

COCA COLA CO

FORM 10-K (Annual Report)

Filed 02/26/10 for the Period Ending 12/31/09

Address	ONE COCA COLA PLAZA ATLANTA, GA 30313
Telephone	4046762121
CIK	0000021344
Symbol	KO
SIC Code	2080 - Beverages
Industry	Beverages (Non-Alcoholic)
Sector	Consumer/Non-Cyclical
Fiscal Year	04/17

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NOTE 9: STOCK COMPENSATION PLANS

Our Company grants stock options and restricted stock awards to certain employees of the Company. Total stock-based compensation expense was approximately \$241 million in 2009, \$266 million in 2008 and \$313 million in 2007 and was included as a component of selling, general and administrative expenses in our consolidated statements of income. The total income tax benefit recognized in our consolidated statements of income for share-based compensation arrangements was approximately \$68 million, \$72 million and \$91 million for 2009, 2008 and 2007, respectively.

As of December 31, 2009, we had approximately \$335 million of total unrecognized compensation cost related to nonvested share-based compensation arrangements granted under our plans. This cost is expected to be recognized over a weighted-average period of 1.7 years as stock-based compensation expense. This expected cost does not include the impact of any future stock-based compensation awards.

Stock Option Plans

The fair value of our stock option grants is amortized over the vesting period, generally four years. The fair value of each option award is estimated on the grant date using a Black-Scholes-Merton option-pricing model. The weighted-average fair value of options granted during the past three years and the weighted-average assumptions used in the Black-Scholes-Merton option-pricing model for such grants were as follows:

	2009	2008	2007
Fair value of options at grant date	\$ 6.38	\$ 9.81	\$ 8.46
Dividend yield ¹	3.4%	2.3%	2.6%
Expected volatility ²	20.0%	18.0%	15.4%
Risk-free interest rate ³	2.8%	3.2%	4.6%
Expected term of the option ⁴	6 years	6 years	6 years

¹ The dividend yield is the calculated yield on the Company's stock at the time of the grant.

² Expected volatility is based on implied volatilities from traded options on the Company's stock, historical volatility of the Company's stock, and other factors.

³ The risk-free interest rate for the period matching the expected term of the option is based on the U.S. Treasury yield curve in effect at the time of the grant.

⁴ The expected term of the option represents the period of time that options granted are expected to be outstanding and is derived by analyzing historic exercise behavior.

Stock options granted prior to 1999 and in December 2003 and thereafter expire 10 years from the date of grant. Stock options granted from 1999 through July 2003 expire 15 years from the date of grant. The shares of common stock to be issued, transferred and/or sold under the stock option plans are made available from authorized and unissued Company common stock or from the Company's treasury shares. In 2007, the Company began issuing common stock under these

plans from the Company's treasury shares. The Company had the following active stock option plans as of December 31, 2009:

The 1999 Stock Option Plan (the "1999 Option Plan") was approved by shareowners in April 1999. Under the 1999 Option Plan, a maximum of 120 million shares of our common stock was approved to be issued or transferred, through the grant of stock options, to certain officers and employees.

The 2002 Stock Option Plan (the "2002 Option Plan") was approved by shareowners in April 2002. An amendment to the 2002 Option Plan which permitted the issuance of stock appreciation rights was approved by shareowners in April 2003. Under the 2002 Option Plan, a maximum of 120 million shares of our common stock was approved to be issued or transferred, through the grant of stock options or stock appreciation rights, to certain officers and employees. No stock appreciation rights have been issued under the 2002 Option Plan as of December 31, 2009.

The 2008 Stock Option Plan (the "2008 Option Plan") was approved by shareowners in April 2008. Under the 2008 Option Plan, a maximum of 140 million shares of our common stock was approved to be issued or transferred to certain officers and employees pursuant to stock options granted under the 2008 Option Plan.

As of December 31, 2009, there were approximately 127 million shares available to be granted under the stock option plans discussed above. Options to purchase common stock under all of these plans have generally been granted at fair market value at the date of grant.

Stock option activity for all stock option plans for the year ended December 31, 2009, was as follows:

	Shares (In millions)	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life	Aggregate Intrinsic Value (In millions)
Outstanding on January 1, 2009	176	\$ 48.56		
Granted	34	43.24		
Exercised	(15)	44.26		
Forfeited/expired	(6)	50.66		
Outstanding on December 31, 2009	189	\$ 47.90	6.78 years	\$ 1,753
Expected to vest at December 31, 2009	186	\$ 47.92	6.74 years	\$ 1,717
Exercisable on December 31, 2009	127	\$ 48.10	5.98 years	\$ 1,147

The total intrinsic value of the options exercised during the years ended December 31, 2009, 2008 and 2007 was \$146 million, \$150 million and \$284 million, respectively. The total shares exercised during the years ended December 31, 2009, 2008 and 2007 were 15 million, 12 million and 31 million, respectively.

Restricted Stock Award Plans

Under the amended 1989 Restricted Stock Award Plan and the amended 1983 Restricted Stock Award Plan (the "Restricted Stock Award Plans"), 40 million and 24 million shares of restricted common stock, respectively, were originally available to be granted to certain officers and key employees of our Company. As of December 31, 2009, approximately 25 million shares remain available for grant under the Restricted Stock Award Plans, when all outstanding awards including promises to grant restricted stock and performance share units at the target level are included. The Company issues restricted stock to employees as a result of performance share unit awards, time-based awards and performance-based awards.

For awards prior to January 1, 2008, under the 1983 Restricted Stock Award Plan, participants are reimbursed by our Company for income taxes imposed on the award, but not for taxes generated by the reimbursement payment. The Company has not granted awards from the 1983 Restricted Stock Plan since 1993. The 1983 Restricted Stock Plan has been amended to eliminate this tax reimbursement for awards after January 1, 2008. The shares are subject to certain transfer restrictions and may be forfeited if a participant leaves our Company for reasons other than retirement, disability or death, absent a change in control of our Company.

Performance Share Unit Awards

In 2003, the Company established a program to grant performance share units under the 1989 Restricted Stock Award Plan to executives. In 2008, the Company expanded the program to award a mix of stock options and performance

share units to eligible employees in addition to executives. The number of shares earned is determined at the end of each performance period, generally three years, based on the actual performance criteria predetermined by the Board of Directors at the time of grant. If the performance criteria are met, the award results in a grant of restricted stock or promises to grant restricted stock, which are then generally subject to a holding period in order for the restricted stock to be released. For performance share units granted before 2008, this holding period is generally two years. For performance share units granted in 2008 and beyond, this holding period is generally one year. Restrictions on such stock generally lapse at the end of the holding period. Performance share units generally do not pay dividends or allow voting rights during the performance period. Participants generally only receive dividends or dividend equivalents once the performance criteria have been certified and the restricted stock or promises to grant restricted stock have been issued. Accordingly, the fair value of these units is the quoted market value of the Company stock on the grant date less the present value of the expected dividends not received during the performance period. In the period it becomes probable that the performance criteria specified in the plan will be achieved, we recognize expense for the proportionate share of the total fair value of the performance share units related to the vesting period that has already lapsed. The remaining cost of the grant is expensed on a straight-line basis over the balance of the vesting period.

Performance share units require achievement of certain financial measures, primarily compound annual growth in earnings per share or economic profit. These financial measures are adjusted for certain items approved and certified by the Audit Committee of the Board of Directors. The purpose of these adjustments is to ensure a consistent year to year comparison of the specific performance criteria. Economic profit is our net operating profit after tax less the cost of the capital used in our business. In the event that the financial result equals the predefined target, the Company will grant the number of restricted shares equal to the Target Award in the underlying performance share unit agreements. In the event the financial result exceeds the predefined target, additional shares up to the Maximum Award may be granted. In the event the financial result falls below the predefined target, a reduced number of shares may be granted. If the financial result falls below the Threshold Award performance level, no shares will be granted. Performance share units are generally settled in stock, except for certain circumstances such as death or disability, where former employees or their beneficiaries are provided a cash equivalent payment. As of December 31, 2009, performance share units of 802,473 and 2,530,338 were granted and outstanding for the 2007-2009 and 2008-2010 performance periods, respectively. Also, outstanding as of December 31, 2009, are 65,800 performance share units granted in 2007 with certain financial measures of a business unit of the Company as the performance criteria. In addition, 72,000 performance share units, with predefined qualitative performance criteria and release criteria that differ from the program described above, were granted in 2004 and were outstanding as of December 31, 2009. The following table summarizes information about performance share units based on the Target Award amounts in the performance share unit agreements:

	Share Units (In thousands)	Weighted-Average Grant-Date Fair Value
Outstanding on January 1, 2009	4,534	\$ 48.59
Granted	—	—
Conversions:		
Restricted stock ^{1,2}	(625)	39.26
Promises to grant ^{2,3}	(212)	37.32
Paid in cash equivalent	(21)	40.72
Canceled/forfeited	(205)	52.29
Outstanding on December 31, 2009 ⁴	3,471	\$ 50.78

¹ Represents performance share units converted to restricted stock based on the certification of financial results for the 2006-2008 performance period and for certain executives prior to retirement. The vesting of this restricted stock is subject to terms of the performance share unit agreements.

² The performance share unit conversions during 2009 are presented at the Target Award. An additional 238,400 restricted shares and 105,700 of promises to grant restricted shares were awarded during 2009 based on the certified financial results of the 2006-2008 performance period.

³ Represents performance share units converted to promises to grant restricted stock for executives based on the certification of financial results for the 2006-2008 performance period. These awards are similar to restricted stock, including payment of dividend equivalents, but were granted in this manner because the executives were based outside the United States. The vesting of promises to grant restricted stock is subject to terms of the performance share unit agreements.

⁴ The outstanding performance share units as of December 31, 2009, at the Threshold Award and Maximum Award levels were 1.8 million and 5.3 million, respectively.

The Company converted performance share units of 20,958 in 2009, 56,642 in 2008 and 23,790 in 2007 to cash equivalent payments of approximately \$1.1 million, \$3.3 million and \$1.2 million, respectively, to former executives who were ineligible for restricted stock grants due to certain events such as death, disability or termination.

The following table summarizes information about the conversions of performance share units to restricted stock and promises to grant restricted stock:

	Share Units (In thousands)	Weighted-Average Grant-Date, Fair Value ¹
Nonvested on January 1, 2009	710	\$ 38.38
Granted	625	39.26
Promises to grant ²	212	37.32
Vested and released	(862)	38.08
Canceled/forfeited	(7)	37.81
Nonvested on December 31, 2009 ³	678	\$ 39.25

¹ The weighted-average grant-date fair value is based on the fair values of the performance share units grant fair values.

² These awards are similar to restricted stock, including the payment of dividend equivalents, but were granted in this manner because the employees were based outside the United States.

³ The nonvested shares as of December 31, 2009, are presented at the performance share units Target Award. An additional 256,099 restricted shares and promises to grant restricted stock were outstanding and nonvested as of December 31, 2009.

The total intrinsic value of restricted shares that were vested and released during the years ended December 31, 2009, 2008 and 2007 was \$65.9 million, \$22.9 million and \$2.9 million, respectively. The total restricted share units vested and released during the years ended December 31, 2009, 2008 and 2007 were 861,776, 437,871 and 59,515, respectively.

Time-Based and Performance-Based Restricted Stock Awards

In 2001, shareowners approved an amendment to the 1989 Restricted Stock Award Plan to allow for the grant of performance-based awards. These awards are released only upon the achievement of specific measurable performance criteria. These awards pay dividends during the performance period. The majority of awards have specific performance targets for achievement. If the performance targets are not met, the awards will be canceled. In the period it becomes probable that the performance criteria will be achieved, we recognize expense for the proportionate share of the total fair value of the grant related to the vesting period that has already lapsed. The remaining cost of the grant is expensed on a straight-line basis over the balance of the vesting period.

For time-based and performance-based restricted stock awards, participants are entitled to vote and receive dividends on the restricted shares. The Company also awards promises to grant time-based and performance-based restricted stock for which participants receive payments of dividend equivalents but are not entitled to vote. As of December 31, 2009, the Company had nonvested time-based and performance-based restricted stock awards, including promises to grant, of 286,327 and 279,300, respectively. Time-based and performance-based restricted awards are not significant to our consolidated financial statements.

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the registration statements and related prospectuses of The Coca-Cola Company list below of our reports dated February 26, 2010, with respect to the consolidated financial statements of The Coca-Cola Company and subsidiaries, and the effectiveness of internal control over financial reporting of The Coca-Cola Company and subsidiaries, included in this Annual Report (Form 10-K) for the year ended December 31, 2009:

1. Registration Statement Number 2-88085 on Form S-8
2. Registration Statement Number 33-39840 on Form S-8
3. Registration Statement Number 333-78763 on Form S-8
4. Registration Statement Number 2-58584 on Form S-8
5. Registration Statement Number 33-26251 on Form S-8
6. Registration Statement Number 2-98787 on Form S-3
7. Registration Statement Number 33-45763 on Form S-3
8. Registration Statement Number 33-50743 on Form S-3
9. Registration Statement Number 33-61531 on Form S-3
10. Registration Statement Number 333-27607 on Form S-8
11. Registration Statement Number 333-35298 on Form S-8
12. Registration Statement Number 333-59936 on Form S-3
13. Registration Statement Number 333-59938 on Form S-3
14. Registration Statement Number 333-83270 on Form S-8
15. Registration Statement Number 333-83290 on Form S-8
16. Registration Statement Number 333-88096 on Form S-8
17. Registration Statement Number 333-123239 on Form S-8
18. Registration Statement Number 333-146983 on Form S-3
19. Registration Statement Number 333-150447 on Form S-8

ERNST & YOUNG LLP

Atlanta, Georgia
February 26, 2010