and other narrative disclosures that follow it.

Executive Compensation Objectives. The objectives of our executive compensation program are to ensure that our executive officer compensation is:

- competitive to attract and retain the best officer talent;
- affordable and appropriately aligned with stockholder interests;
- fair, equitable and consistent as to each component of compensation;
- designed to motivate our executive officers to achieve our annual and long-term strategic goals and to reward performance based on the attainment of those goals;
- designed to appropriately take into account risk and reward in the context of our business environment and long-range business plans;
- designed to consider individual value and contribution to our success;
- reasonably balanced across types and purposes of compensation, particularly with respect to performance-based objectives and retention and retirement objectives;
- sensitive to, but not exclusively reliant upon, market benchmarks;
- reasonably sensitive to the needs of our executive officers, as those needs change over time; and
- flexible with regard to our succession planning objectives.

Executive Compensation Overview. We compensate our executive officers through a mix of base salaries, annual performance incentives, long-term performance incentives, long-term deferred compensation and retirement benefits, and other personal benefits and perquisites. We also provide our Chief Executive Officer with restricted stock.

In allocating compensation among these elements, we strive to maintain an appropriate balance between fixed and performance-based compensation and short-term and long-term compensation. We also attempt to maintain each element of compensation and total compensation at levels that enable us to remain competitive for executive talent.

Over the past several years, we have periodically reviewed our executive compensation program in light of our business environment, our annual and long-range business plans, our culture and values and applicable legal requirements. As part of these reviews, we engaged Hewitt Associates, a nationally recognized consulting firm, in 2005 and 2007, to complete studies of the compensation of our executive officers compared to the compensation of senior management

at other companies selected based on revenue size and business industry segment. For 2007, the following companies were selected for comparison:

A.O. Smith Corporation
Avery Dennison Corporation
Bausch & Lomb Incorporated
Brady Corporation
The Clorox Company
Corn Products International Inc.
Cott Corp.
Del Monte Foods Company
ESCO Technologies
Fortune Brands, Inc.
Graco, Inc.
Graphic Packaging Corporation
Hansen Natural Corp.
The Hershey Company
Joy Global Inc.
McCormick & Company, Inc.
Milacron Inc.
Molson Coors Brewing Company
National Beverage Corp.
Neenah Paper, Inc.
Packaging Corporation of America
Playtex Products, Inc.
Sauer-Danfoss Inc.
The Scotts Miracle-Gro Company
The Sherwin-Williams Company
Tupperware Corporation
UST Inc.
Valmont Industries, Inc.
W.W. Grainger, Inc.
Wm. Wrigley Jr. Company
Woodward Governor Company

We use the studies by Hewitt Associates and other publicly available compensation surveys and data to assess generally the competitiveness of our compensation program for executive officers, but we do not rely exclusively on survey data or attempt to maintain salaries or overall compensation at specific benchmarks or percentiles. Our decisions regarding compensation levels with respect to individual elements of compensation and total compensation are not based solely on objective criteria, but instead are based on our general experience and subjective consideration of various factors including, in addition to compensation studies and surveys, each executive officer s position and level of responsibility, individual job performance, contributions to our corporate performance, job tenure and potential.

Base Salaries. We provide our executive officers with base salaries to achieve our objectives of attracting and retaining the best officer talent and providing a reasonable balance between fixed and performance-based compensation. We strive to maintain executive base salaries at a level that will permit us to compete with other major companies for officers with comparable qualifications and abilities.

We establish salary levels for each executive officer position based on our review of competitive market data and the other factors referred to above. Based on the 2007 study by Hewitt Associates, the base salaries of our named executive officers, other than the Chief Executive Officer, were between the 50th and 75th percentiles of our comparator group of companies. The base salary of our Chief Executive Officer, Mr. Harrison, III, was at the 49th percentile of our comparator group. For 2007, we determined that the base salaries of our named executive officers, including the Chief Executive Officer, were within a reasonable range of base salaries for comparable executive talent. We also reviewed data from Hewitt Associates *2007-2008 U.S. Salary Increase Survey* for a broad group of executive officers at comparable companies, which reflected a typical salary increase of 3.7% for 2007 and a projected salary increase of 3.8% for 2008.

Effective in February 2007, we increased the base salary of each of the named executive officers by 3.5%, except for Mr. Westphal s base salary, which was increased by 7.7%. Mr. Westphal s base salary was increased by a higher percentage due to increased levels of responsibility in connection with his 2005 promotion to Senior Vice President and Chief Financial Officer, our review of competitive market data and Mr. Westphal s individual performance and contributions to our company. Effective in September 2007, we increased Mr. Westphal s base salary by an additional 14.3% in connection with his promotion to Executive Vice President, Operations and Systems. Effective in July 2007, we increased Mr. Flint s base salary by an additional 10.9% in connection with his promotion to Vice Chairman of our company. The amounts of the mid-year base salary increases for Mr. Westphal and Mr. Flint were based on various factors, including our subjective judgment and review of competitive market data for executives with similar responsibilities at comparable companies. For 2008, we have increased the base salary of each of the named executive officers by 3.5%, except for Mr. Mayhall who retired as an executive officer in 2007.

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The amount of base salary paid to each of the named executive officers during fiscal years 2006 and 2007 is shown in the Summary Compensation Table below.

Annual Performance Incentives. We provide our executive officers, including the named executive officers, with the ability to earn significant cash incentive awards through our Annual Bonus Plan based on performance objectives. We provide the Annual Bonus Plan to motivate our executive officers to achieve our annual strategic and financial goals, provide a reasonable balance between fixed and performance-based elements of compensation and attract and retain officer talent.

Under the Annual Bonus Plan, target incentive awards are computed by multiplying each executive officer s base salary by an assigned percentage of base salary and an indexed performance factor of 1.5. Base salary percentages are assigned based on our review of short-term incentive compensation data for comparable companies, each executive s level of responsibility, and the contribution to our corporate performance attributed to the executive s position. In February 2007, the Compensation Committee approved the following base salary percentages for the named executive officers: Mr. Harrison 100%, Mr. Elmore 100%, Mr. Flint 60%, Mr. Westphal 60% and Mr. Mayhall 50%.

In order to satisfy the requirements of Section 162(m) of the Internal Revenue Code that all performance-based compensation be determined in accordance with a pre-determined objective formula, the indexed performance factor is automatically fixed under the Annual Bonus Plan at a maximum level of 1.5 for each of the named executive officers, which can then be reduced at the discretion of the Compensation Committee. At the end of each fiscal year, it is the practice of the Compensation Committee to reduce the assigned indexed performance factor for each named executive officer to 1.0, except where the Committee determines based on subjective considerations that a named executive officer achieved exceptional individual performance during the fiscal year. This practice is designed to comply with the requirements of Section 162(m), and the reduction of a named executive officer s indexed performance factor is not a negative reflection on the officer s performance.

For fiscal year 2007, the indexed performance factor for each of the named executive officers was reduced to 1.0 by the Compensation Committee, except for Mr. Flint s. Mr. Flint s indexed performance factor was set at 1.25 in recognition of various contributions to our company including the contributions leading to his promotion to Vice Chairman.

Incentive award amounts paid under the Annual Bonus Plan are determined by multiplying the target incentive award amount by an overall goal achievement factor. The overall goal achievement factor is based on our achievement of pre-determined performance goals with respect to the following performance measures: revenue, earnings before interest and taxes and net debt reduction. Each of these performance measures relates to a key annual strategic goal under our current long-range plan.

In the first quarter of each year, the Compensation Committee assigns weights to each of the performance measures based on the perceived need to focus more or less on any particular objective in that year. The corporate performance goals and related weights are established after evaluating industry conditions and our prior year performance and specific objectives for the current year.

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For fiscal year 2007, the Compensation Committee assigned the following weights and related threshold, target and maximum performance goals to the performance measures:

		Performance Goals		
Performance Measure	*Assigned Weight*	*Threshold*	*Target*	*Maximum*
Revenue	20%	$ 1.4 billion	$ 1.48 billion	$ 1.55 billion
Earnings Before Interest and Taxes	50%	$ 75 million	$ 88 million	$ 91 million
Net Debt Reduction	30%	$ 18 million	$ 24 million	$ 30 million

With respect to each of the performance measures, the portion of each participant s annual incentive award related to that measure could range from 0% if we fail to achieve the threshold performance goal, to 100% if we achieve the target performance goal,