

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
 WASHINGTON, D.C. 20549
 FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
 [X] EXCHANGE ACT OF 1934

For the quarterly period ended OCTOBER 3, 1999

Commission File Number 0-9286

COCA-COLA BOTTLING CO. CONSOLIDATED

 (Exact name of registrant as specified in its charter)

DELAWARE 56-0950585

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

4100 COCA-COLA PLAZA, CHARLOTTE, NORTH CAROLINA 28211

(Address of principal executive offices) (Zip Code)

(704) 551-4400

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No
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Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at November 1, 1999
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Common Stock, \$1 Par Value	6,392,252
Class B Common Stock, \$1 Par Value	2,341,077

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

Coca-Cola Bottling Co. Consolidated
 CONSOLIDATED BALANCE SHEETS (UNAUDITED)
 In Thousands (Except Share Data)

	Oct. 3, 1999	Jan. 3, 1999	Sept. 27, 1998
	-----	-----	-----
ASSETS			
Current Assets:			
Cash	\$ 8,381	\$ 6,691	\$ 5,944
Accounts receivable, trade, less allowance for doubtful accounts of \$1,200, \$600 and \$529	67,160	57,217	60,839
Accounts receivable from The Coca-Cola Company	10,910	10,091	13,870
Accounts receivable, other	7,823	7,997	6,818
Inventories	47,663	41,010	44,207
Prepaid expenses and other current assets	17,359	15,545	15,463
Total current assets	159,296	138,551	147,141
Property, plant and equipment, net	451,000	258,329	257,483
Leased property under capital leases, net	11,531		
Investment in Piedmont Coca-Cola Bottling Partnership	61,838	62,847	64,047
Other assets	67,376	51,576	50,298
Identifiable intangible assets, less accumulated amortization of \$124,425, \$116,015 and \$113,303	283,762	253,156	254,977
Excess of cost over fair value of net assets of businesses acquired, less accumulated amortization of \$32,568, \$30,850 and \$30,278	59,051	60,769	61,341
Total	\$1,093,854	\$ 825,228	\$ 835,287

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See Accompanying Notes to Consolidated Financial Statements

Coca-Cola Bottling Co. Consolidated
CONSOLIDATED BALANCE SHEETS (UNAUDITED)
In Thousands (Except Share Data)

	Oct. 3, 1999	Jan. 3, 1999	Sept. 27, 1998
	-----	-----	-----
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current Liabilities:			
Portion of long-term debt payable within one year	\$ 25,530	\$ 30,115	\$ 30,205
Current portion of obligations under capital leases	4,860		
Accounts payable and accrued liabilities	74,022	72,623	78,287
Accounts payable to The Coca-Cola Company	5,028	5,194	5,726
Due to Piedmont Coca-Cola Bottling Partnership	207	435	1,733
Accrued compensation	7,660	10,239	8,090
Accrued interest payable	16,001	15,325	9,295
	-----	-----	-----
Total current liabilities	133,308	133,931	133,336
Deferred income taxes	119,886	120,659	119,446
Deferred credits	3,195	4,838	5,405
Other liabilities	64,216	58,780	57,281
Obligations under capital leases	5,041		
Long-term debt	729,314	491,234	502,898
	-----	-----	-----
Total liabilities	1,054,960	809,442	818,366
	-----	-----	-----
Shareholders' Equity:			
Convertible Preferred Stock, \$100 par value:			
Authorized-50,000 shares; Issued-None			
Nonconvertible Preferred Stock, \$100 par value:			
Authorized-50,000 shares; Issued-None			
Preferred Stock, \$.01 par value:			
Authorized-20,000,000 shares; Issued-None			
Common Stock, \$1 par value:			
Authorized - 30,000,000 shares;			
Issued- 9,454,626, 9,086,113 and 10,107,421 shares	9,454	9,086	10,107
Class B Common Stock, \$1 par value:			
Authorized - 10,000,000 shares;			
Issued- 2,969,191, 2,969,222 and 1,947,914 shares	2,969	2,969	1,948
Class C Common Stock, \$1 par value:			
Authorized-20,000,000 shares; Issued-None			
Capital in excess of par value	109,936	94,709	96,800
Accumulated deficit	(22,211)	(29,724)	(30,680)
	-----	-----	-----
	100,148	77,040	78,175
Less-Treasury stock, at cost:			
Common - 3,062,374 shares	60,845	60,845	60,845
Class B Common-628,114 shares	409	409	409
	-----	-----	-----
Total shareholders' equity	38,894	15,786	16,921
	-----	-----	-----
Total	\$ 1,093,854	\$ 825,228	\$ 835,287
	=====	=====	=====

See Accompanying Notes to Consolidated Financial Statements

Coca-Cola Bottling Co. Consolidated
CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)
In Thousands (Except Per Share Data)

	Third Quarter		First Nine Months	
	1999	1998	1999	1998
Net sales (includes sales to Piedmont of \$19,953, \$21,979, \$55,263 and \$52,881)	\$ 260,284	\$ 248,533	\$ 741,584	\$ 693,279
Cost of sales, excluding depreciation shown below (includes \$15,592, \$17,088, \$45,328 and \$41,544 related to sales to Piedmont)	142,928	143,081	416,430	398,515
Gross margin	117,356	105,452	325,154	294,764
Selling expenses, excluding depreciation shown below	56,148	53,553	163,022	153,299
General and administrative expenses	19,151	17,177	55,360	50,698
Depreciation expense	15,521	9,381	44,435	27,273
Amortization of goodwill and intangibles	3,519	3,246	10,127	9,687
Income from operations	23,017	22,095	52,210	53,807
Interest expense	12,971	10,723	37,116	29,069
Other income (expense), net	(1,082)	(611)	(3,536)	(2,964)
Income before income taxes	8,964	10,761	11,558	21,774
Federal and state income taxes	3,137	3,766	4,045	7,852
Net income	\$ 5,827	\$ 6,995	\$ 7,513	\$ 13,922
Basic net income per share	\$.67	\$.84	\$.88	\$ 1.66
Diluted net income per share	\$.66	\$.82	\$.87	\$ 1.64
Weighted average number of common shares outstanding	8,733	8,365	8,539	8,365
Weighted average number of common shares outstanding-assuming dilution	8,860	8,499	8,662	8,496

See Accompanying Notes to Consolidated Financial Statements

Coca-Cola Bottling Co. Consolidated
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)
In Thousands

	Common Stock	Class B Common Stock	Capital in Excess of Par Value	Accumulated Deficit	Treasury Stock
	-----	-----	-----	-----	-----
Balance on December 28, 1997	\$ 10,107	\$ 1,948	\$103,074	\$(44,602)	\$ 61,254
Net income				13,922	
Cash dividends paid			(6,274)		
	-----	-----	-----	-----	-----
Balance on September 27, 1998	\$ 10,107	\$ 1,948	\$ 96,800	\$(30,680)	\$ 61,254
	=====	=====	=====	=====	=====
Balance on January 3, 1999	\$ 9,086	\$ 2,969	\$ 94,709	\$(29,724)	\$ 61,254
Net income				7,513	
Cash dividends paid			(6,366)		
Issuance of Common Stock	368		21,593		
	-----	-----	-----	-----	-----
Balance on October 3, 1999	\$ 9,454	\$ 2,969	\$109,936	\$(22,211)	\$ 61,254
	=====	=====	=====	=====	=====

See Accompanying Notes to Consolidated Financial Statements

Coca-Cola Bottling Co. Consolidated
CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
In Thousands

	First Nine Months	
	1999	1998
Cash Flows from Operating Activities		
Net income	\$ 7,513	\$ 13,922
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation expense	44,435	27,273
Amortization of goodwill and intangibles	10,127	9,687
Deferred income taxes	4,045	7,852
Losses on sale of property, plant and equipment	2,120	1,964
Amortization of debt costs	606	445
Amortization of deferred gain related to terminated interest rate swaps	(423)	(423)
Undistributed losses (earnings) of Piedmont Coca-Cola Bottling Partnership	1,009	(721)
Increase in current assets less current liabilities	(19,177)	(9,889)
Increase in other noncurrent assets	(12,298)	(7,562)
Increase (decrease) in other noncurrent liabilities	(2,042)	494
Other	74	83
Total adjustments	28,476	29,203
Net cash provided by operating activities	35,989	43,125
Cash Flows from Financing Activities		
Proceeds from issuance of long-term debt, net	238,081	9,109
Increase (decrease) in current portion of long-term debt	(4,585)	18,205
Cash dividends paid	(6,366)	(6,274)
Payments on capital lease obligations	(3,675)	
Proceeds from interest rate swap termination		6,480
Debt fees paid	(3,228)	(41)
Other	(897)	(438)
Net cash provided by financing activities	219,330	27,041
Cash Flows from Investing Activities		
Additions to property, plant and equipment	(234,743)	(34,639)
Proceeds from the sale of property, plant and equipment	130	755
Acquisitions of companies, net of cash acquired	(19,016)	(34,765)
Net cash used in investing activities	(253,629)	(68,649)
Net increase in cash	1,690	1,517
Cash at beginning of period	6,691	4,427
Cash at end of period	\$ 8,381	\$ 5,944
	=====	=====
Significant noncash investing and financing activities:		
Issuance of Common Stock for business acquired	\$ 21,961	

See Accompanying Notes to Consolidated Financial Statements

1. Accounting Policies

The consolidated financial statements include the accounts of Coca-Cola Bottling Co. Consolidated and its majority owned subsidiaries (the "Company"). All significant intercompany accounts and transactions have been eliminated.

The information contained in the financial statements is unaudited. The statements reflect all adjustments which, in the opinion of management, are necessary for a fair statement of the results for the interim periods presented. All such adjustments are of a normal, recurring nature.

The accounting policies followed in the presentation of interim financial results are the same as those followed on an annual basis. These policies are presented in Note 1 to the consolidated financial statements included in the Company's Annual Report on Form 10-K for the year ended January 3, 1999 filed with the Securities and Exchange Commission.

Certain prior year amounts have been reclassified to conform to current year classifications.

Coca-Cola Bottling Co. Consolidated
Notes to Consolidated Financial Statements (Unaudited)

2. Summarized Income Statement Data of Piedmont Coca-Cola Bottling Partnership

On July 2, 1993, the Company and The Coca-Cola Company formed Piedmont Coca-Cola Bottling Partnership ("Piedmont") to distribute and market soft drink products primarily in portions of North Carolina and South Carolina. The Company and The Coca-Cola Company, through their respective subsidiaries, each beneficially owns a 50% interest in Piedmont. The Company provides a portion of the soft drink products to Piedmont at cost and receives a fee for managing the business of Piedmont pursuant to a management agreement. Summarized income statement data for Piedmont is as follows:

In Thousands	Third Quarter		First Nine Months	
	1999	1998	1999	1998
Net sales	\$76,195	\$74,415	\$214,166	\$202,941
Gross margin	35,304	32,552	97,044	88,818
Income from operations	4,336	5,207	7,717	10,850
Net income (loss)	1,072	2,096	(2,018)	1,442

3. Inventories

Inventories are summarized as follows:

In Thousands	Oct. 3, 1999	Jan. 3, 1999	Sept. 27, 1998
Finished products	\$30,229	\$26,300	\$29,720
Manufacturing materials	12,012	10,382	10,543
Plastic pallets and other	5,422	4,328	3,944
Total inventories	\$47,663 =====	\$41,010 =====	\$44,207 =====

The amounts included above for inventories valued by the LIFO method were greater than replacement or current cost by approximately \$3.2 million, \$3.2 million and \$2.8 million on October 3, 1999, January 3, 1999 and September 27, 1998, respectively, as a result of inventory premiums associated with certain acquisitions.

Coca-Cola Bottling Co. Consolidated
Notes to Consolidated Financial Statements (Unaudited)

4. Property, Plant and Equipment

The principal categories and estimated useful lives of property, plant and equipment were as follows:

In Thousands	Oct 3, 1999	Jan. 3, 1999	Sept. 27, 1998	Estimated Useful Lives
Land	\$ 11,845	\$ 11,781	\$ 10,099	
Buildings	83,900	81,527	80,652	10-50 years
Machinery and equipment	91,721	84,047	81,909	5-20 years
Transportation equipment	123,340	60,620	60,593	4-10 years
Furniture and fixtures	32,682	26,395	25,180	7-10 years
Vending equipment	283,982	152,163	149,538	6-13 years
Leasehold and land improvements	37,565	33,894	32,342	5-20 years
Construction in progress	20,450	4,532	6,428	
Total property, plant and equipment, at cost	685,485	454,959	446,741	
Less: Accumulated depreciation	234,485	196,630	189,258	
Property, plant and equipment, net	\$451,000	\$258,329	\$257,483	

On January 15, 1999, the Company purchased approximately \$155 million of equipment (principally vehicles and vending equipment) previously leased under various operating lease agreements. The assets purchased will continue to be used in the distribution and sale of the Company's products and will be depreciated over their remaining useful lives, which range from three years to 12.5 years. The Company used a combination of its revolving credit facility and its informal lines of credit with certain banks to finance this purchase.

5. Leased Property Under Capital Leases

The category and terms of the capital leases were as follows:

In Thousands	Oct. 3, 1999	Terms
Transportation equipment	\$13,576	1-4 years
Less: Accumulated amortization	2,045	
Leased property under capital leases, net	\$11,531	

Coca-Cola Bottling Co. Consolidated
Notes to Consolidated Financial Statements (Unaudited)

6. Long-Term Debt

Long-term debt is summarized as follows:

In Thousands	Maturity	Interest Rate	Fixed(F) or Variable (V) Rate	Interest Paid	Oct. 3, 1999	Jan. 3, 1999	Sept. 27, 1998
Lines of Credit	2002	5.61% - 5.65%	V	Varies	\$49,800	\$36,400	\$48,034
Term Loan Agreement	2004	6.20%	V	Varies	85,000	85,000	85,000
Term Loan Agreement	2005	6.20%	V	Varies	85,000	85,000	85,000
Medium-Term Notes	1999	7.99%	F	Semi-annually	-	28,585	28,585
Medium-Term Notes	2000	10.00%	F	Semi-annually	25,500	25,500	25,500
Medium-Term Notes	2002	8.56%	F	Semi-annually	47,000	47,000	47,000
Debentures	2007	6.85%	F	Semi-annually	100,000	100,000	100,000
Debentures	2009	7.20%	F	Semi-annually	100,000	100,000	100,000
Debentures	2009	6.375%	F	Semi-annually	250,000		
Other notes payable	1999 - 2001	5.75% - 10.00%	F	Varies	12,544	13,864	13,984
					754,844	521,349	533,103
Less: Portion of long-term debt payable within one year					25,530	30,115	30,205
Long-term debt					\$729,314	\$491,234	\$502,898

6. Long-Term Debt (cont.)

It is the Company's intent to renew its lines of credit and borrowings under the revolving credit facility as they mature. To the extent that these borrowings do not exceed the amount available under the Company's \$170 million revolving credit facility, they are classified as noncurrent liabilities.

On October 12, 1994, a \$400 million shelf registration for debt and equity securities filed with the Securities and Exchange Commission became effective and the securities thereunder became available for issuance. On November 1, 1995, the Company issued \$100 million of 6.85% debentures due 2007 pursuant to such registration. In July 1997, the Company issued \$100 million of 7.20% debentures due 2009. On April 26, 1999, the Company issued \$250 million of 10-year debentures at a fixed interest rate of 6.375% under the Company's \$800 million shelf registration filed in January 1999. The net proceeds from these issuances were used for refinancing a portion of existing public debt that had matured with the remainder used to repay other debt.

The Company has guaranteed a portion of the debt for two cooperatives in which the Company is a member. The amounts guaranteed were \$30.3 million, \$30.7 million and \$31.1 million as of October 3, 1999, January 3, 1999 and September 27, 1998, respectively.

7. Derivative Financial Instruments

The Company uses derivative financial instruments to modify risk from interest rate fluctuations in its underlying debt. The Company has historically altered its fixed/floating interest rate mix based upon anticipated operating cash flows of the Company relative to its debt level and the Company's ability to absorb increases in interest rates. These derivative financial instruments are not used for trading purposes.

The Company had weighted average interest rates for its debt portfolio of approximately 6.8%, 7.3% and 7.0% as of October 3, 1999, January 3, 1999 and September 27, 1998, respectively. The Company's overall weighted average interest rate on its long-term debt decreased from an average of 7.0% during the first nine months of 1998 to an average of 6.6% during the first nine months of 1999. After taking into account the effect of all of the interest rate swap activities, approximately 31%, 23% and 25% of the total debt portfolio was subject to changes in short-term interest rates as of October 3, 1999, January 3, 1999 and September 27, 1998, respectively.

A rate increase of 1% on the floating rate component of the Company's debt would have increased interest expense for the first nine months of 1999 by approximately \$1.6 million and net income for the nine months ended October 3, 1999 would have decreased by approximately \$1.0 million.

Derivative financial instruments were as follows:

In Thousands	October 3, 1999		January 3, 1999		September 27, 1998	
	Amount	Remaining Term	Amount	Remaining Term	Amount	Remaining Term
Interest rate swaps-floating	\$60,000	4 years	\$60,000	4.75 years	\$60,000	5 years
Interest rate swaps-floating	50,000	9.5 years				
Interest rate swaps-floating	50,000	9.5 years				
Interest rate swaps-fixed	60,000	4 years	60,000	4.75 years	60,000	5 years
Interest rate swaps-fixed	50,000	5.25 years	50,000	6 years	50,000	6.25 years
Interest rate cap	35,000	.75 years	35,000	1.5 years	35,000	1.75 years

The Company entered into 10-year floating interest rate swap agreements for \$100 million in April, 1999 related to the 6.375% 10-year debentures issued on April 26, 1999.

7. Derivative Financial Instruments (cont.)

The carrying amounts and fair values of the Company's balance sheet and off-balance-sheet instruments were as follows:

In Thousands	October 3, 1999		January 3, 1999		September 27, 1998	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Balance Sheet Instruments						
Public debt	\$522,500	\$499,554	\$301,085	\$312,118	\$301,085	\$330,884
Non-public variable rate long-term debt	219,800	219,800	206,400	206,400	218,034	218,034
Non-public fixed rate long-term debt	12,544	12,718	13,864	14,476	13,984	14,944
Off-Balance-Sheet Instruments						
Interest rate swaps		(6,273)		(2,030)		(2,551)
Interest rate cap		5		10		4

The fair values of the interest rate swaps at October 3, 1999, January 3, 1999 and September 27, 1998 represent the estimated amounts the Company would have had to expense to terminate these agreements. The fair values of the interest rate cap at October 3, 1999, January 3, 1999 and September 27, 1998 represent the estimated amount the Company would have received upon termination of this agreement.

8. Supplemental Disclosures of Cash Flow Information

Changes in current assets and current liabilities affecting cash, net of effect of acquisition, were as follows:

In Thousands	First Nine Months	
	1999	1998
Accounts receivable, trade, net	\$ (8,576)	\$ (4,925)
Accounts receivable, The Coca-Cola Company	(819)	(9,180)
Accounts receivable, other	282	2,042
Inventories	(5,782)	(5,247)
Prepaid expenses and other current assets	(1,808)	(2,696)
Accounts payable and accrued liabilities	(177)	6,505
Accounts payable, The Coca-Cola Company	(166)	1,618
Accrued compensation	(2,579)	2,995
Accrued interest payable	676	(4,743)
Due to (from) Piedmont Coca-Cola Bottling Partnership	(228)	3,742
	-----	-----
Increase in current assets less current liabilities	\$(19,177)	\$ (9,889)
	=====	=====

9. Acquisition

On May 28, 1999, the Company acquired substantially all of the outstanding capital stock of Carolina Coca-Cola Bottling Company, Inc. ("Carolina") in exchange for 368,482 shares of the Company's Common Stock, installment notes and cash. The purchase price for all of the outstanding capital stock of Carolina was \$36.6 million, as adjusted for required shareholders' equity of Carolina as of the acquisition date. The Company used its informal lines of credit for the cash portion of the acquisition. The acquisition has been accounted for under the purchase method of accounting.

10. Subsequent Event

On October 29, 1999, the Company acquired substantially all of the outstanding capital stock of Lynchburg Coca-Cola Bottling Company, Inc. ("Lynchburg"). The purchase price for all of the outstanding capital stock of Lynchburg was \$24.6 million, as adjusted for net working capital of Lynchburg as of the acquisition date. The Company used its informal lines of credit to finance this acquisition. The acquisition will be accounted for under the purchase method of accounting.

11. Earnings Per Share

The following table sets forth the computation of basic net income per share and diluted net income per share:

In Thousands (Except Per Share Data)	Third Quarter		First Nine Months	
	1999	1998	1999	1998

Numerator:				
Numerator for basic net income and diluted net income	\$5,827	\$6,995	\$7,513	\$13,922
Denominator:				
Denominator for basic net income per share - weighted average common shares	8,733	8,365	8,539	8,365
Effect of dilutive securities - stock options	127	134	123	131
	-----	-----	-----	-----
Denominator for diluted net income per share - adjusted weighted average common shares	8,860	8,499	8,662	8,496
	=====	=====	=====	=====
Basic net income per share	\$.67	\$.84	\$.88	\$ 1.66
	=====	=====	=====	=====
Diluted net income per share	\$.66	\$.82	\$.87	\$ 1.64
	=====	=====	=====	=====

12. Estimates and Assumptions

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

13. Commitments and Contingencies

The Company is involved in various claims and legal proceedings which have arisen in the ordinary course of business. The Company believes that the ultimate disposition of these claims will not have a material adverse effect on the financial condition, cash flows or results of operations of the Company.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Introduction:

The following discussion presents management's analysis of the results of operations for the third quarter and first nine months of 1999 compared to the third quarter and first nine months of 1998 and changes in financial condition from September 27, 1998 and January 3, 1999 to October 3, 1999.

The Company reported net income of \$5.8 million or \$.67 per share for the third quarter of 1999 compared with net income of \$7.0 million or \$.84 per share for the same period in 1998. For the first nine months of 1999, net income was \$7.5 million or \$.88 per share compared to net income of \$13.9 million or \$1.66 per share for the first nine months of 1998. The third quarter and year-to-date results in 1999 are highlighted by strong growth in gross margin and increased net selling prices. Net selling prices increased by almost 3% in the third quarter of 1999 over the same period in 1998. Net income declined for both the third quarter and first nine months of 1999 over 1998 periods, due primarily to increased costs related to the Company's ongoing investment in infrastructure to support future growth.

The Company's infrastructure investments include additional sales personnel, vehicles, cold drink equipment and additional support personnel required to service the cold drink equipment. The Company continues to work on a Value Chain initiative which will change its core logistics processes related to manufacturing and transportation of finished products. The Company plans to test the redesigned processes with a pilot project in the first half of 2000. Despite strong growth in gross margin, these significant infrastructure investments have adversely affected short-term operating results.

On November 4, 1999, the Company announced a restructuring in some of its operating units, which will result in a fourth quarter 1999 after-tax charge of up to \$3 million. The charge relates primarily to severance and other restructuring costs. Beginning in 1997, the Company significantly increased its targeted growth rate and outpaced the U.S. soft drink industry in volume growth, up 8% and 11% in 1997 and 1998, respectively. To support the accelerated growth rate, the Company increased its investment in cold drink equipment, route vehicles, additional sales personnel and additional service personnel to maintain its cold drink equipment. In 1999, the Company planned for another year of solid volume growth. However, the entire U.S. soft drink industry has been soft. While the Company's volume growth in 1999 is leading the U.S. industry average, volume has increased only 4% in the first nine months of 1999 and was flat in the third quarter of 1999.

The Company acquired Carolina Coca-Cola Bottling Company, a Coca-Cola bottler with operations in central South Carolina, in May 1999. The Company also purchased the bottling rights and operating assets of a small Coca-Cola bottler in central North Carolina in May 1999. The Company acquired substantially all of the outstanding capital stock of Lynchburg Coca-Cola Bottling Co., Inc., a Coca-Cola bottler with operations in central Virginia, on October 29, 1999. On November 5, 1999, the Company signed a letter of intent to acquire The Coca-Cola Company's

50% interest in Piedmont Coca-Cola Bottling Partnership ("Piedmont"). If the acquisition of The Coca-Cola Company's interest in Piedmont is completed, the Company would then own 100% of this partnership. It is the Company's intention to continue to grow through acquisitions of other Coca-Cola bottlers. Acquisition related costs including interest expense and non-cash charges such as amortization of intangible assets may be incurred. To the extent these expenses are incurred and are not offset by cost savings or increased sales, the Company's acquisition strategy may depress short-term earnings. The Company believes that continued growth through acquisitions will enhance long-term shareholder value.

The results for interim periods are not necessarily indicative of the results to be expected for the year due to seasonal factors.

RESULTS OF OPERATIONS:

The Company experienced strong growth in gross margin for the third quarter and first nine months of 1999. Excluding the effect of acquisitions, gross margin increased by 9% for the third quarter and the first nine months of 1999 over the same periods in 1998. The growth in gross margin for the first nine months of 1999 was attributable to volume growth of approximately 4% and an increase in net selling price of 1.7%. Net selling prices for the third quarter of 1999 increased by nearly 3% over 1998 net selling prices.

Excluding the effect of acquisitions, net sales for the third quarter and first nine months increased 2% and 6%, respectively, over the same periods in 1998. Cost of sales, as a percentage of net sales, declined from approximately 58% in the third quarter of 1998 to approximately 55% in the third quarter of 1999. This decline was primarily due to reductions in the cost of sweetener used in the manufacturing of many of the Company's products.

Volume growth for the first nine months of 1999 was led by Sprite and non-carbonated beverages including DASANI, The Coca-Cola Company's bottled water that was introduced in April 1999. Non-carbonated beverage growth was 12% for the third quarter and 32% for the first nine months of 1999. The growth in non-carbonated beverages (excluding bottled water), including POWERaDE, Fruitopia, Minute Maid Juices To Go and Cool from Nestea, is on top of 70% volume growth for all of 1998. Bottled water sales increased 53% over the first nine months of 1999. Non-carbonated products, including bottled water, now account for over 7% of the Company's total sales volume.

Selling expenses for the third quarter and first nine months of 1999 increased by 4.8% and 6.3%, respectively, from 1998 levels. The increase in selling costs reflects additional expenses related to the Company's higher sales volume and sales infrastructure development. Significant components of the increased costs include employment costs for additional sales personnel, increased commission costs related to higher sales volume, additional personnel costs for employees to support the Company's accelerated cold drink program and additional marketing expenses related to the Company's sales development programs. The Company has made a significant investment in its sales force and anticipates that over time, the increases in sales revenue from this investment will outpace the growth in costs.

During January 1999, the Company purchased \$155 million of equipment that had previously been leased. As a result of this transaction, lease expense for the third quarter and first nine months of 1999 declined by \$3.7 million and \$11.4 million, respectively. Additionally, the terms of certain leases that were previously recorded as operating leases were amended during the first quarter of 1999. Due to the amendments in the terms of the leases, they are now reflected in the Company's financial statements as capital leases. As of October 3, 1999, leased property under capital leases, net of accumulated amortization, is \$11.5 million.

The Company relies extensively on advertising and sales promotion in the marketing of its products. The Coca-Cola Company and other beverage companies that supply concentrate, syrups and finished products to the Company make substantial advertising expenditures to promote sales in the local territories served by the Company. The Company also benefits from national advertising programs conducted by The Coca-Cola Company and other beverage companies. Certain of the marketing expenditures by The Coca-Cola Company and other beverage companies are made pursuant to annual arrangements. Although The Coca-Cola Company has advised the Company that it intends to provide marketing funding support through 1999, it is not obligated to do so under the Company's Master Bottle Contract. Also, The Coca-Cola Company has agreed to provide additional marketing funding under a multi-year program to support the Company's cold drink infrastructure. Total marketing funding and infrastructure support from The Coca-Cola Company and other beverage companies in the first nine months of 1999 and 1998 was \$41.3 million and \$40.2 million, respectively.

General and administrative expenses for the third quarter and first nine months of 1999 increased by 11% and 9% respectively over 1998 levels. The increase in general and administrative expenses was due to hiring of additional support personnel, higher employment costs in certain of the Company's labor markets and costs related to remediation and testing of Year 2000 issues. The increase in general and administrative expenses for the third quarter also reflects additional bad debt reserve costs due to the bankruptcy of a large grocery chain customer.

Depreciation expense increased 65% and 63% between the third quarter and first nine months of 1999 and the comparable periods in 1998. This increase was due primarily to the repurchase of previously leased equipment, as discussed above, significant investments the Company continues to make in cold drink equipment and additional manufacturing equipment acquired to produce its new bottled water, DASANI.

Interest expense during the third quarter increased 21% from the third quarter of 1998. Interest expense for the first nine months of 1999 increased by 28% over the first nine months of 1998. The increase in interest expense for both the third quarter and the first nine months of 1999 is attributable to the purchase of assets that were previously leased, as discussed above, additional debt related to acquisitions of other Coca-Cola bottlers during 1998 and 1999 and the significant level of capital expenditures during 1999. The Company's overall weighted average interest rate decreased from an average of 7.0% during the first nine months of 1998 to an average of 6.6% during the first nine months of 1999.

The Company owns a 50% interest in Piedmont. Piedmont's bottling territory includes parts of eastern North Carolina that were subjected to severe flooding during Hurricane Floyd in September 1999. Piedmont recorded an accrual in the third quarter of 1999 for estimated losses of vending equipment and other related expenses. While Piedmont expects some of its losses to be covered by insurance, the amount of recovery has not been determined at this time. The Company has reflected its share of Piedmont's net loss in its third quarter operating results.

The Company has been advised by The Coca-Cola Company that it intends to increase concentrate pricing in 2000 significantly higher than the trend in the past several years. The increase in concentrate pricing in 2000 is expected to be approximately \$8 million higher than the recent historical annual trend. The Company is actively reviewing opportunities to increase its net selling prices in 2000 in order to maintain its margins.

CHANGES IN FINANCIAL CONDITION:

Working capital increased \$21.4 million from January 3, 1999 and \$12.2 million from September 27, 1998 to October 3, 1999. The increase from January 3, 1999 is attributable to acquisitions, sales volume growth and seasonal increases in accounts receivable (\$9.9 million) and inventory (\$6.7 million).

The working capital increase of \$12.2 million from September 27, 1998 to October 3, 1999 is attributable to an increase in trade accounts receivable of \$6.3 million, an increase in inventory of \$3.5 million, a decrease in the current portion of long-term debt of \$4.7 million and a decrease in accounts payable and accruals of \$4.3 million, partially offset by increases in the current portion of obligations under capital leases of \$4.9 million and accrued interest of \$6.7 million. The decrease in the current portion of long-term debt reflects the refinancing of maturing Medium-Term Notes and other short-term borrowings. The increase in accounts receivable is due to the higher sales volume the Company has experienced. The increase in accrued interest expense is due to increased long-term debt associated with the buyout of leased equipment and acquisitions of other Coca-Cola bottlers.

Capital expenditures in the first nine months of 1999 were \$234.7 million compared to \$34.6 million in the first nine months of 1998. The significant increase in capital expenditures in the first nine months of 1999 relates primarily to the purchase of \$155 million of previously leased equipment. In addition, the Company is purchasing its fleet requirements in 1999. The Company leased additions to fleet during 1998.

Long-term debt increased by \$226.4 million from September 27, 1998 and \$238.1 million from January 3, 1999. The increases from September 27, 1998 and January 3, 1999 are due primarily to the buyout of \$155 million of leased equipment discussed above, and acquisitions of other Coca-Cola bottlers.

It is the Company's intent to renew any borrowings under its \$170 million revolving credit facility and the informal lines of credit as they mature and, to the extent that any borrowings under the revolving credit facility and the informal lines of credit do not exceed the amount available under the Company's \$170 million revolving credit facility, they are classified as noncurrent liabilities. As of October 3, 1999, the Company had no amounts outstanding under the revolving credit facility and \$49.8 million outstanding under the informal lines of credit.

On April 26, 1999 the Company issued \$250 million of 10-year debentures at a fixed rate of 6.375% under the Company's \$800 million shelf registration filed in January 1999. The Company

subsequently entered into 10-year floating interest rate swap agreements on \$100 million of the newly issued debentures. The proceeds from the issuance of debentures were used to refinance borrowings related to the buyout of the operating leases discussed above, refinance certain Medium-Term Notes that matured and repay other corporate borrowings.

As of October 3, 1999 the debt portfolio had a weighted average interest rate of approximately 6.8% and approximately 31% of the total portfolio of \$754.8 million was subject to changes in short-term interest rates.

On May 28, 1999 the Company acquired substantially all of the outstanding capital stock of Carolina Coca-Cola Bottling Company, Inc. ("Carolina") in exchange for 368,482 shares of the Company's Common Stock, installment notes and cash. The purchase price for all the capital stock of Carolina was \$36.6 million, as adjusted for required shareholders' equity of Carolina as of the acquisition date. The Company used its informal lines of credit for the cash portion of the acquisition. The acquisition has been accounted for under the purchase method of accounting.

Management believes that the Company, through the generation of cash flow from operations and the utilization of unused borrowing capacity, has sufficient financial resources available to maintain its current operations and provide for its current capital expenditure requirements. The Company considers the acquisition of additional bottling territories on an ongoing basis.

YEAR 2000:

Since many computer systems and other equipment with embedded chips or processors (collectively, "business systems") use only two digits to represent the year, these business systems may be unable to process accurately certain data before, during or after the year 2000. As a result, business and governmental entities are at risk for possible miscalculations or systems failures causing disruptions in their business operations. This is commonly known as the Year 2000 issue. The Year 2000 issue can arise at any point in the Company's supply, manufacturing, distribution and financial chains.

The Company began work on the Year 2000 compliance issue in 1997. The scope of the project includes: ensuring the compliance of all applications, operating systems and hardware on mainframe, PC, local area network and wide area network platforms; addressing issues related to non-IT embedded software and equipment; and addressing the compliance of key suppliers and customers. The project has four phases: assessment of systems and equipment affected by the Year 2000 issue; definition of strategies to address affected systems and equipment; remediation or replacement of affected systems and equipment; and testing that each is Year 2000 compliant.

With respect to ensuring the compliance of all applications, operating systems and hardware on the Company's various computer platforms, all four phases of the Year 2000 project have been completed. The Company continues to re-test and monitor business critical systems and will do so through the end of the year.

Approximately 80% of the internal application development resources were committed to Year 2000 remediation and testing efforts in 1997 and 1998 and the first nine months of 1999. The

Company expects that approximately 75% of its internal application development resources will be committed to re-testing and monitoring of business critical systems during the fourth quarter of 1999. The Company has also utilized contract programmers to identify Year 2000 non-compliance problems and modify code.

With respect to addressing issues related to non-IT embedded software and equipment, which principally exists in the Company's four manufacturing plants, the assessment and definition of strategies phases have been completed. Also, the remediation or replacement of affected systems and equipment phase has been completed. Testing is approximately 98% complete and will be finished at the end of November.

The Company relies on third party suppliers for raw materials, water, utilities, transportation and other key services. Interruption of supplier operations due to Year 2000 issues could affect Company operations. The Company intends to accumulate additional finished goods inventory in its warehouses as a means of somewhat mitigating the risk of business interruption due to supplier failures. The Company has reviewed and evaluated the Year 2000 readiness of its critical suppliers. As a result of this review and evaluation, the Company believes there is a low probability of its operations being disrupted as a result of Year 2000 issues with its mission critical suppliers.

The Company is also dependent upon its customers for sales and cash flow. Year 2000 interruptions in the Company's customers' operations could result in reduced sales, increased inventory or receivable levels, increased bad debt write-offs and cash flow reductions. While these events are possible, the Company's customer base is broad enough to minimize the effects of a single occurrence.

The Company has developed contingency plans for those areas that are critical to its business. These contingency plans have been designed to mitigate serious disruptions to its business flow beyond the end of 1999, where possible. Contingency plan information will be provided to all key managers in the Company during November and early December.

It is currently estimated that the aggregate cost of the Company's Year 2000 efforts will be approximately \$5.0 million to \$5.5 million, of which approximately \$4.7 million has been spent to date. These costs are being expensed as they are incurred and are being funded through operating cash flow. These costs do not include any costs associated with the implementation of contingency plans. The costs associated with the replacement of computerized systems, hardware or equipment (currently estimated to be \$4.5 million), substantially all of which would be capitalized, are not included in the above estimates.

The Company's Year 2000 program is an ongoing process and the estimates of costs for various components of the program described above are subject to change.

The failure to correct a material Year 2000 issue could result in an interruption in, or a failure of, certain normal business activities or operations. Such failures could materially and adversely affect the Company's results of operations, liquidity and financial condition. Due to the general uncertainty inherent in the Year 2000 issue, resulting in part from the uncertainty of the Year

2000 readiness of third-party suppliers and customers, the Company is unable to determine at this time whether the consequences of Year 2000 failures will have a material impact on the Company's results of operations, liquidity or financial condition.

FORWARD-LOOKING STATEMENTS:

This Quarterly Report on Form 10-Q, as well as information included in, or incorporated by reference from, future filings by the Company with the Securities and Exchange Commission and information contained in written material, press releases and oral statements issued by or on behalf of the Company, contains, or may contain, certain statements that may be deemed to be "forward-looking statements" within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act. Such "forward-looking statements" include information relating to, among other matters, the Company's future prospects, developments and business strategies for its operations. These forward-looking statements are identified by their use of terms and phrases such as "expect", "estimate", "project", "believe" and similar terms and phrases. Such forward-looking statements are contained in various sections of this Quarterly Report.

These statements are based on certain assumptions and analyses made by the Company in light of its experience and perception of historical trends, current conditions, expected future developments and other factors believed to be appropriate under the circumstances, and involve risks and uncertainties that may cause actual future activities and results of operations to be materially different from that suggested or described in this Quarterly Report or in such other documents. These risks include, but are not limited to (A) risks associated with any changes in the historical level of marketing funding support which the Company receives from The Coca-Cola Company, (B) risks associated with interruptions in the Company's business operations as a result of any failure to adequately correct the Year 2000 computer problem in any systems or equipment of the Company or one of its major suppliers or customers and (C) other risks detailed from time to time in the Company's filings with the Securities and Exchange Commission. You are cautioned that any such statements are not guarantees of future performance. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary from those expected, estimated or projected.

PART II - OTHER INFORMATION

Item 6. Exhibits and Reports on Form 10-Q

(a) Exhibits

Exhibit Number -----	Description -----
4.1	The Registrant, by signing this report, agrees to furnish the Securities and Exchange Commission, upon its request, a copy of any instrument which defines the rights of holders of long-term debt of the Registrant and its subsidiaries for which consolidated financial statements are required to be filed, and which authorizes a total amount of securities not in excess of 10 percent of total assets of the Registrant and its subsidiaries on a consolidated basis.
10.1	Agreement and Plan of Merger dated as of September 29, 1999, by and among Lynchburg Coca-Cola Bottling Co., Inc., Coca-Cola Bottling Co. Consolidated, LCCB Merger Co., Certain Shareholders of Lynchburg Coca-Cola Bottling Co., Inc. and George M. Lupton, Jr. as the shareholders' representative.
27	Financial data schedule for period ended October 3, 1999.

(b) Reports on Form 8-K

A current report on Form 8-K was filed on October 22, 1999 related to the Company's intent to purchase The Coca-Cola Company's 50 percent interest in Piedmont Coca-Cola Bottling Partnership, a partnership with bottling territories in much of South Carolina and portions of eastern North Carolina.

A current report on Form 8-K was filed on November 8, 1999 announcing a restructuring which will result in a 4th quarter 1999 after-tax charge of up to \$3 million.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

COCA-COLA BOTTLING CO. CONSOLIDATED
(REGISTRANT)

Date: Novemeber 17, 1999

By: /s/ DAVID V. SINGER

David V. Singer
Principal Financial Officer of the Registrant
and
Vice President - Chief Financial Officer

AGREEMENT AND PLAN OF MERGER

DATED AS OF SEPTEMBER 29, 1999

BY AND AMONG

LYNCHBURG COCA-COLA BOTTLING CO., INC.,

COCA-COLA BOTTLING CO. CONSOLIDATED,

LCCB MERGER CO.,

CERTAIN SHAREHOLDERS OF LYNCHBURG
COCA-COLA BOTTLING CO., INC.

LISTED ON THE SIGNATURE PAGES HERETO

AND

GEORGE M. LUPTON, JR., AS THE SHAREHOLDERS'
REPRESENTATIVE

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Exhibit B	-	Form of Promissory Note
Exhibit C	-	Form of Company Resolutions
Exhibit D	-	Form of Merger Sub Resolutions
Exhibit E	-	Form of Company Counsel Opinion
Exhibit F	-	Form of Noncompetition Agreement
Exhibit G	-	Form of Merger Sub and Parent Counsel Opinion
Exhibit H	-	Form of Transmittal Letter and Joinder

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AGREEMENT AND PLAN OF MERGER

THIS AGREEMENT AND PLAN OF MERGER is made as of the ____ day of September, 1999 by and among the following:

- (i) Lynchburg Coca-Cola Bottling Co., Inc., a Virginia corporation (the "COMPANY"),
- (ii) Coca-Cola Bottling Co. Consolidated, a Delaware corporation ("PARENT"),
- (iii) LCCB Merger Co., a Virginia corporation and wholly-owned subsidiary of Parent ("MERGER SUB"),
- (iv) the shareholders of the Company executing this Agreement on the signature pages hereto,
- (v) the shareholders of the Company who join in the execution of this Agreement pursuant to Section 15.2 hereof, and
- (vi) George M. Lupton, Jr., as the Shareholders' Representative (the "SHAREHOLDERS' REPRESENTATIVE").

All such above referenced parties to this Agreement are collectively referred to as the "PARTIES" and are individually referred to as a "PARTY". The Shareholders' Representative joins in the execution of this Agreement for the purpose of acknowledging the same and committing to carry out the Shareholders' Representative's duties and obligations hereunder.

W I T N E S S E T H:

WHEREAS, each of the Company and the Parent are engaged in the manufacture, distribution or sale of soft drink products of The Coca-Cola Company and other soft drink franchises; and

WHEREAS, the Boards of Directors of the Company, Parent and Merger Sub have determined that it is advisable and in the best interests of their respective shareholders for Parent and Merger Sub to enter into a business combination with the Company, by means of the merger (the "MERGER") of Merger Sub with and into the Company, upon the terms and subject to the conditions set forth herein;

NOW, THEREFORE, in consideration of the mutual promises and conditions contained herein, and other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the Parties hereto agree as follows:

ARTICLE I
DEFINITIONS

"Affiliates" means, with respect to a particular Party, Persons controlling, controlled by or under common control with that Party, and any officers and directors of that Party and of its Affiliates. For the purposes of the foregoing, ownership, directly or indirectly, of 20% or more of the voting stock or other equity interests shall be deemed to constitute control.

"Agreement" means this Agreement and the Exhibits and Disclosure Schedules hereto.

"Annual Case Sales Reports" is defined in Section 5.7

"Articles of Merger" is defined in Section 2.2.

"Assets" means all of the assets, properties, goodwill and rights of every kind and description, real and personal, tangible and intangible, wherever situated and whether or not reflected in the Company Financial Statements, that are owned or possessed by the Company.

"Audited Closing Date Balance Sheet" is defined in Section 3.1.

"Business" means the Company's entire business, operations and facilities.

"Business Day" means any day when the Federal Reserve Bank of Richmond, Virginia is open for business.

"CBH" is defined in Section 2.7(b).

"Charter Documents" means any Person's certificate or articles of incorporation, certificate defining the rights and preferences of securities, articles of organization, general or limited partnership agreement, certificate of limited partnership, joint venture agreement, operating agreement or similar document governing such Person.

"Claim Response" is defined in Section 13.4 (a).

"Closing" means the consummation of the Transactions in accordance with this Agreement.

"Closing Date" means the Effective Time of the Merger.

"Closing Date Merger Consideration" is defined in Section 2.7(d)(iii).

"Company" is defined in the preamble.

"Company Common Share" means a share of the common stock, par value \$4-1/6, of the Company.

"Company Financial Statements" is defined in Section 5.6.

"Company Transaction Fees" is defined in Section 2.7(d)(ii).

"Confidential Information" means any confidential information or Trade Secrets of the Company, including personnel information, know-how and other technical information, customer lists, customer information and supplier information.

"Consenting Shareholders" means collectively (i) the shareholders of the Company executing this Agreement on the signature pages hereto and (ii) the shareholders of the Company who join in the execution of this Agreement pursuant to Section 15.2 hereof.

"Contracts" is defined in Section 5.12.

"Disclosure Schedule" means any of the Schedules containing information relating to the Company pursuant to Article V and other provisions hereof that has been provided to the other Parties and made an Exhibit or Schedule to this Agreement on the date hereof.

"Discovered Breach" is defined in Section 8.2.

"Dissenting Shareholder" is defined in Section 2.9.

"Dissenting Shares" is defined in Section 2.9.

"Economic Loss" is defined in Section 13.5.

"Effective Time" is defined in Section 2.2.

"Encumbrances" means any lien, mortgage, security interest, pledge, restriction on transferability, defect of title or other claim, charge or encumbrance of any nature whatsoever on any property or property interest.

"Equipment" is defined in Section 5.13.

"ERISA" is defined in Section 5.18(c).

"Escrow Quotient" is defined in Section 2.7(d)(i).

"Expense Quotient" is defined in Section 2.7(d)(ii).

"Escrow Funds" is defined in Section 2.7(d)(i).

"Final Merger Consideration" is defined in Section 3.2.

"GAAP" means generally accepted accounting principles consistently applied with past practices of the Company.

"HSR Act" means the Hart-Scott-Rodino Antitrust Improvements Act of 1976 or any successor law, and rules and regulations issued pursuant to that Act or any successor law.

"Indemnified Party" is defined in Section 13.4(a).

"Indemnitor" is defined in Section 13.4(a).

"Indemnity Claim" is defined in Section 13.4(a)

"Initial Merger Consideration" is defined in Section 2.7(a).

"Insurance Plan" is defined in Section 9.1.

"Interim Case Sales Reports" is defined in Section 5.7.

"Inventory" means all inventory, including raw materials, spare parts, supplies, work in process and finished goods.

"Law" means any statute, law, ordinance, regulation, order or rule of any federal, state, local, foreign or other governmental agency or body or of any other type of regulatory body, including those covering energy, safety, health, transportation, bribery, recordkeeping, zoning, antidiscrimination, antitrust, labor, employment, wage and hour, and price and wage control matters, but excluding environmental laws.

"Memorabilia" means any Coca-Cola memorabilia, desks or other personal property of the Company.

"Merger" is defined in the recitals.

"Merger Consideration" is defined in Section 2.6(a).

"Merger Sub" is defined in the preamble.

"Negative Merger Consideration Adjustment" is defined in Section 3.4.

"Net Working Capital" is defined in Section 2.7(b).

"Noncompetition Agreement" is defined in Section 10.15.

"Notice of Claim" is defined in Section 13.4(a).

"Outstanding Company Common Shares" is defined in Section 2.7(a).

"Parent" is defined in the preamble.

"Parties" is defined in the preamble.

"Person" means any natural person, corporation, partnership, limited liability company, proprietorship, association, trust or other legal entity.

"Positive Merger Consideration Adjustment" is defined in Section 3.3.

"Pre-Closing Date" is defined in Article IV.

"Prime Rate" means the prime lending rate as announced from time to time in The Wall Street Journal.

"Promissory Note" is defined in Section 2.7(c).

"Real Estate" is defined in Section 5.14(a).

"Response Period" is defined in Section 13.4(a).

"Shareholders" is defined in the preamble.

"Shareholders' Representative" is defined in Section 15.1(a).

"Surviving Corporation" is defined in Section 2.1.

"Tax" and "Taxes" means all income, gross receipt, gains, sales, use, employment, franchise, license, school, profits, property, ad valorem, excise or other taxes, estimated tax payments and import duties, fees, stamps, taxes and assessments or charges of any kind whatsoever (whether payable directly or by withholding), together with any deficiencies, additional charges, interest and any penalties, additions to tax or additional amounts imposed by any taxing authority with respect thereto, or any charges, interest or penalties imposed by any taxing authority as the result of the failure to file any return.

"Third Party Claim" is defined in Section 13.4(d).

"Trade Secrets" means all know-how, trade secrets, confidential information, customer lists, software, technical information, data, process technology, plans, drawings and blue prints, owned, used or licensed (as licensor or licensee) by the Company, except for any such item that is generally available to the public.

"Transaction Documents" means this Agreement and the Promissory Note.

"Transactions" means the Merger and the other transactions contemplated by the Transaction Documents.

"VSCA" is defined in Section 2.1.

ARTICLE II
THE MERGER

2.1 THE MERGER. Upon the terms and subject to the conditions hereof, and in accordance with the relevant provisions of the Virginia Stock Corporation Act (the "VSCA"), Merger Sub shall be merged with and into the Company as soon as practicable, but in any event within the time limitations specified in Article IV. Following the Merger, the Company shall continue as the surviving entity (the "SURVIVING CORPORATION") under the name "Lynchburg Coca-Cola Bottling Co., Inc." and shall continue its existence under the Laws of the Commonwealth of Virginia, and the separate corporate existence of the Merger Sub shall cease.

2.2 EFFECTIVE TIME. The Merger shall be consummated by filing with the Clerk of the State Corporation Commission of Virginia the articles of merger, executed in accordance with the VSCA, substantially in the form of Exhibit A attached hereto (the "ARTICLES OF MERGER") and filing any other appropriate documents in accordance with the VSCA. The Merger shall be effective at the later of (A) the effective date specified in the Articles of Merger or (B) the effective time of the last of such filings (the "EFFECTIVE TIME").

2.3 EFFECTS OF THE MERGER. The Merger shall have the effects set forth in the VSCA and the Articles of Merger.

2.4 ARTICLES OF INCORPORATION AND BYLAWS. The Articles of Incorporation of the Company at the Closing Date shall be the Articles of Incorporation of the Surviving Corporation, until duly amended. The Bylaws of the Company at the Closing Date, as amended as follows, shall be the Bylaws of the Surviving Corporation, until duly amended. The Bylaws shall be amended effective as of the Closing Date as follows:

Article IV, Section 1 shall be amended and restated in its entirety as follows:

SECTION 1. ELECTION AND NUMBER OF DIRECTORS. The affairs of the Corporation shall be managed by a Board of Directors consisting of two members. The number of directors may be increased or decreased from time to time by amendment of these Bylaws. Directors shall be elected annually at the annual meeting of the stockholders or at any meeting held in place thereof. Each director shall hold office until his successor is duly elected and qualified. Directors need not be residents of the Commonwealth of Virginia or stockholders of the Corporation.

2.5 DIRECTORS AND OFFICERS. Any directors and officers of Merger Sub at the Closing Date shall become the directors and officers (in the same capacities), respectively, of the Surviving Corporation, until successors or additional directors and officers are appointed in accordance with the terms of the Surviving Corporation's Bylaws. Each Consenting Shareholder holding any officer or director position with the Company hereby resigns from the same effective on the Closing Date.

2.6 CONVERSION OF SHARES.

(A) AUTOMATIC CONVERSION. At the Closing Date, each Company Common Share issued and outstanding immediately prior to the Closing Date shall, by virtue of the Merger and without any action on the part of the holder thereof, be converted into the right to receive a net amount in cash that shall be determined and paid according to Section 2.7 (the "MERGER CONSIDERATION") or Section 2.9, as applicable. Any Company Common Share held in the treasury of the Company shall be cancelled. Each share of capital stock of Merger Sub issued and outstanding immediately prior to the Closing Date shall be converted by virtue of the Merger into one share of capital stock of the Surviving Corporation.

(B) DELIVERY AND CANCELLATION OF CERTIFICATES; NO FURTHER TRANSFERS. At the Pre-Closing Date, each Consenting Shareholder shall deliver: (i) certificates representing all of the Company Common Shares owned by such holder duly endorsed for transfer to the Surviving Corporation or accompanied by other appropriate surrender documentation and surrendered in accordance herewith upon delivery and (ii) an executed Transmittal Letter and Joinder. All such Common Company Shares shall be cancelled at the Closing Date. After the Pre-Closing Date, there shall be no transfers of Company Common Shares that were outstanding immediately prior to the Pre-Closing Date on the stock transfer books of the Company. If, after the Pre-Closing Date and until the first anniversary of the Closing Date, certificates representing Company Common Shares are presented for transfer in the manner required at the Pre-Closing Date, accompanied by, at the holder's option either (i) an executed Transmittal Letter and Joinder or (ii) such documentation as may be required by the Surviving Corporation or Parent in their sole discretion, they shall be cancelled and exchanged for the Merger Consideration (without interest) in a similar manner as provided in this Article II with respect to certificates delivered at the Pre-Closing Date (i.e., with application of the Escrow Quotient and Expense Quotient, as defined in Section 2.7(d) below). At the Closing Date, the stock ledger of the Company shall be closed.

2.7 MERGER CONSIDERATION AND PAYMENT.

(A) AMOUNT. The Merger Consideration with respect to each Company Common Share owned by a Consenting Shareholder and delivered in accordance herewith shall be equal to the sum of (i) the Initial Merger Consideration, plus or minus (ii) the difference (if any) between the Initial Merger Consideration and the Final Merger Consideration (as defined in Section 3.2). The "INITIAL MERGER CONSIDERATION" shall be an amount equal to the quotient (rounded to the nearest \$0.01) obtained by dividing (i) an amount equal to Twenty Four Million Six Hundred Thousand Dollars (\$24,600,000) plus the estimated Net Working Capital (as defined below) on the Closing Date by (ii) the total number of Company Common Shares issued and outstanding immediately prior to the Closing Date (the "OUTSTANDING COMPANY COMMON SHARES"). The record title owners, number of Outstanding Company Common Shares owned and the certificate numbers of those Outstanding Company Common Shares are set forth on Schedule 2.7(a).

(B) NET WORKING CAPITAL. Since the actual Net Working Capital will not be known at the Closing Date, an estimate of the same as of the Pre-Closing Date will be made for purposes of payment of the Initial Merger Consideration at the Closing Date. The estimated Net Working Capital will be computed by the Company, and such estimate shall be reviewed by

Cherry Bekaert & Holland ("CBH"). CBH shall confirm that such estimate is materially correct based upon procedures agreed upon by the Company and Merger Sub as set forth in Schedule 2.7(b). Such estimated Net Working Capital shall be provided to Merger Sub and Parent two (2) Business Days prior to the Pre-Closing Date and so confirmed again by CBH to have had no material changes on the Closing Date. Costs related to such computation of estimated Net Working Capital shall be borne by the Consenting Shareholders as a Company Transaction Fee (as defined in Section 2.7(d)(ii) below). "NET WORKING CAPITAL" means current assets of the Company less current liabilities of the Company, all at the Closing Date, determined in accordance with GAAP; provided, however, that such current liabilities shall not include the current portion of any amounts due under the lease of the 1998 Cadillac Seville automobile currently used by George M. Lupton, Jr., which shall not effect a reduction in Net Working Capital.

(C) PROMISSORY NOTE. At the Closing Date, Merger Sub shall execute a promissory note in favor of the Shareholders' Representative on behalf of the Consenting Shareholders in the form attached hereto as Exhibit B (the "PROMISSORY NOTE"), the principal amount of which shall be the aggregate amount of the Escrow Funds (as defined in Section 2.7(d)(i)), which shall be unconditionally guaranteed by Parent. The principal amount of the Promissory Note shall be reduced from time to time effective as of the times set forth below by the amount of (i) any Negative Merger Consideration Adjustment that exceeds the funds then available for Company Transaction Fees, (ii) any undisputed Indemnity Claims against the Company or the Consenting Shareholders and (iii) any disputed Indemnity Claims against the Company or the Consenting Shareholders that are finally resolved (pursuant to Article XIII) in favor of the Surviving Corporation, Merger Sub or Parent. The principal amount of the Promissory Note may be increased from time to time effective as of the time set forth below in the event that additional Escrow Funds are received after the Closing Date pursuant to Section 15.2 and 2.6(b) hereof. Any reduction or increase to the principal amount of the Promissory Note is referred to as an "ADJUSTMENT." Adjustments shall be effective (i) for the Negative Merger Consideration Adjustment as of the date presented to the Shareholders' Representative and (ii) for any Indemnity Claims, as of the date such Indemnity Claim is made. In the event that an Adjustment occurs, the Promissory Note will be replaced in the following manner: The Surviving Corporation shall deliver to the Shareholders' Representative's counsel a replacement note bearing the issue date of the original note, which will be held in escrow until the Shareholders' Representative's counsel has obtained the original note from the Shareholders' Representative. The replacement note shall provide for interest to be computed on the Principal Amount, as adjusted by the Adjustment as of the date such Adjustment was effective. The Shareholders' Representative agrees to promptly surrender the promissory note it has held to its counsel. The surrendered note shall be marked "canceled," and dispatched to the Surviving Corporation's counsel by a guaranteed overnight courier service (simultaneously sending to the Surviving Corporation's counsel a facsimile of the canceled note along with the airbill tracking number). Upon dispatch, the Shareholders' Representative's counsel shall be authorized to release the replacement note to the Shareholders' Representative.

(D) PAYMENT. In conjunction with the delivery of certificates representing all of the Company Common Shares owned by each Consenting Shareholder, duly endorsed for transfer to the Surviving Corporation or accompanied by appropriate transfer and surrender documentation, the Merger Consideration shall be paid to or for the benefit of each such Consenting Shareholder as follows:

(i) On the Closing Date, the Promissory Note shall be delivered to the Shareholders' Representative in the principal amount of the "ESCROW FUNDS," which shall mean a portion of the Initial Merger Consideration (determined based on estimated Net Working Capital) equal to (A) the quotient of One Million Dollars (\$1,000,000) divided by the Outstanding Company Common Shares (the "ESCROW QUOTIENT") multiplied by (B) the number of Company Common Shares tendered in accordance with Section 2.6(b) at or prior to the Closing Date.

(ii) On the Closing Date, a portion of the Initial Merger Consideration (determined based on estimated Net Working Capital) equal to (A) the quotient of One Million Five Hundred Thousand Dollars (\$1,500,000) divided by the Outstanding Company Common Shares (the "EXPENSE QUOTIENT") multiplied by (B) the number of Company Common Shares tendered in accordance with Section 2.6(b) at or prior to the Closing Date, shall be paid by wire transfer of immediately available funds to the Shareholders' Representative in accordance with the instructions set forth on Schedule 2.7(d)(ii), which amounts are to be applied by the Shareholders' Representative in payment of the fees and expenses of the Company and the Consenting Shareholders incurred and to be incurred in connection with the Transactions, including any amounts that may be required pursuant to Section 3.4 (the "COMPANY TRANSACTION FEES");

(iii) On the Closing Date, the balance of the Initial Merger Consideration (determined based on estimated Net Working Capital) (the "CLOSING DATE MERGER CONSIDERATION") multiplied by the number of Company Common Shares tendered in accordance with Section 2.6(b) at or prior to the Closing Date shall be paid at the Closing Date by wire transfer of immediately available funds to the Shareholders' Representative in accordance with the instructions set forth on Schedule 2.7(d)(iii); and

(iv) The Positive Merger Consideration Adjustment (as defined in Section 3.3) (if any) shall be paid as provided in Article III hereof.

Holders of Company Common Shares other than Consenting Shareholders shall be paid consideration for such Company Common Shares only as provided in Sections 2.6(b) and 2.9 hereof, as applicable.

2.8 SHAREHOLDER CONSENT. Each Consenting Shareholder hereby (i) agrees to vote all of such Consenting Shareholder's Company Common Shares in favor of the Merger, this Agreement and the Transactions, and in favor of the adoption of resolutions of the shareholders of the Company approving the same and (ii) otherwise agrees to take any and all actions necessary to effect the Transactions. None of the Consenting Shareholders shall rescind, revoke or modify such vote prior to the Closing Date.

2.9 DISSENTING SHARES. Any shareholder of the Company who shall have lawfully dissented from the Merger in accordance with the VSCA and who has properly exercised such shareholder's rights to demand payment of the fair value of the shareholder's Company Common Shares (the "DISSENTING SHARES") as provided in the VSCA (the "DISSENTING SHAREHOLDER") shall thereafter have only such rights as are provided a Dissenting Shareholder in accordance with the VSCA and shall have no other rights under this Agreement; provided, that if a Dissenting Shareholder shall withdraw the demand for appraisal or shall become ineligible for such appraisal, then such Dissenting Shareholder's Dissenting Shares automatically shall cease to be Dissenting Shares and shall be converted into and represent only the right to receive from the Surviving Corporation the Merger Consideration provided for in Section 2.7, without interest thereon, upon surrender of the certificate or certificates representing the Dissenting Shares, and execution of a Transmittal Letter and Joinder in accordance with Section 15.2, whereby the Dissenting Shareholder becomes a Consenting Shareholder and a party to the Transaction Documents, for purposes of indemnification hereunder.

2.10 FURTHER ASSURANCES. If, at any time after the Closing, Parent, Merger Sub or the Surviving Corporation shall consider or be advised that any further deeds, assignments or assurances in law or any other actions are necessary, desirable or proper to vest, perfect or confirm of record or otherwise, in the Surviving Corporation, the title to any property or rights of the Company acquired or to be acquired by reason of, or as a result of, the Transactions, the Company and the Consenting Shareholders will cause the Company's proper officers and directors (as constituted prior to the Closing Date) to execute and deliver all such proper deeds, assignments and assurances in law and do all things necessary, desirable or proper to vest, perfect or confirm title to such property or rights in the Surviving Corporation and otherwise to carry out the purpose of this Agreement, and the proper officers and directors of the Surviving Corporation are fully authorized and directed in the name of the Company and the Consenting Shareholders or otherwise to take any and all such actions.

ARTICLE III
MERGER CONSIDERATION ADJUSTMENT

3.1 AUDITED CLOSING DATE BALANCE SHEET. A balance sheet for the Company as of the Closing Date at 11:59 p.m. will be prepared by the Surviving Corporation in accordance with GAAP and audited by CBH (the "AUDITED CLOSING DATE BALANCE SHEET") within one hundred twenty (120) days immediately following the Closing Date and presented to the Shareholders' Representative for review and comment. The cost of the audit shall be borne by the Surviving Corporation. The Audited Closing Date Balance Sheet shall include and set forth a computation of the actual Net Working Capital.

3.2 FINAL MERGER CONSIDERATION. The "FINAL MERGER CONSIDERATION" shall be an amount equal to the quotient (rounded to the nearest \$0.01) obtained by dividing (i) an amount equal to the sum of Twenty-Four Million Six Hundred Thousand Dollars (\$24,600,000) plus actual Net Working Capital (determined in accordance with Section 2.7(b)) by (ii) Outstanding Company Common Shares.

3.3 PAYMENT OF POSITIVE MERGER CONSIDERATION ADJUSTMENT. If the Initial Merger Consideration (as determined based on estimated Net Working Capital) is less than the Final Merger Consideration (as determined based on actual Net Working Capital) then an amount equal to the Positive Merger Consideration Adjustment (as defined below) multiplied by the number of Company Common Shares tendered in accordance with Section 2.6(b) at or prior to the Closing Date shall be paid by wire transfer of immediately available funds to the Shareholders' Representative within five (5) Business Days immediately following the later of (i) the Shareholders' Representatives' approval of the Audited Closing Date Balance Sheet or (ii) a final determination of the same pursuant to Section 3.6 hereof. The "POSITIVE MERGER CONSIDERATION ADJUSTMENT" means the amount by which the Final Merger Consideration exceeds the Initial Merger Consideration.

3.4 REPAYMENT OF NEGATIVE MERGER CONSIDERATION ADJUSTMENT. If the Initial Merger Consideration exceeds the Final Merger Consideration then an amount equal to the Negative Merger Consideration Adjustment (as defined below) multiplied by the number of Company Common Shares tendered in accordance with Section 2.6(b) will be paid to the Surviving Corporation by the Shareholders' Representative from the Merger Consideration transferred to the Shareholders' Representative pursuant to Section 2.7(d)(ii) with respect to Company Transaction Fees, with any balance to be paid from the Escrow Funds (resulting in a decrease in the principal amount of the Promissory Note in the amount of the decrease in the Escrow Funds). If the Negative Merger Consideration Adjustment, so determined, is an amount that exceeds the sum of (i) funds then available for payment of Company Transaction Fees and (ii) the Escrow Funds, then to the extent of such difference, the Consenting Shareholders shall remit payment of the difference, each in proportion to their ownership of the Company Common Shares, within five (5) Business Days immediately following written notice of demand for such repayment given by the Surviving Corporation to the Shareholders' Representative. The "NEGATIVE MERGER CONSIDERATION ADJUSTMENT" means the amount by which the Initial Merger Consideration exceeds the Final Merger Consideration.

3.5 REVIEW BY THE SHAREHOLDERS' REPRESENTATIVE. During the preparation of the Audited Closing Date Balance Sheet, the Shareholders' Representative (and the Shareholders' Representative's accounting representatives) shall be permitted to be present to review the details of such preparation, to examine the working papers in connection therewith and to discuss the preparation of the Audited Closing Date Balance Sheet, the Net Working Capital calculation and the conduct of the audit. Such discussions shall be held by telephone or at places mutually agreeable to the Shareholders' Representative (and the Shareholders' Representative's accounting representatives) and the Surviving Corporation. All such review activities by the Shareholders' Representative shall be at the expense of the Shareholders.

3.6 SETTLEMENT PROCEDURE. In the event that the Shareholders' Representative disagrees with the Net Working Capital computation, the Shareholders' Representative shall deliver to the Surviving Corporation (no later than thirty (30) Business Days after delivery to the Shareholders' Representative of the Audited Closing Date Balance Sheet) a written description of any such disagreements, and the Shareholders' Representative and the Surviving Corporation shall negotiate in good faith to resolve any disagreement with respect thereto. If, after a period of fifty (50) Business Days following the date on which the Surviving Corporation delivers to the Shareholders' Representative the Audited Closing Date Balance Sheet, the Surviving Corporation and the Shareholders' Representative have not resolved any such disagreement, then the Shareholders' Representative shall select within five (5) Business Days following the end of such period one firm from the following accounting firms: Arthur Andersen L.L.P., KPMG L.L.P. or BDO Seidman L.L.P. The resolution of the disagreement shall be made by the selected accounting firm within twenty (20) Business Days after the date on which such firm of accountants was selected or as soon thereafter as possible and shall be binding upon the Parties. The costs and expenses for the services of such firm of accountants shall be borne equally by the Consenting Shareholders and the Surviving Corporation.

ARTICLE IV
CLOSING

The delivery of the Transaction Documents and other instruments, certificates and legal opinions required hereunder shall take place at the offices of Kennedy Covington Lobdell & Hickman, L.L.P., 100 North Tryon Street, Suite 4200, Charlotte, North Carolina, commencing at 10:00 a.m. Eastern Standard Time on October 26, 1999 or on such other date or such other time or place as the Parties shall mutually agree (the "PRE-CLOSING DATE"). On the Pre-Closing Date, Merger Sub and the Company shall deliver to the Clerk of the State Corporation Commission of Virginia duly executed Articles of Merger as required by the VSCA and the Parties shall take all such other and further actions as may be required by the VSCA to make the Merger effective upon the terms and subject to the conditions hereof.

ARTICLE V
REPRESENTATIONS AND WARRANTIES REGARDING THE COMPANY

As a material inducement to Merger Sub and Parent entering into this Agreement and consummating the Transactions, the Company and each Consenting Shareholder hereby make the following representations and warranties to Merger Sub and Parent, each of which shall be continuing, shall be true at the date of execution hereof and on the Closing Date, with the same force and effect as if made on the Closing Date, and shall survive the Closing as provided in Section 13.6 below. Where a particular representation or warranty is limited to the Company's knowledge, or to the knowledge of the Company, it shall refer to (i) the actual knowledge of George M. Lupton, Jr., George M. Lupton, III, Mary B. Hunt, William C. Sampson or James A. Lowery and (ii) knowledge that such persons reasonably should have had, given their respective positions and involvement with the Company.

5.1 CORPORATE EXISTENCE, AUTHORITY AND BINDING EFFECT. The Company is a corporation duly organized, validly existing, and in good standing under the laws of the

Commonwealth of Virginia. The Company has full power and authority to own its properties and conduct the Business as now being conducted. The Company has full corporate power and authority to execute each Transaction Document and consummate the Transactions, and its Board of Directors, and as of the Closing Date, its shareholders, have properly approved the Transactions. True and correct copies of the resolutions of the Board of Directors of the Company, and the form of resolutions that will be adopted as of the Closing Date by its shareholders, authorizing the Company to enter into and consummate the Transactions, properly certified by the Secretary of the Company, are attached hereto as Exhibit C. Upon execution and delivery, each Transaction Document shall be the legal, valid and binding obligation of the Company, enforceable against the Company in accordance with its terms, except to the extent that the same may be limited by laws concerning insolvency, bankruptcy or similar laws or equitable principles affecting the enforcement of creditors' rights generally.

5.2 ORGANIZATIONAL DOCUMENTS.

(a) Delivered Documents. Company has provided to Merger Sub (i) the Certificate of Incorporation of Lynchburg Coca-Cola Bottling Works, Incorporated, dated June 21, 1908; (ii) Articles of Amendment Restating the Articles of Incorporation of Lynchburg Coca-Cola Bottling Works, Incorporated (Under the Name of Lynchburg Coca-Cola Bottling Co. Inc.); (iii) Bylaws of the Company, as amended June 30, 1996; (iv) copies of minute books for Board of Directors meetings of the Company from March 8, 1984 through July 28, 1999; and (v) a list of record title holders of Company Common Shares, certificate numbers and number of shares (which is attached as Schedule 2.7(a)) and a copy of the stock book receipts for currently issued and outstanding Company Common Shares. Copies of each of these documents are attached hereto as Schedule 5.2(a).

(b) Effect of Disclosure. These documents are true and complete and contain (i) all amendments thereto to date, (ii) a record of all material corporate proceedings of the Company for the period from March 8, 1984 to July 28, 1999 (in the case of the minute books) and (iii) a copy of the stock book receipts for currently issued and outstanding Company Common Shares. Specification or limitation of such disclosure is not intended to and shall not affect, diminish or limit in any way any other representations or warranties made in Article V or Article VI hereof. Schedule 5.2(b) contains a true and complete list of all of the current officers and directors of the Company.

5.3 NO VIOLATION OR CONFLICT. Neither the execution and delivery of the Transaction Documents, the consummation by the Company of the Transactions, nor the fulfillment and compliance with the terms and provisions hereof or thereof will (i) conflict with or result in a breach of or default under any of the terms, conditions or provisions of any loan, note, bond, mortgage, lease, indenture, license, contract, agreement or other instrument or obligation to which the Company is a party or by which any of its properties or assets are bound (excluding the franchise agreements issued by or under the authority of The Coca-Cola Company or its related entities to which the Company is a party that automatically terminate upon a change of control in accordance with their terms), (ii) conflict with any provision of the Company's Charter Documents, Bylaws or other corporate agreement binding on the Company or (iii) violate any

judgment, order, decree, Law or judicial or governmental restriction to which the Company is subject or otherwise constitute an ultra vires act.

5.4 NO CONSENTS. Except as set forth in Schedule 5.4, no consent or approval of, or declaration, filing or registration with, any non-governmental third party or any governmental authority is required to be obtained by the Company (i) in connection with the execution of this Agreement or any other Transaction Document, (ii) for the consummation of the Transactions or (iii) for the continued operation of the Business.

5.5 CAPITALIZATION. The authorized capital stock of the Company consists of Three Thousand Six Hundred (3,600) shares of Company Common Shares, of which One Thousand Five Hundred Ninety Three (1,593) shares are outstanding. All of such Company Common Shares are owned of record by the shareholders set forth in Schedule 2.7(a). All of such shares are validly issued, fully paid and non-assessable. There are no securities presently outstanding, and at the Closing Date there will not be any outstanding securities, which are convertible into, exchangeable for or carry the right to acquire, equity securities of the Company, or subscriptions, warrants, options, calls, convertible securities, registration or other rights, arrangements or commitments obligating the Company to issue any of its equity securities or any ownership interest or rights therein. Except as set forth on Schedule 5.5, there are no voting trusts or other agreements or understandings to which the Company is bound with respect to the voting of the Company Common Shares. Immediately following the Closing Date, by virtue of the Merger, Parent will hold one hundred percent (100%) of the issued and outstanding capital stock of the Surviving Corporation free and clear of any Encumbrances.

5.6 FINANCIAL STATEMENTS. Attached as Schedule 5.6 are copies of the audited financial statements of the Company for the fiscal years ended December 31, 1997 and December 31, 1998 (the "COMPANY FINANCIAL STATEMENTS"). Each of the Company Financial Statements has been prepared in accordance with GAAP (except as set forth in Note 8 to the Company Financial Statements) and fairly presents the financial position and results of operations of the Company as of the applicable dates and for the applicable periods then ended in a materially correct manner.

5.7 CASE SALES REPORTS. Attached hereto as Schedule 5.7 are copies of case sales reports (i) for the fiscal years of the Company ended December 31, 1997 and December 31, 1998 (together, the "ANNUAL CASE SALES REPORTS") and (ii) monthly reports for the portion of the fiscal year ended July 31, 1999 (the "INTERIM CASE SALES REPORTS"). The Annual Case Sales Reports are materially correct. The Interim Case Sales Report have been prepared in a manner consistent with past practices.

5.8 ACCOUNTS RECEIVABLE. All accounts receivable reflected on the Audited Closing Date Balance Sheet will have arisen from transactions in the ordinary course of business, credit being extended in a manner consistent with the Company's regular credit practices. All of the accounts receivable included on the Audited Closing Date Balance Sheet will be collectible in full within one hundred eighty (180) days from the respective dates of sale. There are no facts or circumstances (other than general economic conditions) that are likely to result in any increase in the uncollectability of such accounts receivable, nor has the Company been notified by any

customer that such customer disputes or otherwise intends not to pay its debt, as reflected in such accounts receivable, in the ordinary course of business.

5.9 TAXES. Except as set forth in Schedule 5.9:

(A) RETURNS AND PAYMENT OF TAXES. All tax returns required to be filed on or prior to the Closing Date by the Company with all taxing authorities have been, or prior to the Closing Date will have been, filed and are true, complete and correct. All Taxes shown to be due and payable on such returns (or otherwise due and payable) and all other Taxes payable by the Company have been, or prior to the Closing Date will have been, paid in full on a timely basis. Such Taxes include, without limitation, Taxes imposed by any federal, territorial, state, local or foreign government, subdivision or regulatory agency. True and complete copies of all tax returns, reports and other filings of the Company that have been filed for any periods since December 31, 1997 are attached as Schedule 5.9.

(B) AUDITS. None of the Company's tax returns for any period subsequent to December 31, 1997 has been audited by the appropriate taxing authorities. All issues arising out of prior audits have been resolved, the Company has made all payments required as a result of such resolutions, and such payments were reflected in the Company Financial Statements for periods prior to December 31, 1997. The Company has not agreed to any extensions of time of any applicable statutes of limitation in connection with the filing of tax returns or payment of taxes. No audit or examination, or claim or proposed assessment, by any taxing authority is now pending or to Company's knowledge threatened against the Company.

(C) WITHHOLDING OF TAXES. The Company has withheld, collected and paid to the proper tax depositories or collecting authorities all amounts required to be so withheld and collected from employees, creditors, stockholders or third parties, including without limitation, backup withholding and withholding from each payment made to each employee of the Company the amount of all Taxes (including without limitation federal income taxes, Federal Insurance Contributions Act taxes and state and local income, payroll and wage taxes) required to be withheld or collected therefrom.

5.10 ABSENCE OF UNDISCLOSED CLAIMS AND LIABILITIES. Except as set forth on Schedule 5.10 and Schedule 5.12, the Company has no material liability (whether known or unknown, whether asserted or unasserted, whether absolute or contingent, whether accrued or unaccrued, whether liquidated or unliquidated, and whether due or to become due and regardless of when asserted), except for (i) liabilities reflected in the liabilities section of the latest Company Financial Statement, (ii) liabilities under agreements, contracts, purchase orders and other similar arrangements that have arisen in the ordinary course of business (none of which relates to a breach of contract) and (iii) liabilities that have arisen since the date of the latest Company Financial Statement in the ordinary course of business (none of which relates to breach of contract, breach of warranty, tort, infringement, violation of Law, or any action, suit or proceeding, including any liability under any health and safety Laws).

5.11 ABSENCE OF CHANGE. From December 31, 1998 through the Closing Date, except as disclosed in Schedule 5.11 or as contemplated by this Agreement:

(A) the Business has been conducted in the ordinary course consistent with historical methods of operation;

(B) the Inventory of the Business has been maintained at ordinary, normal and customary levels, and no extraordinary change in purchases or sales has occurred;

(C) the Company has not sold, contracted to sell, conveyed, transferred, assigned, distributed or otherwise disposed of any Assets of the Business, or any rights thereto, except for (i) the sale of Inventory in the ordinary and customary course of business, (ii) the Transactions and (iii) matters set forth on Schedule 8.8(a), Schedule 8.8(b) and Schedule 8.8(d);

(D) the Company has not caused any Encumbrance to be placed against any Assets of the Business;

(E) except as set forth on Schedule 8.8(c), the Company has not granted an increase in any bonus, fringe benefit, incentive or other compensation payable, or to become payable (except normal and customary salary increases and performance bonuses consistent with past practice), to any employee or agent of the Business, nor made any oral or written commitment to adopt or grant any bonus, incentive compensation, deferred compensation, profit sharing, pension, post employment or severance benefit (including insurance), golden parachute agreement, change of control agreement or other employee benefit;

(F) except as provided in clauses (c) and (e) above, the Company has not made any declaration, setting aside or payment of any dividend or other distribution of Assets (whether in cash, stock or property) with respect to the capital stock of the Company, or any direct or indirect redemption, purchase or other acquisition of such capital stock;

(G) the Company has not canceled, compromised, waived or released any right or claim (or series of related rights and claims) relating to the Business outside the ordinary course of business; and

(H) the Company has not granted any license or sublicense of any rights with respect to any of its contract rights.

5.12 MATERIAL CONTRACTS AND COMMITMENTS. Except as set forth on Schedule 5.12 or entered into after the date hereof with the consent of Merger Sub, the Company is not a party to any:

(A) contract for employment of any officer, individual employee, or other person or entity on a full-time, part-time, consulting or other basis, or agreement relating to loans to officers, directors or Affiliates, other than advances in the ordinary course of business;

(B) agreement or indenture relating to the borrowing of money or to the mortgaging, pledging or otherwise placing an Encumbrance on any Asset or group of Assets of the Company;

(C) guarantee of any obligation for borrowed money or otherwise;

(D) agreement with respect to the lending or investing of funds;

(E) lease or agreement under which it is lessee of or holds or operates any property, real or personal, owned by any other Person;

(F) lease or agreement under which it is lessor of or permits any third party to hold or operate any property, real or personal, owned or controlled by the Company;

(G) assignment, license, indemnification or agreement with respect to any form of intangible property, including any patent, trademark, trade name, copyright, know-how, Trade Secret or Confidential Information;

(H) contract or group of related contracts with the same party (excluding purchase orders entered into in the ordinary course of business) that are either exclusive arrangements for the purchase or sale of products or services or for the purchase or sale of products or services under which the delivered balance of such products and services has a selling price in excess of \$50,000;

(I) contract that prohibits the Company from freely engaging in business anywhere in its franchise territory;

(J) contract relating to the distribution, marketing or sales of the Company's products;

(K) contract with any officer, director or shareholder, or other insider; or

(L) other agreement material to the Company not entered into in the ordinary course of business.

Those agreements, leases, contracts, commitments or other agreements set forth on Schedule 5.12 are referred to as "CONTRACTS."

Except as disclosed in Schedule 5.12, the Company has performed in all material respects all obligations required to be performed by it and is not in material default under, or in material breach of nor in receipt of any claim of material default or breach under, any such Contract. No event has occurred which with the passage of time or the giving of notice or both would result in a material default, breach or event of noncompliance under any such Contract. To the knowledge of the Company, each of the Contracts is valid, in full force and effect, and enforceable in accordance with its terms, except to the extent that the same may be limited by laws concerning insolvency, bankruptcy, or similar laws or equitable principles affecting the enforcement of creditors' rights generally.

5.13 GOOD TITLE AND ENCUMBRANCES. Except as set forth in Schedule 5.13(a), the Company has good and marketable title to, or valid and subsisting leasehold interests in, all of

the Assets, free and clear of any and all Encumbrances. Schedule 5.13(b) sets forth a complete and accurate list of all equipment (including vehicles) that are used in the Business (the "EQUIPMENT").

5.14 REAL ESTATE.

(A) GENERAL. Except for the real estate listed on Schedule 5.14 (the "REAL ESTATE"), there is no real property owned or continuously occupied by the Company and used or connected with the Business.

(B) UTILITY CONNECTIONS. To the Company's knowledge, all public utility connections serving the Business have been completed, installed, activated, and paid for and are in compliance with applicable codes, rules and regulations.

(C) TAXES AND UTILITIES. To the Company's knowledge, no condition exists that would result in an increase in tax assessments covering the Real Estate or utility rates affecting the Real Estate or the Business.

(D) ACCESS. To the Company's knowledge, the Company presently has the unencumbered right to use (and following the Transactions the Surviving Corporation will continue to have the unencumbered right to use) all accesses from the Real Estate to and from public thoroughfares, as such accesses are presently configured and utilized.

(E) RIGHT TO OPERATE. To the Company's knowledge, the Company has the legal right to operate all parts of the Real Estate.

(F) DISCLAIMER OF CERTAIN WARRANTIES. Merger Sub and Parent acknowledge that except as set forth in this Section 5.14 and except as to matters relating to title and Encumbrances, the condition of the Real Estate is warranted only AS IS - WHERE IS.

5.15 NO LITIGATION. Except as set forth in Schedule 5.15, there is no governmental or private litigation, investigation, proceeding, claim, action, suit or audit of any kind whatsoever pending or, to the Company's knowledge, threatened against the Company, the Business, or any of the Assets. The Company has no knowledge or reason to believe that there is any private person, other entity, or governmental agency which has any basis for any cause of action that would cause the Company, the Business, the Surviving Corporation, Merger Sub or Parent to suffer any loss or liability not disclosed herein.

5.16 COMPLIANCE WITH LAWS. To the Company's knowledge, neither the Company nor the Business is in violation of, or has received a notice of potential violation of, any applicable Law relating to or affecting the ownership of the Assets or the operation or conduct of the Business, including those relating to antitrust, trade regulation, licensing and protection of the health and safety of persons (whether or not employees).

5.17 ANTITRUST MATTERS. The Company and the Business are, and throughout the applicable statutory period of limitations have been, in compliance with all Laws pertaining

or relating in any way to the regulation of competition or trade among or between business entities, including but not limited to, Sections 1 and 2 of the Sherman Act, Section 3 of the Clayton Act, the Robinson-Patman Act, the Lanham Act, Section 5 of the Federal Trade Commission Act and applicable state antitrust and trade Laws. The Business has been conducted in full and complete compliance with any and all such Laws. To Company's knowledge, except as set forth on Schedule 5.17, there is, and has been, no grand jury or other federal or state investigation pending with regard to any antitrust matters involving the Company or the Business.

5.18 EMPLOYEE MATTERS.

(A) BENEFIT PLANS AND EMPLOYMENT AGREEMENTS. Schedule 5.18(a) sets forth a complete and accurate list and description of all employee benefit plans of any kind or nature and all agreements between the Company and any of its employees (or representatives thereof including any applicable union), consultants, officers and directors, and all other persons performing services for the Company, relating to their employment by, or performance of services for, the Company or their compensation therefor, other than oral employment agreements with employees terminable at will. Such plans and agreements include, without limitation, any deferred compensation agreements, change in control agreements, golden parachute agreements, profit-sharing plans and any bonus, option, share purchase or other similar plan. The Company is in compliance in all material respects with all its obligations under, and all applicable Laws relating to, such plans and agreements, and there are no pending or anticipated claims against the Company relating thereto.

(B) LABOR RELATIONS. Except as disclosed on Schedule 5.18(b), subsequent to December 31, 1997, neither the Company nor the Business is, or has been, involved in any labor discussion with any unit or group seeking to become the bargaining unit for any of its employees, nor does the Company have any notice or knowledge that any such unit or group has announced an intention to commence any organizational activities among the employees of the Business. Except as disclosed on Schedule 5.18(b), the Company has not been accused, notified or made aware of any pending unfair labor or employment practice or discriminatory act or omissions, nor is there any pending or threatened strike, work stoppage, or other labor dispute affecting the Company or the Business.

(C) ERISA COMPLIANCE. Without limiting the generality of the foregoing, all plans of the Company subject to the Employee Retirement Income Security Act of 1974, as amended ("ERISA") are in compliance with ERISA. Neither the Company nor any fiduciary as defined in Section 3(21) of ERISA has taken any action or failed to take any action which would result in any liability to the Surviving Corporation after the Closing Date with respect to any such plans or any welfare benefit plan within the meaning of Section 3(1) of ERISA maintained or contributed to by the Company.

5.19 NO BROKERS OR FINDERS. With the exception of Glover Capital, Inc. (whose fee will be paid by the Consenting Shareholders in accordance with Section 15.17), neither the Company nor any Shareholder nor anyone acting on their behalf has had discussions or negotiated with, been represented by or employed any broker or finder or incurred any liability

for any brokerage fees, commission or finder's fees to any Person in connection with this Agreement or any of the Transactions.

5. 20 NO ENVIRONMENTAL REPRESENTATIONS. Notwithstanding anything to the contrary in this Agreement, the Articles of Merger or the other Transaction Documents, neither the Company nor any Consenting Shareholder makes any representation or gives any warranty to any person, including without limitation Merger Sub, the Surviving Corporation or Parent, with regard to compliance with any environmental law, statute, rule, regulation or ordinance, whether federal, state or local.

5. 21 TERMINATION OF PARTICIPATION IN MID-ATLANTIC CANNERS ASSOCIATION, INC. The Company and the Consenting Shareholders have taken all action necessary to terminate the Company's participation in the Mid-Atlantic Canners Association, Inc. ("MACA") and to effect the repurchase by MACA of the shares in MACA held by the Company.

5. 22 PAYMENT OF CERTAIN BONUSES. The Company has paid all bonuses set forth on Schedule 8.8(c) to the persons set forth therein, and the Company has made no other agreements, whether written or oral, to pay any bonuses in connection with the Transactions.

5. 23 NO MATERIAL OMISSION. To the Company's knowledge, the representations and warranties in this Article V do not contain any untrue statement of material fact or omit to state any material fact necessary to make the statements herein not misleading.

ARTICLE VI
REPRESENTATIONS AND WARRANTIES REGARDING THE CONSENTING
SHAREHOLDERS

As a material inducement to Merger Sub and Parent entering into this Agreement and consummating the Transactions, each Consenting Shareholder, as to itself only, hereby makes the following representations and warranties to Merger Sub and Parent, each of which shall be continuing, shall be true at the date of execution hereof and on the Closing Date and shall survive the Closing Date as provided in Section 13.6 below.

6.1 AUTHORITY AND BINDING EFFECT. Such Consenting Shareholder has full power and authority to execute each Transaction Document and consummate the Transactions. Upon execution and delivery, each Transaction Document shall be the legal, valid and binding obligation of such Consenting Shareholder, enforceable against such Consenting Shareholder in accordance with its terms except to the extent that the same may be limited by laws concerning insolvency, bankruptcy or similar laws or equitable principles affecting the enforcement of creditors' rights generally.

6.2 NO VIOLATION OR CONFLICT. Except as set forth in Schedule 6.2, neither the execution and delivery of the Transaction Documents, the consummation by such Consenting Shareholder of the Transactions, nor the fulfillment and compliance with the terms and provisions hereof or thereof will (i) conflict with or result in a breach of or default under any of the terms, conditions or provisions of any loan, note, bond, mortgage, lease, indenture, license,

contract, agreement or other instrument or obligation to which such Consenting Shareholder is a party or by which any of such Consenting Shareholder's properties or assets are bound or (ii) violate any Law, judgment, decree, or other judicial or governmental restriction to which such Consenting Shareholder is subject.

6.3 STOCK OWNERSHIP. Such Consenting Shareholder is the sole record and beneficial owner of all of the Company Common Shares on the Closing Date specified with respect to such Consenting Shareholder on Schedule 2.7(a), free and clear of all Encumbrances. Upon consummation of the Merger, such Consenting Shareholder will transfer good and marketable title to such Company Common Shares to the Surviving Corporation free and clear of all Encumbrances.

6.4 TERMINATION OF SHAREHOLDERS AGREEMENT. The Shareholders Agreement referenced in Section 15.3 hereof shall have been terminated in accordance with its terms effective on the Closing Date, shall have no further force or effect as of the Closing Date and shall not impair the intent or purposes of the Transactions.

6.5 SATISFACTION OF AGREEMENT WITH JOHN MINOR. All obligations of the Company or the Consenting Shareholders to John Minor resulting from or related to the Transactions and Mr. Minor's agreements with the Company or the Consenting Shareholders have been satisfied.

ARTICLE VII MERGER SUB'S REPRESENTATIONS AND WARRANTIES

As a material inducement to the Company and the Consenting Shareholders entering into this Agreement and consummating the Transactions, Merger Sub hereby makes the following representations and warranties to the Company and each Consenting Shareholder, each of which shall be continuing, shall be true at the date of execution hereof and on the Closing Date with the same force and effect as if made on the Closing Date and shall survive the Closing Date as provided in Section 13.6 below:

7.1 FORMATION, GOOD STANDING AND POWER. Merger Sub is a corporation duly organized, validly existing, and in good standing under the laws of the Commonwealth of Virginia with full power and authority to execute this Agreement and consummate the Transactions. True and correct copies of resolutions of the Board of Directors and sole shareholder of Merger Sub authorizing Merger Sub to execute this Agreement and consummate the transactions contemplated hereby, properly certified by the Secretary of Merger Sub are attached hereto as Exhibit D. Upon execution, each Transaction Document shall be the valid, legal and binding obligation of Merger Sub, enforceable against Merger Sub in accordance with its terms, except to the extent that the same may be limited by laws concerning insolvency, bankruptcy, or similar laws or equitable principles affecting the enforcement of creditors' rights generally.

7.2 NO VIOLATION OR CONFLICT. Neither the execution and delivery of the Transaction Documents, the consummation by the Merger Sub of the Transactions, nor the fulfillment and

compliance with the terms and provisions hereof or thereof will (i) conflict with or result in a breach of or default under any of the terms, conditions or provisions of any loan, note, bond, mortgage, lease, indenture, license, contract, agreement or other instrument or obligation to which the Merger Sub is a party or by which any of its properties or assets are bound, (ii) conflict with any provision of the Merger Sub's Charter Documents, Bylaws, or other corporate agreement binding on the Merger Sub or (iii) violate any judgment, order, decree, Law or judicial or governmental restriction to which the Merger Sub is subject or otherwise constitute an ultra vires act.

7.3 NO LITIGATION. There is no governmental or private litigation, investigation, proceeding, claim, suit or audit of any kind whatsoever pending nor, to Merger Sub's knowledge, is there any basis for such litigation or claim, whether by private person, other entity, or governmental agency, where such litigation or claim would adversely affect the Transactions.

7.4 NO BROKERS OR FINDERS. Neither Merger Sub nor anyone acting on its behalf has had discussions or negotiated with, been represented by or employed any broker or finder, or done anything to cause or incur any liability to any Person for any broker's or finder's fees or the like in connection with this Agreement or any of the Transactions.

7.5 FINANCIAL ABILITY. Merger Sub has the financial ability to consummate the Transactions.

7.6 ACKNOWLEDGEMENT REGARDING CONDITION OF CERTAIN ASSETS. Merger Sub and Parent hereby acknowledge that, except as otherwise provided herein, the physical condition of all tangible assets of the Company, including without limitation the plant, property, Inventory and Equipment, are warranted only AS-IS WHERE-IS.

7.7 ACKNOWLEDGEMENT REGARDING LOCATION OF CERTAIN ASSETS. Merger Sub and Parent acknowledge that although vending equipment, cold drink equipment, merchandising items and comparable assets may be listed in the books and records of Company, the physical location, and therefore the existence, of such assets may not be determinable. Merger Sub and Parent acknowledge that the failure by Merger Sub, Surviving Corporation or Parent to locate or determine the existence of such assets will not provide the basis of, or result in, an Indemnity Claim (as defined in Section 13.4(a)) against Company or the Shareholders.

ARTICLE VIII
COVENANTS OF THE COMPANY AND CONSENTING SHAREHOLDERS

The Company and the Consenting Shareholders, as applicable, covenant and agree with Merger Sub as follows:

8.1. CONDUCT OF BUSINESS . From the date hereof through and including the Closing Date, the Company agrees, and the Consenting Shareholders agree to cause the Company to act as follows:

(A) the Company shall operate the Business diligently and only in the usual, ordinary and customary manner as a going business concern and use its commercially reasonable efforts to preserve its present business organization intact so as to keep available the services of its present employees and agents, and to preserve its present business relationship with customers, suppliers and others having business dealings with the Company;

(B) the Company shall maintain its books, records and accounts in the usual manner on a basis consistent with prior periods utilizing historical accounting practices;

(C) the Company shall duly comply with all Laws relevant to the conduct of the Business;

(D) the Company shall not enter into any contract, commitment, lease or sublease relating to or affecting the Business, other than in the ordinary course of business, without the prior written approval of Merger Sub;

(E) the Company shall maintain insurance upon the Assets consistent with past practice, and, unless Merger Sub elects to terminate this Agreement pursuant to Article XII, the Company shall transfer and convey to Merger Sub all amounts received under such insurance for an insured loss, such amounts to be included in the Assets and treated as current assets if the Asset it replaces was a current asset;

(F) the Company shall take all action reasonably necessary to maintain the utility services being provided to the Real Estate;

(G) except in the ordinary course of business, the Company will not create or assume any Encumbrance of any kind (including vendor's rights under conditional sales agreements or other title retention agreements) upon the Assets, whether owned or hereafter acquired without the prior written approval of Merger Sub;

(H) except as set forth on Schedule 8.8(a), Schedule 8.8(b) and Schedule 8.8(c) or otherwise in the ordinary course of business, the Company shall not sell, remove or otherwise dispose of any of the Assets without the prior written approval of Merger Sub; and

(I) except as set forth on Schedule 8.8(a), Schedule 8.8(b) and Schedule 8.8(c) or otherwise in the ordinary course of business, the Company shall not make any distribution of its Assets to any of its shareholders or otherwise without prior written approval of Merger Sub.

8.2 ACCESS TO PROPERTIES AND RECORDS; DISCOVERED BREACHES. From the date hereof through and including the Closing Date, the Company shall give to Merger Sub and its financial advisors, counsel, accountants, lenders and other representatives, during normal business hours, access to all properties, books, contracts, documents and records with respect to the Company's business and affairs as Merger Sub may request to conduct due diligence and as shall be necessary to effectuate full disclosure to Merger Sub of all facts affecting the financial condition, business operations and Assets of the Business that a reasonably prudent business person knowledgeable in transactions of this nature would consider to be material. No investigation by

Merger Sub shall, however, diminish or limit in any way the representations or warranties of the Company and the Consenting Shareholders as set forth in Article V and Article VI hereof; provided, that in the event prior to the Closing, Merger Sub or Parent becomes aware of a breach or potential breach by the Company or the Consenting Shareholders of a representation, warranty, covenant or other obligation or duty arising from this Agreement, the Transactions or other Transaction Documents (a "DISCOVERED BREACH"), Merger Sub or Parent shall give notice to Company and Shareholders' Representative of all facts then known to Merger Sub or Parent relating to such Discovered Breach and provide the Company or Shareholders' Representative the period until the Pre-Closing Date to cure such Discovered Breach. If the Discovered Breach is a material breach of which the Company had no prior knowledge, the Company may at its option, elect to terminate the Agreement prior to the Pre-Closing Date pursuant to Section 12.1(e) at no cost to the Company or Shareholders; provided, however, that if the Company so elects, Merger Sub shall have the option to waive such breach, in which event the Company shall not be permitted to terminate this Agreement and the Agreement shall continue to operate in accordance with its terms with the exception that Merger Sub, Parent and the Surviving Corporation shall be precluded from making any Indemnity Claims for Losses arising from such breach.

8.3 REFRAIN FROM NEGOTIATIONS WITH OTHERS. From the date hereof through and including the Closing Date, the Company, the Consenting Shareholders and their respective agents shall negotiate and deal exclusively with Merger Sub and its agents in connection with the Transactions, and the Company and the Consenting Shareholders shall not entertain, solicit or consider any other offers from a third party for the acquisition of any of the stock or assets of the Company.

8.4 NONDISCLOSURE OF PROPRIETARY INFORMATION. All proprietary and Confidential Information of Merger Sub or Parent made available to the Company or the Consenting Shareholders shall remain the property of Merger Sub or Parent, as applicable. Prior to the Closing Date (and also in the event there is no Closing), the Consenting Shareholders and the Company shall restrict their use of any and all information received from Merger Sub or Parent for the purposes specified herein and to prepare the filings and take such actions as are required by applicable Law, including but not limited to the provisions of the HSR Act.

8.5 NONDISCLOSURE OF TERMS.

(A) Prior to the Closing Date, the Company and the Consenting Shareholders shall not, without the prior written approval of the Merger Sub or Parent, disclose the Merger Consideration or any other economic terms of this Agreement or the Transactions to any third party, other than as required by Law, including but not limited to the Securities Act of 1933, other state or federal securities Law or in connection with compliance with the HSR Act.

(B) In the event that Company or the Consenting Shareholders are ordered to make a disclosure by virtue of a subpoena, civil investigative or discovery demand, criminal investigative demand or similar order lawfully issued by a court of competent jurisdiction, then the Company or Consenting Shareholders shall promptly notify the Merger Sub or the Surviving

Corporation and cooperate with Merger Sub or the Surviving Corporation to quash or otherwise limit the scope of such disclosure.

(C) The Company and the Consenting Shareholders acknowledge that since Parent is a publicly traded company they will not at any time (including after the Closing Date) issue any press release or make any announcement relating to the subject matter of this Agreement or the Transactions without the prior written approval of Parent or the Surviving Corporation. The Company and the Consenting Shareholders shall at all times, including after the Closing Date, and shall cause their respective agents and representatives to, keep the terms and conditions of this Agreement confidential unless otherwise approved by Parent or Merger Sub in writing.

8.6 NO CHANGE TO GOVERNING DOCUMENTS. Prior to the Closing Date, the Company shall not amend its Articles of Incorporation or Bylaws.

8.7 SETTLEMENT OF RELATED PARTY TRANSACTIONS. Prior to the Closing Date, all obligations owed to the Company by any Consenting Shareholder, employee, Affiliate or other related party of the Company shall be settled in full either in cash or in such other manner acceptable to Merger Sub, such that there are no Assets reflected on the Audited Closing Date Balance Sheet that arise out of or are related to amounts owed to the Company by any such Person.

8.8 DISTRIBUTION OF CERTAIN ASSETS AND PAYMENTS. Prior to the Closing Date, the Company will have duly authorized and made distributions or payments of the following:

(A) certain Memorabilia of the Company to the shareholders as set forth in Schedule 8.8(a), the aggregate fair market value of such memorabilia together with the vehicles set forth on Schedule 8.8(b) not exceeding Two Hundred Fifty Thousand Dollars (\$250,000);

(B) certain vehicles and other assets of the Company as set forth in Schedule 8.8(b);

(C) certain bonuses and other payments as set forth in Schedule 8.8(c); and

(D) the life insurance policy set forth on Schedule 8.8(d) or an annuitized product thereof.

8.9 SATISFACTION OF CLOSING CONDITIONS. The Company and each of the Consenting Shareholders shall each use their commercially reasonable efforts to satisfy the conditions precedent in Article X by the Closing Date and in any event by the date set forth in Section 12.1(c).

ARTICLE IX
COVENANTS OF MERGER SUB AND PARENT

Merger Sub hereby covenants and agrees with the Company as follows:

9.1 MEDICAL INSURANCE. The Surviving Corporation shall provide family medical insurance benefits for George M. Lupton, Jr. and his wife, Leland B. Lupton, for the period beginning on the Closing Date and ending for each of Mr. and Mrs. Lupton, respectively, on the date that each reaches age 65. Mr. and Mrs. Lupton have been provided with a detailed copy of Parent's Retiree Health Care Insurance plan (the "INSURANCE PLAN") and will be covered by such Insurance Plan from and after the Closing Date, subject to and in accordance with the terms and conditions of such Insurance Plan. Mr. and Mrs. Lupton will not be responsible for payment of premiums under the Insurance Plan. The completed election form is as set forth on Schedule 9.1.

9.2 NONDISCLOSURE OF PROPRIETARY INFORMATION. All proprietary and Confidential Information of the Company made available to Merger Sub shall remain the property of the Company prior to the Closing Date. Prior to the Closing Date (and also in the event there is no Closing), Merger Sub shall restrict its use of any and all information received from the Company for the purposes specified herein and to prepare the filings and take such actions as are required by applicable Law, including but not limited to the provisions of the HSR Act.

9.3 NONDISCLOSURE OF TERMS. Prior to the Closing Date, Merger Sub shall not, without the prior written approval of the Company, disclose the Merger Consideration or any other economic terms of this Agreement or the transactions contemplated hereby to any third party, other than as required by Law, including but not limited to the Securities Act of 1933, other state or federal securities Law or in connection with compliance with the HSR Act. Prior to the Closing Date, in the event that Merger Sub is ordered to make a disclosure by virtue of a subpoena, civil investigative or discovery demand, criminal investigative demand or similar order lawfully issued by a court of competent jurisdiction, then Merger Sub shall promptly notify the Company and cooperate with the Company to quash or otherwise limit the scope of such disclosure.

9.4 RECORDS RETENTION. Merger Sub covenants that from the Closing Date through the first anniversary of the Closing Date, Merger Sub and the Surviving Corporation shall not intentionally destroy or discard the financial, business and other records of the Company, and shall allow the Consenting Shareholders to have access to said records upon reasonable notice and during normal business hours in Lynchburg, Virginia. If after the first anniversary of the Closing Date, the Surviving Corporation desires to destroy or discard such records, it shall give written notice to the Shareholders' Representative to such effect, and the Shareholders' Representative shall have the option for thirty (30) days following the date of such notice to give written notice that the Consenting Shareholders desire to take possession of such records.

9.5 SATISFACTION OF CLOSING CONDITIONS. Merger Sub and Parent shall each use commercially reasonable efforts to satisfy the conditions precedent in Article XI by the Closing Date and in any event by the date set forth in Section 12.1(c).

9.6 SATISFACTION OF LEASE AND TRANSFER OF VEHICLE. On the first business day after the Effective Time, the Surviving Corporation shall satisfy in full the lease obligation then outstanding on the 1998 Cadillac Seville automobile currently in the possession of George M. Lupton, Jr., and then without further consideration, immediately transfer ownership of that vehicle to Mr. George M. Lupton, Jr., free and clear of any and all lease or financing obligations or any Encumbrances, as compensation income from the Surviving Corporation.

9.7 RETURN OF THE COMPANY'S DISTRIBUTIONS AND PATRONAGE DIVIDENDS TO THE SHAREHOLDERS' REPRESENTATIVE. The Surviving Corporation shall use its commercially reasonable efforts to pursue payment or credit of any patronage dividends or distributions related to the repurchase by MACA of shares of MACA owned by the Company. Promptly upon receipt after the Closing Date of any patronage dividends or distributions related to the repurchase by MACA of shares of MACA owned by the Company, the Surviving Corporation shall pay an amount equal to the funds or credit so received (net of any taxes due on such receipts) to the Shareholders' Representative following such receipt for the benefit of all holders of Company Common Shares. No amounts for such patronage distributions or dividends shall be accrued or reflected on the Audited Closing Date Balance Sheet or taken into account in computing Net Working Capital.

ARTICLE X

CONDITIONS PRECEDENT TO MERGER SUB'S AND

PARENT'S OBLIGATIONS TO CLOSE

The obligations of Merger Sub and Parent to complete the Closing are subject to the satisfaction on or before the Closing Date (unless otherwise expressly provided) of each of the following conditions precedent.

10.1 ACCURACY OF REPRESENTATIONS AND WARRANTIES. The representations and warranties of the Company and the Consenting Shareholders set forth in Article V and of the Consenting Shareholders set forth in Article VI shall have been true and correct in all material respects on the date made and shall be true and correct on the Closing Date, with the same force and effect as if made on the Closing Date. Merger Sub shall have received a certificate to that effect signed by an officer of the Company.

10.2 PERFORMANCE OF COVENANTS. The Company and the Consenting Shareholders shall have performed and complied with all the covenants, obligations, and conditions required to be performed or complied with by the Company or the Consenting Shareholders on or before the Closing Date pursuant to this Agreement. Merger Sub shall have received a certificate to that effect signed by an officer of the Company.

10.3 CERTIFIED COPY OF AUTHORIZING RESOLUTIONS. Merger Sub shall have received a copy of the Company's Board of Directors and shareholder resolutions approving the Transactions, duly certified by the Secretary of the Company.

10.4 NO IMPAIRMENT TO ASSETS. None of the Assets or the Business shall have been adversely impaired (whether by fire, accident, act of war, casualty, labor disturbance, legislation,

regulation, or any other adverse circumstance) to the extent that, in Merger Sub's reasonable opinion, such impairment would render it substantially unable to conduct the Business on the Closing Date.

10.5 LICENSES AND PERMITS NECESSARY FOR MERGER SUB TO CONDUCT BUSINESS. Merger Sub shall have received all licenses and permits necessary for it to conduct its business and affairs utilizing the Assets subsequent to the Closing; provided, that Merger Sub shall use reasonable commercial efforts to obtain such licenses and permits.

10.6 OPINION OF COMPANY'S COUNSEL. Merger Sub shall have received the opinion of the Company's counsel, Edmunds & Williams, P.C. substantially in the form attached hereto as Exhibit E.

10.7 NO LITIGATION. No action, suit or proceeding shall be pending or threatened before any court or quasi-judicial or administrative agency of any federal, state or local jurisdiction, or before any arbitrator, wherein an unfavorable injunction, judgment, order, decree, ruling or charge would (i) prevent the consummation of any of the Transactions or (ii) cause any of the Transactions to be rescinded following consummation.

10.8 LEGALITY. No Law or court order shall have been enacted, entered, promulgated or enforced by any court or governmental authority that is in effect and has the effect of making the Transactions illegal or otherwise prohibiting the consummation of the Transactions.

10.9 CONSENTS. Merger Sub shall have received all consents of any non-governmental third party or governmental authority that are required to be obtained in connection with the Transactions (including such consents as are set forth on Schedule 5.4 and such consents as are required to continue in force the franchise agreements with The Coca-Cola Company referenced in Section 5.3 hereof); provided, that the consent of any soft drink franchisor other than The Coca-Cola Company shall not be deemed a required consent.

10.10 CERTIFICATES OF GOOD STANDING. Merger Sub shall have received from the Company a certificate of existence and good standing of the Company from the office of the Clerk of the State Corporation Commission of Virginia dated not earlier than ten (10) days prior to the Closing Date and certificates of existence and good standing from any state where the Company is qualified to do business as a foreign corporation.

10.11 COMPLIANCE WITH THE HSR ACT. All required consents under the HSR Act shall have been obtained and all applicable waiting periods thereunder shall have expired or otherwise been terminated.

10.12 RESIGNATIONS. Merger Sub shall have received resignations of all of the officers and directors of the Company, together with a release from such Persons of all claims other than with respect to the Transactions against the Company and the Surviving Corporation, and Merger Sub shall have received the resignations of any Consenting Shareholders that are employees of the Company, except as otherwise provided on Schedule 10.12.

10.13 CONSENTING SHAREHOLDERS APPROVAL AND TENDER OF SHARES. This Agreement and the Transactions shall have been approved by shareholders of the Company owning no less than eighty percent (80%) of the outstanding Company Common Shares, and such shareholders shall be Consenting Shareholders, at or prior to the Pre-Closing Date. Each such Consenting Shareholder shall have delivered certificates representing all of the Company Common Shares owned by such Consenting Shareholder, duly endorsed for transfer to the Surviving Corporation or accompanied by other appropriate surrender documentation on or before the Pre-Closing Date.

10.14 TERMINATION OF EMPLOYMENT LETTER WITH WILLIAM C. SAMPSON. The employment letter agreement dated August 5, 1986, and accepted and agreed to as of August 11, 1986, between the Company and William C. Sampson shall have been terminated, with the Company having no residual liability or obligation with respect to the same.

10.15 NON-COMPETITION AGREEMENT. Merger Sub and George M. Lupton, Jr. shall have entered into a non-competition agreement substantially in the form attached hereto as Exhibit F (the "NON-COMPETITION Agreement").

10.16 TERMINATION DEFERRED COMPENSATION PLAN. The deferred compensation plan dated October 1, 1991 referenced on Schedule 5.18(a) shall have been terminated on or before the Pre-Closing Date, and the Audited Closing Date Balance Sheet shall not reflect or account for any assets or liabilities related to such plan.

10.17 OTHER TRANSACTION DOCUMENTS. The other Parties shall have tendered executed copies of the respective Transaction Documents to which they are an intended party.

ARTICLE XI

CONDITIONS PRECEDENT TO THE COMPANY'S AND SHAREHOLDERS'

OBLIGATIONS TO CLOSE

The obligations of the Company and the Consenting Shareholders to complete the Closing are subject to the satisfaction on or before the Closing Date of each of the following conditions precedent.

11.1 ACCURACY OF REPRESENTATIONS AND WARRANTIES. The representations and warranties of Merger Sub set forth in Article VII shall have been true and correct in all material respects on the date made, and shall be true and correct on the Closing Date, with the same force and effect as if made on the Closing Date. The Company shall have received a certificate to that effect signed by a duly authorized officer of Merger Sub.

11.2 PERFORMANCE OF COVENANTS. Merger Sub shall have performed and complied with all covenants, obligations and conditions required to be performed or complied with by Merger Sub on or before the Closing Date pursuant to this Agreement. The Company shall have received a certificate to that effect signed by a duly authorized officer of Merger Sub.

11.3 OPINION OF MERGER SUB'S COUNSEL. The Company shall have received an opinion of Kennedy Covington Lobdell & Hickman, L.L.P., counsel to Merger Sub and Parent, substantially in the form attached hereto as Exhibit G.

11.4 NO LITIGATION. No action, suit or proceeding shall be pending or threatened before any court or quasi-judicial or administrative agency of any federal, state or local jurisdiction, or before any arbitrator, wherein an unfavorable injunction, order, decree, ruling or charge would (i) prevent the consummation of any of the Transactions or (ii) cause any of the Transactions to be rescinded following consummation.

11.5 LEGALITY. No Law or court order shall have been enacted, entered, promulgated or enforced by any court or governmental authority that is in effect and has the effect of making the Transactions illegal or otherwise prohibiting the consummation of the Transactions.

11.6 CERTIFICATES OF GOOD STANDING. The Company shall have received from Merger Sub a certificate of existence from the office of the Clerk of the State Corporation Commission of Virginia certifying the existence and good standing of Merger Sub in the Commonwealth of Virginia, and a certificate of good standing from the office of the Clerk of the State Corporation Commission of Virginia dated not earlier than ten (10) days prior to the Closing Date.

11.7 COMPLIANCE WITH THE HSR ACT. All required consents under the HSR Act shall have been obtained and all applicable waiting periods thereunder shall have expired or otherwise been terminated.

11.8 CERTIFIED COPY OF AUTHORIZING RESOLUTIONS. The Company shall have received a copy of Merger Sub's Board of Directors and shareholder resolutions approving the Transactions, duly certified by the Secretary of Merger Sub.

11.9 NON-COMPETITION AGREEMENT. Merger Sub and George M. Lupton, Jr. shall have entered into the Non-Competition Agreement.

11.10 INITIAL MERGER CONSIDERATION. Merger Sub shall deliver the Initial Merger Consideration in accordance with Section 2.7(d).

11.11 OTHER TRANSACTION DOCUMENTS. The other Parties shall have tendered executed copies of the respective Transaction Documents to which they are an intended party.

ARTICLE XII
TERMINATION

12.1 CONDITIONS OF TERMINATION. The obligations of the Parties with respect to the Closing shall terminate:

(A) at the written election of Merger Sub or Parent, at or prior to the Closing Date, if any of the conditions precedent set forth in Article X have not been fulfilled as required, or if any

other circumstance shall have occurred entitling Merger Sub or Parent to terminate this Agreement pursuant to the terms hereof;

(B) at the written election of the Company, at or prior to the Closing Date, if any of the conditions precedent set forth in Article XI have not been fulfilled as required, or if any other circumstance shall have occurred entitling the Company to terminate this Agreement pursuant to the terms hereof;

(C) at the written election of the Company, Merger Sub or Parent, if the Closing shall not have occurred by November 30, 1999, for any reason other than delay or non performance of the Party seeking such termination;

(D) at the mutual agreement of Company and Merger Sub; or

(E) at the written election of the Company as provided in, and subject to the terms of, Section 8.2 hereof.

12.2 EFFECT OF TERMINATION. In the event of termination in accordance with Section 12.1, (i) this Agreement shall terminate, except as otherwise provided herein, (ii) no Party shall have further liability to any other Party because of the failure to consummate the Transactions, (iii) the provisions of Sections 8.4, 8.5, 9.2 and 9.3 shall survive termination of this Agreement and (iv) each party shall pay its own costs and expenses incurred by it in connection with this Agreement and the Transactions.

ARTICLE XIII
INDEMNIFICATION

13.1 INDEMNIFICATION BY THE COMPANY AND SHAREHOLDERS. Subject to the procedures and limitations set forth in this Article XIII:

(A) the Company and the Shareholders, jointly and severally, hereby agree that they will indemnify and save harmless (subject to the limitations of Section 13.2(b) below) Merger Sub, the Surviving Corporation and Parent from and against any and all Economic Loss (as defined in Section 13.5) incurred by Merger Sub, the Surviving Corporation or Parent arising after the Closing out of (i) the falsity or incorrectness of any representation or warranty made by the Company or any Consenting Shareholder in Article V or (ii) a breach by the Company or any Consenting Shareholder of any covenant, agreement or obligation of the Company or any Consenting Shareholder under this Agreement or under any Transaction Document; and

(B) each Consenting Shareholder, severally, hereby agrees that he, she or it will indemnify and save harmless Merger Sub, the Surviving Corporation and Parent from and against any and all Economic Loss incurred by Merger Sub, the Surviving Corporation or Parent arising after the Closing Date out of any falsity or incorrectness of any representation or warranty made by such Consenting Shareholder in Article VI.

13.2 INDEMNITY CLAIMS BY MERGER SUB, THE SURVIVING CORPORATION OR PARENT.

(A) DEDUCTIBLE LOSSES. The Consenting Shareholders and the Company, collectively, shall not have any liability for any Economic Loss arising out of the matters referenced in Section 13.1(a) above, otherwise indemnifiable hereunder pursuant to Section 13.1, to the extent of the first Economic Losses which aggregate, on a cumulative basis, Two Hundred Fifty Thousand Dollars (\$250,000). No such deductible shall apply to any Economic Loss arising out of the matters referenced in Section 13.1(b) above.

(B) LIMITATION ON AMOUNT. Unless an Indemnity Claim is attributable to fraud or intentional misrepresentation by the Company or any Consenting Shareholder, neither any Consenting Shareholder nor the Company shall have any liability to Merger Sub, the Surviving Corporation or Parent (collectively) for any Economic Loss arising out of matters referenced in Section 13.1(a), on a cumulative aggregate basis, in excess of the amount represented by the sum of (i) the initial amount of the Escrow Funds and (ii) any additional Escrow Funds received, nor shall any Consenting Shareholder have any liability to Merger Sub, the Surviving Corporation or Parent (collectively), for any Economic Loss arising out of matters referenced in Section 13.1(b), on a cumulative aggregate basis, in excess of the portion of the Merger Consideration allocated, distributed or paid to or for the benefit of that Consenting Shareholder.

(C) RECOVERY FROM ESCROW FUNDS. Merger Sub, the Surviving Corporation or Parent may recover from the Escrow Funds for any Economic Loss arising out of matters referenced in Section 13.1(a) and on a proportionate basis for claims arising out of matters referenced in Section 13.1(b), with the principal of the Promissory Note being adjusted accordingly. The procedures of this Article XIII are not applicable to claims against the Escrow Funds set forth in Section 3.4, which provision shall govern in accordance with its terms.

(D) EXCLUSIVE REMEDY. Except as otherwise provided herein, the remedies provided in this Article XIII shall be the exclusive remedy of Merger Sub, the Surviving Corporation and Parent against the Company or the Consenting Shareholders for all matters arising from or out of the Transactions.

13.3 INDEMNIFICATION BY MERGER SUB, THE SURVIVING CORPORATION AND PARENT. After the Closing, Merger Sub, the Surviving Corporation and Parent agree that they will indemnify and save harmless each Consenting Shareholder from and against any and all Economic Loss (as defined below) incurred by such Consenting Shareholder arising out of Merger Sub's, the Surviving Corporation's or Parent's breach of any of their respective representations, warranties, covenants and agreements in this Agreement or in any document delivered by Merger Sub, the Surviving Corporation or Parent to the Company or such Consenting Shareholder hereunder.

13.4 CLAIM PROCEDURE.

(A) NOTICE OF CLAIM. If any matter arises that constitutes or may give rise to an Economic Loss subject to indemnification as provided herein (an "INDEMNITY CLAIM"), the Person that desires to seek indemnification under any part of this Article XIII (each, an

"INDEMNIFIED PARTY") shall give prompt notice (a "NOTICE OF CLAIM") to each Party responsible or alleged to be responsible for indemnification hereunder (an "INDEMNITOR"). In the case of a claim made by Merger Sub, the Surviving Corporation or Parent (i) pursuant to Section 13.1(a), such notice shall be given to the Shareholders' Representative or (ii) pursuant to Section 13.1(b), such notice shall be given to the appropriate Consenting Shareholder. The Indemnified Party shall give continuing notice promptly thereafter as to developments coming to the Indemnified Party's attention materially affecting any matter relating to such Indemnity Claim. Each Indemnitor to which a Notice of Claim is given shall respond to any Indemnified Party that has given a Notice of Claim (a "CLAIM RESPONSE") within forty five (45) Business Days (the "RESPONSE PERIOD") after the date that the Notice of Claim is given. Any Notice of Claim or Claim Response shall be given in accordance with the notice requirements hereunder, and any Claim Response shall specify whether or not the Indemnitor giving the Claim Response disputes the claim described in the Notice of Claim. If any Indemnitor fails to give a Claim Response within the Response Period, such Indemnitor shall be deemed not to dispute the Indemnity Claim described in the related Notice of Claim. Nothing herein shall be deemed to prevent a Party from making a claim for indemnification hereunder for potential or contingent claims or demands provided the Notice of Claim sets forth the specific basis for any such potential or contingent claim or demand to the extent then feasible and the notifying party has reasonable grounds to believe that such a claim or demand may be made.

(B) DISPUTED INDEMNITY CLAIMS. If there shall be a dispute as to the amount or manner of indemnification under this Article XIII, the Indemnified Party may pursue whatever equitable and legal remedies are available for recovery of Economic Losses from any Indemnitor.

(C) PAYMENT. If Merger Sub, the Surviving Corporation or Parent shall be the Indemnified Party entitled to be indemnified, it shall first obtain payment of the related Economic Loss from the Escrow Funds (with corresponding reduction to the principal amount of the Promissory Note) and thereafter shall seek indemnification directly from the Shareholders to the extent provided herein, subject to the limitations of Section 13.2(b).

(D) THIRD PARTY CLAIMS. If any Indemnity Claim is based upon any claim, demand, suit or action of any third party against an Indemnified Party (a "THIRD PARTY CLAIM"), then the Indemnified Person shall undertake to defend such Third Party Claim itself and shall conduct such defense as would a reasonable and prudent person to whom no indemnity were available, with the costs and expenses of such defense being included in the Economic Loss.

13.5 ECONOMIC LOSS DEFINED. As used in this Agreement, the term "ECONOMIC LOSS" means the amount of any loss, liability, damage, cost or expense (but excluding any loss, liability, claim or damage to the extent the Indemnified Party's actions proximately caused such loss, liability, claim or damage) incurred by the Indemnified Party (including costs of investigation and defense and reasonable attorneys' fees but excluding any consequential damages unless arising in connection with a claim by a third party), proximately caused by or in connection with: (a) any breach of any representation or warranty made by the Indemnitor in this Agreement; (b) any breach by the Indemnitor of any covenant or obligation of the Indemnitor in this Agreement; or (c) any claim by any person for brokerage or finder's fees or

commissions or similar payments based upon any agreement or understanding alleged to have been made by such person with the Indemnitor (or any person acting on their behalf) in connection with any of the Transactions.

13.6 TIME LIMITATIONS; SURVIVAL.

(A) TIME LIMIT. No Party shall have any liability for any Economic Loss otherwise indemnifiable hereunder with respect to which a Notice of Claim has not been given in accordance with Section 13.4(a) prior to the first anniversary of the Closing Date with respect to claims arising out of matters referenced in Section 13.1(a) or 13.3. Notices of Claim with respect to claims arising out of matters referenced in Section 13.1(b) may be made without time limitation.

(B) SURVIVAL OF REPRESENTATIONS AND WARRANTIES. The representations, warranties and agreements of each Party made in this Agreement or in any Transaction Document shall survive the Closing to the extent, but only to the extent, of the liability of that Party for indemnity with respect thereto as provided for in this Article XIII.

ARTICLE XIV
GUARANTY

In order to induce the Company to enter into this Agreement, Parent hereby unconditionally guarantees the full and prompt payment and performance of all obligations of Merger Sub under this Agreement, as Parent's own debt and obligation. Parent hereby waives any right to require the Company to take any action against Merger Sub prior to enforcing this guaranty against Parent. Parent agrees that the Company may grant one or more extensions to fulfill such obligations or release or reach a compromise with any Person liable for such obligations without giving Parent notice or without obtaining Parent's consent. This guaranty is absolute, unconditional, continuing, primary and irrevocable under any and all circumstances and shall not be released, in whole or in part, by any action or thing that might, but for this provision, be deemed a legal or equitable discharge of a surety or guarantor, or by reason of any waiver, omission, action or failure to act by the Company (whether or not Parent's risk is varied or increased or its rights or remedies are affected thereby), or by reason of any further dealings between the Company and Merger Sub, and Parent hereby expressly waives and surrenders any defense to its liability hereunder based upon, and shall be deemed to have consented to, the foregoing. This guaranty is a guaranty of payment and performance, not merely of collection. This guaranty is subject to Parent's right to assert any defense that could be asserted by Merger Sub. Under no circumstances shall Parent's liability to the Company exceed the liability of Merger Sub to the Company hereunder; provided, that the discharge in bankruptcy of Merger Sub shall not act to discharge Parent's obligations hereunder.

ARTICLE XV
MISCELLANEOUS

15.1 SHAREHOLDERS' REPRESENTATIVE.

(A) APPOINTMENT OF SHAREHOLDERS' REPRESENTATIVE AND CLAIM PROCESSING.

The Consenting Shareholders hereby appoint George M. Lupton, Jr. and Mr. Lupton hereby accepts such appointment, as the Shareholders' Representative for the purpose of doing or refraining from doing all such acts and things, and to execute all such documents, as the Shareholders' Representative shall deem necessary or appropriate in connection with any of the transactions contemplated under this Agreement, including the following specific powers:

(i) to receive, hold and deliver to Merger Sub the certificates evidencing the shares of Company Common Stock held by Consenting Shareholders accompanied by executed stock powers, signature guarantees, Transmittal Letter and Joinders and any other documents relating thereto on behalf of the Consenting Shareholders, including the power to endorse and present any such certificate or stock power on behalf of the Consenting Shareholders;

(ii) to receive, receipt for and allocate to the Consenting Shareholders all payments made by Merger Sub pursuant to this Agreement and other funds payable to, for or on behalf of the Consenting Shareholders and establish an expense account in which to deposit all payments received and from which to pay transaction costs;

(iii) to incur expenses of sale (including broker fees and fees of attorneys and accountants) incurred pursuant to the Merger and any other fees and expenses allocable or in any way relating to this transaction, the preparation of the Audited Closing Date Balance Sheet or any indemnification proceedings pursuant to Article XIII and retain in the expense account \$1,500,000.00 (the "Expense Fund") from payments received from Merger Sub and from which Shareholders' Representative may pay such expenses;

(iv) to contest Indemnity Claims by Merger Sub, Surviving Corporation or Parent when considered appropriate by the Shareholders' Representative;

(v) to represent the Consenting Shareholders with regard to all matters related to the Escrow Funds;

(vi) to administer procedures relating to the Promissory Note;

(vii) to review the Audited Closing Date Balance Sheet pursuant to Section 3.5, and if deemed appropriate by the Shareholders' Representative, disagree pursuant to Section 3.6, with the Closing Date Balance Sheet;

(viii) to pay from or reduce any funds received on behalf of the Consenting Shareholders prior to their distribution, his, her or its pro rata portion of the expenses arising from or related to any of the transactions contemplated by this Agreement;

(ix) to amend this Agreement and to do or refrain from doing any and all things and execute any and all agreements as the Shareholders' Representative shall consider necessary or appropriate.

(B) NOTICE. Merger Sub, the Surviving Corporation or Parent shall give notice under Section 13.4(a) of any Indemnity Claims against the Consenting Shareholders or the Company pursuant to Section 13.1(a) (or for matters referenced in Section 3.5) to the Shareholders' Representative, and only the Shareholders' Representative shall be empowered following such notice to respond to or take any other action on behalf of the Consenting Shareholders with respect to the Indemnity Claim or the review of the Audited Closing Date Balance Sheet (pursuant to Section 3.5). The Consenting Shareholders shall be bound by any and all actions taken by the Shareholders' Representative on their behalf in accordance with this Agreement.

(C) RELIANCE. With respect to matters arising out of Section 13.1(a) and arising out of or related to Section 3.5, each of Merger Sub, the Surviving Corporation and Parent shall be entitled to rely exclusively upon any communications or writings given or executed by the Shareholders' Representative and shall not be liable in any manner whatsoever for any action taken or not taken in reliance upon the actions taken or not taken or communications or writings given or executed by the Shareholders' Representative, and each of Merger Sub, the Surviving Corporation and Parent shall be entitled to disregard any notices or communications with respect to such matters given or made by the Consenting Shareholders unless given or made through the Shareholders' Representative. With respect to matters arising out of Section 13.1(b), Shareholders' Representative will provide reasonable assistance to Merger Sub, the Surviving Corporation and Parent in contacting the Consenting Shareholders. After contact with the appropriate Consenting Shareholder has been established by Merger Sub, the Surviving Corporation or Parent, further communications shall be made directly with such Consenting Shareholder, and the Shareholders' Representative shall have no further assistance obligation.

(D) DEATH OR INABILITY. In the event of the death of the Shareholders' Representative or his inability to perform his functions hereunder, the Consenting Shareholders who immediately prior to the Closing owned a majority of the Company Common Shares shall choose another Shareholders' Representative. With respect to each Consenting Shareholder who is a natural person, the authority conferred by such Consenting Shareholder upon the Shareholders' Representative shall not be revoked in the event of such Consenting Shareholder's death or physical or mental disability.

(E) LIABILITY. The Shareholders' Representative shall not be liable to any Party for any action taken or omitted to be taken by him as Shareholders' Representative except, in the case of willful misconduct or gross negligence. The Consenting Shareholders shall jointly indemnify the Shareholders' Representative and hold him harmless from and against any loss, liability or expense of any nature incurred by the Shareholders' Representative arising out of or in connection with the administration of his duties as Shareholders' Representative, including reasonable legal fees and other costs and expenses of defending or preparing to defend against any claim or liability in the premises, unless such loss, liability or expense shall be caused by the Shareholders' Representative's willful misconduct or gross negligence.

(F) RECEIPT OF MERGER CONSIDERATION. Payment of any Merger Consideration or other transfers contemplated hereunder to any Consenting Shareholder shall be deemed satisfied when made to the Shareholders' Representative.

15.2 JOINDER OF ADDITIONAL SHAREHOLDERS. Any shareholder of the Company executing the Transmittal Letter and Joinder, in the form attached hereto as Exhibit H, shall become a Party to this Agreement and be deemed a Consenting Shareholder hereunder and subject to all of the terms and conditions hereof.

15.3 TERMINATION OF SHAREHOLDERS AGREEMENT. The Consenting Shareholders that are parties to that certain Shareholders Agreement dated October 14, 1991 among certain shareholders of the Company and the Company (attached hereto as part of Schedule 5.4) (the "SHAREHOLDERS AGREEMENT") do hereby terminate the Shareholders Agreement effective on the Closing Date. From and after the Closing Date, the Shareholders Agreement shall have no further force or effect.

15.4 RISK OF LOSS. The risk of loss or damage to the Assets from fire, storm, act of God or other casualty shall be borne by the Company through the Closing Date.

15.5 SIMULTANEOUS CLOSING. All transactions at Closing including execution of ancillary Transaction Documents referenced herein shall be deemed to take place simultaneously and none shall be deemed to take place until all shall have taken place.

15.6 COUNTERPARTS. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, and all of which together shall constitute one and the same instrument. Each Party hereto agrees that it will be bound by its own facsimile signature and that it accepts the facsimile signatures of the other Parties hereto. Original executed signature pages will be exchanged by the Parties promptly after such facsimile signature pages are sent.

15.7 INTERPRETATION. Unless the context of this Agreement clearly requires otherwise, (i) references to the plural include the singular, the singular the plural, the part the whole, (ii) references to any gender include all genders, (iii) "or" has the inclusive meaning frequently identified with the phrase "and/or," (iv) "including" has the inclusive meaning frequently identified with the phrase "but not limited to" and (v) references to "hereunder" or "herein" relate to this Agreement. The section and other headings contained in this Agreement are for reference purposes only and shall not control or affect the construction of this Agreement or the interpretation thereof in any respect. Section, subsection, Schedule and Exhibit references are to this Agreement unless otherwise specified. Each accounting term used herein that is not specifically defined herein shall have the meaning given to it under GAAP. Any reference to a Party's being satisfied with any particular item or to a Party's determination of a particular item presumes that such standard will not be achieved unless such Party shall be satisfied or shall have made such determination in its sole or complete discretion.

15.8 NOTICES. Any notice, demand, request, consent, approval or other communications required or permitted to be given hereunder shall be in writing and shall be delivered personally or sent either by facsimile transmission, or nationally recognized overnight courier (utilizing guaranteed next business morning or day delivery), addressed to the Party to be notified at the following address, or to such other address as such Party shall specify by like notice:

If to the Shareholders, then to the Shareholders' Representative:

George M. Lupton, Jr.
1450 Trents Ferry Rd.
Lynchburg, VA 24503
Telephone: 804-384-7321

With a copy to:

Harman, Owens, Saunders & Sweeney
1900 Peachtree Center Tower
230 Peachtree Street N.W.
Atlanta, GA 30303
Attention: Frederick F. Saunders
Facsimile: (404) 525-4347

Edmunds & Williams
Suite 400
800 Main Street
P.O. Box 958
Lynchburg, VA 24505-0958
Attention: Eric J. Sorenson, Jr.
Facsimile: (804) 846-0337

If to the Company then to:

Before the Closing:

Lynchburg Coca-Cola Bottling Company, Inc.
3720 Cohen Place
Lynchburg, Virginia 24501
Attention: George M. Lupton, Jr.
Facsimile: 804-846-0835

After the Closing:

George M. Lupton, Jr.
1450 Trents Ferry Rd.
Lynchburg, VA 24503
Telephone: 804-384-7321

With a copy to:

Harman, Owens, Saunders & Sweeney
1900 Peachtree Center Tower
230 Peachtree Street N.W.
Atlanta, GA 30303
Attention: Frederick F. Saunders
Facsimile: (404) 525-4347

Harman, Owens, Saunders & Sweeney
1900 Peachtree Center Tower
230 Peachtree Street N.W.
Atlanta, GA 30303
Attention: Frederick F. Saunders
Facsimile: (404) 525-4347

Edmunds & Williams
Suite 400
800 Main Street
P.O. Box 958
Lynchburg, VA 24505-0958
Attention: Eric J. Sorenson, Jr.
Facsimile: (804) 846-0337

Edmunds & Williams
Suite 400
800 Main Street
P.O. Box 958
Lynchburg, VA 24505-0958
Attention: Eric J. Sorenson, Jr.
Facsimile: (804) 846-0337

If to Merger Sub then to:

LCCB Merger Co.
4100 Coca-Cola Plaza
Charlotte, North Carolina 28211
Attention: Umesh M. Kasbekar
Facsimile: (704) 551-4030

If to Parent then to:

Coca-Cola Bottling Co. Consolidated
4100 Coca-Cola Plaza
Charlotte, North Carolina 28211
Attention: Umesh M. Kasbekar
Facsimile: (704) 551-4030

Notices given as provided shall be deemed effective upon receipt if by personal delivery, upon confirmed reception of transmission if by facsimile, or if by recognized overnight courier, on the date delivery is acknowledged to said courier.

15.9 ENTIRE AGREEMENT, MODIFICATION. This Agreement, together with the other Transaction Documents described herein, contains the entire agreement of the Parties with respect to the subject matter hereof, all previous agreements and discussions relating to the same or similar subject matter being merged herein, including without limitation the letter of intent between Parent and the Company dated July 26, 1999. The Parties acknowledge that neither of them has made any representations with respect to the subject matter of this Agreement or any representations inducing the execution and delivery hereof except as specifically set forth herein. This Agreement may not be changed, amended, or modified except by a writing signed by both Parties hereto. The provisions of this Section 15.9 may not be changed, amended, modified,

terminated or waived as a result of any failure to enforce any provision or the waiver of any specific breach or breaches thereof or any course of conduct of the Parties.

15.10 ASSIGNMENT. This Agreement and the rights, obligations and duties of the Parties hereto shall not be assignable or otherwise transferable; provided, that the rights, obligations and duties of Merger Sub may be assigned to an Affiliate of Merger Sub. In the event of assignment by Merger Sub, the assignee shall expressly assume, in writing delivered to the Company, the liabilities and obligations of Merger Sub hereunder, and Merger Sub and Parent shall remain liable for the full performance of all of the assigned liabilities and obligations under this Agreement, which liabilities and obligations of Merger Sub and Parent shall be a primary liability and obligation for full and prompt performance and payment. Merger Sub shall promptly notify the Company of any such assignment.

15.11 BINDING EFFECT AND BENEFIT. This Agreement shall inure to the benefit of, and shall be binding upon, the Parties, their heirs, executors and administrators, successors and permitted assigns.

15.12 PARTIAL INVALIDATION. If any portion of this Agreement is held invalid, illegal or unenforceable, such determination shall not impair the enforceability of the remaining terms and provisions contained herein. In such event, this Agreement shall be construed and interpreted as if such invalid, illegal or unenforceable terms were limited to the minimum extent whereby such terms would be valid, legal and enforceable, and, if such limitation is not possible, this Agreement shall be construed and interpreted as if such invalid, illegal or unenforceable terms were severed and not included herein unless the result of such limitation or severance would result in such a material change as to cause completion of the transactions contemplated hereby to be unreasonable.

15.13 WAIVER. No waiver of a breach or violation of any provision of this Agreement shall operate or be construed as a waiver of any subsequent breach.

15.14 EXHIBITS AND SCHEDULES. All Exhibits, Schedules and documents specified in this Agreement shall be deemed to be incorporated herein by any reference thereto as if fully set out.

15.15 NO THIRD PARTY BENEFICIARIES. This Agreement shall not create any rights for the benefit of any third party other than as expressly provided for herein.

15.16 GOVERNING LAW. This Agreement shall be interpreted and construed in accordance with the laws of the Commonwealth of Virginia, without regard to its conflicts of laws provisions.

15.17 ATTORNEY'S AND ACCOUNTANT'S FEES, ETC. Merger Sub and Parent shall pay their own attorney's and accountant's fees and fees of other applicable professionals retained by them. The Consenting Shareholders shall pay for the Company's and their own attorney's and accountant's fees and fees of other applicable professionals retained by them, and the Consenting Shareholders shall be solely responsible for the fee of Glover Capital, Inc. and any other broker or finder retained by the Company or such Consenting Shareholders. All of such fees of the

Company and the Shareholders shall be paid by the Shareholders' Representative out of the funds held by the Shareholders' Representative for such purpose pursuant to Section 2.7(d)(ii). Notwithstanding the foregoing, Merger Sub agrees to reimburse the Company for all of its actual out-of-pocket costs, expenses and fees (including reasonable attorney's fees) incurred by the Company in complying with the provisions of the HSR Act as required by the Transactions.

15.18 CONSTRUCTION. The parties have participated jointly in the negotiation and drafting of this Agreement. Therefore, in the event of any ambiguity in the construction or interpretation of this Agreement, no presumption or burden of proof shall arise favoring or disfavoring any party by virtue of the authorship of any of the provisions of this Agreement.

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the day and year first above written.

THE COMPANY:

Lynchburg Coca-Cola Bottling Co., Inc.

By: _____
_____, Chief Executive Officer

Attest: _____
_____, Secretary

MERGER SUB:

LCCB Merger Sub

By: _____

Attest: _____
_____, _____ Secretary

PARENT:

Coca-Cola Bottling Co. Consolidated

By: _____

Attest: _____
_____, _____ Secretary

SHAREHOLDERS' REPRESENTATIVE:

- -----
George M. Lupton, Jr.

SHAREHOLDERS:

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE FINANCIAL STATEMENTS AS OF AND FOR THE NINE MONTHS ENDED OCTOBER 3, 1999 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

0000317540
Coca-Cola Bottling Co. Consolidated
1,000
U.S. Dollars

	9-MOS
JAN-02-2000	
JAN-04-1999	
OCT-03-1999	
	1
	8,381
	0
	68,360
	1,200
	47,663
	159,296
	685,485
	234,485
	1,093,854
133,308	729,314
	0
	0
	12,423
	26,471
1,093,854	741,584
	741,584
	416,430
	416,430
	272,944
	0
37,116	0
	11,558
	4,045
7,513	0
	0
	0
	0
	7,513
	0.88
	0.87