

PEPSICO INC  
Form S-4/A  
December 08, 2009  
Table of Contents

As filed with the Securities and Exchange Commission on December 8, 2009

Registration No. 333-162261

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**AMENDMENT NO. 1 TO FORM S-4**  
**REGISTRATION STATEMENT**

*UNDER*

*THE SECURITIES ACT OF 1933*

**PepsiCo, Inc.**

(Exact Name of Registrant as Specified in Its Charter)

**North Carolina**  
(State or Other Jurisdiction of  
Incorporation or Organization)

**2080**  
(Primary Standard Industrial  
Classification Code Number)

**13-1584302**  
(I.R.S. Employer  
Identification Number)

**700 Anderson Hill Road**

**Purchase, New York 10577**

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(914) 253-2000

(Address, Including Zip Code, and Telephone Number, Including Area Code, of Registrant's Principal Executive Offices)

**Thomas H. Tamoney, Jr.**

**Senior Vice President,**

**Deputy General Counsel and Assistant Secretary**

**700 Anderson Hill Road**

**Purchase, New York 10577**

(914) 253-2000

(Name, Address, Including Zip Code, and Telephone Number, Including Area Code, of Agent For Service)

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**Approximate date of commencement of proposed sale to the public:** As soon as practicable after the effective date of this registration statement and the effective time of the merger of The Pepsi Bottling Group, Inc. ( **PBG** ) with and into Pepsi-Cola Metropolitan Bottling Company, Inc. ( **Metro** ), a wholly owned subsidiary of PepsiCo, Inc. ( **PepsiCo** ), as described in the Agreement and Plan of Merger dated as of August 3, 2009 among PBG, PepsiCo and Metro.

If the securities being registered on this form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box. "

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act of 1933, as amended (the **Securities Act** ), check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

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

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Large accelerated filer   
Non-accelerated filer

Accelerated filer   
Smaller reporting company

(Do not check if a smaller reporting company)

If applicable, place an X in the box to designate the appropriate rule provision relied upon in conducting this transaction:

Exchange Act Rule 13e-4(i) (Cross-Border Issuer Tender Offer)

Exchange Act Rule 14d-1(d) (Cross-Border Third-Party Tender Offer)

**The Registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act or until the registration statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.**

**Table of Contents**

**Information contained herein is subject to completion or amendment. A registration statement relating to the shares of PepsiCo common stock to be issued in the merger has been filed with the Securities and Exchange Commission. These securities may not be sold nor may offers to buy be accepted prior to the time the registration statement becomes effective. This prospectus shall not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale is not permitted or would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.**

**PRELIMINARY PROXY STATEMENT/PROSPECTUS**

**DATED DECEMBER 8, 2009, SUBJECT TO COMPLETION**

One Pepsi Way

Somers, New York 10589

[ ], 2009

Dear Fellow Stockholders:

On behalf of your board of directors, we are pleased to invite you to attend a special meeting of stockholders of The Pepsi Bottling Group, Inc. ( **PBG** ), which will be held at PBG Worldwide Headquarters, One Pepsi Way, Somers, New York 10589, on [ ], 2010 at [ ] a.m., Eastern Time. At the special meeting, you will be asked to consider and vote on a proposal to adopt the Agreement and Plan of Merger dated as of August 3, 2009 among PBG, PepsiCo, Inc. ( **PepsiCo** ) and Pepsi-Cola Metropolitan Bottling Company, Inc., a wholly owned subsidiary of PepsiCo, Inc. ( **Metro** ).

The merger agreement sets forth the terms and conditions under which PBG will merge with and into Metro, with Metro continuing as the surviving corporation and a wholly owned subsidiary of PepsiCo. As of the effective time of the merger, holders of outstanding shares of PBG common stock (other than PepsiCo and its subsidiaries and any stockholders who properly exercise and perfect their appraisal rights under Delaware law) will have the right to receive either 0.6432 shares of PepsiCo common stock or, at their election, \$36.50 in cash, without interest, per share of PBG common stock, subject to proration provisions which provide that an aggregate 50% of the outstanding shares of PBG common stock not held by PepsiCo or any of its subsidiaries will be converted into the right to receive PepsiCo common stock and an aggregate 50% of the outstanding shares of PBG common stock not held by PepsiCo or any of its subsidiaries will be converted into the right to receive cash. Subject to the proration procedures described in the preceding sentence, each share with respect to which a valid cash election is not made will be converted into the right to receive 0.6432 shares of PepsiCo common stock at the effective time of the merger.

Assuming August 3, 2009, the last full trading day before the public announcement of the merger, were the closing date of the merger, one share of PepsiCo common stock received by a PBG stockholder would have been worth \$56.20 per share. Assuming [ ], 2009, the most recent practicable trading day prior to the date of this proxy statement/prospectus, were the closing date of the merger, one share of PepsiCo common stock received by a PBG stockholder would have been worth \$[ ] per share. The market prices of both PepsiCo common stock and PBG common stock will fluctuate prior to completion of the merger. You are urged to obtain current market quotations for PepsiCo common stock and PBG common stock. The principal trading market for both PepsiCo common stock and PBG common stock is the New York Stock Exchange, on which PepsiCo common stock is listed under the symbol **PEP** and PBG common stock is listed under the symbol **PBG**.

This proxy statement/prospectus gives you detailed information about the special meeting, the merger agreement and the merger, and a copy of the merger agreement is included as Appendix A to this proxy statement/prospectus. **You are encouraged to read this proxy statement/prospectus in its entirety, including the section entitled Risk Factors beginning on page [ ] of this proxy statement/prospectus, and the merger agreement carefully.**

The board of directors of PBG, by actions taken without the participation of the two directors affiliated with PepsiCo, and after considering the unanimous recommendation of a special committee comprised entirely of independent directors and the approval of the audit and affiliated transactions committee of PBG, has approved and declared advisable the merger agreement and the transactions contemplated thereby and has determined that the merger agreement and the transactions contemplated thereby are substantively and procedurally fair to and are advisable and in the best interests of the unaffiliated security holders of PBG. The special committee reached its conclusion after consultation with independent

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legal and financial advisors. **The board of directors of PBG therefore recommends that you vote FOR approval of the proposal to adopt the merger agreement.**

In addition, PBG has been informed that each of PepsiCo and Metro believes that the merger is both procedurally and substantively fair to the unaffiliated stockholders of PBG.

Adoption of the merger agreement requires the affirmative vote of the holders of (i) a majority of the outstanding voting power of the shares of PBG common stock and PBG Class B common stock entitled to vote, voting as a single class, and (ii) a majority of the votes cast by the holders of outstanding shares of PBG common stock entitled to vote, voting separately as a class. PepsiCo has agreed to vote all shares of PBG common stock and PBG Class B common stock beneficially owned by it and its subsidiaries for approval of the proposal to adopt the merger agreement.

**YOUR VOTE IS VERY IMPORTANT.** Therefore, whether or not you plan to attend the special meeting, please complete and promptly mail your proxy card in the return envelope enclosed, or authorize the individuals named on your proxy card to vote your shares by calling the toll-free telephone number or by using the Internet as described in the instructions included with your proxy card. This will not prevent you from voting in person at the special meeting if you so desire. Unless indicated otherwise in this proxy statement/prospectus, **the failure to vote will have the same effect as a vote against approval of the proposal to adopt the merger agreement.**

Sincerely yours,

Eric J. Foss

*Chairman of the Board and*

*Chief Executive Officer*

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the merger, passed upon the merits or fairness of the merger, or passed upon the adequacy or accuracy of the disclosure in this document. Any representation to the contrary is a criminal offense.**

This proxy statement/prospectus is dated [ ], 2009, and is first being mailed to stockholders of The Pepsi Bottling Group on or about [ ], 2009.

**Table of Contents**

**ADDITIONAL INFORMATION**

This document is the proxy statement of The Pepsi Bottling Group, Inc. for its special meeting of stockholders and the prospectus of PepsiCo, Inc. for the shares of PepsiCo, Inc. common stock to be issued in the merger. This proxy statement/prospectus incorporates important business and financial information about PepsiCo, Inc. and The Pepsi Bottling Group, Inc. from documents that are not included in or delivered with this proxy statement/prospectus. This information is available to you without charge upon your written or oral request. You can obtain documents incorporated by reference in this proxy statement/prospectus by requesting them in writing or by telephone from PepsiCo, Inc. or The Pepsi Bottling Group, Inc. at the following addresses:

PepsiCo, Inc.	The Pepsi Bottling Group, Inc.
700 Anderson Hill Road	One Pepsi Way
Purchase, New York 10577	Somers, New York 10589
Manager, Shareholder Relations	Investor Relations
Telephone: 914-253-3055	Telephone: 914-767-6267
Email: <a href="mailto:investor@pepsico.com">investor@pepsico.com</a>	Email: <a href="mailto:shareholder.relations@pepsi.com">shareholder.relations@pepsi.com</a>

If you would like additional copies of this proxy statement/prospectus, please contact Morrow & Co., LLC, the proxy solicitor for The Pepsi Bottling Group, Inc., toll-free at 1-800-607-0088 (banks and brokerage firms call toll-free at 1-800-662-5200).

**If you would like to request documents, please do so by [ ], 2010 in order to receive them before the special meeting.**

See **Where You Can Find More Information** beginning on page [ ] of this proxy statement/prospectus for further information.

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**Table of Contents**

**Notice of Special Meeting of Stockholders**

Time and Date	[ ] a.m. Eastern Time on [ ], 2010.
Place	PBG Worldwide Headquarters  One Pepsi Way  Somers, New York 10589
Live Webcast	Available at <a href="http://www.pbg.com">www.pbg.com</a> , starting at [ ] a.m. Eastern Time on [ ], 2010.
Items of Business	(1) To consider and vote upon the proposal to adopt the Agreement and Plan of Merger dated as of August 3, 2009, as it may be amended from time to time, among The Pepsi Bottling Group, Inc., a Delaware corporation, PepsiCo, Inc., a North Carolina corporation, and Pepsi-Cola Metropolitan Bottling Company, Inc., a New Jersey corporation and a wholly owned subsidiary of PepsiCo, Inc., as more fully described in the enclosed proxy statement/prospectus.  (2) To transact such other business as may properly come before the special meeting or any postponement or adjournment of the special meeting.
Record Date	You are entitled to vote only if you were a holder of common stock of The Pepsi Bottling Group as of the close of business on [ ], 2009.
Meeting Admission	You are entitled to attend the special meeting only if you were a holder of common stock of The Pepsi Bottling Group as of the close of business on [ ], 2009. If you plan to attend the special meeting and your shares of common stock of The Pepsi Bottling Group are registered in your name, please call 914-767-6267 or email <a href="mailto:shareholder.relations@pepsi.com">shareholder.relations@pepsi.com</a> so that an admission card may be sent to you. If you hold shares through an account with a bank or broker, you must contact your bank or broker to request a legal proxy in order to attend the special meeting.
Proxy Voting	<b>Your vote is very important. Whether or not you plan to attend the special meeting, please promptly vote by Internet or telephone, or by marking, signing, dating and returning the enclosed proxy card (if you are a registered holder), or the voting instruction card provided by your bank or broker (if you hold your shares through an account with a bank or broker) so that your shares will be represented at the special meeting.</b>
<b>The board of directors of The Pepsi Bottling Group, Inc. recommends that you vote FOR approval of the proposal to adopt the merger agreement.</b>	

By Order of the Board of Directors,

Steven M. Rapp  
Secretary

[ ], 2009

**Table of Contents****TABLE OF CONTENTS**

	<b>Page</b>
<u>SUMMARY</u>	1
<u>QUESTIONS AND ANSWERS ABOUT THE MERGER</u>	21
<u>SPECIAL FACTORS</u>	28
<u>General</u>	28
<u>The PAS Merger</u>	28
<u>Background of the Merger</u>	28
<u>Recommendation of the PBG Special Committee and the PBG Board as to Fairness of the Merger</u>	47
<u>PepsiCo's Reasons for, and Purpose of, the Merger</u>	54
<u>Position of PepsiCo and Metro Regarding Fairness of the Merger</u>	54
<u>Effects of the Merger on PBG</u>	57
<u>Plans for PBG</u>	58
<u>Certain PBG Forecasts</u>	59
<u>Opinions of PBG's Financial Advisors</u>	60
<u>Opinion of PepsiCo's Financial Advisors</u>	83
<u>Accounting Treatment</u>	96
<u>Regulatory Approvals Required for the Merger</u>	97
<u>Material United States Federal Income Tax Consequences</u>	98
<u>Appraisal Rights</u>	102
<u>Certain Litigation Matters</u>	104
<u>Financing of the Merger</u>	108
<u>Fees and Expenses Relating to the Merger</u>	108
<u>RISK FACTORS</u>	109
<u>FORWARD-LOOKING STATEMENTS</u>	114
<u>SPECIAL MEETING OF STOCKHOLDERS OF PBG</u>	116
<u>Date, Time and Place</u>	116
<u>Purpose of the Special Meeting</u>	116
<u>Record Date; Shares Entitled to Vote; Quorum</u>	116
<u>Vote Required; Abstentions and Broker Non-Votes</u>	116
<u>Shares Held by PBG's Directors and Executive Officers</u>	117
<u>Voting of Proxies</u>	117
<u>Revocability of Proxies</u>	118
<u>Election to Receive Cash Consideration</u>	118
<u>Board of Directors Recommendation</u>	119
<u>Appraisal Rights</u>	119
<u>Solicitation of Proxies and Expenses</u>	120
<u>Stockholder List</u>	120
<u>THE COMPANIES</u>	121
<u>PepsiCo</u>	121
<u>Metro</u>	121
<u>PBG</u>	121
<u>THE MERGER AGREEMENT</u>	122
<u>Explanatory Note Regarding the Summary of the Merger Agreement</u>	122
<u>Structure of the Merger</u>	122
<u>Merger Consideration</u>	122





**Table of Contents**

	<b>Page</b>
<u>Proration</u>	128
<u>Procedures for Surrendering PBG Stock Certificates</u>	128
<u>Employee Matters</u>	129
<u>Treatment of PBG Equity Awards</u>	130
<u>Fractional Shares</u>	131
<u>Effective Time</u>	131
<u>Conditions to the Completion of the Merger</u>	132
<u>Shares Subject To Properly Exercised Appraisal Rights</u>	133
<u>Representations and Warranties</u>	133
<u>Conduct of Business Pending the Merger</u>	135
<u>Termination of the Merger Agreement</u>	138
<u>Termination Fees Payable by PBG</u>	139
<u>Amendments; Waivers</u>	140
<u>Stock Market Listing</u>	140
<u>Expenses</u>	140
<b>THE PAS MERGER</b>	141
<b><u>UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION</u></b>	142
<b><u>DIRECTORS AND EXECUTIVE OFFICERS OF PEPSICO AND METRO</u></b>	160
<u>Directors and Executive Officers of PepsiCo</u>	160
<u>Directors and Executive Officers of Metro</u>	166
<b><u>DIRECTORS AND EXECUTIVE OFFICERS OF PBG</u></b>	167
<u>Directors and Executive Officers of PBG</u>	167
<b><u>INTERESTS OF CERTAIN PERSONS IN THE MERGER</u></b>	172
<u>PepsiCo and Metro</u>	172
<u>PBG</u>	173
<b><u>RELATED PARTY TRANSACTIONS</u></b>	180
<u>Background of PepsiCo and its Subsidiaries</u>	180
<u>Beneficial Ownership of Shares</u>	180
<u>Commercial Relationships</u>	180
<u>Other Transactions</u>	181
<u>Transactions with Bottlers in Which PepsiCo Holds an Equity Interest</u>	182
<b><u>DESCRIPTION OF PEPSICO CAPITAL STOCK</u></b>	183
<u>Authorized and Issued PepsiCo Stock</u>	183
<u>PepsiCo Common Stock</u>	183
<u>PepsiCo Convertible Preferred Stock</u>	183
<u>Transfer Agent and Registrar</u>	186
<u>Stock Exchange Listing</u>	186
<b><u>COMPARATIVE RIGHTS OF STOCKHOLDERS</u></b>	187
<u>Authorized Capital Stock</u>	187
<u>Voting Rights</u>	187
<u>Cumulative Voting</u>	188
<u>Dividends</u>	188
<u>Size of Board of Directors</u>	188
<u>Removal of Directors and Filling Vacancies on the Board of Directors</u>	189
<u>Special Meetings of Stockholders</u>	189
<u>Notice of Stockholder Proposals and Nominations of Director Candidates by Stockholders</u>	189
<u>Preemptive Rights</u>	190
<u>Stockholder Action Without a Meeting</u>	190

**Table of Contents**

	<b>Page</b>
<u>Amendments to Articles of Incorporation or Certificate of Incorporation</u>	190
<u>Amendments to Bylaws</u>	191
<u>Stockholder Rights Agreement</u>	191
<u>Stockholder Vote on Fundamental Issues or Extraordinary Corporate Transactions</u>	192
<u>Anti-Takeover Provisions</u>	193
<u>Appraisal Rights</u>	193
<u>Directors and Officers Liability and Indemnification</u>	194
<u>SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT OF PBG</u>	197
<u>Stock Ownership of Certain Beneficial Owners</u>	197
<u>OWNERSHIP OF PBG COMMON STOCK</u>	197
<u>Ownership of Common Stock by Directors and Executive Officers</u>	197
<u>CERTAIN INFORMATION CONCERNING PEPSICO AND METRO</u>	198
<u>Information Regarding Directors and Executive Officers</u>	198
<u>Prior Public Offerings</u>	198
<u>CERTAIN INFORMATION CONCERNING PBG</u>	198
<u>Information Regarding Directors and Executive Officers</u>	198
<u>Prior Public Offerings</u>	198
<u>Purchase of Equity Securities</u>	198
<u>PROVISIONS FOR UNAFFILIATED STOCKHOLDERS</u>	199
<u>LEGAL MATTERS</u>	200
<u>EXPERTS</u>	200
<u>WHERE YOU CAN FIND MORE INFORMATION</u>	201
<u>APPENDICES</u>	
<u>Appendix A Agreement and Plan of Merger</u>	A-1
<u>Appendix A-1 Waiver Letter from PepsiCo</u>	A-1-1
<u>Appendix B Opinion of Morgan Stanley &amp; Co. Incorporated</u>	B-1
<u>Appendix C Opinion of Perella Weinberg Partners LP</u>	C-1
<u>Appendix D Section 262 of the Delaware General Corporation Law</u>	D-1

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**Table of Contents**

**SUMMARY**

*This summary highlights selected information from this proxy statement/prospectus. It does not contain all of the information that is important to you. You are urged to read the entire proxy statement/prospectus carefully and the other documents which are referred to in order to fully understand the merger and the merger agreement. See *Where You Can Find More Information* beginning on page [ ] of this proxy statement/prospectus.*

**Information about PepsiCo, Metro and PBG (See Page [ ]).**

***PepsiCo, Inc.***

***700 Anderson Hill Road***

***Purchase, New York 10577***

***(914) 253-2000***

PepsiCo, Inc. ( **PepsiCo** ) is a leading global beverage, snack and food company with 2008 annual revenues of more than \$43 billion. PepsiCo employs approximately 198,000 people worldwide, and its products are sold in approximately 200 countries. PepsiCo manufactures or uses contract manufacturers, markets and sells a variety of salty, convenient, sweet and grain-based snacks, carbonated and non-carbonated beverages and foods in approximately 200 countries, with its largest operations in North America (United States and Canada), Mexico and the United Kingdom.

The principal trading market for PepsiCo's common stock is the New York Stock Exchange (NYSE: PEP). PepsiCo's common stock is also listed on the Chicago and Swiss Stock Exchanges.

PepsiCo was incorporated in Delaware in 1919 and was reincorporated in North Carolina in 1986.

***Pepsi-Cola Metropolitan Bottling Company, Inc.***

***700 Anderson Hill Road***

***Purchase, New York 10577***

***(914) 253-2000***

Pepsi-Cola Metropolitan Bottling Company, Inc. ( **Metro** ) is a New Jersey corporation, incorporated in 1934 and a wholly owned subsidiary of PepsiCo. Metro currently operates within PepsiCo's PepsiCo Americas Beverages business segment, and holds the stock of numerous active operating subsidiaries and bottling companies. Metro does not have any employees.

***The Pepsi Bottling Group, Inc.***

***One Pepsi Way***

***Somers, New York 10589***

***(914) 767-6000***

The Pepsi Bottling Group, Inc. ( **PBG** ) is a publicly traded Delaware corporation and the world's largest manufacturer, seller and distributor of Pepsi-Cola beverages with 2008 annual revenues of more than \$13 billion. PBG operates primarily in one industry, carbonated soft drinks and other ready-to-drink beverages. PBG conducts business in all or a portion of the United States, Mexico, Canada, Spain, Russia, Greece and Turkey. In some of its territories PBG has the right to manufacture, sell and distribute soft drink products of companies other than PepsiCo, including Dr Pepper, Crush and Squirt. PBG also has the right in some of its territories to manufacture, sell and distribute beverages under trademarks that it owns, including Electropura, e-pura and Garci Crespo. The majority of PBG's volume is derived from brands licensed from

PepsiCo or PepsiCo joint ventures.

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**Table of Contents**

The principal trading market for PBG's common stock is the New York Stock Exchange (NYSE: PBG).

PBG was incorporated in Delaware in January 1999, as a wholly owned subsidiary of PepsiCo to effect the separation of most of PepsiCo's company-owned bottling businesses.

**The Merger (See Page [ ]).**

PepsiCo, PBG and Metro have entered into the merger agreement, which provides for the merger of PBG with and into Metro, with Metro continuing as the surviving corporation. The merger agreement is attached as Appendix A to this proxy statement/prospectus. You should read the merger agreement because it is the legal document that governs the merger.

On the same date that the merger agreement was entered into, PepsiCo, Metro and PepsiAmericas, Inc. ( **PAS** ) entered into a separate merger agreement which is referred to in this proxy statement/prospectus as the PAS merger agreement, which provides for the merger of PAS with and into Metro. The PAS merger is a separate transaction. Completion of the merger is not conditioned upon completion of the PAS merger.

**Special Meeting of PBG Stockholders (See Page [ ]).**

The special meeting of PBG stockholders will be held at [ ], local time, on [ ], 2010, at PBG Worldwide Headquarters, One Pepsi Way, Somers, New York 10589. At the special meeting, PBG stockholders will be asked to vote upon the proposal to adopt the merger agreement. You can vote at the special meeting if you were a record holder of PBG common stock at the close of business on [ ], 2009, the record date for the special meeting.

Adoption of the merger agreement requires the affirmative vote of the holders of (i) a majority of the outstanding voting power of the shares of PBG common stock and PBG Class B common stock entitled to vote, voting as a single class (each share of PBG Class B common stock carries 250 votes and all outstanding shares of PBG Class B common stock are held by PepsiCo and its subsidiaries), and (ii) a majority of the votes cast by the holders of outstanding shares of PBG common stock entitled to vote, voting separately as a class.

As of the record date, there were [ ] shares of PBG common stock and 100,000 shares of PBG Class B common stock outstanding and entitled to be voted at the special meeting. As of the record date, [ ] shares of PBG common stock were held by directors and executive officers of PBG and their affiliates, and [ ] shares of PBG common stock were held by executive officers of PepsiCo and their affiliates, representing approximately [ ]% and [ ]%, respectively, of the outstanding shares of PBG common stock entitled to vote at the special meeting. No directors of PepsiCo or any of their affiliates held any shares of PBG common stock as of the record date.

As of the record date, 70,066,458 shares of PBG common stock and all 100,000 shares of PBG Class B common stock were held by PepsiCo or its subsidiaries, representing 100% of the outstanding shares of PBG Class B common stock, approximately [ ]% of the combined voting power of the outstanding shares of PBG common stock and PBG Class B common stock, and approximately [ ]% of the outstanding shares of PBG common stock entitled to vote. PepsiCo has agreed under the merger agreement that it will vote or cause to be voted all shares of PBG common stock and PBG Class B common stock beneficially owned by it or any of its subsidiaries (including Metro) in favor of the proposal to adopt the merger agreement at the special meeting. PepsiCo has also agreed under the merger agreement that, at or prior to the special meeting, PepsiCo will vote or cause to be voted separately as a class all shares of PBG Class B common stock beneficially owned by it or any of its subsidiaries (including Metro) in favor of the proposal to adopt the merger agreement at the special meeting or by prior written consent.

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**Table of Contents**

**What PBG Stockholders Will Receive in the Merger (See Page [ ]).**

The merger agreement provides that at the effective time of the merger each outstanding share of PBG common stock not held by PepsiCo or any of its subsidiaries, and with respect to which appraisal rights have not been properly exercised and perfected under the Delaware General Corporation Law ( **Delaware law** ), will be converted into the right to receive either 0.6432 of a share of PepsiCo common stock or \$36.50 in cash, without interest, subject to the proration procedures described in this proxy statement/prospectus, which are intended to provide for a 50% cash/50% stock allocation of the aggregate merger consideration. The aggregate value of the merger consideration of \$36.50 per share (based on the PepsiCo common stock closing price of \$56.75 on July 31, 2009) represents a premium of 44.8% to the last closing price of the shares of PBG common stock prior to the public announcement of PepsiCo's proposal on April 19, 2009 to acquire the outstanding shares of PBG common stock that it did not already own at a value of \$29.50 per share, and a premium of 8.6% to the closing price of the shares of PBG common stock on August 3, 2009, the last trading day prior to the announcement of the merger agreement.

PepsiCo will not issue any fractional shares of PepsiCo common stock in the merger. PBG stockholders will receive cash for any fractional shares of PepsiCo common stock owed to them in an amount, without interest, based on the closing price of PepsiCo common stock on the trading day immediately prior to the closing of the merger. In this proxy statement/prospectus, the cash and shares of PepsiCo common stock to be exchanged by PepsiCo in the merger for the shares of PBG common stock held by PBG stockholders (other than for the shares held by PBG (as treasury stock), by PepsiCo or any of its subsidiaries, or by stockholders who have properly exercised and perfected appraisal rights under Delaware law with respect to their shares), subject to the proration procedures described in this proxy statement/prospectus, which are intended to provide for a 50% cash/50% stock allocation of the aggregate merger consideration, are referred to as the merger consideration.

On [ ], 2009, the most recent practicable trading date prior to the filing of this proxy statement/prospectus, the closing price of PepsiCo common stock and PBG common stock was [ ] per share and [ ] per share, respectively.

**No assurance can be given that the current market price of PepsiCo common stock will be equivalent to the market price of PepsiCo common stock on the date that stock is received by a PBG stockholder or at any other time. The market price of PepsiCo common stock when received by a PBG stockholder may be greater or less than the current market price of PepsiCo common stock. At the time of completion of the merger, the market price of 0.6432 of a share of PepsiCo common stock could be greater or less than the value of the cash consideration of \$36.50 in cash, without interest, due to fluctuations in the market price of PepsiCo common stock.**

**You May Elect to Receive Cash Consideration (See Page [ ]).**

If you are a record holder of PBG common stock, you may elect to receive cash in exchange for any or all of your shares of PBG common stock by completing the election form and letter of transmittal when you receive it. If you own your shares in street name through a broker or other financial institution and you wish to make an election to receive cash, you will receive or should seek instructions from the institution holding your shares concerning how to make your election. If you (or your record holder) do not make a valid election to receive cash, you will be deemed to have elected to receive, and will receive, PepsiCo common stock in exchange for your shares of PBG common stock, subject to the proration procedures described below.

PepsiCo will pay cash for 50% of the PBG common stock outstanding immediately prior to the effective time of the merger not held by PepsiCo or any of its subsidiaries and issue shares of PepsiCo common stock for the remaining 50% of the outstanding shares of PBG common stock outstanding immediately prior to the effective time of the merger not held by PepsiCo or any of its subsidiaries. If the number of PBG shares for

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**Table of Contents**

which a valid election to receive cash is made is higher than 50% of the outstanding shares of PBG common stock not held by PepsiCo or any of its subsidiaries, a pro rata portion of the shares for which a valid election to receive cash is made will be converted into the right to receive PepsiCo common stock in order to provide for an aggregate 50% cash/50% stock allocation among all outstanding PBG shares not held by PepsiCo or any of its subsidiaries. If the number of PBG shares for which a valid election to receive cash is made is lower than 50% of the outstanding shares of PBG common stock not held by PepsiCo or any of its subsidiaries, a pro rata portion of the shares for which no valid election to receive cash is made will be converted into the right to receive cash in order to provide for an aggregate 50%/50% stock allocation among all outstanding PBG shares not held by PepsiCo or any of its subsidiaries. Additionally, the actual number of shares as to which a valid election to receive cash has been made will reflect a reduction for the number of shares with respect to which appraisal rights have been properly exercised and perfected under Delaware law immediately prior to the effective time of the merger. Because of the proration procedures, you cannot be certain of receiving the form of consideration that you choose with respect to all of the shares of PBG common stock that you hold. Illustrative examples of the application of the proration procedures appear on pages [ ] to [ ] of this proxy statement/prospectus.

An election form and letter of transmittal and instructions will be mailed no more than 40 business days and no fewer than 15 business days before the anticipated effective time of the merger to holders of record of PBG common stock as of two business days before the mailing date. An election to receive cash will only be effective if received no later than 5:00 p.m. New York, NY time on the third business day prior to the effective time of the merger, which date will be announced no later than eight business days prior to the effective time of the merger. All elections and deemed elections are subject to the proration procedures described in this proxy statement/prospectus.

**The PBG Board Recommends Stockholder Approval of the Merger (See Page [ ]).**

The board of directors of PBG (the **PBG Board**), by actions taken without the participation of the two directors affiliated with PepsiCo and after giving consideration to the unanimous recommendation of the PBG Special Committee and the approval of the audit and affiliated transactions committee of PBG, has determined that the merger agreement and the transactions contemplated by the merger agreement are substantively and procedurally fair to and are advisable and in the best interests of the unaffiliated security holders of PBG and has approved and declared advisable the merger agreement and the transactions contemplated by the merger agreement. The PBG Board recommends that PBG stockholders vote **FOR** approval of the proposal to adopt the merger agreement. A description of PBG's reasons for the merger appears beginning on page [ ] of this proxy statement/prospectus.

**No PepsiCo Stockholder Approval (See Page [ ]).**

PepsiCo stockholders are not required to adopt the merger agreement or approve the merger or the issuance of shares of PepsiCo common stock which form part of the merger consideration.

**Position of PepsiCo and Metro Regarding Fairness of the Merger (See Page [ ]).**

PepsiCo and Metro believe that the merger is both procedurally and substantively fair to the unaffiliated stockholders of PBG. A description of the factors on which PepsiCo and Metro based this belief and of PepsiCo's reasons for, and purpose of, the merger appear beginning on page [ ] of this proxy statement/prospectus.

**Opinions of PBG's Financial Advisors (See Page [ ]).**

***Morgan Stanley & Co. Incorporated***

Morgan Stanley, on August 3, 2009, rendered its oral opinion to the PBG Special Committee and the PBG Board (subsequently confirmed in writing) that, as of that date and based upon and subject to the assumptions, qualifications and limitations discussed in such opinion, the consideration to be received by the holders of shares



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## **Table of Contents**

of PBG common stock (other than PepsiCo and its affiliates) pursuant to the merger agreement was fair from a financial point of view to such holders. The full text of the written opinion of Morgan Stanley, dated August 3, 2009, which discusses, among other things, the assumptions made, procedures followed, matters considered and qualifications and limitations of the review undertaken in connection with the opinion, is attached as Appendix B to this proxy statement/prospectus. PBG stockholders are urged to read this opinion carefully in its entirety.

The Morgan Stanley opinion is directed to the PBG Special Committee and the PBG Board, addresses only the fairness from a financial point of view of the consideration to be received by the holders of shares of PBG common stock (other than PepsiCo and its affiliates) and does not address any other aspect of the merger or constitute a recommendation as to how any holders of shares of PBG common stock should vote at any stockholders' meetings held in connection with the merger. As compensation for its services in connection with the merger, PBG has agreed to pay Morgan Stanley a fee of \$43 million, of which \$27 million is payable upon the closing of the merger. A portion of such \$27 million would remain payable if the merger is not consummated and PBG remains independent. In such case, the PBG Board will consider, in its sole discretion, payment to Morgan Stanley of a discretionary fee in addition to such portion of such \$27 million that remains payable. PBG took the existence of these contingent fees into account when considering the analysis, advice and opinion of Morgan Stanley.

### ***Perella Weinberg Partners LP***

Perella Weinberg delivered its opinion to the PBG Special Committee and the PBG Board, that, as of August 3, 2009, and based upon and subject to the various assumptions, qualifications and limitations set forth in its opinion, the merger consideration to be received by the holders of shares of PBG common stock (other than PepsiCo and its affiliates), pursuant to the merger agreement was fair, from a financial point of view, to such holders.

The full text of Perella Weinberg's written opinion, dated August 3, 2009, which describes the assumptions made, procedures followed, matters considered and qualifications and limitations on the review undertaken, is attached as Appendix C to this proxy statement/prospectus. You should read the opinion carefully in its entirety. Perella Weinberg's opinion was provided to the PBG Board and the PBG Special Committee in connection with their evaluation of the merger consideration from a financial point of view. Perella Weinberg's opinion does not address any other aspects or implications of the merger and does not constitute a recommendation to any stockholder as to how such stockholder should vote or act on any matters relating to the merger. PBG paid Perella Weinberg a fee of \$2.5 million in connection with delivery of its opinion.

### **PBG's Officers and Directors Have Some Interests in the Merger that Are Different than or in Addition to Their Interests as Stockholders (See Page [ ]).**

In addition to their interests as stockholders, certain directors, executive officers or employees of PBG may have interests in the merger that are different from or in addition to your interests. These interests relate to or arise from, among other things:

certain of PBG's directors are employees of PepsiCo (although these directors did not participate in the PBG board's consideration of PepsiCo's proposal to acquire PBG);

certain of PBG's non-employee directors hold restricted stock awards, which would become transferable upon consummation of the merger, and which would be converted automatically at the effective time of the merger into 0.6432 shares of PepsiCo common stock;

PBG's executive officers would be eligible for change in control severance payments and accelerated vesting of all equity awards under the terms of their retention agreements with PBG if they are terminated without cause or resign for good reason within 2 years following consummation of the merger; and

under the merger agreement, PepsiCo has agreed to certain indemnification and insurance provisions.



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## **Table of Contents**

The PBG Board was aware of these interests and took them into account in its decision to approve the merger agreement and the transactions contemplated by the merger agreement.

In addition, in October 2009, an executive officer of PBG entered into a retention agreement with PepsiCo that is effective upon completion of the merger. A description of this retention agreement with PepsiCo appears beginning on page [ ] of this proxy statement/prospectus. This retention agreement supersedes the prior retention agreement entered into between PBG and this executive officer.

### **Material United States Federal Income Tax Consequences (See Page [ ]).**

The merger has been structured so as to qualify as a reorganization for United States federal income tax purposes. The United States federal income tax consequences of the merger to each PBG stockholder will vary depending on whether that stockholder receives shares of PepsiCo common stock, cash, or a combination of PepsiCo common stock and cash, in exchange for PBG common stock. PBG stockholders that receive only PepsiCo common stock will generally not recognize any gain or loss as a result of the merger. PBG stockholders that receive only cash will generally recognize gain or loss equal to the difference between the amount of cash received and the aggregate tax basis of the PBG common stock exchanged therefor. PBG stockholders that receive a combination of PepsiCo common stock and cash will generally recognize gain equal to the lesser of the amount of cash received or the amount of gain realized. The consequences to PBG stockholders may vary if such stockholders acquired PBG common stock in more than one transaction or designate that cash is to be received in exchange for specific shares of PBG common stock. Neither PBG nor PepsiCo will recognize gain or loss for United States federal income tax purposes as a result of the merger. It is a condition to the obligation of each of PBG and PepsiCo to complete the merger that it receives a legal opinion from its outside counsel that the merger will be a reorganization for United States federal income tax purposes.

**The United States federal income tax consequences described above may not apply to all holders of PBG common stock, including certain holders specifically referred to on page [ ]. Your tax consequences will depend on your own situation. You should consult your tax advisor to determine the particular tax consequences to you of the merger and the receipt of the merger consideration in exchange for your shares of PBG common stock.**

### **Appraisal Rights (See Page [ ]).**

Under Delaware law, record holders of PBG common stock who do not vote for approval of the proposal to adopt the merger agreement and who properly assert their appraisal rights will be entitled to seek appraisal for, and obtain payment in cash for the judicially determined fair value of, their shares of PBG common stock if the merger is completed, in lieu of receiving the merger consideration. This value could be more than, the same as, or less than the value of the merger consideration. The relevant provisions of Section 262 of Delaware law are included as Appendix D to this proxy statement/prospectus. You are encouraged to read these provisions carefully and in their entirety. Moreover, due to the complexity of the procedures for exercising the right to seek appraisal, PBG stockholders who are considering exercising such rights are encouraged to seek the advice of legal counsel. Failure to strictly comply with these provisions will result in loss of the right of appraisal.

### **Completion of the Merger Is Subject to Certain Conditions (See Page [ ]).**

The obligation of each of PepsiCo, PBG and Metro to complete the merger is subject to the satisfaction of a number of conditions, including the following:

adoption of the merger agreement by (i) a majority of the outstanding voting power of the shares of PBG common stock and PBG Class B common stock entitled to vote, voting together as a single class, and (ii) a majority of the votes cast by the holders of outstanding shares of PBG common stock entitled to vote, voting separately as a class;

**Table of Contents**

absence of any applicable law prohibiting completion of the merger;

expiration or termination of any applicable waiting period relating to the merger under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, which is referred to in this proxy statement/ prospectus as the HSR Act, and under any agreement between PepsiCo, PBG and any governmental authority not to consummate the merger prior to a specific date;

effectiveness of the registration statement for the PepsiCo common stock being issued in the merger, of which this proxy statement/prospectus forms a part, and the absence of any stop order suspending such effectiveness or any proceedings for such purpose pending or threatened by the Securities and Exchange Commission, which is referred to in this proxy statement/prospectus as the SEC;

approval for the listing on the New York Stock Exchange of the shares of PepsiCo common stock to be issued in the merger, subject to official notice of issuance;