

**You read:** [Coke 2014 Proxy](#) What is your assessment of management and the board of directors?

**You react:** [https://youtu.be/YQR36fQ\\_Xc?t=43s](https://youtu.be/YQR36fQ_Xc?t=43s) Why?

## **CASE STUDY on Coke's Management Issues (Wintergreen Advisers, LLC). Analysis of proxy, management effectiveness and compensation, and shareholder activism.**

To provide background on the Wintergreen approach you should view:

[David Winters Graham Centre Value Investing 2010](#)

And

[https://www.youtube.com/channel/UCQpEhO96PFIBDAX\\_S416FdA](https://www.youtube.com/channel/UCQpEhO96PFIBDAX_S416FdA)

### **Letter 1:**

## **Wintergreen Faults Coca-Cola for Failure to Adequately Disclose Secret Bonus Shares**

**February 3, 2014**

NEW YORK--(BUSINESS WIRE)--Wintergreen Advisers LLC said today that the Board of Directors of the Coca-Cola Company (NYSE: KO) failed to protect shareholders' interests by introducing secret "bonus shares" for top management as part of Coca-Cola's 2014 Equity Compensation Plan.

In a letter to the Coca-Cola Board released today, Wintergreen said it believes Coca-Cola's 2014 Proxy Statement did not adequately identify and explain the concept of secret bonus shares, and as a result, it believes the disclosure in the 2014 Proxy Statement regarding the secret bonus shares fell far short of both the spirit and the letter of the federal securities laws governing proxy disclosure. See [Coke 2014 Proxy](#)

Wintergreen called on Coca-Cola to immediately claw back any secret bonus shares that have been granted and to pledge that none will be issued in the future. Wintergreen also requested the resignation of all board members, management and consultants or advisers who assisted in the 2014 Equity Plan debacle.

Board of Directors  
The Coca-Cola Company  
One Coca-Cola Plaza  
Atlanta, GA 30313

January 29, 2015

RE: Secret Bonus Shares

**To the Board of Directors of The Coca-Cola Company:**

Wintergreen Advisers takes seriously its responsibility to safeguard the interests of its clients. That is why we have spoken out about the issues at The Coca-Cola Company, where investment funds we advise have been committed, long-term shareholders. We have been sharply critical of Coca-Cola's poor performance, excessive pay practices and weak governance because they harm all Coca-Cola shareholders. **Yet Coca-Cola's management and Board of Directors have failed to address these problems.** As a result, we feel we have no choice but to continue to bring important facts to light in the hope that real change will come to Coca-Cola.

**One area in which we believe the Board failed utterly to protect shareholders' interests is the introduction of secret "bonus shares."** Although Coca-Cola's 2014 Proxy Statement contained only one ambiguous reference to these secret bonus shares, under the 2014 Equity Compensation Plan, Coca-Cola's Compensation Committee may award secret unrestricted bonus shares **that are not tied to any performance goals.** We believe:

- The ability to award secret bonus shares absent any specific criteria is a dramatic and material departure from Coca-Cola's past practices of paying for performance and is also at odds with descriptions of the 2014 Equity Plan by Coca-Cola's officers and directors.
- More seriously, the lack of any detail regarding these secret bonus shares in Coca-Cola's 2014 Proxy Statement fell far short of what is required under federal securities laws because shareholders could have read the 2014 Proxy Statement and still not have known that the Compensation Committee could award secret bonus shares.

**The Ability to Award Secret Bonus Shares is a Material Departure From Past Pay Practices**

Prior to the effectiveness of the 2014 Equity Plan, Coca-Cola's most recent stock award plan was adopted in 2008. In Coca-Cola's 2008 Proxy Statement, there are numerous references to a pay-for-performance approach. Indeed, the very first two sentences of the Section discussing compensation are "We pay for performance. By this, we mean that rewards are not paid when results are not delivered." In contrast, the 2014 Equity Plan allows Coca-Cola's Compensation Committee to grant stock awards on any basis it deems appropriate. We believe this overreaching discretion permitting the issuance of secret bonus shares is a material departure from Coca-Cola's past pay practices.

## **Coca-Cola's 2014 Proxy Statement Did Not Adequately Disclose the Concept of Secret Bonus Shares**

We believe Coca-Cola's 2014 Proxy Statement did not adequately identify and explain the concept of secret bonus shares and failed to communicate that these unrestricted awards were not part of the 2008 Plan. **In fact, the only reference to secret bonus shares in the 2014 Proxy Statement appears on page 87, when discussing the types of awards that may be granted under the plan: "...other stock-based awards, in the discretion of the Compensation Committee, including *unrestricted* stock grants."** [Emphasis ours]. It is far from clear to us what the term "unrestricted" means in this context. We think a shareholder could closely read the 2014 Proxy Statement and still not realize that the Compensation Committee could award secret bonus shares. **In fact, shareholders would have to venture all the way to page 14 of the 2014 Equity Plan Agreement itself to fully appreciate the vast discretion afforded to the Board under the 2014 Equity Plan.**

**Unlike the Proxy Statement, which was mailed to all shareholders, the 2014 Equity Plan Agreement was only sent upon request.** We think disclosure regarding such an important and novel aspect of Coca-Cola's compensation practices should have been presented to shareholders front and center, not buried in a supplemental document that most shareholders would not read. As a result, we believe the disclosure in the 2014 Proxy Statement regarding the secret bonus shares fell far short of both the spirit and the letter of the federal securities laws governing proxy disclosure. **The blame for this falls solely on Coca-Cola's Board of Directors**, who designed the Plan, unanimously supported the Plan, and signed off on the disclosure regarding the Plan in the 2014 Proxy Statement.

## **Coca-Cola Officers and Directors Have Made and Continue to Make Potentially Misleading Statements Regarding the 2014 Equity Plan**

We believe Coca-Cola officers and directors made public statements during the proxy solicitation period regarding the 2014 Equity Plan that was inaccurate at best, and potentially materially misleading. Specifically,

- Mel Lagomasino, the Chair of Coca-Cola's Compensation Committee, stated in April 2014 that the 2014 Equity Plan *"does not result in changes to our pay practices – the 2014 Equity Plan is closely in line with past plans* approved by the Board and the shareowners. The second point is that we firmly believe that equity compensation is *performance-based. If the Company does not perform, compensation is not realized.*" [Emphasis ours]
- Coca-Cola Chairman and CEO Muhtar Kent stated in April 2014 that "Our new equity program that we have proposed to our shareholders in this coming month in April is *completely in line with previous equity programs.*" [Emphasis ours]

We believe these statements are simply not true. The new plan has a highly significant element that was not part of the prior plan, namely, secret bonus shares. Further, if Coca-Cola intends to use equity compensation solely to award performance, why did the Board find it necessary to include the secret bonus shares feature?

Equally troubling to us is that Coca-Cola has doubled down on what we believe to be its mischaracterizations of the 2014 Equity Plan. On January 15, 2015, longtime Coca-Cola Director Barry Diller stated in an interview that Coca-Cola intended to issue award shares under the 2014 Equity Plan over a period of ten to twenty years. We believe Mr. Diller is demonstrably wrong as the 2014 Proxy Statement is extremely clear on this point: **“Based on historical granting practices and the recent trading price of the Common Stock, the 2014 Equity Plan is expected to cover awards for approximately four years.”** No other time frame is discussed in the 2014 Proxy Statement and there is no additional language suggesting a time frame for the plan greater than four years. In addition, the plan itself has a maximum term of ten years, so it is illogical to contend that Coca-Cola intended to grant awards for twenty years.

Mr. Diller also stated that Coca-Cola should have better explained the 2014 Equity Plan, and this is one point we can all agree on. When a shareholder could closely read a company’s proxy statement and not know about a key and new feature of the company’s equity compensation plan, that is a communication issue at best and a deliberate obfuscation of the plan at worst. We wonder which applies to Coca-Cola.

#### Our Recommendations

We believe investors should have been told in plain terms in the 2014 Proxy Statement as well as in the company’s officers’ and directors’ public statements that the 2014 Equity Plan departed in material respects from previous plans. This would have allowed investors to determine whether the introduction of unrestricted secret bonus shares was consistent with Coca-Cola’s professed policy of linking awards to performance goals that are aligned with the interests of the company and shareholders. As Securities and Exchange Commissioner Luis A. Aguilar told the students and faculty of the Emory School of Law on April 21, 2014: “The underlying corporate governance issue regarding executive compensation is not simply about the amount of the compensation—but whether the decision-making process enables accountability through transparency and through shareholder engagement. To that end, it is important to have corporate governance practices that foster these principles, and that fully and fairly explain the compensation process to shareholders.” **In our view, Coca-Cola has failed the tests for transparency and accountability in its communications regarding the 2014 Equity Plan.**

To remedy the situation, we urge the Board to:

1. Withdraw the 2014 Equity Plan, on the basis that a material feature was not adequately disclosed to shareholders in the 2014 Proxy Statement.
2. Disclose if, when, to whom and how many secret bonus shares have been granted and the rationale for the award. Any such secret bonus shares should be clawed back, to the extent possible, and Coca-Cola should pledge that it will not issue any secret bonus shares in the future.
3. Represent that future compensation plans will not allow for compensation that is not tied to performance.

4. Review the 2014 Proxy Statement in light of Coca-Cola's disclosure policies and present a report of its findings to shareholders.
5. Request the resignation of all board members, management and consultants or advisers who assisted in the 2014 Equity Plan debacle.

Over the past nine months, we have raised a number of issues at Coca-Cola that go beyond just the 2014 Equity Plan, including what we view as stagnant performance and ineffective governance. However, we feel it is important to address this issue of secret bonus shares again as it epitomizes all of the problems we see at Coca-Cola: overreach and greed at a time of flat performance and a lack of accountability by the Board when it comes to standing up for shareholders.

Let there be no doubt – we think the Coca-Cola Board of Directors bears full responsibility for what we view as the serious problems with the 2014 Equity Plan and the far-from-adequate disclosure regarding the 2014 Equity Plan. However, the problems at Coca-Cola go beyond the issues we have outlined in this letter. We believe there is a worrisome pattern of subterfuge, backtracking and changes of direction. The willingness to confer excessive rewards on an underperforming and undeserving management team is a symptom of deeper problems in the leadership of Coca-Cola, a great American institution. Ultimately, if the Directors will not protect Coca-Cola shareholders, then Coca-Cola shareholders will need to protect themselves.

Sincerely,

Wintergreen Advisers, LLC

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Letter 2

**Wintergreen Advisers, LLC Letter to Coca Cola Board of Directors**

Board of Directors

The Coca-Cola Company

One Coca-Cola Plaza

Atlanta, GA

30313

March 21, 2014

Dear Coca-Cola Board Members,

On behalf of our clients, Wintergreen Advisers, LLC ("Wintergreen") owns over 2.5 million shares of The Coca-Cola Company ("Coke," "Coca-Cola," or "the Company"), Wintergreen Advisers writes today to express our disappointment with the Company's proposed 2014 Equity Plan ("the Plan"). The Company's Board of Directors is asking shareholders to approve an equity compensation plan which, we believe, will significantly erode the per-share value of Coca-Cola shares. If approved, this Plan in conjunction with previous equity compensation

plans, will dilute existing shareholders by a Company estimated 14.2%. The Company expects that the 2014 Plan will award a mix of 60% options, 40% full value shares, resulting in the issuance of 340,000,000 Coca-Cola shares. At the current share price, these shares would be worth approximately \$13 billion. In effect, the Board is asking shareholders for approval to transfer approximately \$13 billion from all of our pockets to the Company's management over the next four years. **When combined with awards from previously approved compensation plans, this figure rises to \$24 billion. This is a staggering transfer of value from shareholders to management.** Shareholders are in effect being asked to give Coca-Cola management, at no cost to management, 14.2% of the Company. These billions of dollars given to management will come at the sole expense of the many teachers, nurses, federal and state government employees, and union members who have invested their hard-earned savings in Coca-Cola shares, either directly or through pensions and mutual funds.

The proposed Plan will meaningfully increase the number of Coca-Cola shares outstanding, reducing the ownership stake of all shareholders in the Company. **At a time when Coke is facing slowing growth in both sales and profit, we do not believe it is in the best interest of shareholders to compound the Company's headwinds by significantly diluting shareholders.** Coca-Cola is a mature business in a low-growth industry. By necessity, a large portion of the Company's growth in per-share earnings and value must come from shrinking the number of shares outstanding, so that each share is entitled to a larger share of the Company's profits. The Company had been on the path to doing just this, with a share repurchase program totaling 500 million shares, 11% of shares outstanding, announced just 17 months ago. **Now instead of meaningfully reducing shares outstanding and growing value on a per-share basis, this share repurchase program will merely help to offset the new shares issued to management under the Plan. Rather than shrinking the number of slices in the pie and increasing the size of each our slices, management wants to take a \$13 billion bite out of the pie, at the expense of all shareholders.** When the share repurchase program was announced in October 2012, current Coke Chairman and CEO Muhtar Kent said that it "underscores our continued commitment to delivering increased value to shareholders." It now seems that the Company's executives are more interested in increasing the value of their own accounts, with shareholders footing the bill.

From a shareholders perspective, the details of the Plan itself are not any more appealing than the idea of transferring 14.2% of the Company to management. For example, the Plan allows the Company's Compensation Committee to ignore the impact of such things as asset write-downs and impairment, reorganization and restructuring expenses, and extraordinary non-recurring items when determining whether or not management has met their performance goals. Who but management could possibly bear responsibility for these types of expenses, and why should management not equally share the pain of their impact along with shareholders? If a company takes a write-down or impairment charge, it is usually due to past business decisions made by management; why should these decisions then be ignored when it comes time to determine the compensation of those individuals who made those decisions?

The Plan also allows participants to be awarded up to 3,000,000 share options, 3,000,000 stock appreciation rights, and 1,000,000 shares of common stock each year, in addition to their cash compensation. On top of this, the Plan allows the Compensation Committee of the board to grant "without limitation Shares awarded purely as a 'bonus' and not subject to any restrictions or



conditions.” This could lead to Coca-Cola executive’s earnings tens or even hundreds of millions of dollars in a single year. We do not believe there is any justifiable reason to allow for the possibility of such excessive compensation.

In summary, Wintergreen Advisers believes the proposed Coca-Cola 2014 Equity Plan is a raw deal for all shareholders. It will serve to enrich a small number of Coca-Cola executives, while significantly diluting existing shareholders and diminishing the per-share value of all Coca-Cola shares. Particularly at a time of slowing growth for the Company, shareholders cannot afford to transfer 14% of their ownership in Coca-Cola to management. Coca-Cola remains a world class company with some of the most valuable brands in the world. The economics of the underlying business are as strong as ever. The proposed 2014 Equity Plan, however, presents a headwind that we believe will harm Coca-Cola as an investment. The proposal is an excessive transfer of wealth from its shareholders, the true owners of Coca-Cola, to Company management, and we believe it should be voted down by shareholders.

Sincerely,  
David J. Winters, CEO  
Wintergreen Advisers, LLC.  
973-263-4500

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Letter 3

## **Wintergreen Advisers, LLC Expresses Disappointment with Coca-Cola’s Proposed 2014 Equity Plan**

**March 21, 2014 09:20 PM Eastern Daylight Time**

NEW YORK, N.Y. --(BUSINESS WIRE)--Wintergreen Advisers, LLC details concerns with Coca-Cola’s (NYSE: KO) proposed 2014 Equity Plan in letters to Coca-Cola shareholders and the Coca-Cola Board of Directors and Warren Buffett

Dear Fellow Coca-Cola Shareholders,

Wintergreen Advisers, LLC on behalf of its clients expresses its deep disappointment with Coca-Cola’s proposed 2014 Equity Plan. As further detailed in the attached letters to the Coca-Cola board of directors and Berkshire Hathaway CEO Warren Buffett, Wintergreen Advisers believes this plan to be an unnecessarily large transfer of wealth from Coca-Cola’s shareholders to members of the Company’s management team. We can find no reasonable basis for gifting management 14.2% of the share capital of Coca-Cola, worth \$24 billion at today’s share price. No matter how well a management team performs, it is unfathomable that they would require such astronomical sums of money to provide motivation. As representatives of the shareholders, it is the number one priority of the board to look after the owners’ interests. This compensation plan appears to place the economic well-being of management far ahead of the interests of the Company’s owners.

**Although the Company has a “robust” share repurchase plan, we believe that a large portion of those repurchased shares will likely be allocated to satisfying the issuance demands of the proposed Plan.** The purpose of the Company’s share repurchase plan should be to shrink the number of shares outstanding and increase value on a per share basis, not merely serve to offset share issuance to Company executives. We also believe that Article 13.1 of the 2014 Equity Plan, which allows the Compensation Committee to award shares to management “purely as a ‘bonus’ and not subject to any restrictions or conditions” is an excessively large amount of power to delegate to a select few members of the board. While such a practice may be an “industry norm,” we expect a greater show of leadership from one of the world’s preeminent corporations. Coca-Cola should be the industry leader for best practices in corporate governance and pay practices; the 2014 Equity Plan clearly falls far short of this bar.

Attached please see a video from Wintergreen Advisers CEO and Portfolio Manager David Winters discussing these issues. Here: [https://youtu.be/XJ2MNcL\\_t1g](https://youtu.be/XJ2MNcL_t1g)

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## **David Winters appeared on Fox Business to discuss his opposition to Coca-Cola’s equity compensation plan**

**March 24, 2014**

David Winters discusses his opposition to Coca-Cola's compensation plan with Maria Bartiromo on Fox Business Network's "Opening Bell."



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## **Wintergreen Advisers, LLC Urges Coca-Cola Board of Directors to Withdraw Proposed 2014 Equity Compensation Plan, Put Forward an Improved Plan for Consideration in 2015**

**March 27, 2014 02:00 PM Eastern Daylight Time**

NEW YORK -- (BUSINESS WIRE) -- Wintergreen Advisers, LLC expands upon concerns with Coca-Cola’s (NYSE:KO) proposed 2014 Equity Plan in letters to Coca-Cola shareholders and the Coca-Cola Board of Directors and Warren Buffett



Dear Fellow Coca-Cola Shareholders,

Wintergreen Advisers, LLC on behalf of its clients has asked the Board of Directors and the Compensation Committee of The Coca-Cola Company to withdraw the proposed 2014 Equity Plan from shareholder consideration at the 2014 Shareholder Meeting. We believe the proposed Plan should be redesigned in a manner which is fair to both Coca-Cola shareholders and Coca-Cola management. Existing Coca-Cola equity plans contain more than 66 million shares which should be more than adequate to cover awards for 2014. The full text of the letter, which has been sent to Coca-Cola's Board of Directors and Coca-Cola's largest shareholder Warren Buffett, CEO of Berkshire Hathaway (NYSE:BRK.B), is included below.

For questions or inquiries, please contact [press@wintergreen.com](mailto:press@wintergreen.com) or 973-263-4500

**Wintergreen Advisers, LLC Letter to Coca Cola Board of Directors**

Board of Directors  
The Coca-Cola Company  
One Coca-Cola Plaza  
Atlanta, GA 30313

March 27, 2014

Dear Fellow Coca-Cola Shareholders,

**In our prior communications, Wintergreen Advisers, LLC ("Wintergreen") relied solely on The Coca-Cola Company's ("Coca-Cola" or "the Company") 2014 proxy statement and the Company's 2014 Equity Plan (the "Plan") to inform ourselves on the issue at hand.** The "single number" we pulled from the Company's proxy statement, the 14.2% potential dilution figure from page 86, is in our minds the single most important number found in the filing, as it represents the portion of shareholder wealth which could be transferred to management for services rendered. With share awards adequate to last for another year available under previous equity plans, we do not believe there is a need for Coca-Cola to seek shareholder approval for a new plan at this time.

Let us be very clear – we love The Coca-Cola Company. It is a solid company with many of the world's most valuable brands; it possesses a deep economic moat; and it has generally strong management. It has all the attributes of a wonderful long-term investment, as evidenced by the Company's lengthy history as a widely-held public company. But the proposed 2014 Equity Plan is a bad plan. **It is bad for all shareholders. It is bad for the approximately 95% of Coca-Cola employees who will not be eligible to participate in this plan.** We are perfectly happy to see managers who produce outstanding results be very well compensated. But asking for nearly 8% of the company over the next 4 years, on top of the potential dilution from outstanding equity awards, is simply too much.

I propose that the Board of Directors (“the Board”) withdraw the 2014 Equity Plan from consideration at the 2014 Annual Meeting of Shareholders. Coca-Cola’s Board and Compensation Committee should rely on existing equity plans which, according to the Company’s proxy statement, have 66,948,651 shares remaining, which should suffice to cover awards for another year. This will provide the Board with time to design an improved plan which can be proposed for a vote at the 2015 Shareholders Meeting.

The new plan should include many of the same positive attributes that the Board recently touted – no re-pricing of options, a fungible share pool, and claw-back provisions. It should have publicly disclosed and clearly defined performance hurdles for named executives which must be met to be eligible for awards.

The current Plan discloses only the criteria which may be used as performance goals, but does not disclose the hurdle rate for those criteria. How can shareholders judge the fairness of a performance award if we don’t know if the executive is required to clear a six inch hurdle or a six foot hurdle? These performance goals should also take the Company’s amount of debt into consideration, a criteria currently absent from the list. Coca-Cola’s debt level has increased significantly in recent years, and the impact of that debt should be accounted for when evaluating executive performance.

As far as what size is appropriate for a revised equity plan, we think the plan should envision an annual dilution rate at or below the recent annual average of 1.3% rather than the proposed Plan’s 1.9%. Although the difference between 1.3% and 1.9% dilution may seem trivial on its face, the difference translates into an additional 26 million shares of potential dilution per year. The 2008 Plan authorized a split-adjusted 280,000,000 for awards and lasted for approximately six years; the 2014 proposal envisions 340,000,000 grants being made over only four years. This is a dramatic increase in the number of potential awards, made over a much shorter number of years. This means increased potential dilution for all shareholders. The 2008 Plan also included a provision that no individual could be awarded more than 5% of the shares authorized by the plan, a clause notably absent from the 2014 Plan. We believe Coca-Cola’s shareholders would be better served by something much more closely resembling the 2008 Plan in duration and size than the 2014 Plan.

When details of a new equity plan are disclosed, we believe Coca-Cola should present the potential dilutive impact in a more candid manner. Currently, the Company calculates dilution by including “total award shares” in addition to current outstanding shares in the denominator, a formula found on page 86 of the Company proxy and which is replicated below.

$$\text{Potential dilution} = \frac{\text{Total Award Shares}}{\text{Total number of issued and outstanding shares of Common Stock} + \text{Total Award shares}}$$

We believe this is misleading. The true potential dilutive impact of an equity plan is diminished by including award shares in the denominator as opposed to using only current outstanding shares. **If potential dilution were to be calculated in a more straightforward manner, by excluding Award Shares from the denominator, the 14.2% figure from page 86 of the proxy statement would rise to approximately 16.6%, as shown below.**

Potential dilution =

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 Total number of issued and outstanding shares of Common Stock

By calculating potential dilution in the manner the Company has, we believe the combined potential dilutive impact of the prior plans and 2014 Plan could be understated by several billion dollars. **While 14.2% of Coca-Cola is worth approximately \$24 billion at today's share price, 16.6% is worth approximately \$28 billion, an additional \$4 billion in potential value that shareholders are being asked to give to management.** In 2001 the SEC noted that "overhang" from equity compensation plans is "often expressed as a percentage of the total number of outstanding securities." Although this is not a formal SEC rule, it clearly provides a truer picture of the dilutive impact of equity compensation plans than the method currently used by Coca-Cola. General Electric is another prominent American company which has chosen to disclose potential dilution in this manner and we hope that Coca-Cola would follow suit. We believe that the Company should disclose the critically important potential dilution number in a more straightforward and prominent manner - front and center within your proxy statement, rather than burying it 86 pages deep where most shareholders are unlikely to see it.

No matter how the potential dilutive impacts of the Coca-Cola's equity compensation plans are calculated, the impact is clear – there will potentially be a staggeringly large transfer of wealth from shareholders to management at a time when we believe Company's results have been less than stellar. Between existing plans and the proposed 2014 Plan, there is the potential for several percentage points of dilution each year. This would directly reduce shareholder returns by a similar amount each year. It is hard to see how this proposed Plan is in the best interests of the Coca-Cola Company, its investors, or corporate America, which may mimic such pay practices.

We hope these issues can be resolved quickly and to the satisfaction of concerned shareholders so that the Company may get back to the business of growing volumes and profits.

Sincerely,  
 David J. Winters, CEO  
 Wintergreen Advisers, LLC.  
 973-263-4500

Cc: Warren E. Buffett

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## **Wintergreen: Coca-Cola's Equity Compensation Plan is a 'Big Grab' by Management**

*David Winters rebuts Coca-Cola's defense of its plan for up to \$13 billion in additional equity awards, calling the proposal 'potentially highly dilutive' and 'grossly outsized'*

**April 2, 2014**

NEW YORK -- (BUSINESS WIRE) -- David Winters, CEO of Wintergreen Advisers, said the response by The Coca-Cola Company (NYSE: KO) to Wintergreen's criticism of its proposed 2014 equity compensation plan was "disappointing, defensive and inadequate."

Mr. Winters made the comments during a webcast for fiduciaries, analysts and the media in which he provided details of Wintergreen's analysis of the Coca-Cola 2014 Equity Plan. The call followed Wintergreen's March 21, 2014 letter to the board of directors in which it characterized the proposed plan as an "excessive transfer of wealth" from Coca-Cola shareholders to the top five percent of the company's management.

In reviewing his firm's analysis and Coca-Cola's response, Winters said his firm would vote against the 2014 Equity Plan because it believes the plan is:

- Potentially highly dilutive to shareholders
- Unsupported by any strategic rationale
- Unnecessary, since adequate capacity exists under Coca-Cola's current plans
- Inadequately disclosed in the proxy materials
- Grossly outsized for a company with earnings growth in the single digits
- A bad precedent for corporate America

See presentation:

[http://www.wintergreenadvisers.com/pdf/Wintergreen\\_KO\\_FINAL\\_040214.pdf](http://www.wintergreenadvisers.com/pdf/Wintergreen_KO_FINAL_040214.pdf)

In conjunction with Video: <https://youtu.be/TFrcHM-0cMU>

## From Coke 2014 Proxy

### Expected Value Transfer and Dilution

The Compensation Committee and the Board also considered the expected shareowner value transfer and potential dilution that would result by adopting the 2014 Plan, including the policies of certain institutional investors and major proxy advisory firms. Potential dilution is calculated as shown below:

$$\text{Potential Dilution} = \frac{\begin{array}{l} \text{[shares underlying equity awards that may be made under the 2014 Plan] + [shares to be issued on} \\ \text{exercise or settlement of} \\ \text{outstanding equity awards under the Prior Plans] + [Holdback Shares] (collectively, "Total Award} \\ \text{Shares")} \end{array}}{\begin{array}{l} \text{[total number of issued and outstanding shares of Common Stock (excluding treasury shares)] +} \\ \text{[Total Award} \\ \text{Shares]} \end{array}}$$

Actual dilution will depend on several factors, the most important of which is the type of awards made under the 2014 Plan. This is because the 2014 Plan uses a fungible share pool, under which each share issued pursuant to an option or SAR will reduce the number of shares available under the 2014 Plan by one share, and each share issued pursuant to awards other than options and SARs will reduce the number of shares available by five shares.

The Company expects to continue to grant a mix of stock options and full value awards, primarily in the form of PSUs, under the 2014 Plan. To illustrate the range of potential dilution, the table below shows potential dilution pursuant to the above formula based on 4,405,893,150 shares of Common Stock issued and outstanding as of February 24, 2014 and assuming that all authorized shares under the 2014 Plan are granted (i) 100% as stock options, (ii) at the current mix of approximately 60% stock options and 40% full value awards and (iii) 100% as full value awards.

Mix of stock options/full value awards	100% stock options	Current 60%/40% mix of stock options and full value awards	100% full value awards
Potential Dilution	16.8%	14.2%	10.0%

Actual dilution will also be impacted by the following factors:

- The calculations above assume that all outstanding awards under Prior Plans will be earned and issued. Since any outstanding awards under Prior Plans that are not earned or are cancelled, terminated or forfeited will not be available for issuance under the Prior Plans or the 2014 Plan, such awards will decrease the potential dilutive effect of adopting the 2014 Plan.
- The Company mitigates the potential dilutive effect of granting long-term equity compensation through a robust share repurchase program. In 2013, the Company repurchased \$4.8 billion of Common Stock, which included \$1.3 billion related to proceeds from employee stock activity under the Prior Plans. The amount of repurchases in future years will depend on a number of factors, such as the availability of cash and stock price. The Company intends to continue to use treasury shares purchased through its share repurchase program to settle awards under the 2014 Plan.

#### Robust Share Repurchase Program

- Mitigates potential dilutive impact of long-term equity compensation
- \$4.8 billion of stock repurchased in 2013, which included \$1.3 billion related to proceeds from employee stock activity under the Prior Plans

## Eligibility and Award Types

The 2014 Plan authorizes the following types of awards to be made to employees, officers or Directors of the Company and its consolidated subsidiaries, as designated by the Committee:

- **Stock Options**, which give the holder the right to purchase shares of Common Stock at a specified price during specified time periods. The exercise price of an option granted under the 2014 Plan may not be less than the fair market value of the Common Stock on the date of grant. Stock options granted under the 2014 Plan have a maximum term of ten years. The 2014 Plan only authorizes nonqualified stock options. As described beginning on [page 56](#) of the Compensation Discussion and Analysis, the Company's current compensation programs include stock options as part of the annual long-term equity compensation awards made to eligible employees.
- **Stock appreciation rights, or SARs**, which give the holder the right to receive the excess, if any, of the fair market value of one share of Common Stock on the date of exercise, over the base price of the stock appreciation right. The base price of a SAR may not be less than the fair market value of the Common Stock on the date of grant. SARs granted under the 2014 Plan have a maximum term of ten years. SARs are not a part of the Company's current compensation programs.

- **Restricted stock and restricted stock units**, which represent the right to receive shares of Common Stock (or an equivalent value in cash) in the future, each of which are subject to certain restrictions and risk of forfeiture on terms set by the Compensation Committee. As described beginning on [page 56](#) of the Compensation Discussion and Analysis, time-based restricted stock/restricted stock units are not part of the annual long-term equity compensation awards made to eligible employees but may be awarded to eligible employees for limited purposes.

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## David Winters discusses the Coca-Cola equity compensation plan on CNBC

**April 3, 2014**

David Winters talks about Coca-Cola's 2014 equity compensation plan with Bill Griffith, Kelly Evans, and Sara Eisen on CNBC's "Closing Bell."



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## Wintergreen: Pleased That the Ontario Teachers' Pension Plan Is Voting Against Coca-Cola's 2014 Equity Compensation Plan

**April 8, 2014 04:25 PM Eastern Daylight Time**

NEW YORK -- (BUSINESS WIRE) -- David Winters, CEO of Wintergreen Advisers, today issued the following statement:

"We are very pleased that the Ontario Teachers' Pension Plan has announced they are voting against the Coca-Cola (NYSE: KO) 2014 Equity Plan. We believe a growing number of investors, large and small, are recognizing that the Coca-Cola plan is not in the best interest of shareholders."

Information on the Ontario Teachers' Pension Plan is available at:

<http://www.otpp.com/investments/responsible-investing/voting-our-shares/proxy-votes>



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## **Wintergreen Advisers Welcomes Vote by Calvert Investments Against Coca-Cola Equity Plan**

**April 10, 2014 03:13 PM Eastern Daylight Time**

NEW YORK -- (BUSINESS WIRE) -- David Winters, CEO of Wintergreen Advisers, today issued the following statement:

“We welcome the news that Calvert Investments has voted against the Coca-Cola (NYSE: KO) Equity Plan. Wintergreen Advisers continues to believe that the plan is deeply flawed and unfair to shareholders.”

Information on the Calvert Investments vote is available at:

<http://vds.issproxy.com/SearchPage.php?CustomerID=1641>

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## **Wintergreen Advisers Urges All Investors to Review Coca-Cola’s 2014 Equity Plan Before Voting**

*Fiduciaries should conduct an independent analysis, not rubber-stamp recommendations of proxy advisors*

**April 15, 2014 07:00 AM Eastern Daylight Time**

NEW YORK -- (BUSINESS WIRE) -- As investors prepare to cast their proxy ballots ahead of the Coca-Cola Company (NYSE:KO) annual shareholders’ meeting on April 23, David Winters, CEO of Wintergreen Advisers, today sent the following letter to Coca-Cola’s top 25 institutional shareholders, urging them to carefully review the Coca-Cola 2014 equity plan before they vote.

“Every fiduciary has a responsibility to consider the impact of Coca-Cola’s proposed equity plan,” Mr. Winters said. “Proxy advisers will make recommendations, but ultimately it is up to the fiduciaries or other executives of each institutional investor to vote based on what they think is best for their investors. I urge these executives not to outsource their fiduciary responsibility: Read the plan, read our analysis and reach your own conclusions.”

The letter is being sent to the following individuals, listed in order of share ownership in The Coca-Cola Company, are:

- Warren E. Buffett, CEO, Berkshire Hathaway (NYSE: BRK.B)
- F. William McNabb III, Chairman & CEO, Vanguard
- Laurence D. Fink, Chairman & CEO, BlackRock (NYSE: BLK)
- Joseph L. Hooley, President & CEO, State Street Corporation (NYSE: STT)
- Edward Johnson III, Chairman & CEO, Fidelity Investments

- James Rothenberg, Chairman, Capital Group
- Frederick H. Waddell, Chairman & CEO, Northern Trust Co. (NASDAQ: NTRS)
- Gerald L. Hassell, Chairman & CEO, Bank of NY Mellon (NYSE: BK)
- Donald Yacktman, President, Yacktman Asset Management
- Brad Hilsabeck, CEO, Grantham Mayo Van Otterloo
- Jeff Raikes, CEO, The Bill & Melinda Gates Foundation
- Anshu Jain, Co-CEO, Deutsche Bank (NYSE: DB)
- Yngve Slyngstad, CEO, Norges Bank Investment Management
- Fayez Sarofim, Chairman, Fayez Sarofim & Co.
- Vince Gubitosi, President & Chief Investment Officer, Geode Capital Management
- James Dimon, Chairman & CEO, J.P. Morgan Chase (NYSE: JPM)
- Brian T. Moynihan, CEO, Bank of America (NYSE: BAC)
- Edward B. Rust, Jr. Chairman & CEO, State Farm Mutual Auto Insurance Co.
- Richard Rossi, President, Eagle Asset Management
- Roger W. Ferguson Jr, President & CEO, TIAA-CREF
- Mark Zinkula, CEO, Legal & General Investment Management (LSE: LGEN)
- James Kennedy, President & CEO, T Rowe Price Group (NYSE: TROW)
- Sergio Ermotti, CEO, UBS AG (NYSE: UBS)
- Gregory E. Johnson, Chairman & CEO, Franklin Resources (NYSE: BEN)

## **Wintergreen Advisers, LLC Letter to Institutional Shareholders of Coca Cola**

April 15, 2014

To My Fellow Institutional Shareholders:

At this moment, Coca-Cola shareholders are being asked to approve Coca-Cola's 2014 Equity Plan, which we believe is deeply flawed and contrary to shareholders' interests.

Wintergreen Advisers, LLC's clients own more than 2.5 million shares of Coca-Cola and we have expressed our concerns about the Plan by writing letters to Coca-Cola's Board of Directors, its largest shareholder, Berkshire Hathaway, and certain other institutional investors. We have also communicated our concerns in our presentation earlier this month.<sup>1</sup>

**We urge all institutional investors to review Coca-Cola's proposed plan for themselves before they decide how they will vote.**

I am writing today to urge you, the institutional shareholders in Coca-Cola, as fiduciaries for many thousands of individual investors, retirement funds, union and other pension plans to undertake a careful, thorough and independent review of Coca-Cola's proposed plan before casting your vote.

Existing equity plans at the Coca-Cola Company are more than adequate to meet the Company's needs. There are 66,948,651 awards remaining under existing Coca-Cola equity plans, enough to last another year at the recent pace of 65 million awards per year.<sup>2</sup>

It has become a common practice in recent years for institutional investors to rely on the recommendations of proxy advisory firms when voting on shareholder matters, the largest being Institutional Shareholder Services ("ISS"). Following these recommendations to award shares as part of a new Coca-Cola equity plan without performing your own due diligence would, in our view, be a disservice to the investors that you represent and serve.

**We believe the methodology described in the ISS publicly available proxy guidelines understates the true cost to shareholders of Coca-Cola's equity plan.**

The ISS proxy-voting guidelines state that ISS, while reviewing each plan on its own merits, will generally vote against plans in which the total cost is "unreasonable" and which have a three-year burn rate exceeding the burn rate cap of its industry peers.<sup>3</sup>

ISS uses what it calls "shareholder value transfer" (SVT) to assess the cost of a plan, and will consider a plan "reasonable" if it does not exceed a threshold ISS calculates based on other companies in the industry.

The use of peer-group comparisons as a fundamental analytical tool carries an embedded bias that can result in increasingly expensive plans. To the extent every board wants to be in the top half or third of its peer group, equity plan costs will continue to rise.

Warren Buffett of Berkshire Hathaway, Coca-Cola's largest shareholder, has warned against this trend:

*"The drill is simple: Three or so directors – not chosen by chance – are bombarded for a few hours before a board meeting with pay statistics that perpetually ratchet upwards. Additionally, the committee is told about new perks that other managers are receiving. In this manner, outlandish "goodies" are showered upon CEOs simply because of a corporate version of the argument we all used when children: **"But, Mom, all the other kids have one. When comp committees follow this "logic," yesterday's most egregious excess becomes today's baseline."**"<sup>4</sup>*

The ISS guidelines support equity plans that have a "burn rate" (a measure of how rapidly shares are issued under the plan) that is within peer-group norms. The guidelines also include a minimum burn rate cap of 2%, which essentially rubber-stamps any equity plan that dilutes shareholders by "only" 2% per year.<sup>5</sup> Wintergreen believes that 2% annual dilution from management equity awards is excessive for a slow-growth company such as Coca-Cola.

In addition, the level of SVT determined by ISS is an unacceptably high cost for shareholders to bear. For Coca-Cola and others in its sector, ISS sets the acceptable SVT threshold at 9 percent, according to published reports,<sup>6</sup> which in Wintergreen's view is an excessively high transfer of shareholder wealth.

There are many different ways of calculating the true cost shareholders pay for equity plans. Investors need to be cognizant of not only the share dilution caused by equity plans, but also the cash cost of repurchasing these shares to offset dilution. There is also the opportunity cost of not using that cash for more productive purposes, such as reinvesting it in the business.

In Coca-Cola's case, we believe that the company may need to spend \$2 billion per year to offset dilution. The failure to use that \$2 billion more productively could mean billions of dollars in future earnings will never be realized. Over the past three years, Coca-Cola's average return on equity has been 27%.<sup>7</sup> This means that if Coca-Cola retained that annual \$2 billion, it could potentially grow earnings by \$540 million each year. These are real costs that need to be considered by investors.

### **Coca-Cola's 2014 proposed equity plan appears to fall short of publicly available ISS guidelines in a number of areas.**

Although the ISS report on Coca-Cola's 2014 proxy is not available to the public, an analysis of ISS standards as stated on its website suggests the Coca-Cola plan falls short in several important respects

We believe that

- The Coca-Cola plan fails to meet the ISS standard for linking pay to performance, because Coca-Cola has lowered its performance targets for management over the past two performance periods. While the targets were modestly raised for the current performance period, they are still below historical levels.<sup>8</sup>
- The fact that every named officer at Coca-Cola has received more equity option grants over each of the past two years,<sup>9</sup> even as Coke's performance has failed to meet targets, demonstrates that Coke is not properly linking pay to performance.
- The proposed plan fails to meet the publicly available ISS standard for investors that manage union pension plans under the Taft-Hartley Act. The proposed equity plan far exceeds the maximum acceptable voting power dilution under ISS Taft-Hartley guidelines of 10% over ten years.<sup>10</sup>
- The proposed Plan may also fall short of Taft-Hartley guidelines that discourage excessive pay practices because it does not have a cap on the amount of equity that can be awarded to an individual. Prior Coca-Cola equity plans limited the maximum award to any single employee to 5% of the plan.

### **Coca-Cola's compensation practices have been given a poor grade by ISS.**

Publicly available information from ISS gives Coke's compensation practices a low ranking.<sup>11</sup> On a range of 1 to 10, where 1 is the best and 10 the worst, Coca-Cola earned an 8, close to the

bottom of the ISS scale. A detailed evaluation of Coke's governance policies that lead to this ranking by ISS is available only to ISS customers and Coca-Cola.

It is difficult to see how ISS can give Coke a near-failing grade on its compensation policy yet still recommend to investors that they vote for an equity plan that could produce a windfall for management and huge dilution for owners.

Sincerely,

David J. Winters, CEO  
Wintergreen Advisers, LLC

Notes:

1. The presentation is available at: [http://wintergreenadvisers.com/pdf/Wintergreen\\_KO\\_FINAL\\_040214.pdf](http://wintergreenadvisers.com/pdf/Wintergreen_KO_FINAL_040214.pdf)
2. Coca-Cola 2014 proxy statement, page 87.
3. ISS U.S. Proxy Voting Summary Guidelines, March 2014, page 42.
4. 2005 Berkshire Hathaway annual report
5. ISS U.S. Proxy Voting Summary Guidelines, March 2014, page 44.
6. Coca-Cola's Stock Handouts get New Coke Reaction," Reuters BreakingViews, April 9, 2014.
7. Return on equity figure sourced from Bloomberg
8. See page 57 of the 2014 Coca-Cola proxy statement.
9. See page 68 of the 2014 Coca-Cola proxy statement, page 71 of the 2013 Coca-Cola proxy statement, and page 61 of the 2012 Coca-Cola proxy statement.
10. ISS 2014 Taft-Hartley U.S. Proxy Voting Guidelines, page 28.
11. <https://link.issgovernance.com/qs/free/31989>

## **David Winters Discussed the Coca-Cola Compensation Plan with Liz Claman on Fox Business**

**April 16, 2014**

David Winters appeared on Fox Business Network's "Countdown to the Closing Bell" with Liz Claman, and discussed his opposition to Coca-Cola's 2014 equity compensation plan. Winters said, "Coca-Cola is a good company with a bad equity plan."



## **Wintergreen Advisers Sends Second Letter to Warren Buffett on Coca-Cola Equity Plan**

**April 21, 2014 04:38 PM Eastern Daylight Time**

NEW YORK -- (BUSINESS WIRE) -- As investors continue to prepare to cast their proxy ballots ahead of the Coca-Cola Company (NYSE:KO) annual shareholders' meeting on April 23, David Winters, CEO of Wintergreen Advisers, sent a second letter to Coca-Cola's largest shareholder, Warren Buffett, CEO of Berkshire Hathaway (NYSE:BRK.B).

Winters wrote, "We do not believe it would be consistent with Berkshire's long ingrained culture to support such a plan at any of your equity holdings, much less one worth nearly \$16 billion. If the proposed 2014 Coca Cola Equity Plan were to be approved by its shareholders, the implication for investment returns in our country may be devastating."

The full text of the letter is included below.

### **Wintergreen Advisers, LLC Letter to Warren Buffett**

Warren E. Buffett  
Berkshire Hathaway Inc.  
3555 Farnam St.  
Omaha, NE 68131

April 16, 2014

Dear Warren,

Over the years your conviction and passion for corporate diligence and responsibility has echoed through the American consciousness. Like Jiminy Cricket you sit on our shoulders reminding us to do what is right. Work hard, be fair, save for our future, stand up for what is right, and think like an owner. Now the United States and investors are at a crossroads. People of all political persuasions recognize the enormous disparity in financial wealth between the vast majority of Americans and the very top ranks of the corporate elite.



Millions of investors depend upon Coca-Cola as a staple in their financial security planning. Some invest directly in Coca-Cola, others invest in index or actively managed equity funds, and some invest indirectly through the investment vehicle most near and dear to your heart, Berkshire Hathaway. Whether in the initial formative years of saving, in the midst of their careers or in the payout period of a well-deserved retirement, there are millions of people who worked hard for their money and believed the promise that their money would work hard for them.

Later this month at the company's annual meeting, shareholders will vote to determine whether they will transfer a meaningful portion of Coca-Cola's intrinsic value from the shareholders to the top five percent of the company's employees. The proposed equity plan, when combined with existing plans, could dilute all Coca-Cola shareholders by taking up to 16.6% of the value of each share, worth \$6.67 per Coca-Cola share at last night's closing price of \$40.18, and handing it to the top 5% of Coke management. If Coke uses the share repurchase program to offset the issuance of these shares as they have done in recent years, shareholders will be further damaged. The company may have to divert approximately \$2 billion per year (one-quarter of its free cash flow) from productive uses to offsetting dilution. To a business with a 27% return on equity, the opportunity cost of spending \$2 billion per year to offset dilution is enormous.

As you stated in your 2013 letter to Berkshire shareholders,

*Meanwhile, stock repurchases at Coca-Cola and American Express raised our percentage ownership. Our equity in Coca-Cola grew from 8.9% to 9.1%...And, if you think tenths of a percent aren't important, ponder this math: For the four companies in aggregate, each increase of one-tenth of a percent in our share of their equity raises Berkshire's share of their annual earnings by \$50 million.*

**Coca-Cola repurchased 121 million shares in 2013, but turned around and issued 54 million shares and options to management, reducing the share count by only 67 million shares.** Now realize that if Coca-Cola hadn't issued those 54 million shares to executives, Berkshire's ownership of Coca-Cola would now be 9.2% instead of 9.1% and Berkshire's share of Coca-Cola's earnings would be \$10 million larger. We agree with you - one tenth of a percent IS a big deal to Berkshire! With the proposed 2014 Equity Plan potentially issuing more shares in fewer years than previous equity compensation plans, this dilution headwind to Berkshire and all Coca-Cola shareholders will likely only grow worse.

In the 52 years you have been Chairman and CEO, you have not implemented such a dilutive compensation plan at Berkshire Hathaway, and it is unthinkable that you ever will. We do not believe it would be consistent with Berkshire's long ingrained culture to support such a plan at any of your equity holdings, much less one worth nearly \$16 billion. If the proposed 2014 Coca Cola Equity Plan were to be approved by its shareholders, the implication for investment returns in our country may be devastating.

We believe that approval of the proposed Coca-Cola plan will harm the returns of all Coca-Cola shareholders, including Berkshire. If the proposed plan becomes the model for subsidiaries within Berkshire, the financial returns for all Berkshire shareholders would be dramatically diminished. Similar plans implemented by more companies in the S&P 500 Index could starve

index fund owners of their expected returns. Investors who vote for these excessively dilutive plans risk becoming enablers in the spiral of ever-higher executive pay.

With enough shares remaining under existing plans to function well for another year, Coca-Cola does not need a new plan at this time. Coca-Cola's board of directors should take the time to rethink and refine the proposed equity plan in a manner that will be fair and reasonable from the perspective of both shareholders and employees.

**We believe that Coca-Cola's proposed 2014 Equity Plan is bad for Berkshire Hathaway, bad for Coca-Cola, and bad for the investment outlook for U.S. companies.** This is a moment in time when America again looks to you to continue to stand up for what is best for our corporations and our country, just as you have talked about and done for decades. Coca-Cola and Berkshire shareholders, and in reality all of America, are counting on you to demand that shareholders be treated as partners instead of piggy banks. This is an opportunity to champion the true owners of American businesses – the shareholders.

Regards,

David J. Winters, CEO  
Wintergreen Advisers, LLC  
973-263-4500

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## **Wintergreen Asks Shareholders to Consider Nine Points Before Voting on Coca-Cola's Equity Plan**

**April 22, 2014 03:00 PM Eastern Daylight Time**

NEW YORK -- (BUSINESS WIRE) -- Ahead of the Coca-Cola Company (NYSE:KO) annual shareholders' meeting tomorrow, April 23, David Winters, CEO of Wintergreen Advisers, wrote a letter intended for all Coca-Cola shareholders.

Winters wrote "We believe Coca-Cola's 2014 annual proxy statement fails to present important information 'in a clear and easy to read manner' with regard to the description of the proposed equity plan. We hope all fiduciaries will consider this letter and the attachment; 'Nine Points to Consider Before Voting on Coca-Cola's 2014 Equity Plan,' in light of the material Coca-Cola has provided and ask themselves whether Coca-Cola has been forthcoming about the implications of the proposed equity plan."

Winters continued "If there is significant opposition to the proposed equity plan, we believe the Coca-Cola board should consider whether it has a sufficient mandate from shareholders to fully implement the plan. Should the board proceed with the plan, we will be watching closely to see whether it is executed in a manner that serves shareholders' interests and will continue to communicate our concerns."

Separately, earlier today the Florida State Board of Administration, owner of approximately 6.4 million Coca-Cola shares, announced it has voted against the Coca-Cola 2014 equity plan.

The full text of the letter is included below.

## **Wintergreen Advisers, LLC Letter to Coca-Cola Shareholders**

April 22, 2014

Dear Fellow Coca-Cola Shareholders:

Since we made public our first letters to the Coca-Cola Board of Directors and Warren Buffett on March 21, we have been fortunate to receive expressions of support from many shareholders, both large and small, who share our concerns about Coca-Cola's proposed equity plan. Several large institutional investors have publicly announced their opposition to the proposed equity plan, and we are hopeful that even more will come forward.

Wintergreen Advisers, LLC, like other institutional investors, fund managers and financial advisers, has a fiduciary duty to its clients to act in their interests when voting on proxy matters. We all rely on a public company's proxy materials to present important information "in a clear and easy to read manner" and expect a "plain English explanation of how boards arrive at pay decisions."<sup>1</sup>

Wintergreen believes Coca-Cola's 2014 annual proxy statement fails to meet these standards with regard to the description of the proposed equity plan. We hope all fiduciaries will consider this letter and the attachment "Nine Points to Consider Before Voting on Coca-Cola's Proposed 2014 Equity Plan" in light of the material Coca-Cola has provided and ask themselves whether Coca-Cola has been forthcoming about the implications of the proposed equity plan.

Like many other institutions, Wintergreen reports its proxy voting record each year and gives careful consideration to every vote we cast on behalf of our clients. We simply could not justify a vote in favor of Coca-Cola's proposed equity plan once we understood its potential impact on our clients' investment.

We concluded that Coca-Cola was proposing a very bad plan. It is bad for Coca-Cola, the vast majority of Coca-Cola employees and above all, it is bad for shareholders.

**Recently, Coca-Cola issued a statement that the proposed equity plan is "closely in line with past plans approved by the Board and the shareowners,"<sup>2</sup> but we believe it is abundantly clear that this is simply not true.** The proposed equity plan is potentially highly dilutive and destructive to long-term shareholder value. We do not believe it is in shareholders' best interests to have their investment diluted so that the top 5% of Coca-Cola's most highly compensated employees can be gifted with equity to this extent, above and beyond their cash compensation and other benefits.

We are long-term investors and we want management to be well-rewarded if they do a great job for shareholders, but under the proposed plan the division of value tilts too far in favor of Coca-Cola's management at the expense of shareholders. By increasing stock-option awards, shortening the award period and including lower performance hurdles, we believe the plan could lead to outsized rewards for management and increased dilution for shareholders. This is not in the best interest of Coca-Cola or its shareholders.

We look forward to the results of the balloting on the proposed equity plan and believe the final vote will show that there are many investors who share our concerns.

If there is significant opposition to the proposed equity plan, we believe the Coca-Cola board should consider whether it has a sufficient mandate from shareholders to fully implement the plan. Should the board proceed with the plan, we will be watching closely to see whether it is executed in a manner that serves shareholders' interests and will continue to communicate our concerns.

Sincerely,

David J. Winters, CEO  
Wintergreen Advisers, LLC  
973-263-4500

### **Nine Points to Consider Before Voting on Coca-Cola's 2014 Equity Plan**

Wintergreen Advisers urges all shareholders to carefully consider the following items as they prepare vote on the plan.

1. **Coca-Cola's proposed plan, unlike previous plans, allows an individual to receive more than 5% of the awards available under the plan.<sup>3</sup>**
2. **The proposed plan permits the Compensation Committee to award "bonus shares" that are "not subject to any restrictions or conditions."<sup>4</sup>**
3. **The proposed plan includes 27 criteria that can potentially be used by the board to justify equity awards, many of which are not subject to any disclosed standard of success.<sup>5</sup>** In recent measurement periods, the hurdle rate that must be met to receive shares and options has been lowered. While the hurdle rate has been raised for the current measurement period, it is below what was required in previous periods.<sup>6</sup>
4. **The proposed plan allows Coca-Cola's Compensation Committee to "exclude" and "adjust" certain items from the evaluation of management performance.<sup>7</sup>** In football terms, this allows the Compensation Committee to move the goal posts closer once the ball is in the air.
5. **The proposed plan, when combined with previous plans, could dilute shareholders by up to 16.6%.<sup>8</sup>**
6. **The proposed plan, as envisioned by Coca-Cola, will result in the issuance of up to 340,000,000 shares and options.<sup>9</sup>** This represents a 21% increase in potential awards compared to the previous plan.<sup>10</sup>

7. **The proposed plan allows the Compensation Committee to issue these 340,000,000 shares and options over four years.**<sup>11</sup> This time period is more than 33% shorter than the time period under the 2008 plan.<sup>12</sup>
8. **The proposed plan may require Coca-Cola to spend even more on share repurchases than the \$1.3 billion it spent in 2013 in order to offset dilution.**<sup>13</sup> These 2013 buybacks comprised 27% of Coca-Cola's "robust share repurchase program,"<sup>14</sup> a figure that could rise under the proposed plan and divert a significant portion of the company's cash flow away from more productive and profitable uses.
9. **Coca-Cola's compensation policies get a low rating from a leading proxy advisory firm.** Institutional Shareholder Services (ISS) gives Coca-Cola's compensation policy a score of 8, near the bottom of the ISS scale.<sup>15</sup>

Footnotes:

1. "Message and Q&A from our Chairman and CEO," 2014 Coca-Cola proxy statement, page 5.
2. Coca-Cola press release, March 28, 2014.
3. 2008 Coca-Cola proxy statement, page 87.
4. The Coca-Cola Company 2014 Equity Plan, page 14, article 13.1.
5. 2014 Coca-Cola proxy statement, pages 87-88.
6. 2014 Coca-Cola proxy statement, page 57.
7. 2014 Coca-Cola proxy statement, page 88.
8. 2014 Coca-Cola proxy statement, page 86; 16.6% calculation excludes Total Award Shares from denominator.
9. Assumes 60/40 option/full value award split, per 2014 Coca-Cola proxy statement, page 86.
10. 2008 Plan allowed 280,000,000 shares, 2-for-1 split adjusted; see 2008 Coca-Cola proxy statement, page 87.
11. 2014 Coca-Cola proxy, page 85.
12. 2008 Plan made grants from 2009 to 2014 and still has shares available.
13. 2014 Coca-Cola proxy, page 86.
14. Coca-Cola press release, March 28 2014.
15. <https://link.issgovernance.com/qs/free/31989>.

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## Wintergreen Believes Coca-Cola Lacks Shareholder Mandate for Equity Plan

April 24, 2014 02:30 PM Eastern Daylight Time

NEW YORK -- (BUSINESS WIRE) -- Shareholders in the Coca-Cola Company (NYSE: KO) delivered a clear message at yesterday's annual meeting that they do not support Coca-Cola's 2014 equity plan.

**Coca-Cola's certified ballot results, filed with the SEC late yesterday, show that fewer than half of Coca-Cola's total outstanding shares (2.19 billion out of 4.40 billion) were voted in favor of the 2014 equity plan. By contrast, 66% of the total outstanding shares were voted in favor of Coca-Cola's previous plan.**

David Winters, CEO of Wintergreen Advisers, said "Coca-Cola's plan failed to attract support from a majority of shareholders, including its largest shareholder, Berkshire Hathaway (NYSE: BRK.B). Wintergreen believes that no company should implement an equity plan without the support of a majority of its shareholders, least of all a great company like Coca-Cola. It is clear to us that Coca-Cola failed to earn a shareholder mandate to fully implement the 2014 equity plan and we call on Coca-Cola's Board of Directors to withdraw or scale back the plan.

According to SEC filings, Coca-Cola had more than 66 million shares available for issuance under existing equity plans as of February 20th, which we believe would allow it to continue to issue stock awards while developing a more shareholder friendly plan."

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## Wintergreen Questions Board Actions in Coca-Cola Equity Plan Vote

May 01, 2014 10:00 AM Eastern Daylight Time

NEW YORK -- (BUSINESS WIRE) -- Wintergreen Advisers today released the following letter, which was sent to the Coca-Cola (NYSE: KO) Board of Directors and Warren E. Buffett at approximately 2:00pm ET yesterday, April 30, 2014. The letter raises questions about the actions of Coca-Cola Chairman and CEO Muhtar Kent, Director Howard Buffett and Director Maria Elena Lagomasino, and statements made by the company in connection with the shareholder vote on the Coca-Cola 2014 equity plan.

Board of Directors  
The Coca-Cola Company  
One Coca-Cola Plaza  
Atlanta, GA 30313

April 30, 2014

Dear Coca-Cola Board Members,

Warren Buffett has publicly stated that he spoke with Coca-Cola Chairman and CEO Muhtar Kent multiple times leading up to Coca-Cola's annual shareholder meeting and expressed his lack of support for the 2014 Equity Plan. Mr. Buffett has also said that he spoke with his son Howard Buffett, who serves as a director of Coca-Cola, regarding the 2014 Equity Plan. In an interview with CNBC hours after the shareholder meeting, Mr. Buffett stated that the plan "really struck me as quite excessive." We would like to know whether Mr. Muhtar Kent or Mr. Howard Buffett made the Compensation Committee or the full Board of Directors aware of Mr. Warren Buffett's views on the 2014 Equity Plan. Did Mr. Buffett speak with any other Coca-Cola directors regarding his views of the 2014 Equity Plan, and if so, when?

In particular, we would like to know whether, as head of the Compensation Committee, Ms. Lagomasino was informed of Mr. Buffett's views? If so, we question how Coca-Cola could be comfortable with the statement "We are really pleased that we are seeing broad-based investor support for this plan." Further, we would like to know whether Coca-Cola reached out to institutional investors before the shareholder meeting to drum up support, even after it knew that its largest shareholder opposed the plan. If Coca-Cola did reach out to investors, did it state or imply that it had received generally positive feedback from other investors?

Regarding the 2014 Equity Plan itself, we do not believe there is a reasonable basis for Ms. Lagomasino's statement at the shareholder meeting that "the new plan is not any more dilutive than historical plans and programs." This is demonstrably false. The simple math is clear – the **2014 plan calls for more awards than previous plans, distributed in fewer years than previous plans. This is undeniably more dilution.** Warren Buffett made this clear in his April 23rd interview on CNBC, stating "the plan – compared to past plans was a significant change...I thought it was too much."

As investment adviser with a fiduciary duty to our longtime shareholders, we are deeply concerned that Coca-Cola is becoming known not for great products but for excessive management compensation, the trampling of shareholders' interests and a willful disregard for the valid concerns of its largest shareholder.

We look forward to the board's response to these urgent questions.

Regards,

David J. Winters

Cc: Warren Buffett

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## **Wintergreen Calls on Coca-Cola to Commit to Changes in Equity Plan**

**May 02, 2014 08:00 AM Eastern Daylight Time**

NEW YORK -- (BUSINESS WIRE) -- Wintergreen Advisers today issued the following statement:

After several weeks, Coca-Cola (NYSE: KO) appears to be taking seriously the issues we raised regarding its equity plan in our first letter to Coca-Cola's Board and Warren Buffett on March 21st.

But vague promises from unnamed sources are not enough. Coca-Cola must make a detailed, publicly disclosed commitment to withdraw or substantially modify the plan. We would expect the modifications to include the reduced use of equity awards as incentive compensation. Coca-Cola's shareholders deserve nothing less.

Shareholders also deserve an answer to an important question: What were the events that led up to the decision by the Board to accept a plan that Coca-Cola's largest shareholder and most famous investor agrees is excessive?

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## **David Winters Discussed the Coca-Cola Compensation Plan with Becky Quick on CNBC**

**May 2, 2014**

Speaking from the site of the 2014 Berkshire Hathaway Annual Meeting in Omaha, NE, David Winters tells CNBC's Becky Quick that he was "absolutely stunned" when he learned about Coca-Cola's equity compensation plan for executives. He also urged the beverage giant to withdraw the "extreme overreaching" plan, saying it raised questions about Coke's corporate governance.



## Wintergreen Advisers Writes Directors of Coca-Cola, Berkshire Hathaway

**May 7, 2014 10:30 AM Eastern Daylight Time**

NEW YORK -- (BUSINESS WIRE) -- Wintergreen Advisers today released the following letter, which was sent to the directors of The Coca-Cola Company (NYSE: KO) and Berkshire Hathaway (NYSE: BRK.A, BRK.B). In the letter, Wintergreen states its belief that the Boards' recent actions are utterly inconsistent with the well-defined fiduciary duties that they owe to their respective shareholders.

Board of Directors  
Berkshire Hathaway Inc.  
3555 Farnam St.  
Omaha, NE 68131

Board of Directors  
The Coca-Cola Company  
One Coca-Cola Plaza  
Atlanta, GA 30313

May 7, 2014

Dear Board Members,

Over the past six weeks, Wintergreen Advisers has raised a number of serious issues regarding the excessive nature of Coca-Cola's 2014 Equity Plan. As we have stated in numerous communications, we believe the plan materially dilutes shareholders and allows senior management to reap outsized rewards just for showing up. All of this is well-known. Perhaps less well-known, and potentially more troubling, however, are the corporate governance issues that emerged during the course of Coca-Cola's proxy solicitation period and shortly thereafter.

**Recently, we learned that (i) not a single Coca-Cola Director voted against the plan that ultimately garnered support from less than half of Coca-Cola's total outstanding shares, (ii) Coca-Cola pushed through the plan over the objections of its largest shareholder, and (iii) Warren Buffett disapproved of the plan, but did not want to speak out for fear of embarrassing Coca-Cola.** We find all of this very troubling and indicative of major corporate governance issues, both at Coca-Cola and at Berkshire Hathaway.

Corporate governance has been very much in the news this proxy season. SEC Commissioner Luis Aguilar put it very well in an April 2014 speech in which he stated that for investors, corporate governance "means that the owners of the company are those who have paid to own the company's stock, and that management are merely their employees[.] . . . But even the most capable management, left unchecked can make bad decisions [and that] is why shareholders elect a board of directors to represent their interests. . . . Good corporate governance helps shareholders and their representatives to hire the right managers, and helps make sure that the managers remember they ultimately answer to shareholders. Additionally, **good corporate governance also helps to remind the company's directors that they work for the company's shareholders, not for themselves, and certainly not for management.**" (*emphasis added*) As Commissioner Aguilar noted in his speech, these concepts are not new, and the duties of loyalty and due care owed by corporate directors have been well-developed over time in Delaware and other state courts. In the context of a proxy solicitation, good corporate governance and a board's adherence to its fiduciary duties means that directors disclose all material information within their control when they seek shareholder action.

In light of the events surrounding Coca-Cola's annual meeting and the passage of the excessive 2014 Equity Plan, we believe that the directors of both Coca-Cola and Berkshire Hathaway would do well to study Commissioner Aguilar's words. Indeed, we believe their recent actions are utterly inconsistent with the well-defined fiduciary duties that they owe to their respective shareholders. The Coca-Cola Directors never should have approved such an excessive plan. Furthermore, upon learning of the dearth of shareholder support for the plan, the Directors should have withdrawn the plan or firmly committed to scaling back its implementation. **In Berkshire Hathaway's case, we believe the Directors had a duty to represent the best interests of their shareholders, even if doing so would embarrass their cronies.**

Overall, we love Coca-Cola as a company. Our clients have owned Coca-Cola shares for more than five years and we believe that good corporate governance could unlock a great deal of value for shareholders. However, as recent events have demonstrated, instituting good corporate governance is difficult, if not impossible, at a company that ignores its shareholders.

Regards,

David Winters, CEO  
Wintergreen Advisers, LLC  
973-263-4500

Cc: Muhtar Kent  
Herbert A. Allen

Ronald W. Allen  
Ana Botin  
Howard G. Buffett  
Richard M. Daley  
Barry Diller  
Helene D. Gayle  
Evan D. Greenberg  
Alexis M. Herman  
Robert A. Kotick  
Maria Elena Lagomasino  
Donald F. McHenry  
Sam Nunn  
James D. Robinson III  
Peter V. Ueberroth  
Jacob Wallenberg

Warren E Buffett  
Charles M. Munger  
Howard G. Buffett  
Stephen B. Burke  
Susan L. Decker  
William H. Gates III  
David S. Gottesman  
Charlotte Guyman  
Donald R. Keough  
Thomas S. Murphy  
Ronald L. Olson  
Walter Scott, Jr.  
Meryl B. Witmer

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## **David Winters talks about Coca-Cola and Warren Buffett on Fox Business**

**May 7, 2014**

David Winters tells Fox Business' Maria Bartiromo he believes that Warren Buffett and the Board of Directors at Coca-Cola have failed their fiduciary duties to shareholders by allowing Coca-Cola's equity compensation plan to pass.



## Warren Buffett discusses why he abstained from voting on Coca-Cola's 2014 Equity Plan

April 23, 2014

Following Coca-Cola's Annual Meeting on April 23, 2014, Warren Buffett was interviewed by CNBC's Becky Quick about his decision to abstain from voting on Coca-Cola's controversial equity compensation plan, even though he thought the plan was "excessive." He also discusses why he didn't publicly voice his concerns about the plan like Wintergreen Advisers CEO David Winters did, and why he has voted in favor of compensation plans in the past even when he did not agree with them.



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## Buffett: Love Coke, like IBM, market not too frothy Wednesday, 23 Apr 2014 | 3:00 PM ET

Warren Buffett was interviewed live on CNBC's "[Closing Bell](#)" Wednesday.

Among the topics covered:



- Why stocks aren't "too frothy" as they re-approach all-time highs
- His decision to abstain in a vote on [Coca-Cola's](#) controversial equity compensation plan, even though he thought it was "excessive"
- His support for [IBM](#), even after a disappointing earnings report
- How CEOs are increasingly scared of activist investors

Here's an unofficial transcript of the interview along with a video clip of the entire conversation with [Becky Quick](#).

You can also download a PDF by [clicking here](#).

BECKY: We are at Smith and Wollensky today. Warren Buffett has just had lunch with the winners of the annual Glide Foundation Auction. ....

BECKY: Okay, I'm glad to hear it. While you were in there, there was a little bit of news that was happening out here. We've been hearing about the Coke shareholders meeting. It turns out that the votes are in. Eighty-three percent of shareholders voted in favor of Coke's plan. The—compensation— equity plan. **That means 17 percent voted no. How did you vote your shares?**

**BUFFETT: We abstained.** So that would've been 9 percent. I don't know whether or not it's— whether they took that out before calculating the 83 percent and 17 percent. **But we— we— we abstained.**

BECKY: That was 83 percent for the votes that were cast. **Why— why did you abstain?**

BUFFETT: Well, we abstained because— we didn't agree with the plan. We thought it was excessive. **And— I love Coke. I love the management, I love the directors. But— so I didn't want to vote no. It's kind of un-American to vote no at a Coke meeting. So (LAUGH) that's— but we— I didn't want to express any disapproval of management. But we did disapprove of— of the plan.**

The plan— compared to past plans was a significant change. And— there's already a 9 percent or so overhang in terms of options outstanding relative to the amount of sh— shares outstanding, 8 percent— 8 percent— 8 percent to 9 percent. And— this authorization of another 500 million shares. Not all of which would've gone on options. But that's another 11 percent of the company.

And— and— I thought it was too much. And— I talked to my partner Charlie Munger, and he thought it was too much. So we abstained.

BECKY: Your math, does it match up with David Winters who is— is the activist who's been very vocal about this. By his math— he thinks it would be something like— a dilution of 16 percent to— existing shareholders— that are there. And—and Muhtar Kent has up from the company and he thinks it's more like 1 percent of—

**BUFFETT: Well, it— it— it's closer to the 1 than it is to the 16— in terms of dilution because they would repurchase— the— they would use the proceeds they received in the options to repurchase shares.** So— so— they said the breakdown between giving performance shares— in terms of what they call option equivalent, it would be 40 percent down and 60 percent options. If they repurchase the shares, it would not be— it would not be as low as 1 percent. It— it would be far from the— from the higher numbers.

BECKY: Well, David Winters— was just out with a statement, I guess he jumped the gun a little bit, because he criticized you. He said— in his statement, that we are surprised Warren Buffett had the opportunity to take a stand against excessive management compensation and failed to seize it. Why are you telling us this now instead of before the vote?

BUFFETT: I— I— I— I would not want to be in a position of— of— campaigning for either side in respect of— we were gonna cast our vote, it would become known how we cast our vote. But— but— I have enormous respect for Muhtar Kent. He is the man to be running Coca-Cola. And— we never sold a share of Coke— never had any plans to s— sell any Coke. I— I respect the Coke organization. I just don't like the plan.

BECKY: Did you talk to Muhtar Kent about— your thoughts on this?

BUFFETT: I— I did, but it was only after the— the— the proxy was out. So and— and— and he did not have— he did not know my views ahead of time.

**BECKY: Your— your son is on the board of Coca-Cola. He voted in favor of this plan.**

BUFFETT: That— that's true. The— I— I've been on boards for 55 years— 19 public boards— **I've never heard of a vote against the compensation plan voted by compensation committee. What happens in a board, I— I think people sometimes have a mistaken notion of how boards act. But— the compensation com— committee comes in, they've worked for a few hours, maybe a few days, they've had consultants. And— and they say, "We've approved**

**this plan."** I've never yet heard at any of the 19 boards I was on, anybody say in the meeting they were against it. And I've had— heard a few say it outside of the meeting. But— but taking on a committee that's reported, you've assigned— the job to the committee, and they — taking them on it is— is— is a little bit like belching at the dinner table. I mean, you can't do it too often. (LAUGH) **If you do, you find you're eating in the kitchen pretty soon.**

BECKY: Did you ever vote for something when you were on a board that you disagreed with?

BUFFETT: Sure.

BECKY: Like what?

BUFFETT: Well, I've voted for compensation plans that I haven't agreed with. But I— I've even sort of muttered a yes on— on some mergers that (LAUGH) I didn't think made any sense. But that— it happens.

BECKY: You know, I— I'm still trying to get my head around this. You— went ahead and— abstained to vote on this. But did you look at this compensation plan or did you look at the— equity plan before David Winters pointed it out?

**BUFFETT: I— I— I read the full details actually after— after that. I— I— I— I just hadn't learned the material yet. But in 2002, Coke had a plan that involved 240 million shares. That lasted six years. They had a plan in 2008, six years later, that was 280 million shares. And that lasted six years. And then this plan, when I read about it was for 500 million shares. Which they would equate to 340 million. But still, 340 or 500. And they were gonna use it, they said, in four years. And that— that really struck me as quite excessive. So— I— I didn't actually read that until after Winters wrote the letter. But I would've felt the same way.**

BECKY: This is a situation now ,though, that the company again, had 83 percent of the votes that were cast voting in favor of it. What do you think they'll do now?

BUFFETT: Well, I— I— I don't know the answer to that. They— they have the stock authorized. They said in the report that they expected it to last four years. I hope it lasts a lot longer than that, because I think that would be excessive to issue that number of shares that are options, or performance shares equivalence— in a four-year period.

BECKY: So if they simply extended the number of years that they were to take to issue those, you'd be okay with the plan?

BUFFETT: Sure. I mean, it's— it really just depends on how much you're issuing all the time. How much of the future upside you're giving away each year. And— right now, something between 8 and 9 percent of the upside of a stock is covered by options already issued. That's out there. And they've been issuing options year after year after year. I mean, so anybody who's worked there for ten years has got— probably got ten years worth of options. It isn't like incentives are lacking. But you can give away too much of a company.

BECKY: Will you sell any shares of Coca-Cola? Have you sold any shares of Coca-Cola?

BUFFETT: No, no, no. And no intention whatsoever of selling shares. I— I love the company and I— and I think that the exact— the— the right CEO is running it. And I think it's— it's got a fine future.

**BECKY: And you— you've said in the past that people should buy companies that could be run by a ham sandwich. And you've even said Coca-Cola is one of those companies that could be run by a ham sandwich—**

**BUFFETT: I don't think I said that. (LAUGH)**

BECKY: I'm quoting it from "[The Snowball](#)," I think. It was— it was a quote from "The Snowball."

**BUFFETT: Well, then (author) Alice Schroeder said it, yeah. (LAUGH)**

BECKY: So Alice Schroeder said that you have said that.

BUFFETT: No, no. In fact, I'm quite sure I never said that. I— I think I know who said it, but I'm not gonna name him. (LAUGHTER)

BECKY: I guess that's what it gets back to the question, though— is it important to have a great manager running that company?

BUFFETT: It's— it's— it's hugely important. Just— hugely important. And— and actually— the— the— Coca-Cola for a while, after Roberta— Roberto (Goizueta) left with—was not doing

so well, and Muhtar is— is— is the right person to be running it and it makes a big difference who's running it.

#### **End of Coke Compensation Discussion.**

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## **Wintergreen Urges Coca-Cola to Address Conflicts Amid Buyout Speculation**

**June 17, 2014 10:00 AM Eastern Daylight Time**

NEW YORK -- (BUSINESS WIRE) -- Citing its concern about possible conflicts of interest at The Coca-Cola Company (NYSE: KO) amid media speculation that 3G Capital and Berkshire Hathaway may be planning a transaction to take Coca-Cola private, Wintergreen Advisers today released the following letter. It is addressed to the independent directors who chair Coca-Cola's Audit, Compensation, and Governance Committees and urges them to address these conflicts and take steps to exercise their fiduciary duty with regard for all shareholders.

Committee Chairs of the Board of Directors  
The Coca-Cola Company  
One Coca-Cola Plaza  
Atlanta, GA 30313

June 16, 2014

Dear Ms. Lagomasino and Messrs. Greenberg and Nunn:

Events over the past few months, leading up to and after the annual meeting of Coca-Cola shareholders, have given rise to grave concerns at Wintergreen Advisers regarding potential conflicts of interests at Coca-Cola. I am writing to you, in your roles as chairs of the Compensation, Audit, and Governance Committees, respectively, to urge you and your fellow Board members to address the current and potential conflicts that we identify below.

Wintergreen's specific and most recent concern stems from speculation in the U.S. and Brazilian media that Berkshire Hathaway, your largest shareholder, and 3G Capital, a private equity firm, may be planning a transaction to take Coca-Cola private.<sup>1</sup> Media reports express the view that Berkshire's and 3G's recent joint acquisition of Heinz may serve as the blueprint for such a transaction. Additionally, Warren Buffett has stated that the Heinz deal "created a partnership template that may be used by Berkshire in future acquisitions of size"<sup>2</sup> and stated at Berkshire's 2014 shareholders meeting that "we haven't bought Coca-Cola, yet."

As you may recall, the Heinz deal took place quickly, in part because there was no "go-shop" period in which Heinz could solicit competing offers and potentially increase the purchase price.

In addition, Heinz agreed to a \$750 million termination fee, which is about three times greater than if there had been a typical go-shop provision.<sup>3</sup> All of this combined to make the deal “unusual” and the Heinz Board subsequently negotiated only with Berkshire and 3G.<sup>4</sup> As adviser to longtime shareholders of Coca-Cola, we are concerned that a similar type of sweetheart, insider deal for Coca-Cola could, in our opinion, significantly undervalue Coca-Cola and irreparably harm Coca-Cola shareholders. Since Berkshire is Coca-Cola's largest shareholder, owning greater than 9% of the outstanding shares, and Warren Buffett's son Howard serves as a Director of both Coca-Cola and Berkshire Hathaway, we believe our concerns are valid.

None of Coca-Cola, Berkshire or 3G has publicly commented on the accuracy of these media reports. However, the possibility of a Berkshire-3G bid puts both Warren Buffett's curious silence and subsequent abstention regarding the Coca-Cola 2014 Equity Plan that he thought was “quite excessive” and the Coca-Cola Board's machinations to win shareholder approval of the excessive Plan, seemingly at any cost, in a worrisome context.

Under the Plan, a buyout could trigger a change-of-control provision, immediately vesting equity awards granted to Coca-Cola's top management and its Board members. In addition, the Plan removed a 5% cap on awards to any individual, potentially allowing Coca-Cola to front-load awards. As a result of these provisions, stock and options worth hundreds of millions of dollars at today's share price that would otherwise be paid out over a period of several years could vest overnight. If such a deal were completed today, Coca-Cola Chairman and CEO Muhtar Kent alone would stand to reap a nine-figure pay day. Coca-Cola's and Berkshire's failure to meaningfully address concerns regarding the Plan and the way it was adopted raise significant questions about whether passing the Plan was a pay off for Mr. Kent's acquiescence in going along with a future acquisition of Coca-Cola.

Regardless of whether the Coca-Cola Board considers this accelerated vesting a feature or an oversight of the Plan, we are concerned that it incentivizes the Board and Mr. Kent to sell Coca-Cola, regardless of the price. In addition, in a “going-private” transaction, the buyers (here, potentially Berkshire and 3G) seek to pay the lowest possible price for the target company, whereas it is in the best interests of the shareholders to receive the highest premium possible. We remind the Coca-Cola Board members that in a potential buyout situation, they have a fiduciary duty to shareholders to obtain the highest price reasonably available, regardless of whether they have competing personal interests.

In our opinion, any proposed transaction should be reviewed and priced by an independent committee of the Coca-Cola Board with the assistance of respected outside counsel and advisers. At a minimum, we believe there should be a go-shop period in which Coca-Cola solicits multiple bids and creates a truly competitive process in order to obtain the highest reasonable price for shareholders. Given the extent of the potential conflicts of interest and the events over the past few months, we expect nothing less.

In addition, the Coca-Cola Board should consider heading off a potential bid by undertaking an immediate restructuring plan of its own under a new management team. We believe there is a great deal of additional value within Coca-Cola that a new management team could quickly unlock by running Coca-Cola more efficiently and on behalf of its true owners, the shareholders. We are concerned by current management's recent track record of acquiring short-term growth at

lofty valuations, **such as the recent Keurig Green Mountain Inc. acquisition, rather than focusing on long-term growth and profitability at Coca-Cola's core brands and products.** Additional such deals will only dilute the enormous value of Coca-Cola's existing brands and distract management from the task of restoring Coca-Cola to organic growth.

Since Coca-Cola filed its 2014 Proxy Statement and subsequently muscled through the controversial Equity Plan, there are now more questions than answers. It increasingly appears to us that there are substantial conflicts of interests, extensive governance issues and perhaps plans to take Coca-Cola private. This is extremely troubling and is exacerbated by Coca-Cola's failure to address these legitimate concerns. The shareholders deserve prompt and complete answers.

Regards,

David J. Winters, CEO  
Wintergreen Advisers, LLC  
973-263-4500

Cc: Board of Directors

Footnotes:

1. Fortune, "Warren Buffett, activist investor?" by Jen Wiczner, May 3, 2014. Istoe Dinheiro, "A próxima cortada de Buffett," By Cláudio Gradilone & Carlos Eduardo Valim, May 9, 2014. (With English translation). Full articles available at <http://fortune.com/2014/05/03/warren-buffett-activist-investor/> and <http://www.istoedinheiro.com.br/noticias/negocios/20140509/proxima-cortada-buffett/153158.shtml>
2. 2013 Berkshire Hathaway Annual Report, page 3
3. The New York Times, "Buffett's Kind of Deal" by Steven Davidoff, Feb 15, 2013. Full article available at [http://dealbook.nytimes.com/2013/02/15/warren-buffetts-kind-of-deal/?\\_php=true&\\_type=blogs&\\_r=0](http://dealbook.nytimes.com/2013/02/15/warren-buffetts-kind-of-deal/?_php=true&_type=blogs&_r=0)
4. HJ Heinz proxy statement, March 27, 2013, pages 37-49

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## David Winters Q&A with Barron's

July 7, 2014

David Winters discusses issues at Coca-Cola, why he isn't selling Coke's stock, and why he's bullish on the Asian consumer, in the Barron's article, "How a Hands-On Investor Went Flat on Coke" by Sarah Max.





## Wintergreen Advisers Announces [www.FixBigSoda.com](http://www.FixBigSoda.com) and Outlines Steps to Revitalize Coca-Cola

**July 23, 2014 03:46 PM Eastern Daylight Time**

NEW YORK — July 23, 2014 (Business Wire) — Citing persistent weakness in revenue and net income at The Coca-Cola Company (NYSE: KO), Wintergreen Advisers today presented an eleven-point plan to revitalize the company.

The Wintergreen plan was shared in early July with Coca-Cola's largest shareholders and is available today to the public on a new website, [www.FixBigSoda.com](http://www.FixBigSoda.com), devoted to sharing information on improving Coke's governance and business performance.

Wintergreen recommends that Coca-Cola cut costs, improve margins and step up the pace of bottler refranchising to significantly improve operating results. Wintergreen's plan also calls for Coca-Cola to strengthen its corporate governance, improve disclosure, separate the roles of chairman and CEO and create a strong and independent Board of Directors.

David Winters, CEO of Wintergreen Advisers, said: "Coca-Cola's lackluster second quarter earnings report underscores the need for urgent action. If the current board of directors and management team are unwilling or unable to get Coca-Cola back on the path of profitable and organic growth that accrues to all shareholders, they should be replaced. Coca-Cola and its shareholders deserve nothing less."

July 8, 2014

Dear fellow Coca-Cola shareholders,

**Over the past few years, Coca-Cola has simply not lived up to its potential. Revenue has been flat and net income before extraordinary items was lower in 2013 than in 2011, despite massive spending on marketing and several cost cutting initiatives.<sup>1</sup> At the same time, Coca-Cola's debt has increased by \$8.5 billion.<sup>2</sup>** Furthermore, the pace at which Coca-Cola has fixed-up and refranchised its bottlers has been frustratingly slow, and disclosure on the performance of the bottling assets has been less than clear. All of these factors lead us to believe that Coca-Cola could be better managed.

We believe Coca-Cola's shareholders deserve better, so we asked ourselves – “What would Coca-Cola look like if it were a well-run company with a focus on shareholder returns?” Here's our answer:

**Operations and integrity:**

- Best in class profit margins. Coca-Cola's profit margin has been stuck at 26% for the past three years.<sup>3</sup> By contrast AB InBev and SABMiller, both beverage companies with global footprints and sizes comparable to Coca-Cola's, have profit margins of 40% and 34% respectively.<sup>4</sup> In our opinion, there is no reason why Coca-Cola shouldn't have profit margins comparable to these companies. If Coca-Cola achieved a profit margin of 37% (the average of AB InBev and SABMiller), its profits would be 41% higher. **Assuming Coca-Cola continued to trade at its current valuation, the shares would be worth substantially more than their recent price of \$42 per share.**
- A laser-like focus on costs. In just ten years, Coca-Cola's workforce has grown from 49,000 employees to 131,000 employees, while profit per employee has declined by 32% over that same period.<sup>5</sup> We believe that Coca-Cola could be more efficient and that certain significant cost-cutting measures could be taken to boost profits per employee without harming the company.
- An increased pace of bottler refranchising. It has been nearly four years since Coca-Cola purchased Coca-Cola Enterprises' North American operations and since that time, little progress has been made in refranchising those bottling assets. Capital should be freed up from these operations and redeployed into the more profitable and less capital-intensive concentrate business, or returned to shareholders.
- Improved disclosure. Investors should be able to see exactly how the bottling business is performing as a standalone business unit. Coca-Cola's current disclosure is insufficient for this purpose.
- Prioritizing pricing and profit over volume growth. Coca-Cola management has seemingly emphasized growing volumes in mature markets such as the United States rather than focusing on prices and profits. At the end of the day, it is profits that matter to shareholders, not volume.
- No more attempts to buy growth. Paying large valuations for stakes in non-core businesses such as Keurig Green Mountain Inc. does not address the fundamental growth problems

Coca-Cola has encountered in its primary business of selling cold beverages. Management's focus should be improving its time-tested and highly profitable business lines rather than trying to buy growth.

- No more cheapening Coca-Cola's brands. Mixing apple and grape juice with 0.3% pomegranate juice and labeling it as pomegranate juice reflects poorly on the entire company and management. We believe that the United States Supreme Court's recent unanimous decision related to a lawsuit against Coca-Cola for its allegedly misleading labeling of pomegranate juice is indicative of larger problems with management's focus, integrity and judgment.

### Corporate Governance

- Separate the roles of Chairman and CEO. Currently, Mr. Muhtar Kent serves as both the Chairman and CEO of Coca-Cola. Having an independent Chairman is a widely accepted best-practice for large, blue chip companies because it reduces certain conflicts of interests and helps to prevent management overreach. Coca-Cola should be a leader in corporate governance practices, and we believe the first step is having an independent Chairman.
- Withdraw and replace the 2014 Equity Compensation Plan. We believe the Plan is overly-dilutive and harmful to shareholders and to Coca-Cola. It should be withdrawn and replaced with a more modest plan which includes clear and meaningful performance hurdles which must be cleared before any bonuses are paid and include an **emphasis on cash awards**. All details of any compensation plan should be contained within the proxy statement itself, not in supplemental filings, and should be presented in a clear and concise manner. Coca-Cola's shareowners should be able to understand exactly what they are being asked to vote for without referencing several documents spread over several dozen of pages. For a complete picture regarding the 2014 Equity Plan, investors need to reference the proxy statement, a supplemental filing, and Coca-Cola's 10-k.
- Develop and implement a plan to reduce the dilutive effects of the existing 388 million equity awards.<sup>6</sup> Whether through repurchasing options from employees or another mechanism, the 8.8% potential dilution from these awards needs to be addressed. The dilution overhang should be significantly reduced so that the future upside of Coca-Cola's shares accrues to all shareholders.
- A strong and independent Board of Directors. We question how a truly independent board could develop and unanimously approve a plan that ultimately garnered approval from less than half of Coca-Cola's total outstanding shares. An independent board's role is to stand up to management overreach and to represent the interests of the shareholders, who are the true owners of the company. At Coca-Cola, one-third of the board members have been there for more than 15 years, and many have overlapping business interests with each other and the company.<sup>7</sup> Furthermore, many of the directors have little, if any, experience in the global beverage business. We believe it is time for some fresh, informed and independent perspectives in the boardroom.

Coca-Cola is a company with incredible potential around the world and some of the most valuable consumer brands ever created. Its shareholders deserve leadership that respects and honors the iconic nature of the company and is willing to do what it takes to restore Coca-Cola to the great company that we know it to be. We have outlined a few modest steps that we believe

are essential to returning value to Coca-Cola. If the current board of directors and management team are unwilling or unable to get Coca-Cola back on the path of profitable and organic growth that accrues to all shareholders, they should be replaced. Coca-Cola and its shareholders deserve nothing less.

Sincerely,

David J. Winters, CEO  
Wintergreen Advisers, LLC.  
973-263-4500

Footnotes:

1. Coca-Cola 2013 10-K, page 74; Coca-Cola 2011 10-K, page 78; this sentence has been corrected and updated as of July 10, 2014.
2. Coca-Cola 2011 10-K, page 75; Coca-Cola 2013 10-K, page 76.
3. As measured by EBITDA margin – earnings before interest, taxes, depreciation and amortization divided by net revenue.
4. Bloomberg.
5. Coca-Cola 2004 Annual Report page 12; 2013 Annual Report page 11; Bloomberg.
6. Coca-Cola 2014 proxy statement, page 85.
7. Coca-Cola 2014 proxy statement, pages 39 to 41.

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## **David Winters discusses issues at Coca-Cola with the New York Times**

**September 9, 2014**

David Winters discusses the lack of shareholder support for The Coca-Cola Company's 2014 equity plan with Andrew Ross Sorkin for the New York Times article, "Support in Coca-Cola Vote Depends on How the Math Is Done."

## Support in Coca-Cola Vote Depends on How the Math Is Done

In the spring, in the face of mounting pressure about Coca-Cola's proposed new compensation plan, the chairwoman of the company's compensation committee, Maria Ulman-Leggett, declared at Coca-Cola's meeting: "We concluded that we are seeing broad-based investor support for this plan."

At the time, the Leggett declaration was thought to quell the criticism and suggest that the company's compensation plan was broadly supported. But now, as the company's compensation plan is being voted on, the support is far from clear.

For a number of years, disclosure of the support for the plan by many of Coca-Cola's largest shareholders, which the company has not disclosed, has been a topic of discussion.

As far as the support for the plan, the company's largest shareholders, which the company has not disclosed, has been a topic of discussion.

It is not clear if the support for the plan is as broad as the company has claimed. The company's largest shareholders, which the company has not disclosed, has been a topic of discussion.

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Coca-Cola says its shareholders strongly supported the compensation plan. But David J. Winters, founder of Wintergreen Advisers, called the company "not straightforward and honest."

Winters, including companies that manage assets, did not support the compensation plan. Some of the largest investors that voted in favor of the plan are holders of Coca-Cola's common stock.

The support for the plan is as broad as the company has claimed. The company's largest shareholders, which the company has not disclosed, has been a topic of discussion.

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## Wintergreen Advisers Renews Call for Withdrawal of Coca-Cola Equity Plan

Move comes as several leading fund managers disclose votes against the plan

**September 15, 2014 12:00 PM Eastern Daylight Time**

New York, NY – (Business Wire) - Wintergreen Advisers today renewed its call for The Coca-Cola Company (NYSE: KO) to withdraw its 2014 Equity Plan in light of new disclosures about significant shareholder opposition to the plan.

As recently reported in the media, several of Coca-Cola's largest shareholders did not support the plan, according to proxy-voting records filed with the SEC. Those filings show that funds managed by State Street, Fidelity and Capital Group voted against the Plan.

Opposition by these funds is in addition to public pension funds that also voted against the plan, including the Florida State Board of Administration, State of Wisconsin Investment Board, Ontario Municipal Employees' Retirement System, Ontario Teachers' Pension Plan, and Canada Pension Plan Investment Board.

David Winters, CEO of Wintergreen Advisers, said: "When large shareholders reject your plan, a responsible company should take pause. And while the public is only now learning of these votes, the Coca-Cola board has known about the level of opposition to the plan for months. These new proxy voting disclosures – taken with the decision by Coca-Cola's largest shareholder, Berkshire Hathaway (NYSE: BRK.A, BRK.B), to abstain from voting – suggest the Chairwoman of Coca-Cola's compensation committee should never have said the plan had 'broad-based investor support.'"

“In our view, Coca-Cola’s plan does not have sufficient investor support to justify its implementation, and the board should do the right thing and set it aside without further delay. This is a test of whether the Coca-Cola board truly is prepared to act in the interests of shareholders. If it is not, the board should be replaced.”

While the Coca-Cola 2014 Equity Plan was approved by a majority of the votes cast, fewer than half of Coca-Cola’s total outstanding shares (2.19 billion out of 4.41 billion) were voted in favor of the plan. By contrast, 66% of the total outstanding shares were voted in favor of Coca-Cola's previous equity plan in 2008

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## **Wintergreen Advisers responds to Coca-Cola’s statement regarding new Equity Stewardship Guidelines**

**October 1, 2014 12:25 PM Eastern Daylight Time**

New York, NY – (Business Wire) - Wintergreen Advisers today released the following statement by David Winters:

“Coca-Cola (NYSE: KO) has finally conceded that the equity compensation plan it put to a vote of shareholders in April was outrageously excessive and inconsistent with past plans. This has been Wintergreen Advisers’ publicly expressed view since we first read Coca-Cola’s proxy statement in March of this year. No amount of backtracking by the Coca-Cola board of directors can hide the fact that we believe it tried to sneak one by shareholders in Coca-Cola’s proxy materials and statements at the April shareholder meeting. Today's statement by Coca-Cola only calls into question the competence and leadership of the board of directors and management. Much more work has to be done to revitalize Coca-Cola and restore trust in the company.”

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## **David Winters appeared on CNBC to discuss why more changes are needed at Coca-Cola**

**October 1, 2014**

David Winters discusses ongoing issues at Coca-Cola with CNBC's Scott Wapner, Kayla Tausche, and Josh Brown. Regarding Coca-Cola's decision to revise their equity compensation plan, Winters said, "It is a move in the right direction. It is Coca-Cola's public admission that the plan was a bad plan, and what they have told shareholders over the last many months was incorrect."





## David Winters discusses Coca-Cola's compensation plan changes with Maria Bartiromo on Fox Business

**October 2, 2014**

David Winters discusses why he is not satisfied with the changes announced by Coca-Cola for their 2014 equity compensation plan. Winters said, "We're thrilled that Coca-Cola has acknowledged and conceded that what they did was wrong. And now, there is an opportunity for further progress at Coca-Cola."



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## Wintergreen Advisers Poses Twelve Urgent Questions for Coca-Cola

*Wintergreen calls for answers on company's operations, costs and governance*

**October 20, 2014 12:00 PM Eastern Daylight Time**

New York, NY – (Business Wire) - As The Coca-Cola Company (NYSE: KO) prepares to announce its third-quarter 2014 financial results on October 21, Wintergreen Advisers today released a list of twelve questions for the company to address during its conference call with investors.



Wintergreen urges Coca-Cola to provide detailed information in three critical areas – restructuring its bottling operations, streamlining expenses, and improving accountability.

David J. Winters, CEO of Wintergreen Advisers, said: “Coca-Cola is not making sufficient progress on cutting costs, a major initiative – restructuring its vast bottling network – is cloaked in secrecy, and those responsible for the company’s 2014 equity compensation plan are still at their posts. This situation cannot continue. It is time for Coca-Cola to get serious about revitalizing its business, and it can start by providing information about these issues.”

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Wintergreen’s questions are:

### **Restructuring Coca-Cola’s Bottling Operations**

1. Why is there not more robust financial disclosure regarding Coca-Cola Refreshments (CCR), its North American bottling and distribution segment? Coke needs to provide more detailed disclosure regarding CCR so that all investors may determine whether or not the \$12+ billion purchase of Coca-Cola Enterprises North American business, the predecessor to CCR, has been a productive use of shareholder cash.
2. Fixing up CCR and refranchising bottling operations was touted as a four-year process when the business was created in 2010. We are approaching five years - where do we stand on refranchising?
3. Why haven’t investors seen specific plans for refranchising company owned bottlers outside the U.S. in countries such as China, Germany and India, among others?

### **Streamlining Expenses**

- ☐ Coke has recently announced a \$1 billion cost savings and productivity initiative. For a company with a nearly \$200 billion market capitalization, \$1 billion of cost cutting initiatives appears to be an uninspiring goal. Many analysts have suggested \$3 billion to \$5 billion in potential annual savings is realistic – why is Coke not aiming for these higher targets?
- ☐ Why does the Coke system need nearly 100 manufacturing plants in the U.S. when Anheuser-Busch InBev, a company of comparable size and scale, requires only a dozen?
- ☐ At a time of what we view as sluggish growth and lackluster results, why is Coke spending \$100+ million on a major renovation of its Atlanta headquarters? We believe Coke should be downsizing and cutting expenses, not further bloating the corporate structure.
- ☐ Coke’s selling, general, and administrative expenses as a percentage of sales is far higher than almost all consumer packaged goods peers, even after adjusting for advertising spending. Why? What specific steps are being taken to make the company more efficient? When will Coke’s antiquated supply chain be restructured and modernized?

□ Coke's revenue per employee is far below many of its consumer packaged goods peers. Why?

What specific steps is Coke taking to streamline the company?

### **Strengthening Accountability**

□ When can Coke's shareholders expect to see some board members held accountable for the 2014 Equity Compensation Plan debacle?

□ What are the criteria for invoking a clawback on bonuses and options related to past poor deals such as Glaceau and potentially CCE North America?

□ What role did Muhtar Kent have in structuring the 2014 Equity Compensation Plan in both its original and revised format? Why is the CEO, who likely stands to benefit more than anyone from this compensation plan, involved at all in structuring it?

□ The Coca-Cola Company, which mixes and distributes a simple product based on a largely unchanged, 19th-century formula, would appear to be able to be capably managed by a newly graduated MBA student. So why then is the Coca-Cola board so generously rewarding a management team that we believe has failed to be good stewards of the business, refuses to be accountable for past mistakes and, in soliciting shareholders' votes, has presented misleading information?

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## **Cash Matters: Why Coke's Equity Plan Is Still Bad For Shareholders**

**November 11, 2014**

When the Coca-Cola Company (NYSE: KO) on October 1, 2014 announced the adoption of Equity Stewardship Guidelines for the company's existing 2014 Equity Compensation Plan, we were cautiously optimistic that Coca-Cola's Board of Directors had made changes to the Plan to address the concerns expressed by Wintergreen Advisers and certain Coca-Cola shareholders.

But after looking closely at the Guidelines and studying Coca-Cola's public statements, we've concluded that there has been no significant change. In fact, we believe the Guidelines could actually make the Plan worse for Coca-Cola shareholders. Under the Guidelines, certain top Coca-Cola managers will be paid in cash instead of stock which could potentially put the company's dividend at risk.

### **Still a Wildly Excessive Plan**

When Coca-Cola announced the adoption of the Guidelines, the head of Coca-Cola's Compensation Committee said that "we are not changing or reducing eligibility for long-term awards." The Guidelines simply call for top management to receive fewer stock options and much more cash and full-value equity awards than they might otherwise have received under the

Plan as originally conceived. ***Coca-Cola's Guidelines do not reduce by one cent the amount that will be paid out of shareholders' pockets to the top 5% of management who are eligible for the Plan.***

When it was up for shareholder approval, the Plan was criticized for being excessive and oversized, and the Guidelines have done nothing to rein in its excessiveness or reduce its size. Management remains eligible for "bonus shares" that can be awarded without criteria. There still is no cap on total stock awards to any individual. We believe the Plan remains wildly excessive.

Coca-Cola's Board of Directors seems to be attempting to distract shareholders by issuing Guidelines that appear to address the problems with the Plan, but which in reality do nothing at all. Coca-Cola is simply reshuffling the deck and shareholders are still getting a bad deal.

### **Creating New Problems for Shareholders**

In our view, the Guidelines not only fail to address the original problems with the Plan, but they raise problems of their own. To meet the Guidelines, Coca-Cola will massively increase the amount of cash compensation handed out to top management over the next 10 years in addition to shares and options issued under the Plan. The result for Coca-Cola shareholders will be both dilution (from the shares and options issued) and reduced earnings (from the increased cash compensation expense). ***We believe the excessive Plan and the appalling Guidelines are a lose-lose situation for all Coca-Cola shareholders.***

By our estimate, it appears that the cash compensation required to meet the Guidelines will cost shareholders between \$1 billion and \$3 billion per year in excessive management compensation. That is cash that comes directly out of shareholders' pockets and reduces Coca-Cola's earnings by a proportionate amount. After taxes, that \$1 billion to \$3 billion per year is worth between \$0.17 and \$0.51 in annual per share net income, assuming a 25% corporate tax rate. ***At Coca-Cola's current valuation of 20x earnings, that excessive cash compensation costs shareholders between \$3.40 and \$10.20 of per share value.***

### **Putting the Dividend at Risk**

Coca-Cola recently lowered its earnings outlook and Chairman and CEO Muhtar Kent acknowledged that it "will take time to implement and deliver improvement in our results." But any improvement in Coca-Cola's performance will be impeded by the negative effect of what we view as the excessive dilution and massive cash payouts that will be made to management, both of which impact Coca-Cola's ability to grow earnings per share. ***If Coca-Cola is unable to grow earnings per share, the dividend growth that shareholders have come to expect after 50 consecutive years of increases will be put at risk.***

Coca-Cola's dividend coverage ratio currently stands at only 1.6x, before considering the negative impact of increased cash compensation to the top 5% of management. We believe it is

incredibly imprudent behavior by the Board of Directors to put shareholders' dividends at risk in order to increase compensation to what we view as an already overpaid management team.

It is the fiduciary responsibility of all Board members to put the shareholders' interests ahead of those of management. It is becoming apparent to us that the current Board is not meeting that responsibility. If this Board cannot take steps to restore trust and revitalize the company, it should be replaced.

Sincerely,

David J. Winters, CFA  
CEO  
Wintergreen Advisers, LLC

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### **Coca-Cola's Fizzy Math:**

How Bad Performance, Excessive Pay and Weak Governance are Harming Shareholders

## **Wintergreen Advisers Issues Analysis of Coca-Cola**

*Report says shares deeply discounted because of poor management and governance*

### **December 15, 2014**

New York, NY – (Business Wire) - Wintergreen Advisers today issued a report on the Coca-Cola Company (NYSE:KO) and called for forceful action to revitalize the company.

David J. Winters, CEO of Wintergreen Advisers, said: "Coca-Cola has serious problems but we believe they can be fixed. With the right management and a commitment to serving shareholders, we think Coca-Cola can thrive again."

The report includes the following conclusions by Wintergreen:

- Pay for Coke's top management has been excessive in light of the company's performance. Annual equity grants to top management have risen steadily over the past four years while Coke's profit growth has stalled.
- Rather than putting a brake on pay, Coca-Cola's equity stewardship guidelines could continue to reward Coke's top managers unjustly, and the guidelines' emphasis on cash bonuses could cost shareholders as much as \$10.20 of per-share value.
- Coke has been routinely outspending its cash flow in recent years and funding the gap with debt. Additional spending on executive bonuses and severance charges threatens to make this problem even worse. We believe excessive pay practices combined with slowing profit growth could threaten Coke's 50-year record of dividend increases. Even today, Coke has a

dividend-coverage ratio of just 1.4x, compared to an average of 5.0x for its peers in the S&P 500.

- The strategic investments made by CEO Muhtar Kent have destroyed shareholder value. His blunders on failed acquisitions alone have cost shareholders \$16.3 billion. He is incapable of leading Coke's turnaround and should be replaced.
- The recent election of two new directors to the Coca-Cola Board is a welcome sign of progress, yet we believe more needs to be done. Indeed, Coca-Cola's Board has Directors who, in our view, have served for too long. Three members of the board have served for a combined 102 years. We believe such long tenures can make the board an insular club rather than a vigilant protector of shareholders' interests.

Wintergreen estimates that the discount placed on Coke's shares because of these issues is between \$30 and \$38 per share. Removing these discounts would put Coke's share price at \$74 to \$82 per share, in line with the \$90 per share Nomura Securities analyst Ian Shackleton believes Coke shares could be worth in an LBO scenario.

Wintergreen believes resolving Coke's issues is relatively easy and straightforward – get rid of bad compensation plans, bring in new and more capable management, get expenses and overhead under control, and replace the board with a shareholder-focused board.



### **Coca-Cola's Fizzy Math:**

How Bad Performance, Excessive Pay and Weak Governance are Harming Shareholders

### **About Wintergreen Advisers**

Established in 2005, Wintergreen is an independent global money manager that employs a research-driven value style in managing global securities. As of September 30, 2014, Wintergreen Advisers had approximately \$2.0 billion under management on behalf of individuals and institutions through its mutual fund and other clients, and is based in Mountain Lakes, New Jersey. Wintergreen's clients own over 2.5 million shares of The Coca-Cola Company, and have owned Coca-Cola shares for over five years.

For further information on Wintergreen Advisers, please call 973-263-4500 or visit [www.wintergreenadvisers.com](http://www.wintergreenadvisers.com). Additional information regarding what we view as the issues at The Coca-Cola Company may be found at [www.FixBigSoda.com](http://www.FixBigSoda.com). For information, forms and documents regarding our U.S. mutual fund, please visit [www.wintergreenfund.com](http://www.wintergreenfund.com).

1. Source: Nomura Securities, October 29, 2014 report

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# Atlanta Business Chronicle: Viewpoint – Firing workers won't restore growth at Coca-Cola

January 8, 2015

On January 8, 2015, David Winters contributed the following op-ed to the Atlanta Business Chronicle regarding the recently announced firings at The Coca-Cola Company.



## Barry Diller Said What?

January 16, 2015

Yesterday, Coca-Cola director Barry Diller attempted to offer an explanation for the controversy over Coke's equity compensation plan. He says shareholders didn't read the fine print. The trouble is that his explanation does not square with the facts.

Here's what Mr. Diller said when asked about the Coke equity plan on CNBC's "Squawk Box" yesterday:

- "It's weird. What happened is that Coca-Cola had a compensation plan that had been in place for a very long time. They had to renew the plan. The rules said that they had to say that X number of shares would be given over a four-year period, right? Coca-Cola had no intention of giving them over a four-year period. They were going to give them over at least ten and maybe a twenty year period. But if you took the four-year period and didn't read underneath it and understand it, that it wasn't an obligation, you would have said Coke was giving away all this stuff to employees and looting shareholders when in fact Coke's dilution is under 1% which is standard for companies, etc. It was all blown to hell. It was not, it should have been

better explained, and Coke learned a lesson. It should have explained it in more detail at the outset.”

Here’s what Coke’s 2014 Proxy Statement actually says:

- “Based on historical granting practices and the recent trading price of the Common Stock, the 2014 Plan is expected to cover awards for approximately four years.” (pg. 85)
- “Approving the 2014 Plan would [allow] the Company to continue to grant long-term equity compensation for approximately four years.” (pg. 84)

It’s troubling that Mr. Diller – who has been on the Coke board for 13 years and is a member of its Corporate Governance committee - apparently doesn’t understand what the 2014 Proxy Statement actually said.

We would agree with him about one thing, though: Coke should have explained its equity compensation plan better. Of course, had Coke done so, even more shareholders might have agreed with us (and with Warren Buffett, on behalf of Coke’s largest shareholder) that the equity compensation plan was excessive.

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## **Wintergreen Faults Coca-Cola for Failure to Adequately Disclose Secret Bonus Shares**

**February 3, 2015 4:30 PM Eastern Standard Time**

NEW YORK--(BUSINESS WIRE)--Wintergreen Advisers LLC said today that the Board of Directors of the Coca-Cola Company (NYSE: KO) failed to protect shareholders’ interests by introducing secret “bonus shares” for top management as part of Coca-Cola’s 2014 Equity Compensation Plan.

In a letter to the Coca-Cola Board released today, Wintergreen said it believes Coca-Cola’s 2014 Proxy Statement did not adequately identify and explain the concept of secret bonus shares, and as a result, it believes the disclosure in the 2014 Proxy Statement regarding the secret bonus shares fell far short of both the spirit and the letter of the federal securities laws governing proxy disclosure.

Wintergreen called on Coca-Cola to immediately claw back any secret bonus shares that have been granted and to pledge that none will be issued in the future. Wintergreen also requested the resignation of all board members, management and consultants or advisers who assisted in the 2014 Equity Plan debacle.

Board of Directors  
The Coca-Cola Company



One Coca-Cola Plaza  
Atlanta, GA 30313

January 29, 2015

RE: Secret Bonus Shares

**To the Board of Directors of The Coca-Cola Company:**

Wintergreen Advisers takes seriously its responsibility to safeguard the interests of its clients. That is why we have spoken out about the issues at The Coca-Cola Company, where investment funds we advise have been committed, long-term shareholders. **We have been sharply critical of Coca-Cola's poor performance, excessive pay practices and weak governance because they harm all Coca-Cola shareholders.** Yet Coca-Cola's management and Board of Directors have failed to address these problems. As a result, we feel we have no choice but to continue to bring important facts to light in the hope that real change will come to Coca-Cola. One area in which we believe the Board failed utterly to protect shareholders' interests is the introduction of secret "bonus shares." Although Coca-Cola's 2014 Proxy Statement contained only one ambiguous reference to these secret bonus shares, under the 2014 Equity Compensation Plan, Coca-Cola's Compensation Committee may award secret unrestricted bonus shares that are not tied to any performance goals. We believe:

- The ability to award secret bonus shares absent any specific criteria is a dramatic and material departure from Coca-Cola's past practices of paying for performance and is also at odds with descriptions of the 2014 Equity Plan by Coca-Cola's officers and directors.
- More seriously, the lack of any detail regarding these secret bonus shares in Coca-Cola's 2014 Proxy Statement fell far short of what is required under federal securities laws because shareholders could have read the 2014 Proxy Statement and still not have known that the Compensation Committee could award secret bonus shares.

The Ability to Award Secret Bonus Shares is a Material Departure From Past Pay Practices

Prior to the effectiveness of the 2014 Equity Plan, Coca-Cola's most recent stock award plan was adopted in 2008. In Coca-Cola's 2008 Proxy Statement, there are numerous references to a pay-for-performance approach. Indeed, the very first two sentences of the Section discussing compensation are "We pay for performance. By this, we mean that rewards are not paid when results are not delivered." In contrast, the 2014 Equity Plan allows Coca-Cola's Compensation Committee to grant stock awards on any basis it deems appropriate. We believe this overreaching discretion permitting the issuance of secret bonus shares is a material departure from Coca-Cola's past pay practices.

Coca-Cola's 2014 Proxy Statement Did Not Adequately Disclose the Concept of Secret Bonus Shares

We believe Coca-Cola's 2014 Proxy Statement did not adequately identify and explain the concept of secret bonus shares and failed to communicate that these unrestricted awards were not part of the 2008 Plan. In fact, the only reference to secret bonus shares in the 2014 Proxy Statement appears on page 87, when discussing the types of awards that may be granted under the plan: "...other stock-based awards, in the discretion of the Compensation Committee, including *unrestricted* stock grants." [Emphasis ours].

It is far from clear to us what the term “unrestricted” means in this context. We think a shareholder could closely read the 2014 Proxy Statement and still not realize that the Compensation Committee could award secret bonus shares. In fact, shareholders would have to venture all the way to page 14 of the 2014 Equity Plan Agreement itself to fully appreciate the vast discretion afforded to the Board under the 2014 Equity Plan. Unlike the Proxy Statement, which was mailed to all shareholders, the 2014 Equity Plan Agreement was only sent upon request. We think disclosure regarding such an important and novel aspect of Coca-Cola’s compensation practices should have been presented to shareholders front and center, not buried in a supplemental document that most shareholders would not read. As a result, we believe the disclosure in the 2014 Proxy Statement regarding the secret bonus shares fell far short of both the spirit and the letter of the federal securities laws governing proxy disclosure. The blame for this falls solely on Coca-Cola’s Board of Directors, who designed the Plan, unanimously supported the Plan, and signed off on the disclosure regarding the Plan in the 2014 Proxy Statement. Coca-Cola Officers and Directors Have Made and Continue to Make Potentially Misleading Statements Regarding the 2014 Equity Plan

We believe Coca-Cola officers and directors made public statements during the proxy solicitation period regarding the 2014 Equity Plan that were inaccurate at best, and potentially materially misleading. Specifically,

- Mel Lagomasino, the Chair of Coca-Cola’s Compensation Committee, stated in April 2014 that the 2014 Equity Plan “*does not result in changes to our pay practices – the 2014 Equity Plan is closely in line with past plans* approved by the Board and the shareowners. The second point is that we firmly believe that equity compensation is *performance-based. If the Company does not perform, compensation is not realized.*” [Emphasis ours]
- Coca-Cola Chairman and CEO Muhtar Kent stated in April 2014 that “Our new equity program that we have proposed to our shareholders in this coming month in April is *completely in line with previous equity programs.*” [Emphasis ours]

**We believe these statements are simply not true. The new plan has a highly significant element that was not part of the prior plan, namely, secret bonus shares. Further, if Coca-Cola intends to use equity compensation solely to award performance, why did the Board find it necessary to include the secret bonus shares feature?**

Equally troubling to us is that Coca-Cola has doubled down on what we believe to be its mischaracterizations of the 2014 Equity Plan. On January 15, 2015, longtime Coca-Cola Director Barry Diller stated in an interview that Coca-Cola intended to issue award shares under the 2014 Equity Plan over a period of ten to twenty years. We believe Mr. Diller is demonstrably wrong as the 2014 Proxy Statement is extremely clear on this point: “Based on historical granting practices and the recent trading price of the Common Stock, the 2014 Equity Plan is expected to cover awards for approximately four years.” No other time frame is discussed in the 2014 Proxy Statement and there is no additional language suggesting a time frame for the plan greater than four years. In addition, the plan itself has a maximum term of ten years, so it is illogical to contend that Coca-Cola intended to grant awards for twenty years.

Mr. Diller also stated that Coca-Cola should have better explained the 2014 Equity Plan, and this is one point we can all agree on. When a shareholder could closely read a company's proxy statement and not know about a key and new feature of the company's equity compensation plan, that is a communication issue at best and a deliberate obfuscation of the plan at worst. We wonder which applies to Coca-Cola.

## **Our Recommendations**

We believe investors should have been told in plain terms in the 2014 Proxy Statement as well as in the company's officers' and directors' public statements that the 2014 Equity Plan departed in material respects from previous plans. This would have allowed investors to determine whether the introduction of unrestricted secret bonus shares was consistent with Coca-Cola's professed policy of linking awards to performance goals that are aligned with the interests of the company and shareholders. As Securities and Exchange Commissioner Luis A. Aguilar told the students and faculty of the Emory School of Law on April 21, 2014: "The underlying corporate governance issue regarding executive compensation is not simply about the amount of the compensation—but whether the decision-making process enables accountability through transparency and through shareholder engagement. To that end, it is important to have corporate governance practices that foster these principles, and that fully and fairly explain the compensation process to shareholders." In our view, Coca-Cola has failed the tests for transparency and accountability in its communications regarding the 2014 Equity Plan.

To remedy the situation, we urge the Board to:

1. Withdraw the 2014 Equity Plan, on the basis that a material feature was not adequately disclosed to shareholders in the 2014 Proxy Statement.
2. Disclose if, when, to whom and how many secret bonus shares have been granted and the rationale for the award. Any such secret bonus shares should be clawed back, to the extent possible, and Coca-Cola should pledge that it will not issue any secret bonus shares in the future.
3. Represent that future compensation plans will not allow for compensation that is not tied to performance.
4. Review the 2014 Proxy Statement in light of Coca-Cola's disclosure policies and present a report of its findings to shareholders.
5. Request the resignation of all board members, management and consultants or advisers who assisted in the 2014 Equity Plan debacle.

Over the past nine months, we have raised a number of issues at Coca-Cola that go beyond just the 2014 Equity Plan, including what we view as stagnant performance and ineffective governance. However, we feel it is important to address this issue of secret bonus shares again as it epitomizes all of the problems we see at Coca-Cola: overreach and greed at a time of flat performance and a lack of accountability by the Board when it comes to standing up for shareholders. Let there be no doubt – we think the Coca-Cola Board of Directors bears full responsibility for what we view as the serious problems with the 2014 Equity Plan and the far-

from-adequate disclosure regarding the 2014 Equity Plan. However, the problems at Coca-Cola go beyond the issues we have outlined in this letter. We believe there is a worrisome pattern of subterfuge, backtracking and changes of direction. The willingness to confer excessive rewards on an underperforming and undeserving management team is a symptom of deeper problems in the leadership of Coca-Cola, a great American institution. Ultimately, if the Directors will not protect Coca-Cola shareholders, then Coca-Cola shareholders will need to protect themselves.

Sincerely,

Wintergreen Advisers, LLC

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## David Winters discusses Coca-Cola's secret “bonus shares” with Maria Bartiromo on Fox Business

**February 6, 2015**

David Winters talks to Maria Bartiromo about the letter that Wintergreen Advisers sent to The Coca-Cola Company on February 3, 2015, regarding Coca-Cola’s secret “bonus shares.” Winters said, “Only in a document, which wasn't mailed to shareholders, is there a mention of shares that they can issue with no criteria, in an unlimited amount.”



## Wintergreen Advisers Poses Questions for Coca-Cola

**February 9, 2015 3:00 PM Eastern Standard Time**

1. On the December 15, 2014 modeling call with analysts, Coca-Cola CFO Kathy Waller acknowledged that Coca-Cola’s 2010 \$13 billion acquisition of the North American bottling assets of Coca-Cola Enterprises will apparently result in a zero percent return, at best, over nearly a decade. We think this is a shockingly bad investment. Who is being held accountable?
2. During the fourth quarter of 2014, there were reports in the media that a large buyout firm, 3G Capital, potentially had its sights on Coca-Cola. Coke shares traded sharply higher following the report. Has Coca-Cola been approached by 3G or any other parties regarding a strategic transaction?

3. In early January 2015, Coca-Cola announced the company would lay off 1,800 employees. How many senior management positions are being eliminated as part of these firings? What is the company's projected cash and pension expense for severance and other restructuring costs this year?
4. How many secret bonus shares have been granted under Article 13 of the 2014 Equity Compensation Plan without regard to meeting performance hurdles?
5. In recent years, Coca-Cola's spending on share repurchases, capital expenditures, and dividends have outpaced its cash flow, and Coca-Cola has borrowed to bridge the gap. How much longer can Coca-Cola continue to spin the financial plates like this? What is the risk of a downgraded credit rating?
6. Has Coca-Cola examined its real estate portfolio to see what assets are excess and should be sold? For example, the seemingly incredibly valuable 711 5th Ave in New York City seems to be an unproductive use of assets and long overdue for rationalization.
7. With the upcoming nationwide introduction of Fairlife milk product, what gives Coca-Cola confidence that moving into a new market and spending significant amounts of money on branding is a productive use of company cash?
8. What is the company's plan for succession following the exit of Muhtar Kent, who we believe has made material misstatements to shareholders and overseen an extended period of poor corporate performance? Will Coca-Cola look outside of its broken system for best-in-class succession candidates?

#### **Scoring Coca-Cola's 2015 Proxy:**

The "Big Grab" was halted, but urgent issues remain to be addressed

### **Wintergreen Advisers Cites Changes in Coca-Cola Proxy, But Big Issues Remain**

*Campaign against 'Big Grab' fostered better disclosure, but pay remains excessive; Coca-Cola strategy lacks boldness and urgency of Heinz and Kraft restructurings.*

#### **April 13, 2015**

New York, NY – (Business Wire) - Wintergreen Advisers today issued a report on The Coca-Cola Company's (NYSE:KO) 2015 Proxy Statement.

David J. Winters, CEO of Wintergreen Advisers, said: "While there has been progress in some areas at Coca-Cola, the board continues to give Muhtar Kent and his team excessive rewards, and we question whether many Coca-Cola directors are able to vigorously act for all shareholders given their overlapping business interests."

"Meanwhile, Coca-Cola lags behind while other consumer brands like Heinz and Kraft pursue bold restructurings. Coca-Cola's board and management lack a sense of urgency to address Coca-Cola's problems and increase shareholder value. There are three big questions around Coca-Cola," Winters said:

- "What is keeping Coca-Cola from carrying out transformative strategies like those implemented at Heinz and planned for Kraft?"
- "Why does this management continue to receive excessive compensation while missing the performance targets set by the board?"
- "When will the board act to correct this situation?"

Liz Cohernour, Chief Operating Officer of Wintergreen, said: "Wintergreen plans to vote against Coca-Cola's directors because we believe they have not exhibited the leadership and independence needed to restore shareholder confidence and return the company to profitable growth. We urge Coca-Cola shareholders to carefully consider these issues."

The report notes that a year ago Wintergreen brought attention to what it saw as serious pay and governance problems at The Coca-Cola Company, beginning with a proposed equity compensation plan it called "Coke's Big Grab" for its potential for whopping payouts to management. Coca-Cola later said it would curtail the plan.

This year, the Wintergreen report notes, Coca-Cola's proxy statement contains better disclosure than a year ago regarding the value of equity incentive compensation and required performance hurdles for management. Importantly, it shows Coca-Cola did not issue secret bonus shares - the much-criticized stock awards granted without criteria. However, the proxy statement shows Coca-Cola is falling short in other important areas.

Wintergreen believes the Coca-Cola 2015 Proxy Statement:

- Contains a misleading characterization of CEO Muhtar Kent's pay. Coca-Cola's proxy statement says Muhtar Kent "respectfully declined" his annual incentive award, suggesting he took a meaningful pay cut. In fact, the board increased his stock and option awards, making his total pay about even with 2014.
- Shows missed performance targets that were apparently overlooked when awarding pay for top managers. Coca-Cola managers failed to meet two out of three of their annual performance targets, and met only the very bottom end of the third.
- Lowers performance hurdles for management in 2015 versus 2014. Coca-Cola's management not only failed to meet its performance targets in 2014, but the 2015 proxy shows the Coca-Cola board has lowered the 2015 performance bar for the coming year, making it easier for management to earn their annual bonuses.
- Understates the dilutive effect of Coca-Cola's equity compensation awards. Coca-Cola touts a figure of "\$4.2 billion in gross share repurchases" on two different locations in their 2015 proxy statement, when in fact, net of dilution from equity compensation, buybacks were only \$2.6 billion in 2014. Similarly, the company says it repurchased 98 million shares in



2014, but its shares outstanding only declined by 36 million because of the dilutive effects of equity compensation.

- Raises questions about the directors' ability to be forceful advocates for all shareholders. Many board members have overlapping business interests, and several have business ties with investment bank Allen & Co. - whose CEO is Coca-Cola director Herbert Allen. Wintergreen believes these business ties can make the board an insular club rather than a vigilant protector of shareholders' interests.



### Scoring Coca-Cola's 2015 Proxy:

The "Big Grab" was halted, but urgent issues remain to be addressed

### About Wintergreen Advisers

Established in 2005, Wintergreen is an independent global money manager that employs a research-driven value style in managing global securities. As of March 31, 2015, Wintergreen Advisers had approximately \$1.5 billion under management on behalf of individuals and institutions through its mutual fund and other clients, and is based in Mountain Lakes, New Jersey.

For further information on Wintergreen Advisers, please call 973-263-4500 or visit [www.wintergreenadvisers.com](http://www.wintergreenadvisers.com). Additional information regarding what we view as the issues at The Coca-Cola Company may be found at [www.FixBigSoda.com](http://www.FixBigSoda.com). For information, forms and documents regarding our U.S. mutual fund, please visit [www.wintergreenfund.com](http://www.wintergreenfund.com).

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## Wintergreen Advisers Comments on Shareholder Opposition to Coca-Cola's Executive Pay

April 29, 2015

NEW YORK--(BUSINESS WIRE) -- Earlier today, the Coca-Cola Company (NYSE:KO) announced preliminary results of the shareholder vote at its annual meeting, which showed that **nearly 20% of the votes cast were opposed to the resolution to approve executive compensation, compared with 9% a year ago.**

David J. Winters, CEO of Wintergreen Advisers, said:

"Last year, Wintergreen challenged Coca-Cola's pay practices and helped stop management's big grab for excessive compensation. It is gratifying to see that a year later even more investors have grown impatient with executive compensation that rewards failure.

"The vote should pressure the Coca-Cola board to not only reform pay practices further but to move faster on fixing Coca-Cola's business. Companies across the consumer sector are dramatically restructuring - when will Coca-Cola take the aggressive steps needed to restore profit growth?"



## David Winters quoted in Bloomberg article about Coca-Cola's revamped equity compensation plan

March 10, 2016

Winters said, "Wintergreen is ecstatic that Coca-Cola finally took action on our analysis of Coke's bloated equity bonus plan," in the Bloomberg article, "Coca-Cola Cuts CEO Kent's Pay After Revamping Equity Program" by Anders Melin and Jennifer Kaplan.

