

PEPSICO INC  
Form S-4/A  
January 12, 2010  
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As filed with the Securities and Exchange Commission on January 12, 2010

Registration No. 333-162261

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

Washington, D.C. 20549

**AMENDMENT NO. 3**  
**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)

Edgar Filing: PEPSICO INC - Form S-4/A

700 Anderson Hill Road

Purchase, New York 10577

(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. "

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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.

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.**

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**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 JANUARY 12, 2010, SUBJECT TO COMPLETION**

One Pepsi Way

Somers, New York 10589

January 12, 2010

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 Wednesday, February 17, 2010 at 11:00 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 January 11, 2010, 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 \$60.70 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 114 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

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 January 12, 2010, and is first being mailed to stockholders of The Pepsi Bottling Group on or about January 13, 2010.

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**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 February 10, 2010 in order to receive them before the special meeting.**

See **Where You Can Find More Information** beginning on page 209 of this proxy statement/prospectus for further information.

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**Notice of Special Meeting of Stockholders**

Time and Date	11:00 a.m. Eastern Time on Wednesday, February 17, 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 11:00 a.m. Eastern Time on Wednesday, February 17, 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 January 4, 2010.
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 January 4, 2010. 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

January 12, 2010

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**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 209 of this proxy statement/prospectus.*

**Information about PepsiCo, Metro and PBG (See Page 126).**

*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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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 127).**

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 121).**

The special meeting of PBG stockholders will be held at 11:00 a.m., local time, on Wednesday, February 17, 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 January 4, 2010, 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 221,183,719 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, 191,998 shares of PBG common stock were held by directors and executive officers of PBG and their affiliates, and 1,648 shares of PBG common stock were held by executive officers of PepsiCo and their affiliates, each representing less than 1% 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 38.6% of the combined voting power of the outstanding shares of PBG common stock and PBG Class B common stock, and approximately 31.7% of the outstanding 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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**What PBG Stockholders Will Receive in the Merger (See Page 127).**

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 January 11, 2010, 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 60.70 per share and 37.49 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 123).**

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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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 131 to 133 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 124).**

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 47 of this proxy statement/prospectus.

**No PepsiCo Stockholder Approval (See Page 121).**

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 54).**

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 54 of this proxy statement/prospectus.

**Opinions of PBG's Financial Advisors (See Page 61).**

***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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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. \$16 million of such \$27 million would remain payable if the merger is not consummated and PBG remains independent, and the PBG Board will consider, in its sole discretion, payment to Morgan Stanley of an additional discretionary fee in such case. 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 118).**

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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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, certain executive officers of PBG entered into retention agreements with PepsiCo that are effective upon completion of the merger. A description of the retention agreements with PepsiCo appears beginning on page 179 of this proxy statement/prospectus. These retention agreements supersede prior retention agreements entered into between PBG and each of these executive officers.

### **Material United States Federal Income Tax Consequences (See Page 102).**

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 102. 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 106).**

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 137).**

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;

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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;

other than as described in the third bullet above, all material actions by or in respect of, or material filings with, any governmental authority, required to permit the completion of the merger, having been taken, made or obtained;

accuracy of the representations and warranties made in the merger agreement by the other party, subject to certain materiality thresholds, as of the date of merger agreement and as of the effective time of the merger;

performance in all material respects by the other party of the obligations required to be performed by it at or prior to the effective time of the merger;

delivery of opinions of PepsiCo's counsel, in the case of PepsiCo, and PBG's counsel, in the case of PBG, that the merger will qualify as a reorganization for United States federal income tax purposes; and

the absence of any event, occurrence, development or state of circumstances or facts which, individually or in the aggregate, has had or could reasonably be expected to have a material adverse effect on the other party.

In addition, the obligation of PepsiCo and Metro to complete the merger is subject to the satisfaction of the following conditions:

absence of any pending action or proceeding by any government authority that:

challenges or seeks to make illegal, delay materially or otherwise directly or indirectly restrain or prohibit the completion of the merger, or seeks to obtain material damages or otherwise directly or indirectly relating to the transactions contemplated by the merger agreement;

seeks to restrain or prohibit PepsiCo's, Metro's or any of PepsiCo's other affiliates' ability to effectively exercise full rights of ownership of PBG's capital stock, including the right to vote shares of such capital stock acquired or owned by such party following the effective time of the merger on all matters properly presented to PBG's stockholders;

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seeks to restrain or prohibit PepsiCo's, Metro's or any of PepsiCo's other affiliates' ability to effectively exercise full rights of ownership or operation of any material business or assets of PBG or PepsiCo and their respective subsidiaries;

seeks to compel PepsiCo or any of its subsidiaries or affiliates, including Metro, to dispose of or hold separate all or any of any material business or assets of PBG or its subsidiaries or of PepsiCo or its subsidiaries; or

would reasonably be expected to have, individually or in the aggregate, a material adverse effect on PBG or PepsiCo or, following the effective time of the merger, Metro; and

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absence of any action taken or applicable law enacted, enforced, promulgated, issued or deemed applicable to the merger, by any government authority, other than the applicable waiting period provisions of the HSR Act that would reasonably be expected to result in any of the consequences referred to in the preceding five sub-bullets.

Completion of the merger is not subject to a financing condition, nor is completion of the merger conditioned upon completion of the PAS merger.

**The Merger May Not be Completed Without All Required Regulatory Approvals (See Page 101).**

Completion of the merger is conditioned upon the receipt of certain governmental clearances or approvals, including, but not limited to, the expiration or termination of the applicable waiting period relating to the merger under the HSR Act. PepsiCo and PBG each filed its required HSR notification and report form with respect to the merger on September 11, 2009. On October 9, 2009, PepsiCo withdrew its notification and report form effective October 13, 2009 and refiled it on October 15, 2009 in order to allow more time for the staff of the Federal Trade Commission to review the proposed transaction. On November 10, 2009, PepsiCo announced that it had again withdrawn its notification and report form to provide the Federal Trade Commission more time to review the proposed transaction, and plans to refile at the appropriate time. PepsiCo believes it can consummate its acquisitions of PBG and PAS by the end of the first quarter of 2010 without a Second Request being issued by the Federal Trade Commission, and without the imposition of any remedy which would have a material adverse effect on PepsiCo or the benefits of the contemplated transactions. PepsiCo and PBG expect to obtain all necessary regulatory approvals, although there can be no certainty as to if or when they will be obtained.

**The Merger Is Expected to Occur by the End of the First Quarter of 2010 (See Page 137).**

The merger of PBG and PepsiCo will occur within five business days after the conditions to its completion have been satisfied or, to the extent permissible, waived, unless otherwise mutually agreed upon by the parties. As of the date of this proxy statement/prospectus, the merger is expected to occur by the end of the first quarter of 2010. However, there can be no assurance as to when or if the merger will occur.

**No Solicitation by PBG (See Page 142).**

Subject to certain exceptions, PBG has agreed that none of PBG, any of its subsidiaries, or any of their respective directors or officers will, and PBG will use reasonable best efforts to instruct and to cause its and its subsidiaries' representatives not to, directly or indirectly, initiate, solicit or otherwise facilitate or knowingly encourage the submission of any proposal or offer from any third party relating to an acquisition of PBG, including by engaging in discussions or negotiations regarding any such proposal or offer or by furnishing any information relating to PBG or its subsidiaries to such third party, withdraw, modify or qualify the recommendation of the PBG Board to PBG stockholders to vote for approval of the proposal to adopt the merger agreement in a manner adverse to PepsiCo or recommend an acquisition proposal made by a third party to PBG stockholders, or enter into an agreement relating to an acquisition proposal by a third party. Notwithstanding these restrictions, however, the merger agreement provides that, under specified circumstances at any time prior to obtaining PBG stockholders' adoption of the merger agreement:

PBG may, in response to a bona fide written unsolicited acquisition proposal or inquiry from a third party that the PBG Board believes constitutes or is reasonably likely to lead to a proposal that is superior to the merger, engage in negotiations or discussions with such party and furnish non public information regarding itself to such third party pursuant to a customary confidentiality agreement (provided that all such information is or has been provided or made available to PepsiCo); and

the PBG Board may withdraw, modify or qualify in a manner adverse to PepsiCo its recommendation that PBG stockholders vote for approval of the proposal to adopt the merger agreement or recommend an acquisition proposal made by a third party to PBG's stockholders, provided that the PBG Board has notified PepsiCo of its intention to change its recommendation in response to an acquisition proposal at least five business days prior to taking such action and PepsiCo does not make, within two business

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days of its receipt of notice from PBG, a binding offer that is at least as favorable to PBG stockholders as the applicable acquisition proposal by such third party.

The actions described in the preceding two bullets may be taken only if the PBG Board determines in good faith, after consultation with outside legal counsel, that failure to take such action would be inconsistent with its fiduciary duties under Delaware law.

PepsiCo has the right to terminate the merger agreement if, prior to the special meeting, the PBG Board withdraws, modifies or qualifies its recommendation to PBG stockholders to vote for approval of the proposal to adopt the merger agreement in a manner adverse to PepsiCo or recommends an acquisition proposal made by a third party to PBG, but PBG does not have the right to terminate the merger agreement in connection with such a change of recommendation by the PBG Board and, unless PepsiCo terminates the merger agreement, PBG would remain obligated to call a special meeting of its stockholders for the purpose of voting on a proposal to adopt the merger agreement.

**Termination of the Merger Agreement (See Page 143).**

PepsiCo and PBG can mutually agree to abandon the merger and terminate the merger agreement at any time prior to the time the merger is completed, even after PBG's stockholders have adopted the merger agreement. Also, either PBG or PepsiCo can, without the consent of the other, abandon the merger and terminate the merger agreement in a number of situations, including if:

the merger has not been consummated on or before August 3, 2010, provided that this right is not available to any party whose breach of the merger agreement results in the failure of the merger to occur on or before that date;

any applicable law is in effect that makes completion of the merger illegal or otherwise prohibited or enjoins PBG or PepsiCo from consummating the merger and such injunction has become final and non appealable;

PBG stockholders fail to adopt the merger agreement at a duly-held stockholders' meeting; or

there has been a breach by the other party of any representation or warranty or failure to perform any covenant or agreement that would result in the failure of that party to satisfy the applicable condition to the closing and such condition is incapable of being satisfied by August 3, 2010.

In addition, PepsiCo can terminate the merger agreement if, prior to the special meeting, the PBG Board withdraws, modifies or qualifies its recommendation to PBG stockholders to vote for approval of the proposal to adopt the merger agreement or recommends to PBG stockholders an acquisition proposal made by a third party, or PBG materially breaches its obligations under the merger agreement by reason of a failure to call the special meeting.

The merger agreement provides that PBG must pay a termination fee of \$165.3 million to PepsiCo if the merger agreement is terminated under certain circumstances. On November 16, 2009, in connection with the settlement of certain stockholder litigation, PepsiCo agreed, among other things, to reduce the termination fee to \$115 million.

**Litigation Relating to the Merger (See Page 108).**

Following the public announcement, on April 20, 2009, of PepsiCo's proposals on April 19, 2009 to acquire the outstanding shares of PBG's common stock that it did not already own for \$14.75 in cash and 0.283 shares of PepsiCo common stock per share of PBG common stock and to acquire the outstanding shares of PAS common stock that it did not already own for \$11.64 in cash and 0.223 shares of PepsiCo common stock per share of PAS common stock, several putative stockholder class action complaints challenging the proposals were filed against various combinations of PepsiCo, PBG, PAS, and the individual members of the boards of directors of PBG and

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PAS in the Court of Chancery of the State of Delaware, the District Court of the State of Minnesota, County of Hennepin, and the Supreme Court of the State of New York, Westchester and New York Counties. The complaints generally seek, among other things, damages and declaratory, injunctive, and other equitable relief and allege, among other things, that the defendants have breached or will breach their fiduciary duties owed to the public stockholders of PBG and PAS, that the April 19 proposals and the transactions contemplated thereunder were not entirely fair to the public stockholders, that the defendants have breached or will breach the Second Amended and Restated Shareholder Agreement between PepsiCo and PAS, dated September 6, 2005 (which is referred to in this proxy statement/prospectus as the PAS Shareholder Agreement), and that certain provisions of the certificates of incorporation of PBG and PAS are invalid and/or inapplicable to the proposed mergers. One of these complaints was amended following the public announcement of the merger agreements to include allegations concerning one of the proposed mergers.

In addition, on May 11, 2009, PepsiCo, along with John C. Compton and Cynthia M. Trudell (PepsiCo employees who are members of the PBG Board) filed a complaint against PBG and the members of the PBG Board (other than Mr. Compton and Ms. Trudell) in the Court of Chancery of the State of Delaware. The complaint sought declaratory and injunctive relief and alleged that the defendants had breached their fiduciary duties owed to the public stockholders of PBG by, among other things, holding a meeting of the PBG Board and taking certain actions at that meeting without providing notice to Mr. Compton and Ms. Trudell, adopting a stockholder rights plan that restricted PepsiCo's rights as a stockholder by, for example, limiting its ability to solicit consents and revocable proxies from fewer than ten stockholders, and adopting a stockholder rights plan that was an unreasonable and disproportionate response to PepsiCo's proposal of April 19, 2009 to acquire the outstanding shares of PBG that it did not already own for \$14.75 in cash and 0.283 shares of PepsiCo common stock per share of PBG common stock. On August 5, 2009, following PepsiCo's entry into the merger agreement, PepsiCo voluntarily dismissed this action with prejudice.

On November 20, 2009, the parties to the stockholder litigation entered into a Stipulation and Agreement of Compromise, Settlement, and Release to resolve all of these actions. Pursuant to the stipulation, defendants have taken or will take the following actions: PepsiCo, PAS, and PBG have included and will continue to include plaintiffs' counsel in the disclosure process (including providing them with the opportunities to review and comment on drafts of the preliminary and final proxy statements/prospectuses before they were or are filed with the Securities and Exchange Commission); PepsiCo reduced the termination fee that it would, under certain circumstances, be entitled to under the merger agreement from \$165.3 million to \$115 million; PepsiCo reduced the termination fee that it would, under certain circumstances, be entitled to under the PAS merger agreement from \$71.6 million to \$50 million; and PepsiCo agreed to shorten the termination fee tails set forth in the merger agreement and the PAS merger agreement from 12 months to 6 months. Pursuant to the stipulation, the respective stockholder litigation will be dismissed with prejudice and all defendants will be released from any and all claims relating to the transactions. The stipulation is subject to customary conditions, including consummation of both the merger and the PAS merger, completion of certain confirmatory discovery, class certification, and final approval by the Court of Chancery of the State of Delaware following notice to the stockholders of PAS and PBG. On December 2, 2009, the Court of Chancery entered an order setting forth the schedule and procedures for notice to the stockholders of PAS and PBG and the court's review of the settlement. The Court of Chancery scheduled a hearing for April 12, 2010 at 10:00 a.m., at which the court will consider the fairness, reasonableness, and adequacy of the settlement. The settlement will not affect the form or amount of the consideration to be received by PBG stockholders in the merger or by PAS stockholders in the PAS merger. See "Special Factors - Certain Litigation Matters" beginning on page 108 of this proxy statement/prospectus.

**Financing (See Page 112).**

PepsiCo and Metro's obligations to complete the merger are not conditioned upon their ability to obtain financing for the merger. PepsiCo estimates that the total amount of funds necessary to complete the merger, the PAS merger, and related transactions, is approximately \$4.0 billion.

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PepsiCo has received a commitment letter pursuant to which, subject to the conditions set forth therein, Bank of America, N.A., Banc of America Securities LLC, affiliates of Citigroup Global Markets Inc. and a group of seven other lenders have committed to provide up to \$4.0 billion of loans under a bridge facility in connection with the merger and the PAS merger. In addition, subject to market conditions, PepsiCo intends to pursue other methods of raising portions of the required financing for the merger, including the issuance of long-term debt securities. If issued on or prior to the closing date, the proceeds from such financing will be used to finance a portion of the purchase price for the merger and the PAS merger, and to pay related fees and expenses in connection with the mergers. To the extent that such financing is obtained, the bridge facility will not be drawn.

**The PAS Merger (See Page 28).**

PepsiCo and Metro have also entered into the PAS merger agreement, pursuant to which all outstanding shares of PAS common stock not held by PepsiCo or any of its subsidiaries, or with respect to which appraisal rights have been properly exercised and perfected under Delaware law, will be converted into the right to receive either 0.5022 of a share of PepsiCo common stock or, at the election of each PAS stockholder, \$28.50 in cash, without interest, in each case subject to certain proration procedures. This represents a premium of 43.4% to the last closing price of the shares of PAS common stock prior to the public announcement of PepsiCo's proposal on April 19, 2009 to acquire the outstanding shares of PAS common stock that it did not already own at a value of \$23.27 per share, and a premium of 9.0% to the closing price of the shares of PAS common stock on August 3, 2009, the last trading day prior to the announcement of the PAS merger agreement. Shares of PAS common stock held by PepsiCo or any of its subsidiaries (including Metro) will either be canceled or each automatically converted into the right to receive 0.5022 shares of PepsiCo common stock at the effective time of the merger. The completion of the merger is not conditioned upon the completion of the PAS merger.

**Share Information and Dividends.**

The principal trading market for PepsiCo's common stock is the New York Stock Exchange, on which PepsiCo's common stock is listed under the symbol PEP. PepsiCo's common stock is also listed on the Chicago and Swiss Stock Exchanges. PBG's common stock is listed on the New York Stock Exchange under the symbol PBG.

The following table sets forth the closing sale price per share of PepsiCo common stock and PBG common stock as reported on the New York Stock Exchange as of August 3, 2009, the last full trading day before the public announcement of the merger agreement, and as of January 11, 2010, the most recent practicable trading day prior to the date of this proxy statement/prospectus.

The table also shows the equivalent price of the merger consideration per share of PBG common stock as of the same two respective dates. The form of consideration received by PBG unaffiliated stockholders in the aggregate will be split 50% cash and 50% stock, based on the application of the proration procedures described in this proxy statement/prospectus. The equivalent price per share based on a 50%-50% cash-stock split as of the relevant date is calculated as the sum of (a) \$36.50 (the cash portion of the merger consideration) multiplied by 50% and (b) the closing sale price of PepsiCo common stock on the relevant date multiplied by (x) the exchange ratio of 0.6432 and (y) 50%.

	PepsiCo Common Stock	PBG Common Stock	Equivalent Price Per Share based on 50%-50% Cash- Stock Split of Merger Consideration
August 3, 2009	\$ 56.20	\$ 33.62	\$ 36.32
January 11, 2010	\$ 60.70	\$ 37.49	\$ 37.77

The market prices of both PepsiCo and PBG common stock will fluctuate prior to the merger. You should obtain current market quotations for PepsiCo common stock and PBG common stock.

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PepsiCo currently pays a quarterly dividend on its common stock and last paid dividends on September 30, 2009 of \$0.45 per share of PepsiCo common stock. On November 13, 2009, PepsiCo declared a dividend of \$0.45 per share of PepsiCo common stock, payable on January 4, 2010 to all holders of PepsiCo common stock of record as of December 4, 2009.

PBG currently pays a quarterly dividend on its common stock, and last paid dividends on September 30, 2009, of \$0.18 per share of PBG common stock. On October 8, 2009, PBG declared a dividend of \$0.18 per share of PBG common stock, payable on January 4, 2010 to all holders of PBG common stock of record as of December 4, 2009. Under the terms of the merger agreement, during the period before the closing of the merger, PBG is prohibited from declaring, setting aside or paying any dividends or other distributions other than its regular quarterly dividends at the current rate, which is not to exceed \$0.18 per share, or dividends by any wholly owned subsidiary of PBG to PBG or other wholly owned subsidiaries of PBG.

If, between the date of the merger agreement and the effective time of the merger, any change occurs in the outstanding shares of capital stock of PBG or PepsiCo by reason of any reclassification, recapitalization, stock split or combination, exchange or readjustment of shares, or any stock dividend is declared with a record date during such period (excluding any change resulting from exercise of options outstanding as of the date of the merger agreement to purchase shares of PBG common stock under stock option or compensation plans or arrangements) appropriate adjustments will be made to the merger consideration.

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**Selected Historical Financial Data**

The following tables present selected historical financial information of PepsiCo and PBG. The information as of December 27, 2008 and December 29, 2007, and for the fiscal years ended December 27, 2008, December 29, 2007, and December 30, 2006 is derived from the audited financial statements of PepsiCo and PBG, respectively, which have been incorporated by reference into this proxy statement/prospectus. The information as of December 30, 2006, and as of, and for the fiscal years ended December 31, 2005 and December 25, 2004 are derived from unaudited financial statements of PepsiCo and PBG, respectively, which have not been incorporated by reference into this proxy statement/prospectus. The information as of, and for the 36 weeks ended September 5, 2009 and September 6, 2008 is derived from the interim unaudited financial statements of PepsiCo and PBG, respectively, which have been incorporated by reference into this proxy statement/prospectus. In all cases, the financial information for each of PepsiCo and PBG is presented on a consolidated basis.

The information in the following tables is only a summary and should be read together with the historical financial statements and related notes that PepsiCo and PBG have presented in their prior filings with the SEC. See [Where You Can Find More Information](#) beginning on page 209 of this proxy statement/prospectus.

**Table of Contents****Selected Consolidated Financial Data of PepsiCo**

	36 Weeks Ended				Full Year		
	2009	2008	2008	2007	2006	2005	2004
	(in millions, except per share data)						
<b>Summary of Net Revenue and Earnings</b>							
Net revenue	\$ 29,935	\$ 30,522	\$ 43,251	\$ 39,474	\$ 35,137	\$ 32,562	\$ 29,261
Net income from continuing operations attributable to PepsiCo	4,512	4,423	5,142	5,658	5,642	4,078	4,174
Net income from continuing operations attributable to PepsiCo per common share basic	2.90	2.79	3.26	3.48	3.42	2.43	2.45
Net income from continuing operations attributable to PepsiCo per common share diluted	2.87	2.74	3.21	3.41	3.34	2.39	2.41
Cash dividends declared per common share	1.325	1.225	1.65	1.425	1.16	1.01	0.85
<b>Period-End Financial Position</b>							
Total assets	\$ 38,620	\$ 38,458	\$ 35,994	\$ 34,628	\$ 29,930	\$ 31,727	\$ 27,987
Long-term debt	7,434	6,537	7,858	4,203	2,550	2,313	2,397
Total equity	15,831	16,563	12,582	17,296	15,413	14,251	13,523
Redeemable preferred stock	41	41	41	41	41	41	41
<b>Outstanding Shares</b>							
Weighted average common shares outstanding diluted	1,573	1,612	1,602	1,658	1,687	1,706	1,729

**Table of Contents****Selected Consolidated Financial Data of PBG**

	36 Weeks Ended		2008	2007	Full Year	2005	2004
	2009	2008	2008	2007	2006	2005	2004
	(in millions, except per share data)						
<b>Summary of Net Revenue and Earnings</b>							
Net revenue	\$ 9,414	\$ 9,987	\$ 13,796	\$ 13,591	\$ 12,730	\$ 11,885	\$ 10,906
Net income from continuing operations attributable to PBG	522	433	162	532	522	466	457
Net income from continuing operations attributable to PBG per common share basic	2.44	1.99	0.75	2.35	2.22	1.91	1.79
Net income from continuing operations attributable to PBG per common share diluted	2.39	1.94	0.74	2.29	2.16	1.86	1.73
Cash dividends declared per common share	0.53	0.48	0.65	0.53	0.41	0.29	0.16
<b>Period-End Financial Position</b>							
Total assets	\$ 13,711	\$ 14,393	\$ 12,982	\$ 13,115	\$ 11,927	\$ 11,524	\$ 10,937
Long-term debt	5,472	3,474	4,784	4,770	4,754	3,939	4,489
PBG shareholders' equity	2,027	2,507	1,343	2,615	2,084	2,043	1,949
<b>Outstanding Shares</b>							
Weighted average common shares outstanding diluted	219	223	220	233	242	250	263

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**Selected Unaudited Pro Forma Condensed Combined Financial Information**

The following selected unaudited pro forma condensed combined financial information has been prepared to illustrate the effect of the merger and the PAS merger and has been prepared for informational purposes only and should be read in conjunction with the unaudited pro forma condensed combined financial information, and the accompanying notes thereto, contained elsewhere in this proxy statement/prospectus. The selected unaudited pro forma condensed combined financial information is based upon the historical consolidated financial statements and notes thereto of PepsiCo, PBG and PAS and should be read in conjunction with the:

historical financial statements and the accompanying notes of PepsiCo included in PepsiCo's Current Report on Form 8-K dated August 27, 2009, and Quarterly Reports on Form 10-Q for the quarters ended March 21, 2009, June 13, 2009 and September 5, 2009, each of which are incorporated by reference in this proxy statement/prospectus;

historical financial statements and the accompanying notes of PBG included in PBG's Current Report on Form 8-K dated September 16, 2009 and Quarterly Reports on Form 10-Q for the quarters ended March 21, 2009, June 13, 2009 and September 5, 2009, each of which are incorporated by reference in this proxy statement/prospectus; and

historical financial statements and the accompanying notes of PAS included in PAS' Current Report on Form 8-K dated September 18, 2009 and Quarterly Reports on Form 10-Q for the quarters ended April 4, 2009, July 4, 2009 and October 3, 2009, each of which have been filed with the SEC and is available on PAS' Internet website (see "Where You Can Find More Information" beginning on page 209 of this proxy statement/prospectus).

The historical consolidated financial information has been adjusted in the selected unaudited pro forma condensed combined financial statements to give effect to pro forma events that are (1) directly attributable to the merger and the PAS merger, (2) factually supportable, and (3) with respect to the statements of income, expected to have a continuing impact on the combined results of PepsiCo and PBG or PepsiCo, PBG and PAS. Although PepsiCo has entered into the PAS merger agreement, there is no guarantee that the PAS merger will be completed. Accordingly, the following selected unaudited pro forma condensed combined financial information depicts the condensed combined balance sheet as of September 5, 2009 and the condensed combined statements of income for the fiscal year ended December 27, 2008 and the 36 weeks ended September 5, 2009, as if the merger had occurred and as if the PAS merger had occurred. The selected unaudited pro forma condensed combined statements of income have been prepared assuming the merger and the PAS merger had been completed on December 30, 2007, the first day of PepsiCo's 2008 fiscal year. The selected unaudited pro forma condensed combined balance sheet has been computed assuming the merger and the PAS merger had been completed on September 5, 2009, the last day of PepsiCo's 2009 fiscal third quarter. The selected unaudited pro forma condensed combined financial information has been adjusted with respect to certain aspects of the merger and the PAS merger to reflect:

the consummation of the merger and the PAS merger;

the elimination of related party transactions between PepsiCo and PBG;

the elimination of related party transactions between PepsiCo and PAS;

changes in assets and liabilities (as disclosed in more detail elsewhere in this proxy statement/prospectus) to record their preliminary estimated fair values at the date of the closing of the merger and the PAS merger and changes in certain expenses resulting therefrom; and

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additional indebtedness, including, but not limited to, debt issuance costs and interest expense, incurred in connection with the merger and the PAS merger.

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The selected unaudited pro forma condensed combined financial information was prepared in accordance with the acquisition method of accounting under existing United States generally accepted accounting principles, or GAAP standards, and the regulations of the SEC, and is not necessarily indicative of the financial position or results of operations that would have occurred if the merger and the PAS merger had been completed on the dates indicated, nor is it indicative of the future operating results or financial position of PBG and PepsiCo or of PBG, PAS and PepsiCo. Assumptions and estimates underlying the pro forma adjustments are described in the notes accompanying the unaudited pro forma condensed combined financial information, which should be read in connection with the selected unaudited pro forma condensed combined financial information. The accounting for the merger and the PAS merger is dependent upon certain valuations and other studies that have yet to commence or progress to a stage where there is sufficient information for a definitive measurement. Due to the fact that the selected unaudited pro forma condensed combined financial information has been prepared based upon preliminary estimates, the final amounts recorded for the merger and the PAS merger may differ materially from the information presented. These estimates are subject to change pending further review of the assets acquired and liabilities assumed.

The selected unaudited pro forma condensed combined statements of income exclude the impact of PAS discontinued operations and do not reflect future events that may occur after the merger and the PAS merger, including, but not limited to, the anticipated realization of ongoing savings from operating synergies. It also does not give effect to certain one-time charges PepsiCo expects to incur in connection with the transaction, including, but not limited to, charges that are expected to achieve ongoing cost savings and synergies. The merger and the PAS merger are expected to create aggregate annual pre-tax synergies of \$300 million by 2012 largely due to greater cost efficiency and also improved revenue opportunities.

In addition, the selected unaudited pro forma condensed combined statements of income exclude an estimated gain resulting from remeasuring PepsiCo's previously held equity interests in PBG and PAS, and certain of their affiliates, from book value to fair value. This estimated gain is reflected as a pro forma adjustment to goodwill and retained earnings in the selected unaudited pro forma condensed combined balance sheet. See Note 11 accompanying the unaudited pro forma condensed combined financial information.

(in millions, except per share amounts)	Pro Forma PEP+PBG		Pro Forma PEP+PBG+PAS	
	36 Weeks Ended September 5, 2009	Full Year 2008	36 Weeks Ended September 5, 2009	Full Year 2008
<b>Summary of Net Revenue and Income</b>				
Net revenue	\$ 37,327	\$ 54,108	\$ 40,038	\$ 58,008
Income from continuing operations attributable to PepsiCo, PBG and PAS	\$ 4,978	\$ 5,253	\$ 5,080	\$ 5,413
Income from continuing operations attributable to PepsiCo, PBG and PAS per common share basic	\$ 3.10	\$ 3.24	\$ 3.13	\$ 3.30
Income from continuing operations attributable to PepsiCo, PBG and PAS per common share diluted	\$ 3.06	\$ 3.18	\$ 3.09	\$ 3.24
<b>Period-End Financial Position</b>				
Total assets	\$ 56,494		\$ 63,452	
Long-term debt	\$ 16,060		\$ 19,249	
Common shareholders' equity	\$ 19,058		\$ 20,636	
Preferred stock	\$ 41		\$ 41	
<b>Outstanding Shares</b>				
Weighted-average common shares outstanding diluted	1,626	1,654	1,645	1,673

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**Comparative Per Share Data**

The following table sets forth selected historical per share information of PepsiCo, PBG and PAS and unaudited pro forma combined per share information after giving effect to the merger and after giving effect to the PAS merger, under the acquisition method of accounting, assuming that 0.6432 of a share of PepsiCo common stock had been issued in exchange for 50% of the outstanding shares of PBG common stock and PBG Class B common stock not held by PepsiCo or any of its subsidiaries and that 0.5022 of a share of PepsiCo common stock had been issued in exchange for 50% of the outstanding shares of PAS common stock not held by PepsiCo or any of its subsidiaries. The acquisition method of accounting is based on Statement of Financial Accounting No. 141R (SFAS No. 141R), *Business Combinations*, as amended, which PepsiCo adopted at the beginning of its 2009 fiscal year, and uses the fair value concepts defined in SFAS No. 157, *Fair Value Measurements*, as amended, which PepsiCo has adopted as required. SFAS No. 141R, as amended, requires, among other things, that most assets acquired and liabilities assumed be recognized at their fair values as of the acquisition date. The acquisition accounting for the merger and the PAS merger is dependent upon certain valuations of PBG's and PAS's assets and liabilities and other studies that have yet to commence or progress to a stage where there is sufficient information for a definitive measurement. Accordingly, the respective pro forma adjustments reflect the assets and liabilities of PBG and PAS at their preliminary estimated fair values. Differences between these preliminary estimates and the final acquisition accounting will occur and these differences could have a material impact on the unaudited pro forma combined per share information set forth in the following table.

In accordance with the requirements of the SEC, the pro forma and pro forma equivalent per share information gives effect to the merger and the PAS merger as if the merger and the PAS merger had been effective on December 30, 2007, the first day of PepsiCo's 2008 fiscal year, in the case of income from continuing operations and dividends paid data, and September 5, 2009, the last day of PepsiCo's 2009 fiscal third quarter, in the case of book value per share data. You should read this information in conjunction with the selected historical financial information included elsewhere in this proxy statement/prospectus, the historical financial statements of PepsiCo and PBG and related notes that are incorporated in this proxy statement/prospectus by reference and the historical financial statements of PAS that have been filed with the SEC. See "Selected Consolidated Financial Data of PepsiCo" beginning on page 14 of this proxy statement/prospectus, "Selected Consolidated Financial Data of PBG" beginning on page 15 of this proxy statement/prospectus and "Where You Can Find More Information" beginning on page 209 of this proxy statement/prospectus. The unaudited PepsiCo pro forma combined per share information is derived from, and should be read in conjunction with, the unaudited pro forma condensed combined financial statements and related notes included elsewhere in this proxy statement/prospectus. See "Unaudited Pro Forma Condensed Combined Financial Information" beginning on page 147 of this proxy statement/prospectus. The historical per share information below is derived from audited financial statements as of, and for the fiscal year ended December 27, 2008 for each of PepsiCo and PBG and as of, and for the fiscal year ended January 3, 2009 for PAS, and unaudited condensed consolidated financial statements as of, and for the 36 weeks ended September 5, 2009, for each of PepsiCo and PBG, and as of, and for the first nine months ended October 3, 2009 for PAS. The unaudited pro forma PBG and PAS per share equivalents are calculated by multiplying the unaudited PepsiCo pro forma combined per share amounts by the exchange ratio of 0.6432 for PBG and 0.5022 for PAS. The exchange ratio does not include the cash portion of the merger consideration of \$36.50 per share for PBG and \$28.50 per share for PAS.

The unaudited pro forma combined per share information does not purport to represent what the actual results of operations of PepsiCo, PBG and PAS would have been had the companies been combined during these periods or to project PepsiCo's, PBG's and PAS's results of operations that may be achieved after the merger and the PAS merger.

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	PepsiCo Historical	PBG Historical	Pro forma Combined PepsiCo and PBG	Per Equivalent PBG Share <sup>(6)</sup>	PAS Historical <sup>(2)</sup>	Pro forma Combined PepsiCo and PBG and PAS	Per Equivalent PBG Share <sup>(3,6)</sup>
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**As of and for the 36 Weeks Ended September 5, 2009**

Per common share data: