PEPSICO INC
Form 424B3
January 13, 2010
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Registration No. 333-162261

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: *investor@pepsico.com*	Email: *shareholder.relations@pepsi.com*

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 www.pbg.com, 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 shareholder.relations@pepsi.com 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	**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.**

The board of directors of The Pepsi Bottling Group, Inc. recommends that you vote FOR approval of the proposal to adopt the merger agreement.

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 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.

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;

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 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.

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Selected Consolidated Financial Data of PepsiCo

	36 Weeks Ended		Full Year				
	2009	2008	2008	2007	2006	2005	2004
			(in millions, except per share data)				
Summary of Net Revenue and Earnings							
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
Period-End Financial Position							
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
Outstanding Shares							
Weighted average common shares outstanding diluted	1,573	1,612	1,602	1,658	1,687	1,706	1,729

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Selected Consolidated Financial Data of PBG

	36 Weeks Ended		Full Year				
	2009	2008	2008	2007	2006	2005	2004
			(in millions, except per share data)				
Summary of Net Revenue and Earnings							
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
Period-End Financial Position							
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
Outstanding Shares							
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 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
Summary of Net Revenue and Income				
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
Period-End Financial Position				
Total assets	$ 56,494		$ 63,452	
Long-term debt	$ 16,060		$ 19,249	
Common shareholders equity	$ 19,058		$ 20,636	
Preferred stock	$ 41		$ 41	
Outstanding Shares				
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 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 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[6]	PAS Historical[2]	Pro forma Combined PepsiCo and PBG and PAS	Per Equivalent PBG Share[3,6]
As of and for the 36 Weeks Ended September 5, 2009							
Per common share data:							
Income from continuing operations							
Basic	$ 2.90	$ 2.44	$ 3.10	$ 1.99	$ 1.20	$ 3.13	$ 2.01
Diluted	$ 2.87	$ 2.39	$ 3.06	$ 1.97	$ 1.18	$ 3.09	$ 1.99
Cash Dividends[4]	$ 1.325	$ 0.53	N/A	N/A	$ 0.42	N/A	N/A
Book Value[5]	$ 9.87	$ 9.33	$ 11.86	$ 7.63	$ 13.45	$ 12.70	$ 8.17
As of and for the Year Ended 2008[1]							
Per common share data:							
Income from continuing operations							
Basic	$ 3.26	$ 0.75	$ 3.24	$ 2.08	$ 1.88	$ 3.30	$ 2.12
Diluted	$ 3.21	$ 0.74	$ 3.18	$ 2.05	$ 1.85	$ 3.24	$ 2.08
Cash Dividends[4]	$ 1.65	$ 0.65	N/A	N/A	$ 0.54	N/A	N/A
Book Value[5]	$ 7.86	$ 6.35	N/A	N/A	$ 12.72	N/A	N/A

(1) The fiscal year end of PepsiCo and PBG is the last Saturday before December 31. The fiscal year end of PAS is the closest Saturday to December 31.
(2) PAS historical data is shown as of the first nine months ended October 3, 2009 or the fiscal year ended January 3, 2009, as applicable.
(3) Assumes completion of both the merger and the PAS merger.
(4) The dividend policy of PepsiCo will be determined subsequent to the closing of the transaction.
(5) Amount is calculated by dividing shareholders equity by common shares outstanding.
(6) Amount is calculated by multiplying the pro forma combined per share by the exchange ratio of 0.6432.

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Comparative Stock Prices and Dividends

The following table sets forth, for the periods indicated, the intra-day high and low sales prices per share for PepsiCo common stock and PBG common stock as reported on the New York Stock Exchange, which is the principal trading market for PepsiCo common stock and PBG common stock, and the cash dividends declared per share of PepsiCo common stock and PBG common stock.

	PepsiCo			PBG		
	High	Low	Cash Dividend	High	Low	Cash Dividend
2009(1):						
Third Quarter	$ 59.64	$ 52.11	$ 0.450	$ 36.57	$ 32.52	$ 0.18
Second Quarter	56.95	47.50	0.450	34.83	19.59	0.18
First Quarter	56.93	43.78	0.425	23.76	16.82	0.17
2008(2):						
Fourth Quarter	$ 75.25	$ 49.74	$ 0.425	$ 33.13	$ 15.78	$ 0.17
Third Quarter	70.83	63.28	0.425	31.97	26.02	0.17
Second Quarter	72.35	64.69	0.425	35.10	30.40	0.17
First Quarter	79.79	66.30	0.375	42.02	31.53	0.14
2007(3):						
Fourth Quarter	$ 79.00	$ 68.02	$ 0.375	$ 43.38	$ 34.72	$ 0.14
Third Quarter	70.25	64.25	0.375	36.76	32.35	0.14
Second Quarter	69.64	62.57	0.375	35.23	31.55	0.14
First Quarter	65.54	61.89	0.300	32.54	30.13	0.11

(1) For each of PepsiCo and PBG, 2009 data is shown as of the quarterly periods ended September 5, 2009 (Third Quarter), June 13, 2009 (Second Quarter) and March 21, 2009 (First Quarter).

(2) For each of PepsiCo and PBG, 2008 data is shown as of the quarterly periods ended December 27, 2008 (Fourth Quarter), September 6, 2008 (Third Quarter), June 14, 2008 (Second Quarter) and March 22, 2008 (First Quarter).

(3) For each of PepsiCo and PBG, 2007 data is shown as of the quarterly periods ended December 29, 2007 (Fourth Quarter), September 8, 2007 (Third Quarter), June 16, 2007 (Second Quarter) and March 24, 2007 (First Quarter).

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QUESTIONS AND ANSWERS ABOUT THE MERGER

Q: When and where is the special meeting?

A: The special meeting of stockholders of The Pepsi Bottling Group, Inc. (**PBG**) will take place on Wednesday, February 17, 2010, at 11:00 a.m., Eastern Time, at PBG Worldwide Headquarters, One Pepsi Way, Somers, New York 10589.

Q: What is happening at the special meeting?

A: At the special meeting, stockholders of PBG will be asked (1) to consider and vote upon a proposal to adopt the Agreement and Plan of Merger dated as of August 3, 2009 (which, as amended from time to time, is referred to in this proxy statement/prospectus as the merger agreement), among PBG, PepsiCo, Inc. (**PepsiCo**) and Pepsi-Cola Metropolitan Bottling Company, Inc. (**Metro**), a wholly-owned subsidiary of PepsiCo, under which, 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, which is referred to in this proxy statement/prospectus as Delaware law, will be converted into the right to receive the merger consideration as described in this proxy statement/prospectus; and (2) to transact any other business that may properly come before the special meeting or any adjournments or postponements of that meeting.

Q: What will happen in the merger?

A: In the merger, PBG will be merged with and into Metro, a wholly owned subsidiary of PepsiCo. Metro will be the surviving corporation in the merger.

Q: How does the merger relate to PepsiCo s proposed acquisition of PepsiAmericas, Inc.?

A: On August 3, 2009, PepsiCo, PepsiAmericas, Inc. (**PAS**) and Metro entered into an Agreement and Plan of Merger, which, as amended from time to time, is referred to in this proxy statement/prospectus as the PAS merger agreement, pursuant to which PAS will be merged with and into Metro, with Metro as the surviving corporation in the merger, which is referred to in this proxy statement/prospectus as the PAS merger. Concurrently with the filing of this proxy statement/prospectus, PepsiCo and PAS are filing a proxy statement/prospectus in connection with the PAS merger that will be mailed to stockholders of PAS. The PAS merger is a separate transaction; however, the satisfaction of specified conditions in the merger agreement, to the extent they relate to antitrust and competition laws, is a condition to the completion of the PAS merger. Other than satisfaction of those conditions in the merger agreement relating to antitrust and competition laws, which is a condition to the completion of the PAS merger, the merger and the PAS merger are not cross-conditional, i.e., completion of the PAS merger is not a condition of the merger, and vice-versa.

Q: What will I receive in the merger?

A: As a result of the merger, each of your shares of PBG common stock will be converted into the right to receive either 0.6432 of a share of PepsiCo common stock or, at your election, $36.50 in cash, without interest, in each case subject to the proration procedures described below and assuming that you do not properly exercise and perfect appraisal rights in respect of your shares.

Q: Is it certain that I will receive the form of consideration I choose to receive?

A: No. PepsiCo will pay $36.50 in cash, without interest, per share of PBG common stock for 50% of the outstanding shares of PBG common stock not held by PepsiCo or any of its subsidiaries and issue 0.6432 of a share of PepsiCo common stock per share of PBG common stock for the remaining 50% of the outstanding shares of PBG common stock not held by PepsiCo or any of its subsidiaries, which is referred to in this proxy statement/prospectus as the 50% cash/50% stock allocation. If the total number of shares of

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PBG common stock for 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, which we refer to as cash election shares in this proxy statement/prospectus, 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 shares of PBG common stock not held by PepsiCo or any of its subsidiaries. If the total number of shares of PBG common stock 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 cash election is made will be converted into the right to receive cash in order to provide for an aggregate 50% cash/50% stock allocation among all outstanding shares of PBG common stock not held by PepsiCo or any of its subsidiaries. Additionally, the actual number of shares of PBG common stock as to which a valid election to receive cash has been made will reflect a reduction for the number of shares of PBG common stock with respect to which appraisal rights have been properly exercised and perfected under Delaware law immediately prior to the effective time of the merger. Accordingly, there is no assurance that you will receive the form of consideration that you choose to receive with respect to all of the shares of PBG common stock you hold. The treatment of shares of PBG common stock and PBG Class B common stock owned by PepsiCo or any of its subsidiaries will not affect the 50% cash/50% stock allocation.

Illustrative Examples of Proration

For illustrative purposes only, the following examples describe the application of the proration provisions of the merger agreement in the case of an oversubscription of cash election shares and in the case of an undersubscription of cash election shares. Solely for the purposes of these examples, it is assumed that 10,000,000 shares of PBG common stock held by holders other than PepsiCo and its subsidiaries were outstanding at the time of the proration calculation, resulting in a cash election number of 5,000,000 (50% of 10,000,000). It is also assumed that there were no shares with respect to which appraisal rights had been properly exercised and perfected under Delaware law.

Example 1 (100% Cash Elections)

Assume that valid cash elections are received with respect to all 10,000,000 of the outstanding shares of PBG common stock. Because PepsiCo will pay cash for a number of shares equal to 50% (or 5,000,000) of such outstanding shares of PBG common stock, 5,000,000 of the 10,000,000 cash election shares (or 50% of the cash election shares) would be converted into the right to receive 0.6432 shares of PepsiCo common stock per share of PBG common stock instead of cash.

Further assume that Stockholder A holds 1,600 shares of PBG common stock. Stockholder A would receive cash for each of 800 (or 50%) of her shares of PBG common stock and 0.6432 shares of PepsiCo common stock for each of the remaining 800 (or 50%) of her shares of PBG common stock.

Example 2 (Oversubscription of Cash Election Shares)

Assume that valid cash elections are received with respect to 6,000,000 shares (60% of the outstanding shares) of PBG common stock. Because PepsiCo will pay cash for a number of shares equal to 50% (or 5,000,000) of such outstanding shares of PBG common stock, 1,000,000 of the 6,000,000 cash election shares (or 16.66% of the cash election shares) would be converted into the right to receive 0.6432 shares of PepsiCo common stock per share of PBG common stock instead of cash.

Application of proration:

Partial Cash Election. Assume that Stockholder A holds 1,600 shares of PBG common stock and makes a valid cash election with respect to 960 (or 60%) of her shares, leaving 640 shares as non-electing shares. Pursuant to the proration procedure, 16.66% of her cash election shares (or 160 out of 960 shares) will be converted into the right to receive 0.6432 shares of PepsiCo common stock per share of PBG common stock. All 640 of Stockholder A s non-electing shares will be converted into the right to receive 0.6432 shares of PepsiCo common stock per share of PBG common stock. Stockholder A would therefore receive cash for 800 (or 50%) of her shares of PBG common stock and 0.6432 shares of PepsiCo common stock for each of the remaining 800 of her shares of PBG common stock.

Complete Cash Election. Assume that Stockholder B holds 1,600 shares of PBG common stock and makes a valid cash election with respect to all 1,600 of her shares. Stockholder B would receive 0.6432 shares of PepsiCo common stock for each of 267 (or 16.66%) of her shares of PBG common stock and cash for the remaining 1,333 (or 83.34%) of her shares of PBG common stock.

No Election. Assume that Stockholder C holds 1,600 shares of PBG common stock and does not make a cash election for any of his shares, leaving all 1,600 of his shares as non-electing shares. All of Stockholder C s shares will each be converted into the right to receive 0.6432 shares of PepsiCo common stock, and Stockholder C will not receive any cash.

Example 3 (Subscription of Cash Election Shares Equals 50%)

Assume that valid cash elections are received with respect to 5,000,000 (or 50%) of the outstanding shares of PBG common stock. Because the number of cash election shares is equal to 50% of the shares of PBG common stock outstanding, no proration will be required and all cash election shares will be converted into the right to receive cash and all non-electing shares will be converted into the right to receive PepsiCo common stock, resulting in the 50% cash/50% stock allocation.

Example 4 (Undersubscription of Cash Election Shares)

Assume that valid cash elections are received with respect to 2,000,000 (or 20%) of the outstanding shares of PBG common stock. Because PepsiCo will pay cash for a number of shares equal to 50% of such outstanding shares of PBG common stock, 3,000,000 of the 8,000,000 non-electing shares (or 37.5% of the non-electing shares) will be converted into the right to receive cash.

Application of proration:

Partial Cash Election. Assume that Stockholder A holds 1,600 shares of PBG common stock and makes a valid cash election with respect to 800 (or 50%) of her shares, leaving 800 shares as non-electing shares. Pursuant to the proration procedure, Stockholder A will receive cash for those 800 shares as well as cash for 37.5% of her non-electing shares (or 300 out of 800 shares). Stockholder A will therefore receive cash for 1,100 (or 68.75%) of her shares of PBG common stock and 0.6432 shares of PepsiCo common stock for each of the remaining 500 of her shares of PBG common stock.

Complete Cash Election. Assume that Stockholder B holds 1,600 shares of PBG common stock and makes a valid cash election with respect to all 1,600 of her shares. Because cash elections are undersubscribed, all of Stockholder B s shares will be converted into cash as elected.

No Election. Assume that Stockholder C holds 1,600 shares of PBG common stock and does not make a cash election for any of his shares, leaving all 1,600 shares as non-electing shares. Pursuant to the proration procedure, Stockholder C will receive cash for 600 (or 37.5%) of his 1,600 shares and 0.6432 shares of PepsiCo common stock for each of the remaining 1,000 of his shares of PBG common stock.

Example 5 (No Cash Elections)

Assume that no valid cash elections are received. Because PepsiCo will pay cash for a number of shares equal to 50% (or 5,000,000) of the outstanding shares of PBG common stock, 5,000,000 of the 10,000,000 shares (or 50% of the shares) would be converted into the right to receive 0.6432 shares of PepsiCo common stock per share of PBG common stock instead of cash.

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Further assume that Stockholder A holds 1,600 shares of PBG common stock. Stockholder A would receive 0.6432 shares of PepsiCo common stock for each of 800 (or 50%) of her shares of PBG common stock and cash for the remaining 800 (or 50%) of her shares of PBG common stock.

Q: How do I elect cash as the form of consideration I prefer to receive in the merger for some or all of my shares?

A: 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 from a record holder no later than 5:00 p.m. New York, NY time on the third business day prior to the effective time of the merger. PepsiCo will publicly announce the deadline for the receipt of election forms from holders of record of PBG stock as soon as practicable but in no event later than eight business days prior to the effective time of the merger. Record holders may also choose to complete the optional cash allocation addendum to the election form and letter of transmittal if you wish to elect to designate the priority in which your shares are to be exchanged for cash. If you do not wish to elect to receive cash, you should not complete the election form and letter of transmittal.

If you own shares of PBG common stock 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. Any instructions must be given to your broker or other financial institution sufficiently in advance of the election deadline for record holders in order to allow your broker or financial institution sufficient time to cause the record holder of your shares to make an election as described above. Therefore, you should carefully read any materials you receive from your broker. If you instruct a broker to submit an election for your shares, you must follow your broker s directions for changing those instructions.

All elections are subject to the proration procedures described in the immediately preceding Question and Answer. If you do not make a valid election to receive cash, you will be deemed to have made an election to receive, and will receive, PepsiCo common stock for all of your shares of PBG common stock, subject to the proration procedures described above.

Questions regarding the election to receive cash should be directed to:

Morrow & Co., LLC

470 West Ave.

Stamford, CT 06902

Telephone (PBG stockholders, toll-free): 1-800-607-0088

Telephone (banks and brokerage firms, toll-free): 1-800-662-5200

Q: How do I elect PepsiCo common stock as the form of consideration I prefer to receive in the merger?

A: You do not need to elect to receive PepsiCo common stock. If you do not make a valid election to receive cash, you will be deemed to have made an election to receive, and will receive, shares of PepsiCo common stock for all of your shares of PBG common stock, subject to the proration procedures described above.

Q: What will PepsiCo and its subsidiaries elect to do with the shares of PBG common stock and PBG Class B common stock that they own?

A: PepsiCo and its subsidiaries may not make an election to receive cash. Each share of PBG common stock held by PepsiCo or Metro, or by PBG as treasury stock, and each share of PBG Class B common stock held by PepsiCo or Metro, in each case immediately prior to the effective time of the merger, will be canceled, and no payment will be made with respect thereto. Each share of PBG common stock and PBG Class B

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common stock owned by any subsidiary of PepsiCo other than Metro immediately prior to the effective time of the merger will automatically be converted into the right to receive 0.6432 of a share of PepsiCo common stock.

Q. What do I do if I want to revoke or change my election to receive cash after I have mailed my signed election form?

A: If you hold shares in registered form, you may revoke your election to receive cash or change the amount of shares for which you elect to receive cash by sending a signed written notice to The Bank of New York Mellon, the exchange agent, identifying the shares of PBG common stock for which you are revoking your election or, if you are changing your election, by sending a properly completed revised election form. For a notice of revocation or change of an election to be effective, it must be received by the exchange agent prior to the election deadline. If you hold your shares in street name, you must follow your broker s instructions for revoking an election.

Q: What stockholder vote is necessary to approve the merger?

A: 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 of the 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.

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. As of the record date, PepsiCo or its subsidiaries owned 70,066,458 shares of PBG common stock and 100,000 shares of PBG Class B common stock, 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 entitled to vote. PepsiCo has stated publicly that it is unwilling to sell its shares of PBG common stock or PBG Class B common stock or vote such shares in favor of a transaction with a third party.

Q: Does PBG s board of directors recommend that stockholders approve the merger?

A: Yes. The board of directors of PBG (which is referred to in this proxy statement/prospectus as 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 a special committee comprised entirely of independent directors (which is referred to in this proxy statement/prospectus as the PBG Special Committee) and the approval of the audit and affiliated transactions committee of PBG, recommends that PBG s stockholders vote FOR approval of the proposal to adopt the merger agreement. The PBG Special Committee reached its recommendation following consultation with independent legal and financial advisors and consideration of a number of other factors. See Special Factors Background of the Merger and Special Factors Recommendation of the PBG Special Committee and the PBG Board as to Fairness of the Merger.

Q. How do I change my vote after I have mailed my signed proxy card?

A: You may change your vote at any time before your proxy is voted by revoking your proxy in any of the following ways:

- sending the Secretary of PBG a written notice revoking the proxy prior to the date of the special meeting at the address provided elsewhere in this proxy statement/prospectus;

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submitting, prior to the date of the special meeting, a duly executed proxy with a later date;

attending the special meeting and voting in person at the special meeting (your attendance at the special meeting will not, by itself, revoke your proxy; you must vote in person at the meeting); or

if you have instructed a broker, bank or other nominee to vote your shares, following the directions received from your broker, bank or other nominee.

Q: If my shares are held in street name by my broker, will my broker vote my shares for me?

A: If you do not provide your broker with instructions on how to vote your shares held in street name, your broker will not be permitted to vote your shares on the proposal to adopt the merger agreement. You should therefore instruct your broker how to vote your shares. Failure to instruct your broker how to vote your shares will be the equivalent of voting against approval of the proposal to adopt the merger agreement.

Q: Will I be allowed to vote shares allocated to my account in PBG s 401(k) plan and elect the form of consideration I prefer to receive?

A: Yes. If you are a current or former PBG employee with shares allocated to your accounts under the PBG 401(k) Savings Program or the PBG 401(k) Program, you will receive information explaining the procedures by which you can instruct the trustee of the plan to vote the shares allocated to your account and how to submit an election on the form of consideration you prefer to receive for such shares. You also will receive information about a special election, which is made before the effective time of the merger, to reinvest the consideration you receive for such shares into one or more of the plan s investment choices, including a fund that invests in PepsiCo common stock. If you do not give voting instructions in respect of the approval of the adoption of the merger agreement to the plan trustee by mailing your proxy card or voting by telephone or by the Internet, the trustee will vote shares allocated to your accounts under the plans in the same proportion as shares held in that plan for which voting instructions were timely received.

Q: When do you expect to complete the merger?

A: As of the date of this proxy statement/prospectus, the merger is expected to be completed by the end of the first quarter of 2010. However, no assurance can be provided as to when or if the merger will occur. The required votes of PBG s stockholders to adopt the merger agreement at the special meeting, as well as the necessary regulatory consents and approvals, must first be obtained and certain other conditions specified in the merger agreement must be satisfied or, to the extent permissible, waived.

Q: Is completion of the merger subject to any conditions?

A: Yes. In addition to approval of the proposal to adopt 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 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, completion of the merger requires the receipt of the necessary regulatory consents and approvals, and the satisfaction or, to the extent permissible, waiver, of other conditions specified in the merger agreement. The completion of the merger is not conditioned upon completion of the PAS merger.

Q: Am I entitled to appraisal rights?

A: Yes. Under Delaware law, record holders of PBG common stock who do not vote in favor of the proposal to adopt the merger agreement will be entitled to seek appraisal rights in connection with the merger, and if the merger is completed, obtain payment in cash equal to the fair value of their shares of PBG common stock as determined by the Court of Chancery of the State of Delaware, instead of the merger consideration. To exercise your appraisal rights, you must strictly follow the procedures prescribed by Delaware law. These

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procedures are summarized in this proxy statement/prospectus. In addition, the text of the applicable provisions of Delaware law is included as Appendix D to this proxy statement/prospectus. Failure to strictly comply with these provisions will result in a loss of the right of appraisal.

Q: What do I need to do now?

A: After you have carefully read and considered the information presented in this proxy statement/prospectus, you may vote by mail, by telephone, through the Internet or by attending the special meeting and voting in person. If you choose to vote by mail, you should complete, date, sign and promptly return the enclosed proxy card in the enclosed postage-prepaid envelope so that your shares are represented at the special meeting. If you are a record holder you will separately receive an election form and letter of transmittal and instructions that you can complete if you want to elect cash as the form of consideration that you receive and if you hold your PBG 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. Record holders may also choose to complete the optional cash allocation addendum to the election form and letter of transmittal if you wish to elect to designate the priority in which your shares are to be exchanged for cash.

Q: When should I send in my stock certificates?

A: If you make a cash election, you must send the stock certificates representing the shares of PBG common stock with respect to which you have made a cash election only with your completed election form and letter of transmittal. *Do not send in your stock certificates until you have received and completed an election form and letter of transmittal.* If you do not make a cash election with respect to all of your shares, you will receive a letter of transmittal from the exchange agent promptly after the completion of the merger with instructions for sending in your stock certificates.

Q: What if I cannot locate my stock certificates?

A: If a certificate for PBG common stock has been lost, stolen or destroyed, the exchange agent will issue the consideration properly payable under the merger agreement upon receipt of appropriate evidence as to that loss, theft or destruction, appropriate evidence as to the ownership of that certificate by the claimant, and appropriate and customary indemnification. The posting of a bond in a reasonable amount may also be required.

Q: Who can I call with questions about the special meeting or the merger or to obtain additional information about PepsiCo and PBG?

A: You may contact PBG s proxy solicitor, Morrow & Co., LLC, at 1-800-607-0088 (from the United States or Canada) (banks and brokerage firms call toll-free 1-800-662-5200).

SPECIAL FACTORS

General

This document is being provided to holders of PBG common stock in connection with the solicitation of proxies by the PBG Board to be voted at the special meeting, and at any adjournments or postponements of such meeting. At the special meeting, PBG will ask its stockholders to vote upon a proposal to adopt the Agreement and Plan of Merger dated as of August 3, 2009, as amended from time to time, among PepsiCo, PBG and Metro, and any other matters that are properly brought before the meeting.

The merger agreement provides for the merger of PBG with and into Metro, with Metro continuing as the surviving corporation. A copy of the merger agreement is attached as Appendix A to this proxy statement/prospectus. You are urged to read the merger agreement in its entirety because it is the legal document that governs the merger. For additional information about the merger, see The Merger Agreement Structure of the Merger beginning on page 127 of this proxy statement/prospectus.

The PAS Merger

Concurrently with the entry into the merger agreement, PepsiCo, PAS and Metro entered into the PAS merger agreement, pursuant to which PAS will be merged with and into Metro, with Metro as the surviving corporation. Concurrently with the filing of this proxy statement/prospectus, PepsiCo and PAS are filing a proxy statement/prospectus in connection with the PAS merger that will be mailed to stockholders of PAS. The PAS merger is a separate transaction. Completion of the merger is not conditioned upon completion of the PAS merger. See The PAS Merger beginning on page 28 of this proxy statement/prospectus.

Background of the Merger

As part of the continuous monitoring and evaluation of its business performance and planning, PepsiCo, among other things, regularly monitors competitors activities, considers its own business lines, and evaluates potential strategic options and transactions, including with respect to its relationships with its bottlers. In connection with this monitoring and evaluation, since the initial public offering of PBG in 1999 and the merger of the former PepsiAmericas, Inc. with Whitman Corporation in 2000, PepsiCo has considered, from time to time, numerous strategic options and transactions with respect to its relationships with PBG and PAS.

After PBG s initial public offering in 1999, PepsiCo retained a non-controlling equity interest in PBG representing approximately 35.4% of the shares of PBG common stock and 100% of shares of PBG Class B common stock. As of the record date, PepsiCo and its subsidiaries collectively own approximately 31.7% of the outstanding shares of PBG common stock and 100% of the shares of PBG Class B common stock, representing approximately 38.6% of the combined voting power of the outstanding shares of common stock and Class B common stock of PBG. PepsiCo also owns approximately 6.6% of the outstanding shares of Bottling Group, LLC, PBG s principal operating subsidiary.

In May 1999, PepsiCo combined certain of its bottling operations with Whitman Corporation, retaining a non-controlling ownership interest of approximately 38%. In October 1999, PepsiCo formed a business venture with Pohlad Companies, through which PepsiCo retained a non-controlling ownership interest of approximately 24% in the former PepsiAmericas, Inc. In November 2000, the former PepsiAmericas, Inc. merged with Whitman Corporation. After that merger, PepsiCo owned approximately 37% of the combined bottler which then changed its named to PAS. As of the date of this proxy statement/prospectus, PepsiCo and its subsidiaries (including Metro) own approximately 43.4% of the outstanding common stock of PAS.

PBG and PAS are party to several commercial agreements with PepsiCo, under which, among other things, PBG and PAS are granted the exclusive right to manufacture, sell and distribute beverage products of PepsiCo in authorized containers and to use the related trade names and trademarks in specified territories. For additional details and information concerning the Master Bottling Agreement, see Related Party Transactions beginning on page 188 of this proxy statement/prospectus. In addition, John C. Compton and Cynthia M. Trudell, PepsiCo employees, are members of the PBG Board. See Directors and Executive Officers of PBG beginning on page 172 of this proxy statement/prospectus.

Based on its continuous monitoring and evaluation of its business performance and planning, PepsiCo concluded that the changing dynamics of the North American liquid refreshment beverage business required a more flexible, efficient and competitive system that would enhance performance and drive growth across the full range of PepsiCo beverage brands. The changing dynamics of the North American liquid refreshment beverage business include the emergence of new competitors, increasing consolidation of retail customers, the emergence of non-carbonated drinks, which have different economics and different distribution systems than carbonated soft drinks, and an increase in product diversification as health and wellness offerings become a larger part of the beverage portfolio. As a result, PepsiCo began to consider various strategic options and transactions, including, among other things, possible business combinations, resetting the terms and conditions of PepsiCo s relationship with either or both of PBG and PAS and purchasing some or all of the shares that it did not already own of either or both of PBG and PAS. In certain cases, PepsiCo s internal deliberations on these matters led to preliminary discussions with and among senior management of PBG and PAS and their respective representatives, including discussions between senior management of PepsiCo and PBG in March 2009 regarding the potential synergy opportunities and other benefits of transforming the Pepsi bottling system, although none subsequently led to an agreement.

On November 20, 2008, Indra K. Nooyi, PepsiCo s Chairman and Chief Executive Officer, met with representatives of Centerview Partners and BofA Merrill Lynch to discuss the merits of various strategic options for PepsiCo, including the potential acquisitions of PBG and PAS. Shortly after the meeting, PepsiCo began considering the merits of the potential acquisitions of PBG and PAS. On or about November 23, 2008, Ms. Nooyi requested that the Centerview Partners and BofA Merrill Lynch representatives further evaluate the potential acquisitions.

During the period from November 20, 2008 to January 9, 2009, senior executives of PepsiCo participated in several meetings and teleconferences with representatives of Centerview Partners, BofA Merrill Lynch and Davis Polk & Wardwell LLP, legal advisor to PepsiCo, which is referred to in this proxy statement/prospectus as Davis Polk, to discuss PepsiCo s strategic options, including the potential acquisitions of PBG and PAS. In particular, senior officers of PepsiCo met with representatives of Centerview Partners, BofA Merrill Lynch and Davis Polk on December 6, 2008 to discuss tactical, strategic and logistical issues associated with the potential acquisitions by PepsiCo of PBG and PAS. From December 12, 2008 through January 3, 2009, representatives of PepsiCo and its legal and financial advisors held periodic meetings in person and via teleconference to discuss the potential acquisitions by PepsiCo of PBG and PAS. During this period, PepsiCo senior management began to believe that the potential acquisitions of PAS and PBG were superior to certain of its other strategic options with respect to PepsiCo s bottling system. In particular, PepsiCo senior management thought that the potential acquisitions were less complicated and a more robust way to address the changing dynamics of the North American liquid refreshment beverage business than its other strategic options with respect to PAS and PBG, including resetting the terms and conditions of PepsiCo s relationships with PAS and PBG.

On December 22, 2008 and December 23, 2008, certain members of PepsiCo s board of directors, together with representatives of PepsiCo s financial and legal advisors, met to discuss, among other things, the potential acquisitions of PBG and PAS. On January 2, 2009 and January 3, 2009, representatives of PepsiCo and its legal and financial advisors participated in various meetings and teleconferences relating to the potential acquisitions of PBG and PAS in preparation for a PepsiCo board of directors meeting scheduled for January 4, 2009.

At a meeting of PepsiCo s board of directors on January 4, 2009, the PepsiCo board of directors, among other things, received presentations from PepsiCo s senior executives and representatives of Centerview Partners and BofA Merrill Lynch regarding the potential acquisitions of PBG and PAS. At this meeting, PepsiCo s senior management summarized for the board the future importance of the North American Bottling business to PepsiCo, the limited benefits of the existing franchise model, and management s view that three strategic options were available to PepsiCo: an acquisition of PAS and PBG, a merger between PAS and PBG or a restructuring of PepsiCo s relationship with PAS and PBG. Management then recommended pursuing an acquisition of PAS and

PBG because it would produce a leaner, simpler, more flexible enterprise and improve PepsiCo s operating and strategic effectiveness. Management further identified an estimated $150 million in synergies and possibly an additional $50 to $150 million in other potential synergies that could result from the acquisitions. Representatives of Centerview Partners and BofA Merrill Lynch then presented a preliminary financial analysis of an acquisition of PBG and PAS. See Opinion of PepsiCo s Financial Advisors Preliminary Financial Analyses beginning on page 99 of this proxy statement/prospectus. Management recommended that PepsiCo pursue acquiring both PBG and PAS at the same premium (although no specific price was proposed), payable 50% in cash and 50% in stock based upon a fixed exchange ratio, although management stressed that PepsiCo would need to retain flexibility on each of these points and could end up with differing premiums, an all cash or all stock deal or a fixed price exchange ratio (subject to a collar). Management recommended that the two transactions be conditioned upon each other and that each acquisition be subject to approval by a special committee of the target s board. Management stressed that PepsiCo should communicate that under no circumstances would PepsiCo be willing to entertain a sale of or otherwise dispose of PepsiCo s stake in PAS or PBG or vote its shares in favor of another transaction. Following a discussion, the PepsiCo board instructed management to continue to evaluate the potential acquisitions. Representatives of PepsiCo and its financial and legal advisors met on January 6, 2009 to discuss PepsiCo s strategic options, but on or about January 9, 2009 management determined instead to focus its attention on its business and strategic matters unrelated to an acquisition of PAS and PBG. PepsiCo and its advisors did not meet again after that meeting to discuss the potential acquisitions of PBG and PAS until March 2009.

On or around March 18, 2009, as part of its monitoring and evaluation of its business performance and planning, PepsiCo s management determined to reconsider the potential acquisitions of PBG and PAS. On March 20, 2009, PepsiCo s board of directors held a meeting at which the independent directors of PepsiCo s board of directors met with Ms. Nooyi and discussed, among other things, PepsiCo s recent evaluation of its business performance and planning. During this discussion, Ms. Nooyi and the independent directors determined that PepsiCo should resume its consideration of the potential acquisitions of PAS and PBG.

From April 1, 2009 through April 19, 2009, senior executives of PepsiCo periodically met with representatives of Centerview Partners, BofA Merrill Lynch and Davis Polk to discuss the potential acquisitions of PBG and PAS. On April 10, 2009, certain members of the PepsiCo board of directors, senior management of PepsiCo and representatives of PepsiCo s financial and legal advisors held a strategy session to discuss the potential acquisitions of PBG and PAS. From April 14, 2009 through April 19, 2009, representatives of PepsiCo and its financial and legal advisors held several meetings to discuss the potential acquisitions of PBG and PAS. These discussions included review of draft letters to the board of directors of PBG and the board of directors of PAS and various communications materials.

On the morning of April 19, 2009, the PepsiCo board of directors met and, among other things, received presentations from PepsiCo s senior executives and representatives of Centerview Partners and BofA Merrill Lynch regarding the potential acquisitions. At this meeting, PepsiCo management summarized for the board the future importance of the North American Bottling business to PepsiCo, the significant changes in the North American beverage markets that were placing pressure on PepsiCo s North American beverage business and limiting system profit growth, the limited benefits of the existing franchise model and significant costs of system misalignment and management s view that an acquisition of PAS and PBG was the recommended way to address these issues instead of a merger between PAS and PBG or a restructuring of PepsiCo s relationship with PAS and PBG because an acquisition of PAS and PBG would produce a leaner, simpler, more flexible enterprise. Management explained that integration with PAS and PBG would improve operating and strategic effectiveness, improve competitiveness and provide strategic flexibility, and identified more than $200 million in potentially available deal synergies. Management then discussed with the PepsiCo board the risks and operational and organizational challenges that would be present in the transactions and outlined an approach to achieve a smooth integration of the businesses. PepsiCo s board of directors and management and PepsiCo s financial advisors also discussed the impact of the proposed transactions on PepsiCo s earnings per share, earnings per share growth, earnings before interest and taxes growth and top-line revenue growth, as well as the impact of the proposed transactions on the business mix and margins of PepsiCo s business and the impact to PepsiCo s return on invested capital, internal rate of return and leverage. PepsiCo s board of directors and management and PepsiCo s financial advisors also discussed the pro forma impact of the potential synergies identified by PepsiCo

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management. Management then described to the board recommended transaction terms, including that PepsiCo acquire both PBG and PAS at the same premium, payable 50% in cash and 50% in stock based upon a fixed exchange ratio, although management stressed that PepsiCo would need to retain flexibility on each of these points and could end up with differing premiums, an all cash transaction or a transaction with a cash election mechanism, or a fixed price exchange ratio (subject to a collar). Management recommended that the two transactions be conditioned upon each other and that each acquisition be subject to approval by a special committee of the target s board. Management stressed that PepsiCo should clearly communicate that under no circumstances would PepsiCo be willing to entertain a sale of or otherwise dispose of PepsiCo s stake in PAS or PBG or vote its shares in favor of another transaction. Following discussion, the PepsiCo board of directors authorized PepsiCo s management to make a proposal 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 PBG share and to make a proposal to acquire the outstanding shares of PAS that it did not already own for $11.64 in cash and 0.223 shares of PepsiCo common stock per PAS share.

Later on April 19, 2009, Ms. Nooyi separately called Mr. Eric J. Foss, Chairman and Chief Executive Officer of PBG, and Mr. Robert C. Pohlad, Chairman and Chief Executive Officer of PAS, to inform them that PepsiCo intended to make the proposals that were approved by the PepsiCo board of directors.

Shortly thereafter, PepsiCo delivered the following letter to the board of directors of PBG:

April 19, 2009

Board of Directors

The Pepsi Bottling Group, Inc.

One Pepsi Way

Somers, New York 10589

Attention: Eric J. Foss, Chairman and Chief Executive Officer

Gentlemen and Ladies:

I am pleased to write on behalf of the Board of Directors of PepsiCo, Inc. to propose a business combination of PepsiCo and The Pepsi Bottling Group (PBG).

We propose to acquire all of the outstanding shares of PBG common stock not already owned by us at a value of $29.50 per share. Based on current market prices, our proposal represents a 17.1 percent premium over the closing price of the shares of PBG on April 17, 2009 and a 36.0 percent premium over the 30 day average closing price of PBG. At closing, each share of PBG common stock would be converted into $14.75 in cash plus 0.283 shares of PepsiCo common stock, which has a value of $14.75 based on the closing price of PepsiCo common stock of $52.13 on April 17, 2009.

PepsiCo is considering a combination from a strong position financially with continuing solid business fundamentals. We have a strong portfolio, a global footprint, a leadership position in growing categories and an organization committed to excellence across a range of strategic, operational and financial metrics. Our offer includes stock consideration because we believe PBG s shareholders will benefit from PepsiCo s long-term equity performance.

PepsiCo has a long history of delivery of industry-leading operating performance. As you know, we have made the transformation of our North American beverage business a top priority. We are excited about the transformation already underway, building on our existing portfolio of distinguished brands through innovation in product, packaging and marketing while improving our cost structure. The good relationship with PBG has been essential to this overall effort, and we appreciate both the constructive dialogue and the alignment we have reached on our executional plans.

We believe that a combination with PBG would help PepsiCo continue this record of strong performance:

Build upon organizational agility to manage a portfolio of brands for growth against a backdrop of changing Liquid Refreshment Beverage dynamics;

- Provide flexibility across go-to-market systems to optimize revenue, productivity and costs by channel and customer;

- Facilitate rapid decision-making and speed-to-market; and

- Create a winning operating culture across the entire system. PepsiCo and PBG both share a common heritage and value system, and we believe a combination will build upon our recent successes to accelerate the transformation of our beverages business.

For these reasons, the combined beverage business would enhance our Power of One vision and contribute to a simplified, streamlined and agile beverage system. We at PepsiCo have a tremendous amount of respect for PBG, its superb operating abilities, and its dedicated employees. PBG has built a very strong business over the last decade and is an important partner to PepsiCo.

We have also sent the Board of Directors of PepsiAmericas, Inc. an offer letter. Our willingness to proceed with this proposal is conditioned on the negotiation of definitive documentation with respect to the proposal in that letter (and the ultimate consummation of that transaction), and our willingness to proceed with the proposal in that letter is similarly conditioned on the negotiation of definitive documentation with respect to this proposal (and the ultimate consummation of this transaction).

For the avoidance of doubt, while PepsiCo is interested in this proposed transaction, as a shareholder of PBG, we would not sell or otherwise dispose of our PBG shares in, or vote our PBG shares in favor of, another transaction.

Our proposal is also subject to the negotiation of a definitive merger agreement and satisfaction of the conditions set forth therein, and our having the opportunity to conduct certain limited and confirmatory due diligence. In addition, because a portion of the aggregate merger consideration would consist of PepsiCo common stock, we would provide PBG the opportunity to conduct appropriate limited due diligence with respect to PepsiCo. We are preparing a draft merger agreement that we will provide to you shortly. Our familiarity with PBG will enable us to finalize the merger agreement in an expedited manner.

We expect that PBG will establish a special committee of directors independent from us (or rely upon the Affiliated Transactions Committee) to consider our proposal on behalf of its shareholders and to recommend to its Board of Directors whether to approve the proposal, with legal and financial advisors to assist in its review. We would welcome the opportunity to present our proposal to the special committee as soon as possible.

Because we wish to be sure that our respective shareholders are fully informed about the proposal we are making, our intention is to publicly release the text of this letter before the market opens tomorrow morning.

For the avoidance of doubt, the offer in this letter is an expression of intent only, and shall not create any legally binding obligations. No such obligations shall arise unless and until execution and delivery of mutually acceptable definitive documentation by the parties thereto.

Our entire team looks forward to working with the special committee and its legal and financial advisors to complete a transaction that is attractive to PBG s non-PepsiCo shareholders. Should you have any questions, please contact us.

Very truly yours,

Indra K. Nooyi

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At the same time, PepsiCo delivered the following letter to the board of directors of PAS:

April 19, 2009

Board of Directors

PepsiAmericas, Inc.

4000 RBC Plaza

60 South Sixth Street

Minneapolis, Minnesota 55402

Attention: Robert C. Pohlad, Chairman and Chief Executive Officer

Gentlemen and Ladies:

I am pleased to write on behalf of the Board of Directors of PepsiCo, Inc. to propose a business combination of PepsiCo and PepsiAmericas.

We propose to acquire all of the outstanding shares of PepsiAmericas common stock not already owned by us at a value of $23.27 per share. Based on current market prices, our proposal represents a 17.1 percent premium over the closing price of the shares of PepsiAmericas on April 17, 2009 and a 33.4 percent premium over the 30 day average closing price of PepsiAmericas. At closing, each share of PepsiAmericas common stock would be converted into $11.64 in cash plus 0.223 shares of PepsiCo common stock, which has a value of $11.63 based on the closing price of PepsiCo common stock of $52.13 on April 17, 2009.

PepsiCo is considering a combination from a strong position financially with continuing solid business fundamentals. We have a strong portfolio, a global footprint, a leadership position in growing categories and an organization committed to excellence across a range of strategic, operational and financial metrics. Our offer includes stock consideration because we believe PepsiAmericas shareholders will benefit from PepsiCo s long-term equity performance.

PepsiCo has a long history of delivery of industry-leading operating performance. As you know, we have made the transformation of our North American beverage business a top priority. We are excited about the transformation already underway, building on our existing portfolio of distinguished brands through innovation in product, packaging and marketing - while improving our cost structure. The good relationship with PepsiAmericas has been essential to this overall effort, and we appreciate both the constructive dialogue and the alignment we have reached on our executional plans.

We believe that a combination with PepsiAmericas would help PepsiCo continue this record of strong performance:

- Build upon organizational agility to manage a portfolio of brands for growth against a backdrop of changing Liquid Refreshment Beverages dynamics;

- Provide flexibility across go-to-market systems to optimize revenue, productivity and costs by channel and customer;

- Facilitate rapid decision-making and speed-to-market; and

Create a winning operating culture across the entire system. PepsiCo and PepsiAmericas both share a common heritage and value system, and we believe a combination will build upon our recent successes to accelerate the transformation of our beverages business.

For these reasons, the combined beverage business would enhance our Power of One vision and contribute to a simplified, streamlined and agile beverage system. We at PepsiCo have

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a tremendous amount of respect for PepsiAmericas, its superb operating abilities, and its dedicated employees. PepsiAmericas has built a very strong business over the last decade and is an important partner to PepsiCo.

We have also sent the Board of Directors of The Pepsi Bottling Group, Inc. an offer letter. Our willingness to proceed with this proposal is conditioned on the negotiation of definitive documentation with respect to the proposal in that letter (and the ultimate consummation of that transaction), and our willingness to proceed with the proposal in that letter is similarly conditioned on the negotiation of definitive documentation with respect to this proposal (and the ultimate consummation of this transaction).

For the avoidance of doubt, while PepsiCo is interested in this proposed transaction, as a shareholder of PepsiAmericas, we would not sell or otherwise dispose of our PepsiAmericas shares in, or vote our PepsiAmericas shares in favor of, another transaction.

Our proposal is also subject to the negotiation of a definitive merger agreement and satisfaction of the conditions set forth therein, and our having the opportunity to conduct certain limited and confirmatory due diligence. In addition, because a portion of the aggregate merger consideration would consist of PepsiCo common stock, we would provide PepsiAmericas the opportunity to conduct appropriate limited due diligence with respect to PepsiCo. We are preparing a draft merger agreement that we will provide to you shortly. Our familiarity with PepsiAmericas will enable us to finalize the merger agreement in an expedited manner.

We expect that PepsiAmericas will establish a special committee of directors independent from us (or rely upon the Affiliated Transactions Committee) to consider our proposal on behalf of its shareholders and to recommend to its Board of Directors whether to approve the proposal, with legal and financial advisors to assist in its review. We would welcome the opportunity to present our proposal to the special committee as soon as possible. Our proposal is conditioned upon the approval of a majority of the directors of PepsiAmericas that are independent from us.

Because we wish to be sure that our respective shareholders are fully informed about the proposal we are making, our intention is to publicly release the text of this letter before the market opens tomorrow morning. We will also amend our Schedule 13D filing with respect to shares of PepsiAmericas.

For the avoidance of doubt, the offer in this letter is an expression of intent only, and shall not create any legally binding obligations. No such obligations shall arise unless and until execution and delivery of mutually acceptable definitive documentation by the parties thereto.

Our entire team looks forward to working with the special committee and its legal and financial advisors to complete a transaction that is attractive to PepsiAmerica s non-PepsiCo shareholders. Should you have any questions, please contact us.

Very truly yours,

Indra K. Nooyi

Prior to the opening of the trading market in New York on April 20, 2009, PepsiCo issued a press release announcing the proposals reflected in the letters to PBG and PAS. The press release noted that both proposals were subject to the completion of definitive merger agreements and limited confirmatory due diligence and that each of the proposals was cross-conditioned upon the successful completion of the other transaction. In addition, PepsiCo indicated that it expected that PBG and PAS would each rely upon a committee of independent directors to review the proposals. PepsiCo also filed an amendment to its Schedule 13D filing with the SEC disclosing its April 19 proposal to acquire PAS. Later that day, PBG issued a press release stating that it had received a non-binding proposal from PepsiCo and that its board of directors would review the proposal carefully and respond in due course. Also on April 20, 2009, PAS issued a press release stating that it had received a non-binding proposal from PepsiCo and that its board of directors would review the proposal carefully and determine the appropriate response in due course and respond in due course.

The PBG Board held a telephonic meeting on April 20, 2009, which was attended by certain members of PBG s management, as well as representatives from Morgan Stanley and Cravath, Swaine & Moore LLP, which is referred to in this proxy statement/prospectus as Cravath, to discuss PepsiCo s April 19th proposal and potential next steps in response thereto. Directors Compton and Trudell were not present at the meeting. At that meeting, representatives from Cravath reviewed with the PBG Board its fiduciary obligations under applicable law and discussed with the PBG Board the potential formation of a special committee to evaluate PepsiCo s proposal. Representatives from Morgan Stanley reviewed the terms of PepsiCo s proposal, including the fact that it was conditioned upon the successful completion of the proposed transaction in respect of PAS, which was considered by Morgan Stanley to be an implicit acknowledgement by PepsiCo that each company should get the synergy benefits of PepsiCo s proposed combination. However, the PBG Board recognized that the cross-conditional nature of the proposals created uncertainty. After discussion, the PBG Board formed a Special Committee consisting of the following five independent directors: Barry H. Beracha, Ira D. Hall, Susan D. Kronick, Blythe J. McGarvie and Javier G. Teruel. The PBG Special Committee was formed for the purpose of:

- evaluating PepsiCo s proposal;

- making recommendations to the PBG Board regarding PepsiCo s proposal and other potential actions; and

- if determined appropriate by the PBG Board, negotiating a transaction in respect of PepsiCo s proposal or other alternative transactions.

Mr. Hall was appointed Chairperson of the PBG Special Committee. PBG retained Morgan Stanley to serve as financial advisor after considering Morgan Stanley s credentials as a financial advisor as well as its potential conflicts of interest as a result of its provision of financial advisory and financing services to PepsiCo in connection with certain of PepsiCo s share repurchase programs and debt financing transactions. The PBG Special Committee s authority to negotiate and potentially implement a transaction in respect of PepsiCo s proposal was limited by the fact that the PBG Board would retain the right to approve or disapprove of any recommendation by the PBG Special Committee. As compensation for their service on the PBG Special Committee, the Chairperson received a retainer of $35,000 and the PBG Special Committee members each received retainers of $20,000. In addition, the Chairperson and the members of the PBG Special Committee are entitled to $1,500 per meeting attended. The compensation for the Chairperson and members of the PBG Special Committee was not, and is not, contingent upon the adoption of the merger agreement and the completion of the merger or any other transaction.

On April 24, PAS announced that it had formed PAS transactions committee consisting of all independent directors to review the proposal made by PepsiCo to acquire PAS and that it had retained Goldman Sachs, as its financial advisor, and Briggs and Morgan, P.A., which is referred to in this proxy statement/prospectus as Briggs and Morgan, and Sullivan & Cromwell LLP, which is referred to in this proxy statement/prospectus as Sullivan & Cromwell, as its legal advisors.

Shortly after the announcement of the proposals, several putative stockholder class action lawsuits were filed against various combinations of PepsiCo, PBG, PAS and/or the individual members of the boards of directors of PBG and PAS challenging the proposals and the proposed acquisitions in the Court of Chancery of the State of Delaware, the District Court of the State of Minnesota and the Supreme Court of the State of New York, Counties of Westchester and New York. Ultimately, a total of fourteen putative stockholder class action complaints were filed challenging the proposals and the proposed acquisitions. See Certain Litigation Matters beginning on page 108 of this proxy statement/prospectus.

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On April 28, 2009, the PBG Special Committee met to evaluate PepsiCo s proposal and to determine which, if any, recommendations should be made to the PBG Board. Representatives from Cravath reviewed with the PBG Special Committee the then-current defensive profiles of PBG and potential defensive enhancements available to PBG, including the adoption of a stockholder rights plan and amendments to PBG s Bylaws providing for additional notice and informational requirements for stockholder actions. Members of PBG s management and representatives of Morgan Stanley reviewed with the PBG Special Committee PBG s historical and projected financial performance, potential cost savings available to PBG on a stand-alone basis, potential synergies available in connection with PepsiCo s proposed acquisition of PBG and PAS, certain strategic alternatives available to PBG, and potential responses to, and next steps regarding, PepsiCo s proposal. The strategic alternatives considered by the PBG Special Committee included PBG continuing to execute on its current business plan (including consolidating smaller bottlers and seeking further North American growth), PBG engaging in a strategic transaction with PAS, and PBG seeking a sale of the entire company to a third party. Morgan Stanley also expressed its view that the PepsiCo proposal failed to reflect the intrinsic value of PBG, provided an inadequate premium, significantly understated synergies and, due to the cross-conditional nature of the transaction, could result in circular negotiations. Following discussion, the PBG Special Committee unanimously concluded that it should recommend to the PBG Board:

- that it reject PepsiCo s proposal as grossly inadequate;
- that it authorize a stockholder rights plan;
- that PBG s Bylaws be amended to provide for additional advance notice and informational requirements for stockholder actions; and
- that the PBG compensation committee should approve certain retention, change-in-control, severance and other similar arrangements for PBG s executive officers.

Under the stockholder rights plan recommended by the PBG Special Committee, the PBG Board would authorize and declare a dividend of one right per each share of PBG common stock and PBG Class B common stock to purchase 1/1000th of a share of Series A Preferred Stock of PBG, subject to certain adjustments. These rights would not be exercisable or separately transferable from the PBG common stock or PBG Class B common stock until any stockholder (other than PepsiCo and its affiliates) acquired beneficial ownership of 15% or more of the outstanding PBG common stock, or PepsiCo (or its affiliates) acquired any additional shares of PBG common stock not owned by them on the date of the rights agreement. If either of the foregoing were to occur, the rights would separate from the PBG common stock and PBG Class B common stock and become exercisable, enabling each person other than the 15% stockholder or PepsiCo, as applicable, to purchase shares of PBG common stock or another security at 50% of market price. The rights would be redeemable by the PBG Board, and the rights agreement could be amended unilaterally by the PBG Board, at any time prior to the earlier of a person becoming an acquiring person (as defined in the rights agreement) and the expiration of the rights agreement.

The bylaw amendments recommended by the PBG Special Committee introduced a procedural requirement to the fixing of the record date for proposed stockholder actions by written consent by providing that the PBG Board would have 10 days to fix the record date from the date on which a request therefor was received. The proposed bylaw amendments provided that such record date would not be more than 10 days after the date of the adoption of such resolution. In addition, the bylaw amendments contained detailed notice and informational requirements for stockholder proposals at annual and special meetings and required that the same informational requirements applicable to stockholder proposals at annual or special meetings be fulfilled in the case of proposed stockholder actions by written consent.

The retention arrangements proposed by the PBG Special Committee would be effected by written retention agreements with PBG s executive officers (John Berisford, Victor Crawford, Al Drewes, Eric Foss, Robert King, Yiannis Petrides and Steven Rapp). These retention agreements would provide for payments and benefits in the context of a termination of the executive s employment by PBG without cause or a resignation by the executive for good reason, in each case during the two-year period following a change in control of PBG. Such payments

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and benefits would include cash severance of two times salary and target bonus for the year of termination, acceleration and settlement of equity awards, a pro-rated target annual bonus for the year of termination, reimbursement for the cost of up to two years of medical, dental and vision benefits, reimbursement up to $50,000 for the cost of outplacement services and, in certain circumstances, special early retirement benefits.

On April 30, 2009, the PBG compensation committee met and discussed the implementation of retention agreements with PBG s executive officers. The compensation committee received advice from F.W. Cook & Co., Inc., its independent compensation consultant, regarding proposed terms of such arrangements. After discussion, the PBG compensation committee unanimously authorized retention arrangements with PBG s executive officers pursuant to individual retention agreements to be entered into with each individual officer (and subject to review and approval of such final documentation).

Immediately following the PBG compensation committee meeting on April 30, 2009, the PBG Board convened a telephonic meeting at which the PBG Special Committee presented to the PBG Board its recommendations (discussed above) with respect to PepsiCo s proposal. Directors Compton and Trudell were not present at the meeting. The PBG Board discussed the substance of the PBG Special Committee s recommendations with Morgan Stanley and Cravath and, with respect to retention arrangements, with Mr. Hall, Chairman of the PBG compensation committee. At the meeting, Morgan Stanley delivered its opinion, delivered orally and subsequently confirmed in writing, to the effect that, as of April 30, 2009 and based on and subject to the assumptions, limitations and qualifications set forth in their opinion, the consideration to be received by PBG s stockholders (other than PepsiCo and its affiliates) pursuant to PepsiCo s proposal was inadequate from a financial point of view to such stockholders. Following discussion, the PBG Board determined to implement each of the PBG Special Committee s recommendations described above. The PBG Board conditioned the effectiveness of these actions on PBG s entry into definitive retention agreements with each of its executive officers, which occurred on May 3, 2009. The PBG Board also authorized the PBG Special Committee, together with PBG s management, Morgan Stanley and Cravath, to engage in discussions and negotiations with PepsiCo and PAS with respect to PepsiCo s proposal from time to time, as the PBG Special Committee deemed necessary and advisable, subject to approval by the PBG Board of the final terms of any transaction.

On the evening of May 3, 2009, Mr. Foss telephoned Ms. Nooyi to inform her that the PBG Board would be rejecting the PepsiCo Proposal, and that a press release would follow early the next morning. On May 4, 2009, the PBG Board delivered the following letter to Ms. Nooyi:

May 4, 2009

Indra Nooyi

Chairman and Chief Executive Officer

PepsiCo

700 Anderson Hill Road

Purchase, NY 10577

Dear Indra:

We are writing to respond to your proposal of April 19 to acquire all of the outstanding shares of common stock of The Pepsi Bottling Group, Inc. (PBG) not owned by PepsiCo. A Special Committee of the Board of Directors of PBG (the Special Committee), comprised entirely of independent directors, has carefully reviewed your proposal with the assistance of independent financial and legal advisors. Based on the unanimous recommendation of the Special Committee, the Board of Directors of PBG has concluded that the proposal is grossly inadequate and not in the best interests of PBG and its stockholders.

PepsiCo s proposal substantially undervalues PBG for many reasons, including:

Opportunistic Timing: Your proposal was made shortly before the public release of PBG s strong first quarter 2009 earnings on April 22, 2009. As you know, PBG exceeded

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Wall Street expectations for the quarter, raised its full-year guidance for earnings per share and operating free cash flow, and provided details of its plans to achieve over $250 million in cost and productivity savings in 2009 on a standalone basis.

Inadequate Value: The value of your proposal is substantially below PBG s intrinsic value, as well as the value that would be implied by comparable transactions. Your offer is at virtually no premium to market given PBG s first quarter earnings and upward revision to full-year EPS and operating free cash flow guidance. Transaction premiums, especially those including cash consideration, have been very substantial since the market dislocation last September.

Understated Synergies: We believe you have substantially understated the synergies that would be available through the combination you have proposed. As you know, PBG has thoroughly analyzed the savings and efficiencies that could be achieved through a transformation of the Pepsi system. Based on our analysis, we are confident that readily achievable synergies are multiples of the $200 million you referenced.

PBG values its longstanding relationship with PepsiCo, but the PBG Board will not agree to a proposal which does not reflect the true value of PBG. Accordingly, based on the Special Committee s unanimous recommendation, the Board has taken customary steps to protect PBG and its stockholders from opportunistic acquisition attempts.

We remain confident that PBG s continuing efforts to strengthen its brand portfolio, further improve its performance through operational excellence, and capitalize on geographic growth opportunities position PBG to create substantial value well into the future.

Sincerely,

Eric J. Foss	Ira D. Hall
Chairman of the Board and CEO	Chairman, Special Committee of the Board of Directors
The Pepsi Bottling Group, Inc.	The Pepsi Bottling Group, Inc.

Prior to the opening of the trading market in New York on May 4, 2009, PBG issued a press release announcing the PBG Board s rejection of PepsiCo s proposal and containing a text of the letter. The press release stated that PBG had adopted a stockholder rights plan and declared a dividend of one right for each share of PBG s common stock outstanding as of the close of business on May 14, 2009, approved retention agreements for certain key employees and amended PBG s bylaws to include notice and informational requirements for stockholder proposals and stockholder action by written consent.

On May 6, 2009, at a regularly scheduled meeting of the board of directors of PepsiCo, PepsiCo senior management, together with Centerview Partners, BofA Merrill Lynch and Davis Polk, updated the PepsiCo directors as to the status of the proposals to acquire PBG and PAS, including that the PBG Board had rejected PepsiCo s proposal to acquire PBG and adopted the measures described in the preceding paragraph.

Also on May 7, 2009, PAS announced that its board of directors, based on the recommendation of the PAS transactions committee, had unanimously determined that PepsiCo s proposal to acquire PAS was not acceptable or in the best interests of PAS stockholders, and that PAS had amended its existing stockholder rights plan to extend the expiration date of the plan from May 20, 2009 to May 20, 2010. The press release also stated PAS belief that the proposal significantly undervalued the strategic benefits of system consolidation, did not reflect the value of PAS strengths and stand-alone strategies, as evidenced by PAS strong first quarter results, and substantially undervalued the synergies that could be obtained in the proposed transaction.

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On May 7, 2009, in response to the announcements of PBG rejecting PepsiCo s proposal to acquire PBG and PAS rejecting PepsiCo s proposal to acquire PAS, PepsiCo issued a press release reiterating its belief that it had made full and fair offers for both companies that were in the best interests of PBG, PAS and their respective stockholders and represented a premium of 17.1% over the closing price of PBG common stock and PAS common stock on April 17, 2009. The release also reported that, compared with the 30-day average closing prices, the offers represented a premium of 36% for PBG and 33.4% for PAS.

On May 11, 2009, PepsiCo, along with Mr. Compton and Ms. Trudell (PepsiCo employees who are also members of PBG s board of directors), filed a complaint against PBG and the members of PBG s board of directors (other than Mr. Compton and Ms. Trudell) in the Court of Chancery of the State of Delaware. The complaint alleged that PBG s board of directors had held a board meeting without providing notice to Mr. Compton and Ms. Trudell, that the defensive measures approved at that meeting and announced on May 4, 2009 were void and that the stockholder rights plan adopted in the meeting was procedurally and substantively infirm.

On May 13, 2009, Ms. Nooyi sent a letter to the PBG Board reiterating PepsiCo s belief that the retention agreements announced on May 4, 2009 were improperly adopted and void.

On May 14, 2009, the PBG Special Committee convened a meeting (at which directors Linda Alvarado and John Quelch attended by invitation) to discuss the May 11th complaint filed by PepsiCo, Mr. Compton and Ms. Trudell, as well as Ms. Nooyi s May 13th letter. Representatives from Morgan Stanley and Cravath discussed with the PBG Special Committee potential responses to the May 11th complaint, the May 13th letter, and other potential scenarios and next steps relating to PepsiCo s proposal.

The PBG Board convened a special meeting on May 18, 2009, and considered and approved *de novo* the substance of the actions previously taken at the PBG Board s April 30, 2009 meeting. Directors Compton and Trudell were present at the meeting s opening, then recused themselves.

The PBG Special Committee met on May 18, 2009 (following the PBG Board meeting), and again on May 26, 2009 and June 1, 2009. At these meetings the Special Committee reviewed with management, Morgan Stanley and Cravath investor reactions to the PBG Board s rejection of PepsiCo s proposal, potential scenarios relating to PepsiCo s proposal and a draft of investor presentation materials to accompany PBG s second quarter earnings release. The potential scenarios considered by the PBG Special Committee included PepsiCo s commencement of an exchange offer, PBG and PepsiCo entering into private negotiations, PepsiCo continuing to pursue its lawsuit against PBG and the PBG Board and/or taking other similar actions, PepsiCo requesting a special meeting of PBG stockholders, the announcement of a PepsiCo transaction with PAS, and PepsiCo rescinding its proposal.

The PBG Special Committee discussed the possibility that if PBG continued to act independently, the cross-conditional nature of PepsiCo s offer might result in circular negotiations, particularly if PAS negotiated a deal with PepsiCo first. The PBG Special Committee believed that, in such a situation, PepsiCo might take the position that the PAS deal created a value ceiling applicable to its offer for PBG common stock. At the May 18 meeting, Morgan Stanley reiterated its opinion first delivered on April 30, 2009, that, as of May 18, 2009, and based on and subject to the assumptions, limitations and qualifications set forth in their opinion, the consideration to be received by PBG s stockholders (other than PepsiCo and its affiliates) pursuant to PepsiCo s proposal was inadequate from a financial point of view to such stockholders.

On May 18, 2009 and May 22, 2009, the Chairman of PAS transactions committee, together with the Chairman of PAS board of directors and Chief Executive Officer of PAS, spoke with Ms. Nooyi and agreed that the financial advisors of PAS and PepsiCo should meet to discuss process and related matters with respect to a possible transaction between PAS and PepsiCo.

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On June 1, 2009, representatives of Centerview Partners and BofA Merrill Lynch met with representatives of Goldman Sachs. At that meeting, Goldman Sachs indicated that PAS transactions committee was disappointed in the price offered by PepsiCo although it understood the strategic logic of the proposed combination. In particular, Goldman Sachs reiterated PAS belief that PepsiCo s proposal to acquire PAS undervalued the strategic benefits of system consolidation, did not reflect the value of PAS strengths and stand-alone strategies, as evidenced by PAS strong first quarter results, and substantially undervalued the synergies that could be obtained in the proposed acquisition. In addition, representatives of Goldman Sachs expressed PAS transactions committee s concern about the acquisition of PAS being conditioned on the closing of an acquisition of PBG. The Centerview Partners and BofA Merrill Lynch representatives then discussed the challenges PAS faced as a standalone company and explained why PepsiCo believed that its proposal to acquire PAS was a strong proposal. In particular, they noted that PepsiCo s proposal represented a significant premium despite the increase in PAS stock price prior to the announcement, that PepsiCo s proposal exceeded certain calculations of present value of PAS stock based on publicly available information and that PepsiCo s stock, 50% of the proposed PAS merger consideration, was significantly undervalued based on the perspectives of various Wall Street research analysts.

On June 2, 2009, PBG issued a press release announcing an increase in its earnings guidance for the second quarter and fiscal year 2009. In connection with that earnings release PBG hosted a webcast presentation discussing its revised earnings guidance as well as its perspective on PepsiCo s proposal. During such presentation PBG stated that it estimated the annual synergies of an acquisition by PepsiCo of both PBG and PAS to be in the range of $750 to $850 million. Later that day, PepsiCo issued a press release reiterating its view that synergies of at least $200 million would be achievable in the proposed acquisitions and stating that PBG had previously communicated to PepsiCo that a combination of PBG and PAS would generate synergies below $100 million.

On June 7, 2009 and again on June 8, 2009, Mr. Foss and Ms. Nooyi had telephone conversations regarding, among other things, PepsiCo s proposal and the resulting interactions between PBG, PepsiCo and the PBG Board and Special Committee. At the conclusion of these conversations, Mr. Foss and Ms. Nooyi agreed that a meeting between PBG s and PepsiCo s respective financial advisors would be an appropriate next step.

On June 8, 2009 the PBG Special Committee held a telephonic meeting at which members of PBG management updated the PBG Special Committee on investor reactions to PBG s second quarter earnings release and accompanying investor presentation. At such meeting, Mr. Foss briefed the PBG Special Committee on his June 7th conversation with Ms. Nooyi. The PBG Special Committee also discussed with Morgan Stanley and Cravath potential scenarios and next steps in respect of PepsiCo s proposal.

On June 10, 2009, representatives of Centerview Partners and BofA Merrill Lynch met with representatives of Morgan Stanley, financial advisor to PBG. At that meeting, Morgan Stanley indicated that the PBG Special Committee believed that the price offered by PepsiCo grossly undervalued PBG and that PepsiCo was not giving appropriate value to various factors, including the synergies that could potentially be realized in connection with the transaction and the recent 2009 business improvements of PBG. In addition, representatives of Morgan Stanley expressed the PBG Special Committee s concern about the acquisition of PBG being conditioned on the closing of an acquisition of PAS. The Centerview Partners and BofA Merrill Lynch representatives then discussed PepsiCo s view of the challenges PBG faced as a standalone company and explained why PepsiCo believed that its proposal to acquire PBG was a strong proposal. In particular, they noted that PepsiCo s proposal represented a significant premium despite the increase in PBG s stock price prior to the announcement, that PepsiCo s proposal exceeded certain calculations of present value of PBG s stock based on publicly available information and that PepsiCo s stock, 50% of the proposed PBG merger consideration, was significantly undervalued based on the perspectives of various Wall Street research analysts.

During the week following the June 10, 2009 meeting, representatives of Centerview Partners and BofA Merrill Lynch had a series of additional meetings and telephone calls with representatives of Morgan Stanley.

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The Morgan Stanley representatives continued to indicate that PBG believed that PepsiCo s synergy estimates did not capture all synergies that could be expected from the combination of PepsiCo, PBG and PAS and that their preliminary financial analyses indicated that a reasonable per share value of PBG was significantly above the current proposal.

On June 11, 2009, representatives of Centerview Partners and BofA Merrill Lynch and representatives of Goldman Sachs met. At this meeting, the Goldman Sachs representatives informed representatives of Centerview Partners and BofA Merrill Lynch of the importance to PAS transactions committee of the absolute value of the consideration offered to PAS stockholders in any PepsiCo proposal, the relative pricing between any PAS transaction and PBG transaction and the absence in any PAS transaction of a closing condition requiring the closing of any transaction with PBG. Representatives from Goldman Sachs also stated that PAS believed that system consolidation had strategic merit and could drive significant value creation through, among other things, reduced supplier complexity, unlocking revenue growth and near-term cost synergies.

On June 12, 2009 the PBG Special Committee held a telephonic meeting at which Mr. Foss updated the PBG Special Committee on his June 8th conversation with Ms. Nooyi. Representatives from Morgan Stanley discussed with the PBG Special Committee their June 10th meeting with representatives of Centerview Partners and BofA Merrill Lynch. Morgan Stanley informed the PBG Special Committee that, in light of the questions that the advisors to PBG and PAS raised concerning PepsiCo s synergy estimates, the respective financial advisors agreed that members of PepsiCo senior management should meet directly with members of senior management at each of PBG and PAS to discuss projected synergies of a combination of PepsiCo, PBG and PAS. PBG s Special Committee unanimously directed PBG senior management to participate in such meetings.

Between June 17, 2009 and June 25, 2009, members of senior management of PepsiCo, together with representatives of its financial advisors, held several meetings with members of senior management of PBG and representatives of Morgan Stanley to discuss estimated synergies arising from a combination of PepsiCo, PBG and PAS. At a meeting between representatives of PepsiCo and PBG on June 17, 2009, members of senior management of PepsiCo discussed the challenges facing the liquid refreshment beverage business and the business risks and investments required to achieve significant synergies as a result of a PepsiCo, PBG and PAS combination. PBG s senior management and the Morgan Stanley representatives indicated that PBG believed that annual pre-tax synergies from a combination of PepsiCo, PBG and PAS could be between $750 and $850 million, based on a one-time investment of approximately $800 million and representing a net present value in excess of $5 billion based on a ten year discounted cash flow with no terminal value. This calculation of potential synergies included, among other things, cost savings associated with manufacturing and supply chain optimization, route-to-market opportunities and elimination of redundancies in general and administrative functions. At a meeting on June 25, 2009, members of senior management of PepsiCo discussed where the parties differed as to their synergy estimates and explained PepsiCo s synergy work to date. The PepsiCo representatives further agreed to review PepsiCo s work on synergies in light of PBG s view on potential synergies to determine whether there were any additional synergies that could be associated with the combination of PepsiCo, PBG and PAS.

On June 24, 2009, members of senior management of PepsiCo, together with representatives of its financial advisors, met with members of senior management of PAS and representatives of Goldman Sachs to discuss estimated synergies arising from a combination of PepsiCo, PBG and PAS. Prior to the meeting, PepsiCo and PAS entered into a confidentiality agreement. At the meeting, the members of senior management of PAS discussed PAS synergy estimates. The PepsiCo representatives agreed to review PepsiCo s synergy work in light of PAS view on potential synergies to determine whether there were any additional synergies that could be associated with the combination of PepsiCo, PBG and PAS.

On June 25, 2009, the PBG Special Committee held a telephonic meeting at which Mr. Foss and representatives from Morgan Stanley briefed the committee members on their recent meetings with PepsiCo senior management and financial advisors. In addition, PBG management reviewed with the PBG Special

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Committee certain actions that could be taken, and strategies that could be pursued, by PBG in the absence of a transaction arising from PepsiCo s proposal, including a potential buyback of PBG common stock and certain strategic acquisitions.

In the week following the meetings with PBG and PAS to discuss synergies, members of senior management of PepsiCo again reviewed its synergy estimates and concluded that the transactions could reasonably be expected to create approximately $300 million of annual pre-tax synergies by 2012 largely due to greater cost efficiency and improved revenue opportunities.

Between June 29, 2009 and July 1, 2009, representatives of Centerview Partners and BofA Merrill Lynch had several meetings and phone calls with representatives of Morgan Stanley. During the course of these meetings and calls, the Centerview Partners and BofA Merrill Lynch representatives indicated to the Morgan Stanley representatives that, in light of the revised estimate of $300 million of annual pre-tax synergies by 2012, together with the 2009 improvements in PBG s business and the improvement in the markets generally, PepsiCo would consider a price of $34.50 per share of PBG stock.

During the period between June 29, 2009 and July 13, 2009, representatives of Centerview Partners and BofA Merrill Lynch had a series of meetings and calls with representatives of Goldman Sachs. The Centerview Partners and BofA Merrill Lynch representatives conveyed to the Goldman Sachs representatives that PepsiCo had revised its synergy estimates to approximately $300 million of annual pre-tax synergies by 2012. The Goldman Sachs representatives indicated that the PAS transactions committee believed that the price per share of PAS stock needed to be at a premium to the then current trading price. During this period, the closing trading price per share of PAS stock on the New York Stock Exchange ranged from $26.15 to $27.14. The Centerview Partners and BofA Merrill Lynch representatives indicated that PepsiCo would consider a price above that range but that it would not proceed with a transaction with PAS unless it reached an agreement with PBG.

On July 1, 2009, the PBG Special Committee held a telephonic meeting at which representatives of Morgan Stanley informed the PBG Special Committee of the revised terms that PepsiCo s financial advisors stated PepsiCo would consider. Morgan Stanley also discussed with the PBG Special Committee its preliminary analysis of such revised terms from a financial point of view. Following extensive discussion, the PBG Special Committee authorized Morgan Stanley to reply to PepsiCo s financial advisors in respect of the proposed $34.50 per share offer price (and other proposed revised terms) that while the PBG Special Committee had not come to a firm view on valuation, there was potential support among the PBG Special Committee members for a transaction at a price below $40 per share, but closer to $40 per share than $34.50 per share. The PBG Special Committee also authorized Morgan Stanley to reply that cash consideration would be preferred, that any transaction should reflect an appropriate valuation of PBG relative to PAS and that the PBG closing should not be conditioned on closing of an acquisition of PAS.

On July 2, 2009, representatives of Morgan Stanley informed PepsiCo s financial advisors of the PBG Special Committee s response to the proposed revised offer terms. In addition, Mr. Foss phoned Michael D. White, Chief Executive Officer of PepsiCo International and Vice Chairman of PepsiCo, to similarly inform him of the PBG Special Committee s response.

Between July 3, 2009 and July 13, 2009, representatives of Centerview Partners and BofA Merrill Lynch had a series of meetings and phone calls with representatives of Morgan Stanley. During the course of these meetings, the Centerview Partners and BofA Merrill Lynch representatives indicated to Morgan Stanley that PepsiCo would consider no longer requiring that the closing of the acquisition of PBG be conditioned on the closing of an acquisition of PAS and that PepsiCo would consider increasing the portion of the merger consideration payable in cash if that were more attractive to the PBG Special Committee.

On July 14, 2009, Ms. Nooyi and Mr. White met with Mr. Hall and Mr. Foss. Following discussion regarding the challenges in the liquid refreshment beverage business, Ms. Nooyi proposed a price per share of

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PBG stock of $35.50, subject to due diligence and negotiation and completion of definitive documentation. Mr. Hall stated that he would discuss the proposal with the PBG Special Committee and report to Ms. Nooyi within 24 hours.

On July 15, 2009, the PBG Special Committee met to discuss PepsiCo s revised $35.50 per share offer, and at that meeting Morgan Stanley provided the PBG Special Committee with its preliminary financial analysis of such offer. Mr. Hall also briefed the PBG Special Committee on the substance of the July 14th meeting among himself, Ms. Nooyi, Mr. White and Mr. Foss. Following discussion, the PBG Special Committee determined that it should reject PepsiCo s revised $35.50 per share offer and deliver a response to PepsiCo indicating that there was potential support among the members of the PBG Special Committee for a transaction at a price per share of at least $37.75.

The following day, Mr. Hall and Mr. Foss met with Ms. Nooyi and Mr. White and delivered the PBG Special Committee s response as described above. Ms. Nooyi responded that, in PepsiCo s view, a price of $35.50 per share of PBG stock was a full and fair offer.

On July 17, 2009, at a regularly scheduled meeting of the board of directors of PepsiCo, senior management of PepsiCo, together with representatives of PepsiCo s financial advisors and legal advisor, among other things, updated the PepsiCo directors on the status of the negotiations with PBG and PAS.

On July 20, 2009, the PBG Special Committee met to receive an update from Mr. Hall and Mr. Foss on their July 16th meeting with Ms. Nooyi and Mr. White, and to discuss potential scenarios and next steps in respect of PepsiCo s proposal. The PBG Special Committee also discussed retaining an additional financial advisor in the event a transaction with PepsiCo were to proceed. Following discussion, a number of potential firms were identified and Mr. Hall was instructed to solicit proposals from such firms.

On the morning of July 31, 2009, Ms. Nooyi met again with Mr. Hall. At that meeting, each of Ms. Nooyi and Mr. Hall expressed concern that the disruption relating to the proposed transaction could harm the respective businesses of PBG and PepsiCo and that it would be in the interests of their respective stockholders to determine whether the parties could reach an agreement. After extensive discussion regarding the state of the business and valuation, Ms. Nooyi proposed a transaction at a price per share of $36.50, subject to due diligence and negotiation and completion of definitive documentation. Mr. Hall agreed to present such proposal to the PBG Special Committee.

Later on July 31, 2009, the PBG Special Committee met to receive Mr. Hall s update of his meeting that morning with Ms. Nooyi and of PepsiCo s revised $36.50 per share offer. Morgan Stanley discussed with the PBG Special Committee its preliminary financial analysis of the revised $36.50 per share offer and indicated that, subject to the terms of any proposed definitive agreement, Morgan Stanley anticipated that they would be able to render an affirmative opinion as to the fairness, from a financial point of view, of such revised consideration to be received by PBG s stockholders (other than PepsiCo and its affiliates). Following discussion, the members of the PBG Special Committee indicated their general support for a transaction at $36.50 per share, consisting of 50% PepsiCo stock and 50% cash, which transaction would not be conditioned on the closing of a transaction with PAS. The PBG Special Committee authorized PBG s management, Morgan Stanley and Cravath to engage in discussions and negotiations of potential definitive documentation with respect to PepsiCo s revised proposal, the final terms of which would be subject to approval by the PBG Special Committee and the PBG Board. At the July 31, 2009 meeting, following discussion of several potential additional financial advisors, the PBG Special Committee approved the engagement of Perella Weinberg as financial advisor to the PBG Special Committee in respect of PepsiCo s proposal.

Following the PBG Special Committee meeting, Mr. Hall contacted Ms. Nooyi and informed her that, assuming that the parties could reach agreement on the other terms of the transaction, the PBG Special Committee would, subject to due diligence and the negotiation and completion of definitive documentation,

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recommend that the PBG Board accept a transaction at a price per share of PBG stock of $36.50, consisting of 50% PepsiCo stock and 50% cash, that would not be conditioned on the closing of a transaction with PAS.

The same day, Ms. Nooyi met with Mr. Pohlad. Ms. Nooyi explained that PepsiCo had tentatively reached agreement on price with PBG and that it was willing to work towards a mutually agreeable transaction with PAS at a price per share of PAS stock of $27.00, consisting of 50% PepsiCo stock and 50% cash. Mr. Pohlad informed Ms. Nooyi that while he was not authorized to negotiate the terms of the transaction, including price, he expressed his view that the price offered was inadequate but that he would take the proposal back to PAS transactions committee.

That same day, representatives of Goldman Sachs, Centerview Partners and BofA Merrill Lynch discussed PepsiCo s revised proposal of $27.00 per share of PAS common stock. Representatives of Goldman Sachs informed representatives of Centerview Partners and BofA Merrill Lynch that the revised proposal price would not be acceptable to PAS transactions committee and reminded them of the importance to PAS transactions committee, in addition to absolute value, of the relative pricing between any PAS transaction and PBG transaction. Representatives of Centerview Partners and BofA Merrill Lynch then informed representatives of Goldman Sachs that PepsiCo was willing to increase the price it was offering per share of PAS common stock to $28.00 but that the PAS transaction would be conditioned on consummation of the transaction with PBG.

That evening, representatives of Davis Polk contacted representatives of Cravath to inform them that Davis Polk expected to send them a draft merger agreement the following day. The Davis Polk representatives also called representatives of Briggs and Morgan and Sullivan & Cromwell to inform them that Davis Polk expected to send them a draft merger agreement the following day.

On August 1, 2009, PepsiCo entered into a supplement to its confidentiality agreement with PAS and, on August 2, 2009, PepsiCo entered into a confidentiality agreement with PBG. Thereafter, PepsiCo commenced its due diligence investigation of each of PBG and PAS and PBG and PAS commenced their respective due diligence investigations of PepsiCo. Management and financial advisors of the parties participated in due diligence sessions in New York and Minnesota.

During the course of a meeting of PAS transactions committee meeting on August 1, 2009, representatives from Goldman Sachs called representatives from Centerview Partners and BofA Merrill Lynch, and informed them that PAS transactions committee had determined that at $28.00 per share of PAS common stock, there was not sufficient pricing parity between the PAS transaction and PBG transaction based on the premium that would be paid to each party based on each party s stock price immediately prior to the announcement of the PepsiCo proposals, despite that $28.00 per share of PAS common stock represented a higher relative EBITDA multiple than what was implied by PepsiCo s offer to PBG, and it did not want the PAS transaction conditioned on consummation of the transaction with PBG. On July 31, 2009, the last trading day before the PAS transactions committee meeting, the closing price of PAS common stock was $26.78 per share and the closing price of PBG common stock was $33.95 per share. Subsequently, the representatives from Centerview Partners and BofA Merrill Lynch called the representatives from Goldman Sachs and informed them that PepsiCo was willing to increase the price it was offering per share of PAS common stock to $28.50 but that the PAS transaction would still be conditioned on consummation of the transaction with PBG.

On the same day, representatives of Davis Polk distributed a draft PBG merger agreement to Cravath and a draft PAS merger agreement to Briggs and Morgan and Sullivan & Cromwell.

Also on that day, representatives of PepsiCo and Davis Polk participated in a teleconference with representatives of Bank of America, N.A. and its legal counsel regarding a bridge facility to finance the acquisitions of PBG and PAS.

Late that evening, representatives of each of Davis Polk and Cravath held a teleconference to discuss the draft PBG merger agreement. The Cravath representatives identified certain areas of concern and indicated that they expected to distribute a revised draft PBG merger agreement the following day.

On August 2, 2009, the parties, in consultation with their financial advisors, continued their due diligence investigations.

Also on August 2, 2009, Cravath sent a revised draft PBG merger agreement to Davis Polk. Throughout the day, representatives of Davis Polk discussed with Cravath representatives various issues with respect to the draft PBG merger agreement.

On the same day, PepsiCo and Davis Polk received a draft financing commitment letter from Bank of America, N.A. s legal counsel. The facility proposed was a 364-day unsecured revolving bridge facility to finance the acquisitions of PBG and PAS. On August 2, 2009 and August 3, 2009, representatives of Davis Polk negotiated and finalized the commitment letter.

In the afternoon of August 2, 2009, representatives of Sullivan & Cromwell contacted representatives of Davis Polk to convey certain of PAS issues on the draft PAS merger agreement. Late that night, Briggs and Morgan sent a revised draft PAS merger agreement to Davis Polk.

In the early hours of August 3, 2009, Davis Polk sent a revised draft PBG merger agreement to Cravath and a revised draft PAS merger agreement to Briggs and Morgan and Sullivan & Cromwell. In addition, Davis Polk sent the then current draft of the PAS merger agreement to PBG and the then current draft of the PBG merger agreement to PAS. Davis Polk also sent the then current drafts of the merger agreements, together with a summary of the drafts and other materials, to the board of directors of PepsiCo in preparation for a special meeting of the board scheduled for the late afternoon of August 3, 2009.

Also during the afternoon of August 3, 2009, PepsiCo separately agreed with each of PBG and PAS that stockholders of each company would receive as the form of merger consideration shares of PepsiCo common stock with the right of the applicable stockholders (other than PepsiCo and its subsidiaries (including Metro)) to elect to receive cash instead of PepsiCo common stock, subject to proration such that the aggregate consideration to be paid to such stockholders would consist of 50% PepsiCo common stock and 50% cash. See The Merger Agreement Election Procedure beginning on page 128 of this proxy statement/prospectus.

Throughout August 3, 2009, representatives of Davis Polk conferred with representatives of Cravath on various issues on the draft PBG merger agreement and with representatives of Briggs and Morgan and Sullivan & Cromwell on various issues on the draft PAS merger agreement. In addition, drafts of each party s disclosure schedules to the PBG merger agreement were circulated to the other party and drafts of each party s disclosure schedules to the PAS merger agreement were circulated to the other party.

Late in the afternoon of August 3, 2009, PBG s Special Committee and Board met. Certain directors participated via teleconference. Representatives from Morgan Stanley, Perella Weinberg and Cravath attended the meetings, and copies of presentation materials from each of Morgan Stanley, Perella Weinberg and Cravath, as well as a draft of the merger agreement, were distributed to the members of the PBG Board in advance of the meetings. The PBG Special Committee met first. Directors Quelch and Alvarado attended the PBG Special Committee at the request of its Chairman, Mr. Hall. At this meeting, each of Perella Weinberg and Morgan Stanley delivered its financial analysis in connection with the proposed transaction and its oral opinion, subsequently confirmed in writing, that, as of the date of the opinion and based upon and subject to the assumptions, qualifications and limitations set forth therein, the merger consideration to be received by unaffiliated stockholders of PBG was fair from a financial point of view to such stockholders. See Opinions of PBG s Financial Advisors beginning on page 61 of this proxy statement/prospectus. The PBG Special Committee raised questions regarding various aspects of Morgan Stanley s and Perella Weinberg s analyses, including the methodologies used and underlying assumptions, to which each of Morgan Stanley and Perella Weinberg responded. Members of PBG senior management reported to the PBG Special Committee their view of the proposed transaction and the results of their due diligence inquiries with respect to PepsiCo. Representatives from Cravath then reviewed with the PBG Special Committee the draft merger agreement and certain key terms thereof. The remaining issues on the merger agreement were identified to the PBG Special Committee and the PBG Special Committee s position on such issues was indicated to Cravath. The PBG Special Committee also considered and discussed the specific factors described in Recommendation of the PBG Special Committee and the PBG Board as to the Fairness of the Merger The Special Committee beginning on page 47 of this proxy statement/prospectus. The PBG Special Committee then unanimously determined that it should recommend to the PBG Board that the PBG Board:

- accept PepsiCo s revised proposal, which, among other things, increased the price per share offered for each share of PBG common stock to $36.50 and clarified that consummation of the transaction with PBG was not conditioned on the consummation of a transaction with PAS, as being advisable and in the best interests of PBG and its stockholders and substantively and procedurally fair to the unaffiliated security holders of PBG;

- adopt a resolution approving the merger agreement and declaring its advisability and determining that the proposed transaction is substantively and procedurally fair to the unaffiliated security holders of PBG; and

- amend PBG s stockholder rights plan to render the rights thereunder inapplicable to the transactions contemplated by the merger agreement.

In accordance with PBG s Bylaws, the PBG Audit and Affiliated Transactions Committee then met to consider PepsiCo s proposal. Following brief discussion, the PBG Audit and Affiliated Transactions Committee approved the proposed transactions.

Following the meeting of the PBG Audit and Affiliated Transactions Committee, the PBG Board met. Directors Compton and Trudell received notice of the meeting and declined to participate. The PBG Special Committee reported to the PBG Board its recommendation as described above, and each of Morgan Stanley and Perella Weinberg confirmed to the PBG Board their respective financial analyses and opinions regarding the fairness of the proposed transaction to the unaffiliated stockholders of PBG, in each case as described above. The PBG Board, adopting the analysis of the PBG Special Committee:

- determined that the proposed transaction was advisable and in the best interests of PBG and its stockholders and substantively and procedurally fair to the unaffiliated security holders of PBG;

- adopted a resolution approving the merger agreement and declaring its advisability and determining that the proposed transaction is substantively and procedurally fair to the unaffiliated security holders of PBG;

- amended PBG s stockholder rights plan to render the rights thereunder inapplicable to the transactions contemplated by the merger agreement; and

- authorized PBG s management to execute and deliver the merger agreement and all other necessary documentation in connection with the transaction.

Following the PBG Special Committee meeting and PBG Board meeting, representatives of Cravath contacted representatives of Davis Polk to address the remaining issues in the PBG merger agreement. In addition, PepsiCo and PBG agreed to a termination fee equal to approximately 2.0% of the equity value of the merger. See The Merger Agreement Termination of the Merger Agreement and The Merger Agreement Termination Fees Payable By PBG beginning on pages 143 and 144, respectively, of this proxy statement/prospectus, and The Merger Agreement No Solicitation by PBG beginning on page 142 of this proxy statement/prospectus.

Following a PAS transactions committee meeting, representatives of Davis Polk and Briggs and Morgan and Sullivan & Cromwell addressed the remaining issues in the PAS merger agreement. In addition, PepsiCo and PAS agreed to a termination fee equal to approximately 2.0% of the equity value of the PAS merger. Revised versions of the draft PAS merger agreement reflecting the parties agreements were distributed to the parties, as well as to PBG. Also during this period, the parties finalized the parties disclosure schedules to the PAS merger agreement.

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After the closing of the trading market in New York on August 3, 2009, the board of directors of PepsiCo held a special telephonic meeting, at which PepsiCo s management and representatives of Centerview Partners, BofA Merrill Lynch and Davis Polk participated, to consider the potential transactions with PBG and PAS. Representatives of Centerview Partners provided an update on the background and process of the transactions. PepsiCo s senior management reviewed and discussed various financial aspects of the transactions, including estimated synergies, PepsiCo s due diligence investigation of PBG and PAS and the plan for financing the transactions. Also at this meeting, Centerview Partners and BofA Merrill Lynch reviewed with PepsiCo s board of directors its financial analysis of the merger consideration and the PAS merger consideration, and each of Centerview Partners and BofA Merrill Lynch delivered to PepsiCo s board of directors its respective oral opinion, each of which was confirmed by each of Centerview Partners and BofA Merrill Lynch by delivery of a written opinion dated August 3, 2009, to the effect that, as of that date and based on and subject to various assumptions and limitations described in its opinion, the merger consideration to be paid in the merger by PepsiCo to the Company s stockholders other than PepsiCo and its subsidiaries was fair, from a financial point of view, to ***PepsiCo***. See Opinion of PepsiCo s Financial Advisors beginning on page 87 of this proxy statement/prospectus. A representative of Davis Polk then reviewed the terms of the transactions and other matters related to their consideration of the transactions contemplated by the merger agreements. Following discussion, PepsiCo s board of directors voted to approve the merger agreements and the transactions contemplated by the merger agreements, including the mergers, and the assumption of additional indebtedness in connection with the mergers, and authorized PepsiCo s management to finalize and execute the merger agreements.

As of August 3, the financing commitment letter was executed by Bank of America, N.A., Citigroup Global Markets Inc. and certain of their affiliates and accepted by PepsiCo. See Financing of the Merger beginning on page 112 of this proxy statement/prospectus.

On the morning of August 4, 2009, PepsiCo, PBG and PAS issued a joint press release announcing the execution of the merger agreements. See The Merger Agreement beginning on page 127 of this proxy statement/prospectus.

On August 5, 2009, PepsiCo voluntarily dismissed with prejudice PepsiCo s complaint against PBG and certain members of its board of directors.

Recommendation of the PBG Special Committee and the PBG Board as to Fairness of the Merger

The PBG Special Committee

The PBG Board established a special committee consisting solely of independent directors to negotiate the terms of the merger on behalf of its unaffiliated stockholders with the assistance of independent legal and financial advisors. The PBG Special Committee, acting with the advice and assistance of independent legal and financial advisors, evaluated and negotiated the going private transaction, including the terms and conditions of the merger agreement, with PepsiCo. The PBG Special Committee unanimously resolved to recommend to the PBG Board that the board adopt a resolution approving the merger agreement and declaring that the merger agreement is advisable, substantively and procedurally fair to and in the best interests of PBG and the unaffiliated security holders of PBG.

In the course of reaching its determination and making the recommendation described above, the PBG Special Committee considered a number of factors, including the following:

- the PBG Special Committee s understanding of PBG and its business as well as its financial performance, results of operations and future prospects, which understanding contributed to the PBG Special Committee s determination as to fairness because it supported the PBG Special Committee s view that the merger consideration reflected, among other things, an appropriate valuation of PBG as a stand-alone business;

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the PBG Special Committee s understanding of, on the one hand, promising trends in the liquid refreshment beverage industry, including improving sales trends for carbonated soft drinks, continued commodity cost deflation, decreased volatility in foreign exchange rates, accelerating bottler consolidation and improvement in the industry correlated to overall economic trends, and, on the other hand, certain challenges facing the industry, including the increasing volatility of customer preferences for beverages, the increasing power and influence of certain retail customers, potential new tax and other legislation impacting the industry and the proliferation and diversification of new, competitive beverage products, which understanding contributed to the PBG Special Committee s determination as to fairness because it supported the PBG Special Committee s view that, although PBG s growth prospects remained strong, it faced external challenges in maintaining and growing earnings and accordingly the value certainty of a going-private transaction would be beneficial to PBG s unaffiliated security holders at this time;

the fact that the merger consideration, calculated with reference to the closing stock price of PepsiCo common stock of $56.75 at July 31, 2009, is at a 44.8% premium per share of PBG common stock to the last closing price of PBG common stock prior to the public announcement of PepsiCo s proposal on April 19, 2009 to acquire the outstanding shares of PBG s common stock that it did not already own at a value of $29.50, which contributed to the PBG Special Committee s determination as to fairness because it supported the PBG Special Committee s view that PBG s unaffiliated security holders would receive an appropriate premium for their shares in the going-private transaction (as compared to PBG s unaffected stock price);

the fact that the merger consideration, calculated with reference to the closing stock price of PepsiCo of $56.75 at July 31, 2009 represented an approximately 23.7% increase over the $29.50 value of PepsiCo s April 19, 2009 proposal per share of PBG common stock, which contributed to the PBG Special Committee s determination as to fairness because it supported the PBG Special Committee s view that the merger negotiations had resulted in increased value for PBG s unaffiliated security holders;

the PBG Special Committee s view, based on a range of synergy estimates developed by management and a leading global consulting firm, of the potential synergies available in connection with the merger and the PAS merger, which contributed to the PBG Special Committee s determination as to fairness because it supported the PBG Special Committee s view that the merger consideration payable to stockholders of PBG included an appropriate share of the total synergies value resulting from the merger and the PAS merger;

the opinions delivered orally (subsequently confirmed in writing) by each of Morgan Stanley and Perella Weinberg, each dated August 3, 2009, to the effect that, as of that date and based on and subject to the assumptions, limitations and qualifications set forth in their respective opinions, the consideration to be received by PBG s unaffiliated stockholders pursuant to the merger agreement was fair, from a financial point of view, to such stockholders, which contributed to the PBG Special Committee s determination as to fairness because it supported the PBG Special Committee s view that the price offered by PepsiCo was fair to PBG s unaffiliated security holders;

the long-term value of PBG common stock, which contributed to the PBG Special Committee s determination as to fairness because it supported the PBG Special Committee s view that the price offered by PepsiCo was fair in light of, among other things, such long-term value;

the merger agreement s inclusion of provisions allowing the PBG Board to consider unsolicited acquisition proposals, which contributed to the PBG Special Committee s determination as to fairness because it allowed the PBG Board to evaluate potentially superior third party proposals after the date on which the merger agreement was signed;

the cash-election feature of the merger agreement, which contributed to the PBG Special Committee s determination as to fairness because it allows PBG s stockholders to choose (subject to proration)

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- whether to participate financially in the potential risks and benefits associated with PepsiCo s common stock and its ability to execute on its business plans;

- the terms and conditions of the merger agreement, described under The Merger Agreement beginning on page 127 of this proxy statement/prospectus, which contains conditions to completion of the merger that the PBG Special Committee, after consulting with its legal counsel, considered to be reasonable, customary and reasonably likely to be satisfied in a timely manner, which the PBG Special Committee believed supported its determination;

- the fact that there is no financing contingency to the merger, which contributed to the PBG Special Committee s determination as to fairness because it increased the certainty of the value offered to PBG s unaffiliated security holders;

- the fact that the merger was not conditioned upon the completion of the PAS merger, as was the case with PepsiCo s April 19, 2009 proposal, which contributed to the PBG Special Committee s determination as to fairness because it increased the certainty of the value offered to PBG s unaffiliated security holders; and

- the likelihood, considering the terms of the merger agreement, PepsiCo s financial and capital resources and PepsiCo s incentives to complete the merger, that the merger would be completed, and completed in a reasonably prompt time frame, which contributed to the PBG Special Committee s determination as to fairness because it supported the PBG Special Committee s view that it increased the certainty of value and time value of the consideration offered to PBG s unaffiliated security holders.

The PBG Special Committee also considered a variety of risks and other potentially negative factors concerning the merger agreement and the transactions contemplated thereby, including the merger. These factors included:

- the merger agreement s stipulation that no more than an aggregate of 50% of the shares of PBG common stock held by PBG s unaffiliated stockholders will be converted into the right to receive PepsiCo common stock and no more than an aggregate of 50% of the shares of PBG common stock held by PBG s unaffiliated stockholders will be converted into the right to receive cash, and that the receipt of cash consideration may result in tax liability for certain PBG stockholders, which contributed to the PBG Special Committee s determination as to fairness because any individual PBG stockholder might not receive the aggregate consideration he or she elects and may be subject to tax liability;

- the fact that PBG s stockholders electing to receive PepsiCo common stock would constitute a relatively small percentage of equity ownership of PepsiCo, which contributed to the PBG Special Committee s determination as to fairness because such stockholders may not meaningfully participate in future synergies resulting from the merger;

- PepsiCo s commitment to vote or cause to be voted approximately 38.6% of the combined voting power of PBG common stock and PBG Class B common stock in favor of the merger, combined with the absence of a requirement that a majority of PBG s unaffiliated stockholders approve the merger agreement, which contributed to the PBG Special Committee s determination as to fairness because it increased the likelihood that the merger would be approved even if a significant number of PBG s unaffiliated security holders voted against it;

- the potential for disruptions to PBG s operations following the announcement of the merger, including potentially the loss of key employees as a result of the uncertainty over possible changes to PBG, which contributed to the PBG Special Committee s determination as to fairness because it increased the risk that PBG would be able to continue to execute on its current business plans in the event the merger were not consummated;

the fact that, while PBG expects the merger to be consummated, there can be no assurance that all conditions to the parties obligations to complete the merger agreement, including any necessary

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regulatory consents and approvals, will be satisfied such that the merger will be consummated, which contributed to the PBG Special Committee s determination as to fairness because it informed the PBG Special Committee s view as to the certainty of the value offered to PBG s unaffiliated security holders;

the merger agreement s covenants restricting the conduct of PBG s business, including, among other things, prohibitions on PBG s entry into certain new material contracts and new material lines of business as well as the issuance of new PBG securities, which contributed to the PBG Special Committee s determination as to fairness because it required PBG to comply with such covenants (and consequently had the potential to affect PBG s stand-alone performance) until the merger is consummated or abandoned; and

limitations on PBG s ability to obtain alternative offers from third parties to acquire PBG as a result of PBG s existing relationship with PepsiCo, including its ownership position in PBG, certain restrictions in its material commercial agreements with PBG, the termination fee payable by PBG, the fact that PepsiCo has a last look right with respect to superior proposals received by PBG, and PepsiCo s public statement that it would not support any such alternative transaction, which contributed to the PBG Special Committee s determination as to fairness because it caused the PBG Special Committee to conclude that it was unlikely, although possible, that an alternative transaction would be proposed by a third party.

This discussion of the information and factors considered by the PBG Special Committee in reaching its conclusions and recommendation includes all of the material factors considered by the PBG Special Committee, but is not intended to be exhaustive. In view of the wide variety of factors the PBG Special Committee considered in evaluating the merger agreement and the transactions contemplated thereby, including the merger, and the complexity of these matters, the PBG Special Committee did not find it practicable, and did not attempt, to quantify, rank or otherwise assign relative weight to the factors. In addition, different members of the PBG Special Committee may have given different weight to different factors.

In reaching its determination and making its recommendation, the PBG Special Committee did not consider the liquidation value of PBG to be a relevant valuation method because it considered PBG to be a viable going concern. The PBG Special Committee did not consider net book value to be a useful indicator of PBG s value because the PBG Special Committee believed that net book value is indicative of historical costs but is not a material indicator of the value of PBG as a going concern. In addition, the PBG Special Committee did not consider firm offers made by unaffiliated persons during the last two years, as no such offers were made during that time.

The PBG Special Committee believes that sufficient procedural safeguards were and are present to ensure the fairness of the merger and to permit the PBG Special Committee to represent effectively the interests of PBG s unaffiliated stockholders. These procedural safeguards include the following:

the PBG Special Committee s active negotiations, with the assistance of independent legal and financial advisors, with representatives of PepsiCo regarding the merger consideration and the other terms of the merger and the merger agreement, which contributed to the PBG Special Committee s determination as to fairness because the PBG Special Committee believed such active negotiations resulted in the transaction s terms being more beneficial to PBG s unaffiliated stockholders than those originally proposed by PepsiCo;

the merger agreement s requirement that (as provided in PBG s Bylaws) the merger be approved by a majority of the votes cast by holders of outstanding shares of PBG common stock entitled to vote, voting separately as a class (in addition to approval by 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), which contributed to the PBG Special Committee s determination as to fairness because the required class vote of PBG common stock (of which PepsiCo owns approximately 32%) provides for a vote on the merger in addition to the required vote of all outstanding shares of PBG common stock and PBG Class B common stock voting as a single class (of which PepsiCo owns approximately 38.6% of the voting power);

the fact that the PBG Special Committee is comprised of five independent directors who are not affiliated with PepsiCo and are not employees of PBG or any of its subsidiaries, which contributed to the PBG Special Committee s determination as to fairness because it believed such individuals could objectively evaluate the proposed transaction;

the fact that, other than their receipt of board and special committee fees (which are not contingent upon the consummation of the merger or the PBG Special Committee s recommendation of the merger), their indemnification and liability insurance rights under the merger agreement and their entitlement under the merger agreement to receive merger consideration in respect of their shares of PBG common stock and cash in respect of phantom stock units and restricted stock units, members of the PBG Special Committee do not have an interest in the merger different from that of PBG s unaffiliated stockholders, which contributed to the PBG Special Committee s determination as to fairness because it believed the compensation structure for the PBG Special Committee, as well as the absence of differing interests in the merger, did not interfere with the ability of the PBG Special Committee to objectively evaluate the transaction;

the fact that the PBG Special Committee received the advice and assistance of Morgan Stanley and Perella Weinberg, as financial advisors, and Cravath, as legal advisor, and requested and received from each of Morgan Stanley and Perella Weinberg an opinion, delivered orally and confirmed in writing on August 3, 2009, with respect to the fairness, from a financial point of view, of the merger consideration to be received by PBG s unaffiliated stockholders pursuant to the merger agreement, which the PBG Special Committee believed supported its conclusion that the price offered by PepsiCo was fair to PBG s unaffiliated security holders;

the recognition by the PBG Special Committee that it had no obligation to recommend the approval of the merger or any other transaction, which contributed to the PBG Special Committee s determination as to fairness because it believed that such recognition allowed the PBG Special Committee to objectively evaluate the transaction;

the recognition by the PBG Special Committee that, under the terms of the merger agreement, each of the PBG Special Committee and the PBG Board could consider and recommend superior proposals, which contributed to the PBG Special Committee s determination as to fairness because it supported the PBG Special Committee s view that the price offered by PepsiCo, a motivated buyer, would need to be high enough to mitigate the risk to PepsiCo that an alternative proposal could occur and be approved; and

the recognition by the PBG Special Committee that, under the terms of the merger agreement, it could recommend that the PBG Board, and the PBG Board could, withdraw, modify or qualify the recommendation of the merger and the merger agreement if the failure to so withdraw, modify or qualify would be inconsistent with the PBG Board s fiduciary duties under Delaware law, which contributed to the PBG Special Committee s determination as to fairness because it supported the PBG Special Committee s view that the PBG Board would be able to communicate to PBG s unaffiliated security holders its view regarding a transaction, and change such recommendation, in order that such security holders would be fully informed in making a voting decision with respect to the transaction.

In light of the procedural safeguards described above, the PBG Special Committee did not consider it necessary to retain an unaffiliated representative to act solely on behalf of PBG s unaffiliated stockholders for purposes of negotiating the terms of the merger agreement or preparing a report concerning the fairness of the merger agreement and the merger.

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The PBG Board

In reaching its determination that the merger agreement and the merger are substantively and procedurally fair and are advisable and in the best interests of the unaffiliated security holders of PBG, the PBG Board determined that the analysis of the PBG Special Committee that the merger consideration was substantively and procedurally fair to PBG s unaffiliated stockholders was reasonable and expressly adopted the conclusions and analyses of the PBG Special Committee. In determining the fairness of the transaction, the PBG Board considered and relied upon:

- the PBG Special Committee s process in considering the merger, which contributed to the PBG Board s determination as to fairness because it supported the PBG Board s view that the terms of the transaction recommended by the PBG Special Committee were a result of a procedurally fair process and an active negotiation between the PBG Special Committee and PepsiCo;

- the PBG Board and PBG Special Committee having received advice from Morgan Stanley, Perella Weinberg and Cravath, which contributed to the PBG Board s determination as to fairness because it supported the PBG Board s view that the price offered by PepsiCo was fair to PBG s unaffiliated security holders;

- the PBG Special Committee s August 3, 2009 recommendation, expressly adopted by the PBG Board, that the PBG Board determine that the merger agreement and the merger are advisable, substantively and procedurally fair to and in the best interests of PBG and the unaffiliated security holders of PBG and recommend that PBG s stockholders adopt the merger agreement and approve the transactions contemplated by the merger agreement, including the merger, which contributed to the PBG Board s determination as to fairness because the PBG Board had resolved not to approve or recommend a transaction in respect of the PepsiCo proposal without the affirmative recommendation of the PBG Special Committee;

- the long-term value of PBG common stock, which contributed to the PBG Board s determination as to fairness because it supported the PBG Board s view that the price offered by PepsiCo was fair in light of, among other things, such long-term value; and

- the factors referred to above as having been taken into account by the PBG Special Committee, including the amount of the merger consideration in general and in comparison to the last unaffected stock price and the original price proposed by PepsiCo, the terms of the merger agreement and the receipt by the PBG Board of the opinions of Morgan Stanley and Perella Weinberg, each dated August 3, 2009, to the effect that, as of the date and based upon and subject to the assumptions, limitations and qualifications set forth in their respective opinions, the merger consideration to be received by PBG s unaffiliated stockholders pursuant to the merger agreement was fair, from a financial point of view, to such stockholders.

The PBG Board also believes that sufficient procedural safeguards were present to ensure the fairness of the transaction and to permit the PBG Special Committee to represent effectively the interests of the unaffiliated security holders of PBG. The PBG Board reached this conclusion based on, among other things:

- the fact that the PBG Special Committee consisted solely of independent directors who are not affiliated with PepsiCo and its affiliates, which contributed to the PBG Board s determination as to fairness because the PBG Board believed these directors could objectively evaluate PepsiCo s proposal; and

- the fact that the negotiations that had taken place between representatives of PepsiCo, on the one hand, and the PBG Special Committee and its representatives, on the other hand, were structured and conducted so as to preserve the independence of the PBG Special Committee, which contributed to the PBG Board s determination as to fairness because it supported the PBG Board s view that the transaction was procedurally fair to PBG s unaffiliated security holders.

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The PBG Board also considered a variety of risks and other potentially negative factors concerning the merger agreement and the transactions contemplated thereby, including the merger. These factors included:

- the fact that PBG s stockholders electing to receive PepsiCo common stock will constitute a relatively small percentage of equity ownership of PepsiCo, which contributed to the PBG Board s determination as to fairness because such stockholders may not meaningfully participate in future synergies resulting from the merger;

- the fact that, due to PepsiCo s ownership position in PBG, certain restrictions in its material commercial agreements with PBG and its public statement that it would not support an alternative transaction, the PBG Board believed there was no reason to contact, and did not contact, third parties about a sale of PBG, which contributed to the PBG Board s determination as to fairness because it caused the PBG Board to conclude that it was unlikely, although possible, that an alternative transaction would be proposed by a third party;

- the fact that the merger agreement does not include as a requirement that the merger be approved by a majority of PBG s unaffiliated stockholders, which contributed to the PBG Board s determination as to fairness because it increased the likelihood that the merger would be approved even if a significant number of PBG s unaffiliated security holders voted against it; and

- the factors referred to above as having been taken into account by the PBG Special Committee, including the merger agreement s stipulation that no more than an aggregate of 50% of the shares of PBG common stock held by PBG s unaffiliated stockholders will be converted into the right to receive PepsiCo common stock and no more than an aggregate of 50% of the shares of PBG common stock not held by PBG s unaffiliated stockholders will be converted into the right to receive cash, the fact that PBG s stockholders electing to receive PepsiCo common stock may not meaningfully participate in future synergies resulting from the merger, the potential for disruptions to PBG s operations following the announcement of the merger, the fact that there can be no assurances that all conditions to the parties obligations to complete the merger agreement will be satisfied such that the merger will be consummated, the merger agreement s covenants restricting the conduct of PBG s business and limitations on PBG s ability to obtain alternative offers from third parties to acquire PBG.

In light of the procedural protections described above, the PBG Board did not consider it necessary to retain an unaffiliated representative (other than the PBG Special Committee and its legal and financial advisors) to act solely on behalf of PBG s unaffiliated stockholders for purposes of negotiating the terms of the merger agreement or preparing a report concerning the fairness of the merger agreement and the merger.

In view of the wide variety of factors considered by the PBG Board in evaluating the merger and the complexity of these matters, the directors did not find it practicable, and did not attempt, to quantify, rank or otherwise assign relative weight to those factors. In addition, different members of the PBG Board may have given different weight to different factors. To avoid any actual conflict of interest or the appearance of any conflict of interest, directors John C. Compton and Cynthia M. Trudell, both of whom are executive officers of PepsiCo, did not participate in any board deliberations relating to the merger agreement and the merger and abstained from voting on the approval of the merger agreement.

In reaching its determination as to the fairness of the transaction, the PBG board (and the PBG Special Committee) did not consider the price paid by PBG in previous purchases of PBG common stock in the prior two years, as more fully described on page 50 of this proxy statement/prospectus, except to the extent it considered historical market prices generally. All such purchases were at-the-market purchases pursuant to ongoing share buyback programs, and were thus reflected in the PBG Board s and the PBG Special Committee s consideration of the historical trading prices of PBG common stock discussed above.

In reaching its determination and making its recommendation, the PBG Board did not consider the liquidation value of PBG to be a relevant valuation method because it considered PBG to be a viable going concern. Furthermore, the PBG Board did not consider net book value to be a useful indicator of PBG s value because the PBG Board believed that net book value is primarily indicative of historical costs but is not a material indicator of the value of PBG as a going concern. The merger consideration, which as of August 3, 2009 had an equivalent price per share (based on 50%-50% cash-stock split of the merger consideration) of $36.32 per share, is approximately 350% greater that PBG s net book value per share of $7.95 on a non-fully diluted basis as of June 13, 2009. In addition, the PBG Board did not consider firm offers made by unaffiliated persons during the last two years, as no such offers were made during that time.

In connection with the consummation of the merger, certain of PBG s directors may receive benefits and compensation that may differ from the merger consideration you would receive. See Interests of Certain Persons in the Merger beginning on page 177 of this proxy statement/prospectus.

Based in part on the recommendation of the PBG Special Committee, the PBG Board, by the unanimous vote of the unaffiliated directors, recommends that PBG s stockholders vote FOR approval of the proposal to adopt the merger agreement. This recommendation was made after consideration of all the material factors, both positive and negative, as described above.

PepsiCo s Reasons for, and Purpose of, the Merger

The purpose of the merger is for PepsiCo to acquire the equity interest in PBG that it or its subsidiaries do not already own. In PepsiCo s view, the merger would combine PBG s bottling business with PepsiCo s franchise company and create a more fully-integrated supply chain and go-to-market business model, improving the effectiveness and efficiency of the distribution of the PepsiCo brands distributed by PBG and enhancing accelerated revenue growth of PepsiCo following completion of the merger. PepsiCo believes that the merger would create a leaner, more agile business model, provide a stronger foundation for the future growth of PepsiCo and allow PepsiCo to realize operational benefits and cost synergies primarily in North America including, among others, an ability to bring product and package innovation to market more quickly, more streamlined manufacturing and distribution systems, elimination of redundant general and administrative costs and public company costs, greater flexibility in how PepsiCo goes to market, by product and channel, improved national account coordination and a greater ability to react quickly to technological advances and to changes in the marketplace.

PepsiCo views the merger as an important one in light of the evolving changes in the operating environment of the industry largely in North America, including the emergence of new competitors and the development of non-carbonated drinks, which have different economics and different distribution systems than carbonated soft drinks. Upon completion of the merger and the related integration processes, PepsiCo would handle distribution of approximately 70% of its total North American beverage volume, including both its direct-store-delivery bottling system and other liquid refreshment beverage warehouse systems. Upon completion of the merger and the PAS merger and the related integration processes, PepsiCo would handle distribution of approximately 80% of its total North American beverage volume, including both its direct-store-delivery bottling system and other liquid refreshment beverage warehouse systems.

PepsiCo believes that it could realize significant synergies relating to reduction of redundant costs, achieving scale efficiencies and realizing new revenue opportunities as a result of the acquisition.

Position of PepsiCo and Metro Regarding Fairness of the Merger

The rules of the SEC require PepsiCo and Metro to express their belief as to the fairness of the merger to the unaffiliated stockholders of PBG. PepsiCo and Metro believe that the merger is both procedurally and substantively fair to such stockholders. PepsiCo and Metro base this belief on the following factors, each of which, in their judgment, supports their view as to the fairness of the merger:

as the merger consideration, PepsiCo will pay cash for 50% of the outstanding shares of PBG common stock not held by PepsiCo or any of its subsidiaries, and with respect to which appraisal rights have not

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been properly exercised and perfected under Delaware law, and issue 0.6432 shares of PepsiCo common stock (which had a value of $36.50 based on the PepsiCo common stock closing price of $56.75 on July 31, 2009) for each of the remaining 50% of the outstanding shares 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 Delaware law, to provide for an aggregate 50% cash/50% stock allocation. PepsiCo and Metro believe that this is relevant to the following factors supporting their view as to the fairness of the merger:

- the aggregate value of the merger consideration of $36.50 per share, as described above, represents a premium of:
  - 44.8% to the closing price of the shares of PBG common stock on April 17, 2009, the last trading day prior to the date of the announcement of 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;
  - 68.3% to the 30-day average closing prices of the shares of PBG common stock for the 30-day period prior to the date of the announcement of the April 19 proposal;
  - 48.4% to the closing price of the shares of PBG common stock on April 13, 2009, the last trading day one week prior to the date of the announcement of the April 19 proposal;
  - 86.3% to the closing price of the shares of PBG common stock on March 20, 2009, the last trading day one month prior to the date of the announcement of the April 19 proposal;
  - 8.6% to the closing price of the shares of PBG common stock on August 3, 2009, the last trading day prior to the date of the announcement of the merger, on August 4, 2009;
  - 9.1% to the 30-day average closing prices of the shares of PBG common stock for the 30-day period prior to the date of the announcement of the merger, on August 4, 2009;
  - 7.8% to the closing price of the shares of PBG common stock on July 28, 2009, the last trading day one week prior to the date of the announcement of the merger, on August 4, 2009; and
  - 7.1% to the closing price of the shares of PBG common stock on July 6, 2009, the last trading day one month prior to the date of the announcement of the merger, on August 4, 2009.

PepsiCo believes that these premiums support its view as to the fairness of the merger agreement and the merger because the implied value of the consideration payable in the merger represents what PepsiCo believes to be attractive premiums to the prices at which the PBG stock traded during the various periods or at the various dates described above, which include periods and dates not only prior to the public announcement of PepsiCo s initial proposal but also periods and dates during or at which the public was aware of PepsiCo s proposals.

PBG stockholders who receive all or part of the merger consideration in respect of their shares in the form of shares of PepsiCo common stock will be able to participate and share in the future earnings or growth of PepsiCo and its subsidiaries or benefit from increases, if any, in the value of PepsiCo and its subsidiaries, following completion of the merger, as well as following completion of the PAS merger, which Pepsico believes support its view as to the fairness of the merger agreement and the merger because (i) it will allow PBG stockholders to participate, subject to the cash election and proration procedures described in this proxy statement/prospectus, in such earnings, growth and increases through the date of the closing of the merger and (ii) it will allow certain PBG stockholders to participate, subject to the cash election and proration procedures described in this proxy statement/prospectus, in such earnings, growth and increases after the date of the closing on a basis that is potentially more tax-efficient than would be the case if such stockholders received cash in the merger and reinvested such cash in PepsiCo shares;

PBG stockholders unaffiliated with PepsiCo or Metro and who do not properly exercise and perfect appraisal rights with respect to their shares of PBG common stock may elect to receive the merger consideration for some or all of their shares of PBG common stock in the form of $36.50 in cash, if they do not wish to receive shares of PepsiCo common stock, subject to proration procedures. For those stockholders who receive merger consideration for their shares of PBG common stock in the form of cash, the merger, once completed, will move the risk of PBG s future financial performance away from public stockholders, who do not have the power to control decisions made with respect to PBG s business, to PepsiCo, who will have the power to control such decisions pursuant to the completion of the merger. This will eliminate the exposure of such stockholders to fluctuations in the market price of PBG common stock, particularly in the current economic environment, which PepsiCo believes supports its view as to the fairness of the merger; and

the merger is not subject to a financing condition, which limits the execution risk attached to the completion of the merger, subject to satisfaction of the conditions to the completion of the merger as described in this proxy statement/prospectus, and thus makes it more likely that the merger will be consummated promptly if PBG stockholders approve the merger, which PepsiCo believes supports its view as to the fairness of the merger.

In addition, PepsiCo and Metro believe that the merger is procedurally fair to the unaffiliated stockholders of PBG, based on the following factors:

vote for approval of the proposal to merger agreement requires the affirmative vote 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;

the PBG Board, by actions taken without the participation of the two directors affiliated with PepsiCo and after considering the unanimous recommendation of the PBG Special Committee (which is comprised entirely of independent directors and which reached its conclusion after consultation with independent legal and financial advisors) and the approval of the audit and affiliated transactions committee of PBG has approved and declared advisable the merger agreement, has determined that it and the merger are fair to and in the best interests of PBG and its unaffiliated stockholders, and has recommended that PBG stockholders vote for approval of the proposal to adopt the merger agreement; and

the PBG Special Committee requested and received from each of Morgan Stanley and Perella Weinberg an opinion, delivered orally and confirmed in writing on August 3, 2009, with respect to the fairness, from a financial point of view, of the merger consideration to be received by PBG s unaffiliated stockholders pursuant to the merger agreement.

PepsiCo believes that the process employed by the PBG Board and PBG Special Committee helped produce a transaction that is fair to the unaffiliated stockholders of PBG and accordingly PepsiCo believes this process supports its view as to the fairness of the merger.

PepsiCo and Metro also considered the following factors, each of which they considered to be negative in their considerations concerning the fairness of the terms of the transaction:

any PBG stockholders who receive merger consideration in the form of cash in exchange for all of their shares of PBG common stock will cease to participate in the future earnings or growth of PepsiCo and its subsidiaries or benefit from increases, if any, in the value of PepsiCo and its subsidiaries, following completion of the merger as well as following completion of the PAS merger;

as to the merger consideration, PepsiCo s and Metro s interests are adverse to the financial interests of PBG s stockholders unaffiliated with PepsiCo or Metro. In addition, as described under Interests of Certain Persons in the Merger, certain executive officers of PepsiCo may have actual or potential conflicts of interest in connection with the merger;

- the form of merger consideration received by stockholders unaffiliated with PepsiCo and Metro in exchange for their shares of PBG common stock cannot be guaranteed due to proration procedures. If proration procedures are applied as described elsewhere in this proxy statement/prospectus, PBG stockholders may not receive the form of merger consideration that they choose to receive in exchange for their shares of PBG common stock;

- there is a risk that conditions to the completion of the merger or the PAS merger may not be satisfied and, therefore, that either or both mergers may not be completed; and

- the approval of the proposal to adopt the merger agreement does not require the affirmative vote of a majority of only those PBG stockholders who are unaffiliated with PepsiCo or Metro.

PepsiCo and Metro did not find it practicable to assign, nor did either of them assign, relative weights to the individual factors considered in reaching their conclusion as to fairness.

In reaching their conclusion as to fairness, PepsiCo and Metro did not consider the liquidation value of PBG because they consider PBG to be a viable going concern and have no plans to liquidate PBG. The liquidation of PBG was not considered to be a viable course of action based on PepsiCo s and Metro s desire for PBG to continue to conduct its business following completion of the merger and remain an integral component of PepsiCo s overall strategy. Therefore, PepsiCo and Metro believe that the liquidation value of PBG is irrelevant to a determination as to whether the merger is fair to PBG stockholders unaffiliated with PepsiCo or Metro, and no appraisal of liquidation value was sought for purposes of valuing the PBG common stock.

Further, net book value, which is an accounting concept, was not considered as a factor because PepsiCo and Metro believe that net book value is not a material indicator of the value of PBG as a going concern but rather is primarily indicative of historical costs.

PepsiCo and Metro are not aware of any firm offers made by a third party to acquire PBG during the past two years and in any event neither PepsiCo nor Metro, nor any other subsidiary of PepsiCo, has any intention of selling or otherwise disposing of the shares of PBG common stock or PBG Class B common stock that are currently owned by it. Third-party offers were therefore not considered by PepsiCo or Metro in reaching their conclusion as to fairness.

The foregoing discussion of the information and factors considered and given weight by PepsiCo and Metro is not intended to be exhaustive, but includes the factors considered by PepsiCo and Metro that each believes to be material.

Effects of the Merger on PBG

As a result of the merger, PBG will merge with and into Metro. Metro will be the surviving corporation in the merger. After completion of the merger, the certificate of incorporation of Metro in effect as of the effective time of the merger will be the certificate of incorporation of the surviving corporation, and the bylaws of Metro in effect as of the effective time of the merger will be the bylaws of the surviving corporation. PepsiCo has agreed that it will cause to be maintained in effect provisions in the surviving corporation s certificate of incorporation and bylaws regarding elimination of liability of directors, indemnification of directors, officers and employees and advancement of expenses that are no less advantageous to the intended beneficiaries than the corresponding provisions in existence on the date of the merger agreement. See Interests of Certain Persons in the Merger Indemnification and Insurance beginning on page 183 of this proxy statement/prospectus.

Public Stockholders

Following completion and as a result of the merger, there will no longer be any publicly held shares of PBG common stock. Notwithstanding that certain PBG stockholders will receive all or a portion of the merger consideration in respect of their shares in the form of PepsiCo common stock, PBG s public stockholders will no

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longer have any direct interest in the surviving corporation. Those stockholders who receive all of the merger consideration in respect of their shares in the form of cash will not participate in the surviving corporation s future earnings and potential growth as a subsidiary of PepsiCo and will no longer bear the risk of any losses incurred in the operation of the surviving corporation s business as a subsidiary of PepsiCo or of any decreases in the value of that business. Those stockholders receiving shares of PepsiCo common stock as merger consideration for their shares of PBG common stock will only participate in the surviving corporation s future earnings and potential growth through their ownership of PepsiCo common stock. All of the other incidents of direct stock ownership in PBG, such as the right to vote on certain corporate decisions, to elect directors and to receive dividends and distributions from PBG will be extinguished upon completion of the merger.

Stock Exchange Delisting and Deregistration

As promptly as practicable following completion of the merger, Metro, as successor to PBG, will cause PBG s common stock to be delisted from the New York Stock Exchange and deregistered under the Exchange Act. Registration under the Exchange Act may be terminated upon application to the SEC if the shares of PBG s common stock are neither listed on a national securities exchange nor held by 300 or more holders of record. As a result of such deregistration, PBG will no longer be required to file reports with the SEC or otherwise be subject to the United States federal securities laws applicable to public companies.

Effect on Net Book Value and Net Earnings of PepsiCo

The table below sets forth the direct and indirect interest of PepsiCo and Metro in PBG s net book value and net earnings before and after the merger, based on the historical net book value of PBG as of, and the historical net earnings of PBG for, the year ended December 27, 2008.

	Ownership Prior to the Merger				Ownership After the Merger			
	Net Book Value		Earnings		Net Book Value		Earnings	
	$ (in millions)	%	$ (in millions)	%	$ (in millions)	%	$ (in millions)	%
PepsiCo	446	33.2	54	33.2	1,343	100	162	100
Metro	389	29.0	47	29.0	1,343	100	162	100

Plans for PBG

If the merger is completed, PBG will be merged with and into Metro, and Metro will be the surviving corporation. Following such completion PepsiCo currently expects that the surviving corporation s operations will be conducted as a dedicated bottling business within PepsiCo and that the surviving corporation s headquarters will initially be located in Westchester County, New York.

PepsiCo has reviewed and will continue to review various potential business strategies that it may consider in the event that the merger is completed. PepsiCo expects to continue to review PBG s assets, corporate structure, capitalization, operations, properties, policies, management and personnel to consider and determine what other changes, if any, would be appropriate or desirable. PepsiCo expressly reserves the right to make any changes that it deems necessary, appropriate or convenient in light of its review or future developments.

Pursuant to the terms of the merger agreement, PBG will merge with and into Metro, with Metro being the surviving company, and at the effective time of the merger the current officers and directors of Metro (all of whom are employees of PepsiCo) will be the officers and directors of the surviving company.

PepsiCo currently plans that at the closing of the mergers with PBG and PAS it will form a new operating unit that will be called PepsiCo Bottling North America, or PBNA. Eric J. Foss, current chairman and CEO of PBG, will become the CEO of PBNA, reporting directly to PepsiCo Chairman and CEO Indra Nooyi. PBNA will comprise all current PBG and PAS operations in the United States, Canada and Mexico, and will account for

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about three-quarters of the volume of PepsiCo s North American bottling system, with independent franchisees accounting for the rest. PBNA will be separate from PepsiCo s brand-oriented PepsiCo Americas Beverages (PAB) operating unit, which will continue to oversee independent bottlers and Gatorade and Tropicana operations. Current PBG and PAS operations in Europe and Russia will be managed by PepsiCo s Europe unit when the mergers are completed.

On December 8, 2009 PepsiCo announced that it had reached an agreement with Dr Pepper Snapple Group, Inc. (DPSG) to manufacture and distribute certain DPSG products following completion of the mergers. Under the terms of the agreement, DPSG will receive an upfront payment of $900 million payable upon closing of the mergers with PBG and PAS. In exchange, PepsiCo will be entitled to manufacture and distribute Dr Pepper and certain other DPSG products in the territories where they are currently distributed by PBG and PAS. The agreement between PepsiCo and DPSG, which will replace existing agreements PBG and PAS have with DPSG, will have an initial term of 20 years, with automatic 20 year renewals thereafter. In connection with its agreement with DPSG, PepsiCo agreed to treat as confidential certain DPSG information, including non-public information relating to DPSG concentrate pricing, marketing, promotional or media programs and information related to the introduction of new brands or line extensions provided by DPSG to PepsiCo. PepsiCo also agreed to certain procedures with respect to the treatment of such confidential information within PepsiCo.

Except as otherwise described in this proxy statement/prospectus, PepsiCo has no current plans or proposals or negotiations that relate to or would result in: (i) an extraordinary corporate transaction, such as a merger, reorganization or liquidation involving PBG or any of its subsidiaries; (ii) any purchase, sale or transfer of a material amount of assets of PBG or any of its subsidiaries; (iii) any material change in the indebtedness or capitalization of PBG; (iv) any change in the present board of directors or management of PBG, including, but not limited to, any plans or proposals to change the number or the term of directors and to fill any existing vacancies on the PBG Board or to change any material term of the employment contract of any executive officer; or (v) any other material change in PBG s corporate structure or business. See PepsiCo s Reasons for, and Purpose of, the Merger, The Merger Agreement Structure of the Merger and The PAS Merger beginning on pages 5 127 and 28, respectively, of this proxy statement/prospectus.

PepsiCo currently does not intend to declare any dividends on the shares of Metro common stock following completion of the merger, although it reserves the right to change Metro s dividend policy. PBG s existing dividend policy provides for the payment of quarterly cash dividends. See Summary Share Information and Dividends and Summary Comparative Stock Prices and Dividends beginning on pages 11 and 20, respectively, of this proxy statement/prospectus.

Certain PBG Forecasts

PBG generally does not make public financial forecasts as to future performance, earnings or other results beyond the current fiscal year, and PBG is especially cautious of making financial forecasts for extended periods due to the unpredictability of the underlying assumptions and estimates. However, PBG provided to its financial advisors certain non-public financial forecasts of PBG on a standalone basis (which are referred to in this proxy statement/prospectus as the PBG forecasts) that were prepared by management for internal planning purposes and not for public disclosure and that are subjective in many respects. PBG has included below a subset of these PBG forecasts to give PBG s stockholders access to certain non-public information that was furnished to and considered by PBG s financial advisors.

The PBG forecasts were not prepared with a view toward public disclosure, nor were they prepared with a view toward complying with the published guidelines of the SEC, the guidelines established by the American Institute of Certified Public Accountants with respect to prospective financial information or with generally accepted accounting principles, but, in the view of PBG s management, were prepared on a reasonable basis, reflect the best currently available estimates and judgments, and present, to the best of management s knowledge and belief, the expected course of action and the expected future financial performance of PBG. However, the PBG forecasts are not fact and should not be relied upon as being

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necessarily indicative of future results, and readers of this proxy statement/prospectus are cautioned not to place undue reliance on the PBG forecasts.

Neither PBG s independent auditors, nor any other independent accountants, have compiled, examined, or performed any procedures with respect to the PBG forecasts, nor have they expressed any opinion or any other form of assurance on such PBG forecasts or their achievability, and assume no responsibility for, and disclaim any association with, the PBG forecasts.

The PBG forecasts provided to PBG s financial advisors included 6-year base and upside projections of revenue and EBITDA, prepared by PBG s management in the first half of calendar year 2009. These projections of revenue and EBITDA assumed that PBG would continue its business generally as then conducted and that PBG would not take any extraordinary actions, such as dispositions of assets or properties or refinancing of indebtedness.

A chart summarizing fiscal years 2009 through 2014 of the PBG forecasts is set forth below.

Summary Internal Financial Forecast of PBG (in millions)

Forecast	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**
Revenue						
Base Case	$ 13,229	$ 13,661	$ 14,302	$ 15,015	$ 15,776	$ 16,574
Upside Case	$ 13,422	$ 14,058	$ 14,921	$ 15,874	$ 16,895	$ 17,974
EBITDA						
Base Case	$ 1,776	$ 1,866	$ 1,971	$ 2,071	$ 2,172	$ 2,280
Upside Case	$ 1,790	$ 1,923	$ 2,093	$ 2,263	$ 2,441	$ 2,634

The summary of these PBG forecasts is not being included in this proxy statement/prospectus to influence your decision whether to vote for the merger, but because these PBG forecasts were provided by PBG to PBG s financial advisors. These PBG forecasts were based on numerous variables and assumptions that are inherently uncertain and may be beyond the control of PBG s management. Important factors that may affect actual results and cause the internal financial forecasts to not be achieved include, but are not limited to, risks and uncertainties relating to PBG s business (including its ability to achieve strategic goals, objectives and targets over applicable periods), industry performance, the regulatory environment, general business and economic conditions and other factors described under Forward-Looking Statements beginning on page 119 of this proxy statement/prospectus. The PBG forecasts also reflect assumptions as to certain business decisions that are subject to change. As a result, actual results may differ materially from those contained in these PBG forecasts. Accordingly, there can be no assurance that the PBG forecasts will be realized.

The inclusion of these PBG forecasts in this proxy statement/prospectus should not be regarded as an indication that PBG or its affiliates, advisors or representatives considered the PBG forecasts to be predictive of actual future events, and the PBG forecasts should not be relied upon as such. Neither PBG or its affiliates, advisors or representatives can give you any assurance that actual results will not differ from these PBG forecasts, and none of them undertakes any obligation to update or otherwise revise or reconcile these PBG forecasts to reflect circumstances existing after the date the PBG forecasts were generated or to reflect the occurrence of future events even in the event that any or all of the assumptions underlying the PBG forecasts are shown to be in error. PBG does not intend to make publicly available any update or other revision to these PBG forecasts. Since the date of the PBG forecasts, PBG has made publicly available its actual results of operations for the quarter and 36 weeks ended September 5, 2009. You should review PBG s Quarterly Report on Form 10-Q for the quarter ended September 5, 2009 for this information. Neither PBG nor its affiliates, advisors or representatives has made or makes any representation to any stockholder or other person regarding PBG s ultimate performance compared to the information contained in these PBG forecasts or that forecasted results will be achieved. PBG has made no representation to PBG s financial advisors or PepsiCo, in the merger agreement or otherwise, concerning the PBG forecasts.

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Opinions of PBG s Financial Advisors

Opinion of Morgan Stanley

PBG retained Morgan Stanley to act as financial advisor in connection with the unsolicited bid by PepsiCo and the merger because of its qualifications, expertise, reputation and knowledge of the business and affairs of PBG. PBG also authorized Morgan Stanley to engage in negotiations on its behalf. In reaching its decision to retain Morgan Stanley, the PBG Board considered Morgan Stanley s credentials as a financial advisor as well as its prior relationship with PepsiCo and its provision of financial advisory and financing services to PepsiCo in connection with certain of PepsiCo s share repurchase programs and debt financing transactions, and determined that Morgan Stanley did not have any conflicts of interest such that it would be unable to act as an independent advisor on behalf of PBG in connection with the PepsiCo proposal. On August 3, 2009, Morgan Stanley rendered its oral opinion, which opinion was subsequently confirmed in a written opinion dated August 3, 2009, to PBG s special committee and board of directors, to the effect that as of such date and based upon and subject to the assumptions, qualifications and limitations set forth in the written opinion, the 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 PBG Special Committee and the PBG Board expressly adopted the conclusion and analyses of Morgan Stanley as set forth in such opinion. Based on their knowledge that no affiliate of PBG would have an interest in the merger different from, or in addition to, other security holders of PBG (other than PepsiCo and its affiliates) except for board and special committee fees (which are not contingent upon the consummation of the merger or the PBG Special Committee s recommendation of the merger), indemnification and liability insurance rights under the merger agreement, and the entitlement of such affiliates to receive the merger consideration in respect of their shares of PBG common stock and cash in respect of phantom stock units and restricted stock units, the PBG Board and the PBG Special Committee concluded that they could rely on Morgan Stanley s fairness opinion, which addressed the fairness of the merger to all stockholders of PBG (other than PepsiCo and its affiliates) in determining that the transaction was fair to all of PBG s unaffiliated security holders.

The full text of Morgan Stanley s written fairness opinion dated August 3, 2009, is attached as Appendix B to this proxy statement/prospectus and incorporated by reference herein. You should read the opinion in its entirety for a discussion of the assumptions made, procedures followed, factors considered and limitations upon the review undertaken by Morgan Stanley in rendering its opinion. This summary is qualified in its entirety by reference to the full text of such opinion. Morgan Stanley s opinion is directed to the PBG Board and the PBG Special Committee, 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 stockholders of PBG should vote at any stockholders meeting held in connection with the merger.

In arriving at its opinion, Morgan Stanley, among other things:

- reviewed certain publicly available financial statements and other business and financial information of PBG and PepsiCo, respectively;

- reviewed certain internal financial statements and other financial and operating data concerning PBG and PepsiCo prepared by the management of PBG and PepsiCo, respectively;

- reviewed the PBG forecasts (see Certain PBG Forecasts beginning on page 67 of this proxy statement/prospectus);

- reviewed information relating to certain strategic, financial and operational benefits anticipated from the merger, prepared by the management of PBG and PepsiCo, respectively;

- discussed the past and current operations and financial condition and the prospects of PBG and PepsiCo, including information relating to certain strategic, financial and operational benefits anticipated from the merger, with senior executives of PBG and PepsiCo, respectively;

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reviewed the pro forma impact of the merger on PepsiCo s earnings per share, cash flow, consolidated capitalization and financial ratios;

reviewed the reported prices and trading activity for the PBG common stock and PepsiCo common stock;

compared the financial performance of PBG and PepsiCo and the prices and trading activity of the PBG common stock and PepsiCo common stock with that of certain other publicly-traded companies comparable with PBG and PepsiCo, respectively, and their securities;

reviewed the financial terms, including, but not limited to, multiples and premiums paid of certain comparable acquisition transactions;

participated in discussions among representatives of PBG and PepsiCo and their financial and legal advisors;

reviewed the merger agreement and certain related documents; and

performed such other analyses and considered such other factors as Morgan Stanley deemed appropriate.

In arriving at its opinion, Morgan Stanley assumed and relied upon, without independent verification, the accuracy and completeness of the information that was publicly available or supplied or otherwise made available to Morgan Stanley by PBG and PepsiCo, and formed a substantial basis for its opinion. With respect to the PBG forecasts provided to Morgan Stanley by PBG, as well as information relating to certain strategic, financial and operational benefits anticipated from the merger provided to Morgan Stanley by PBG and PepsiCo, Morgan Stanley assumed that such projections and information had been reasonably prepared on bases reflecting the best currently available estimates and judgments of the respective managements of PBG and PepsiCo regarding the future financial performance of PBG and PepsiCo. In addition, Morgan Stanley assumed that there had not occurred any material change in the assets, financial condition, results of operations, business or prospects of PBG or PepsiCo since the respective dates of the most recent financial statements and other information, financial or otherwise, relating to PBG or PepsiCo, respectively, that were made available to Morgan Stanley. Furthermore, Morgan Stanley assumed that the merger will be consummated in accordance with the terms set forth in the merger agreement without any waiver, amendment or delay of any terms or conditions, including, among other things, that (1) the merger will be treated as a reorganization under the Internal Revenue Code of 1986, as amended (the Code) and (2) the aggregate consideration will consist substantially of 50% cash and 50% PepsiCo common stock. Morgan Stanley assumed that in connection with the receipt of all the necessary governmental, regulatory or other approvals and consents required for the merger, no delays, limitations, conditions or restrictions will be imposed that would have a material adverse effect on the contemplated benefits expected to be derived in the merger. Morgan Stanley is not a legal, tax or regulatory advisor. Morgan Stanley is a financial advisor only and relied upon, without independent verification, the assessment of PBG and PepsiCo and PBG s and PepsiCo s legal, tax or regulatory advisors with respect to legal, tax and regulatory matters. Morgan Stanley did not address in its opinion, (i) the fairness to, or any other consideration of, the holders of any class of securities (including holders of PBG Class B common stock), creditors or other constituencies of PBG, other than the holders of shares of PBG common stock (other than PepsiCo and its affiliates), (ii) the relative fairness of any portion of the consideration to holders of any series of PBG common stock or (iii) the fairness of the amount or nature of any compensation to be paid or payable to any of PBG s officers, directors or employees or PBG, or any class of such persons, relative to the consideration to be received by the holders of PBG common stock (other than PepsiCo and its affiliates) in the merger. Morgan Stanley did not make any independent valuation or appraisal of the assets or liabilities of PBG, nor was Morgan Stanley furnished with any such appraisals. Morgan Stanley s opinion was necessarily based on financial, economic, market and other conditions as in effect on, and the information made available to Morgan Stanley as of the date of the opinion. Events occurring after August 3, 2009 may affect Morgan Stanley s opinion and the assumptions used in preparing it, and Morgan Stanley did not assume any obligation to update, revise or reaffirm this opinion. Morgan Stanley s opinion was approved by a committee of Morgan Stanley investment banking and other professionals in accordance with its customary practice.

The following is a summary of the material financial analyses used by Morgan Stanley in connection with the provision of its opinion to the PBG Board and the PBG Special Committee. These valuation methodologies are means of calculating the value of PBG on a going concern basis. The financial analyses summarized below include information presented in tabular format. In order to fully understand the financial analyses used by Morgan Stanley, the tables must be read together with the text of each summary. The tables alone do not constitute a complete description of the financial analyses. Rather, the analyses listed in the tables and described below must be considered as a whole; considering any portion of such analyses and of the factors considered, without considering all analyses and factors, could create a misleading or incomplete view of the process underlying Morgan Stanley s fairness opinion. Each of the analyses excludes any synergies that might result from the merger.

PBG Unaffected Trading Range

Morgan Stanley reviewed the unaffected price performance of the PBG common stock for the last twelve months as of April 17, 2009, the last trading day prior to PepsiCo s initial public announcement of its proposal to acquire PBG. The unaffected trading range of PBG provides historical reference points with respect to the trading prices of PBG common stock prior to PepsiCo s initial public announcement of its proposal to acquire PBG and allowed Morgan Stanley to compare the unaffected historical share prices with the consideration offered by PepsiCo. Based on daily closing prices, the review indicated that the unaffected 52-week low of PBG common stock was $16.49 as of November 20, 2008 and the unaffected 52-week high of PBG common stock was $34.61 as of April 23, 2008.

In connection with its analysis, Morgan Stanley noted that the consideration to be received by the holders of shares of PBG common stock pursuant to the merger agreement was $36.50 in cash per share or 0.6432 shares of PepsiCo common stock per share (which as of July 31, 2009 had a value of $36.50 per share, calculated by multiplying 0.6432 by the closing price of PepsiCo common stock of $56.75 on that date) (subject to proration and other adjustments as set forth in the merger agreement).

PBG Comparable Trading Analysis

Morgan Stanley reviewed and compared, using publicly available information, certain current and historical financial information for PBG corresponding to current and historical financial information, ratios and public market multiples for other companies that share similar business characteristics with PBG. It was Morgan Stanley s judgment that Coca Cola Enterprises, Inc. (CCE) and PAS were the most directly comparable companies to PBG with respect to PBG s operations, products, size, geographical scope and historical trading characteristics. However, in Morgan Stanley s judgment, only CCE was sufficiently comparable for purposes of this analysis, as the trading history of PAS after April 17, 2009 was affected by the public announcement of the proposed acquisition of PAS by PepsiCo.

For purposes of this analysis, Morgan Stanley analyzed the following statistics of CCE for comparative purposes:

- The ratio of the aggregate value, defined as market capitalization plus total debt and minority interest less cash and cash equivalents, to estimated earnings before interest, taxes, depreciation and amortization (EBITDA) for calendar years 2009 and 2010; and

- The ratio of price to estimated earnings per share for calendar years 2009 and 2010.

The estimated EBITDA and earnings per share were provided by the Institutional Brokers Estimate System, referred to as IBES . IBES is a data service that compiles forward-looking financial estimates made by equity research analysts for U.S. publicly traded companies.

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The following table provides the estimated 2009 and 2010 EBITDA and earnings per share for PBG and CCE, as of July 31, 2009, based on the median of the equity research estimates, as provided by IBES:

PBG:	**2009**	**2010**
Estimated EBITDA (in millions)	$ 1,811	$ 1,870
Estimated Earnings Per Share	$ 2.40	$ 2.61
CCE:	**2009**	**2010**
Estimated EBITDA (in millions)	$ 2,613	$ 2,713
Estimated Earnings Per Share	$ 1.50	$ 1.67

The aggregate values of PBG and CCE as of July 31, 2009 were $14.2 billion and $17.7 billion, respectively.

Morgan Stanley applied the multiples based on CCE s trading performance to the relevant financial statistics of PBG shown above to calculate PBG s implied prices per share and then averaged the results for the two years. Based on the number of outstanding shares of PBG common stock, restricted stock units and stock options to acquire PBG common stock, Morgan Stanley estimated the implied value per share of PBG common stock as of July 31, 2009 as follows:

	Representative Multiple	**Implied Value Per Share**
Aggregate Value to Estimated EBITDA (average of calendar years 2009 and 2010)	2009: 6.8x, 2010: 6.6x	$26
Price to Estimated Earnings per Share (average of calendar years 2009 and 2010)	2009: 12.5x, 2010: 11.3x	$30

In connection with its analysis, Morgan Stanley noted that the consideration to be received by the holders of shares of PBG common stock pursuant to the merger agreement was $36.50 in cash per share or 0.6432 shares of PepsiCo common stock per share (which as of July 31, 2009 had a value of $36.50 per share, calculated by multiplying 0.6432 by the closing price of PepsiCo common stock of $56.75 on that date) (subject to proration other adjustments as set forth in the merger agreement).

CCE is not identical to PBG. In evaluating the comparable companies, Morgan Stanley made judgments and assumptions with regard to general business, market and financial conditions and other matters, which are beyond the control of PBG, such as the impact of competition on the business of PBG or the industry generally, industry growth and the absence of any material adverse change in the financial condition of PBG or the industry the financial markets in general, which could affect the public trading value of the companies.

PBG Discounted Future Equity Value Analysis

Morgan Stanley performed a discounted future equity value analysis, which is designed to provide insight into the present value of the future price of a company s common equity as a function of its future earnings per share and its current forward price-to-earnings multiples. Morgan Stanley calculated ranges of implied equity values per share for PBG, based on the median discounted equity values that were implied by equity research analysts estimates of 2011 earnings per share, as provided by IBES. In arriving at the estimated equity values per share of PBG s common stock, Morgan Stanley applied a 13.0x to 15.0x next twelve-month price-to-earnings multiple range to PBG s expected 2011 earnings per share as given by these equity research analysts, as provided by IBES, and discounted those values to present value at a discount rate of 10.0%. The 13.0x to 15.0x next twelve-month price-to-earnings multiple range was based on the seven year daily average of the next twelve-month price-to-earnings of PBG, PAS and CCE as of April 17, 2009 (equal to a range from 14.5x to 15.3x), the three year daily average of the next twelve-month price-to-earnings of PBG, PAS and CCE as of April 17, 2009 (equal to a range from 14.0x to 14.4x) and the daily average of the next twelve-month price-to-earnings of PBG, PAS and CCE for the period of September 15, 2008 (the first trading day after Lehman Brother s bankruptcy

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filing) through April 17, 2009 (equal to a range from 9.3x to 9.5x). The foregoing next twelve-month price-to-earnings estimates of PBG, PAS and CCE were provided by IBES. Morgan Stanley selected the 13.0x to 15.0x next twelve-month price-to-earnings multiple range based on the median historical next twelve-month price-to-earnings multiples, as provided by IBES, of PBG, PAS and CCE, which Morgan Stanley viewed as sharing similar characteristics with PBG with respect to operations, products, size, geographical scope and historical trading characteristics. Morgan Stanley derived the discount rate of 10.0% by applying the Capital Asset Pricing Model (CAPM) formula to calculate PBG s cost of equity. Based on the calculations set forth above, the analysis implied a value range for PBG s common stock of approximately $32 to $37 per share.

In connection with its analysis, Morgan Stanley noted that the consideration to be received by the holders of shares of PBG common stock pursuant to the merger agreement was $36.50 in cash per share or 0.6432 shares of PepsiCo common stock per share (which as of July 31, 2009 had a value of $36.50 per share, calculated by multiplying 0.6432 by the closing price of PepsiCo common stock of $56.75 on that date) (subject to proration other adjustments as set forth in the merger agreement).

PBG Precedent Transaction Analysis

Morgan Stanley reviewed and analyzed statistics for selected public non-alcoholic beverage and bottling sector transactions since 1999 with transaction values over $400 million. It was Morgan Stanley s judgment that a number of the selected transactions, which included PepsiCo, Coca-Cola or Dr. Pepper bottling franchises, were comparable to the proposed acquisition of PBG by PepsiCo due to the similarities amongst the businesses and the sectors involved. PBG also identified its own historical bottler transactions, undertaken since 2000, that were considered to be comparable to the proposed acquisition of PBG by PepsiCo due to the analogous nature of the bottler businesses acquired. Morgan Stanley reviewed and analyzed statistics for those transactions as well. The criteria set forth above were consistently applied, and Morgan Stanley did not exclude any transactions that fell within such criteria. The following list sets forth the selected transactions from both categories that Morgan Stanley reviewed in connection with this analysis:

Announcement Year	**Target**	**Acquiror**
2009	Better Beverages, Ltd. (Hallettsville, TX)	The Pepsi Bottling Group, Inc.
2009	Pepsi-Cola Bottlers for the Merrimack Valley, Inc.	The Pepsi Bottling Group, Inc.
2008	Lane Affiliated Companies, Inc.	The Pepsi Bottling Group, Inc.
2008	Pepsi-Cola Batavia Bottling Corporation (Batavia, NY)	The Pepsi Bottling Group, Inc.
2007	Coca-Cola Korea Bottling Co., Ltd.	LG Household & Health Care Ltd.
2007	Panamerican Beverages, Inc.	Coca-Cola FEMSA, S.A. de C.V.
2005	Pepsi-Cola Bottling Company of Charlotte, Inc.	The Pepsi Bottling Group, Inc.
2004	Seltzer & Rydholm, Inc. (Auburn, ME)	The Pepsi Bottling Group, Inc.
2003	Pepsi-Cola Buffalo Bottling Corp. (Buffalo, NY)	The Pepsi Bottling Group, Inc.
2003	Olean Bottling Works, Inc. (Olean, NY)	The Pepsi Bottling Group, Inc.
2002	Pepsi-Cola Bottling Co. of Macon (Macon, GA)	The Pepsi Bottling Group, Inc.
2002	Pepsi-Cola Bottling Co. of Aroostook, Inc. (Presque Isle, ME)	The Pepsi Bottling Group, Inc.
2002	Pepsi-Gemex, S.A. de C.V.	The Pepsi Bottling Group, Inc.
2001	Herb Coca-Cola	Coca-Cola Enterprises Inc.
2001	Nor-Cal Beverage Company, Inc. (Northern California)	The Pepsi Bottling Group, Inc.
2001	Pepsi-Cola Elmira Bottling Co., Inc. (Elmira, NY)	The Pepsi Bottling Group, Inc.
2000	PepsiAmericas, Inc.	Whitman Corp.
1999	Dr Pepper Bottling Company of Texas	Cadbury Schweppes plc and The Carlyle Group (The American Bottling Company)

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The following table summarizes Morgan Stanley s analysis:

Precedent Transaction Financial Statistic	Representative Multiple Range	Implied Value per Share
Aggregate Value to Last-Twelve- Month (as of June 30, 2009) EBITDA(1)	8.0x -10.0x	$ 34 - $50

(1) Based on the median of the estimate for EBITDA, as provided by IBES.

In connection with its analysis, Morgan Stanley noted that the consideration to be received by the holders of shares of PBG common stock pursuant to the merger agreement was $36.50 in cash per share or 0.6432 shares of PepsiCo common stock per share (which as of July 31, 2009 had a value of $36.50 per share, calculated by multiplying 0.6432 by the closing price of PepsiCo common stock of $56.75 on that date) (subject to proration other adjustments as set forth in the merger agreement).

No company or transaction utilized in the precedent transaction analysis is identical to PBG, PepsiCo or the merger. In evaluating the precedent transactions, Morgan Stanley made judgments and assumptions with regard to general business, market and financial conditions and other matters, which are beyond the control of PBG and PepsiCo, such as the impact of competition on the business of PBG, PepsiCo or the industry generally, industry growth and the absence of any material adverse change in the financial condition of PBG, PepsiCo or the industry or in the financial markets in general, which co

10,000

0.048

%

10,000

-

0.000

%

Gary & Sherkica McIntyre

0

10,000

0.048

%

10,000

-

0.000

%

George Ardrey

6

185,000

0.889

%

180,000

5,000

0.024

%
Golden Smith

1

40,000

0.192

%

30,000

10,000

0.048

%

22

Harris B. High	0	2,500	0.012%	2,500	-	0.000%
Henry B. Brown	0	115,000	0.553%	50,000	65,000	0.312%
Henry Gilmore, III	0	2,000	0.010%	2,000	-	0.000%
J.C. Cousar	1	30,000	0.144%	30,000	-	0.000%
James Horne	1	30,000	0.144%	30,000	-	0.000%
James L. King	2	60,000	0.288%	60,000	-	0.000%
James T. Vanderhall	1	30,000	0.144%	30,000	-	0.000%
Jane C. Bonds	1	30,000	0.144%	30,000	-	0.000%
Jane L. Hall	0	2,000	0.010%	2,000	-	0.000%
Janet L. Booker	0	10,000	0.048%	10,000	-	0.000%
Janie D. Wooten	1	30,000	0.144%	30,000	-	0.000%
Jefferson D. Smith	1	30,000	0.144%	30,000	-	0.000%
Jermaine Pitt	1	50,000	0.240%	50,000	-	0.000%
Jerry A. Jones	3	90,000	0.432%	90,000	-	0.000%
Joe W. Bowser	1	30,000	0.144%	30,000	-	0.000%
Joseph Green, Jr. (1)	1	205,000	0.985%	30,000	175,000	0.841%
Kara Goff	1	30,000	0.144%	30,000	-	0.000%
Karen A. Jarnagin	0	2,000	0.010%	2,000	-	0.000%
Katherine L. Skrobot	0	2,000	0.010%	2,000	-	0.000%
Kenneth Pinkney	1	30,000	0.144%	30,000	-	0.000%
Keva Walton	0	14,000	0.067%	14,000	-	0.000%
Kevin L. Brickus	0	12,000	0.058%	12,000	-	0.000%
Lester Shelton (Daystar Securities)	3	90,000	0.432%	90,000	-	0.000%
Lewis C. Dockery, III	0	4,000	0.019%	4,000	-	0.000%
Linda Hooker	1	30,000	0.144%	30,000	-	0.000%
Mark Brook	1	30,000	0.144%	30,000	-	0.000%
Martin & Carmen Torres	0	4,000	0.019%	4,000	-	0.000%
Marvin Bartee	1	50,000	0.240%	30,000	20,000	0.096%
Marvin Jordan	1	30,000	0.144%	30,000	-	0.000%
Mathew Jennings	1	30,000	0.144%	30,000	-	0.000%
Mathias Acha Fowung	0	10,000	0.048%	10,000	-	0.000%
M-M Investor (Peggy Smith)	0	20,000	0.096%	20,000	-	0.000%
Mrs. Megdalia M. Martinez	0	2,000	0.010%	2,000	-	0.000%
Norward Jackson	1	30,000	0.144%	30,000	-	0.000%
Pamela Ann Gardner	0	2,000	0.010%	2,000	-	0.000%
Phillip D. Rowe, Jr.	1	30,000	0.144%	30,000	-	0.000%
Prestina A. Williams	2	60,000	0.288%	60,000	-	0.000%
Prisca Achea Fowung	0	5,000	0.024%	5,000	-	0.000%
Richard A. Reif	0	2,500	0.012%	2,500	-	0.000%
Richard C. Forbis	0	4,000	0.019%	4,000	-	0.000%
Richard Hooker Jr.	1	30,000	0.144%	30,000	-	0.000%
Robert W. Bowlin	0	5,000	0.024%	5,000	-	0.000%
Roderick Curmmie	0	4,000	0.019%	4,000	-	0.000%
Roxon Flowers	0	2,000	0.010%	2,000	-	0.000%
Sandra L. Hamrick	0	2,000	0.010%	2,000	-	0.000%
Scott & Stringfellow (Calvin E. Murphy)	3	90,000	0.432%	90,000	-	0.000%
Scott E. Arrowood	1	60,000	0.288%	45,000	15,000	0.072%
Sean Seltzer	1	30,000	0.144%	30,000	-	0.000%
Sevone F. Rhynes	1	30,000	0.144%	30,000	-	0.000%
Shelley Blanks	0	10,000	0.048%	10,000	-	0.000%
Sonny Turner	1	30,000	0.144%	30,000	-	0.000%
Spurgeon W. Webber III	2	60,000	0.288%	60,000	-	0.000%
Terri Freeman	0	3,200	0.015%	3,200	-	0.000%
Terry Mack	2	60,000	0.288%	60,000	-	0.000%
Timothi Jordan	1	30,000	0.144%	30,000	-	0.000%

Tommy Steele	1	30,000	0.144%	30,000	-	0.000%
Toshia D. Moore	1	30,000	0.144%	30,000	-	0.000%
Travis Jackson	3	100,000	0.480%	90,000	10,000	0.048%
Twyla Cathion	0	4,000	0.019%	4,000	-	0.000%
Tyrone McRae	0	2,000	0.010%	2,000	-	0.000%
Urban Elite, Inc.(Shaeen Johnson)	2	60,000	0.288%	60,000	-	0.000%
Vernon A. Russell	1	30,000	0.144%	30,000	-	0.000%
Veronica R. Greene	0	20,000	0.096%	20,000	-	0.000%
Vincent Todd Franklin	1	30,000	0.144%	30,000	-	0.000%
Walter Alexander	1	30,000	0.144%	30,000	-	0.000%
Wendell Varner	1	30,000	0.144%	30,000	-	0.000%
Wendy A. Woods	0	2,000	0.010%	2,000	-	0.000%
William C. Scheppegrell	0	70,000	0.336%	45,000	25,000	0.120%
William Edward Freeman	2	60,000	0.288%	60,000	-	0.000%
William H Generally Jr.	1	30,000	0.144%	30,000	-	0.000%
William H. Johnson	0	2,000	0.010%	2,000	-	0.000%
William H. Little	0	6,000	0.029%	6,000	-	0.000%
William H. Little, JR.	0	2,000	0.010%	2,000	-	0.000%
William J Lawery	1	30,000	0.144%	30,000	-	0.000%
William T. Brown	2	60,000	0.288%	60,000	-	0.000%
Young Kook Kim	0	500,000	2.402%	260,000	240,000	1.153%

(1) Joseph Greene, Jr. is the brother-in-law of Officer and Director Garry Stevenson.

PLAN OF DISTRIBUTION

Distribution by Selling securityholders

We are registering the shares of our common stock covered by this prospectus for the selling securityholders. Each selling securityholder, the “selling securityholders,” of the common stock and any of their pledgees, assignees and successors-in-interest may, from time to time, sell any or all of their shares of common stock through the OTC Bulletin Board or any other stock exchange, market or trading facility on which the shares are traded or in private transactions. These sales may be at fixed or negotiated prices. A selling securityholder may use any one or more of the following methods when selling shares:

- ordinary brokerage transactions and transactions in which the broker-dealer solicits purchasers,
- block trades in which the broker-dealer will attempt to sell the shares as agent but may position and resell a portion of the block as principal to facilitate the transaction,
- purchases by a broker-dealer as principal and resale by the broker-dealer for its account,
- an exchange distribution in accordance with the rules of the applicable exchange,
- privately negotiated transactions,
- settlement of short sales entered into after the effective date of the registration statement of which this prospectus is a part,
- broker-dealers may agree with the selling securityholders to sell a specified number of such shares at a stipulated price per share,
- through the writing or settlement of options or other hedging transactions, whether through an options exchange or otherwise,

- o a combination of any such methods of sale, or
- o any other method permitted pursuant to applicable law.

The selling securityholders may also sell shares under Rule 144 under the Securities Act of 1933, if available, rather than under this prospectus.

Broker-dealers engaged by the selling securityholders may arrange for other brokers-dealers to participate in sales. Broker-dealers may receive commissions or discounts from the selling securityholders (or, if any broker-dealer acts as agent for the purchaser of shares, from the purchaser) in amounts to be negotiated, but, except as set forth in a supplement to this prospectus, in the case of an agency transaction not in excess of a customary brokerage commission in compliance with NASDR Rule 2440; and in the case of a principal transaction a markup or markdown in compliance with NASDR IM-2440.

In connection with the sale of the common stock or interests therein, the selling securityholders may enter into hedging transactions with broker-dealers or other financial institutions, which may in turn engage in short sales of the common stock in the course of hedging the positions they assume. The selling securityholders may also sell shares of the common stock short and deliver these securities to close out their short positions, or loan or pledge the common stock to broker-dealers that in turn may sell these securities. The selling securityholders may also enter into option or other transactions with broker-dealers or other financial institutions or the creation of one or more derivative securities which require the delivery to such broker-dealer or other financial institution of shares offered by this prospectus, which shares such broker-dealer or other financial institution may resell pursuant to this prospectus (as supplemented or amended to reflect such transaction).

The selling securityholders and any broker-dealers or agents that are involved in selling the shares will be considered “underwriters” within the meaning of the Securities Act in connection with such sales. In such event, any commissions received by such broker-dealers or agents and any profit on the resale of the shares purchased by them may be deemed to be underwriting commissions or discounts under the Securities Act. Each selling securityholder has informed us that it does not have any written or oral agreement or understanding, directly or indirectly, with any person to distribute the common stock. In no event shall any broker-dealer receive fees, commissions and markups which, in the aggregate, would exceed eight percent (8%).

Because selling securityholders will be considered “underwriters” within the meaning of the Securities Act, they will be subject to the prospectus delivery requirements of the Securities Act including Rule 172 thereunder. In addition, any securities covered by this prospectus which qualify for sale pursuant to Rule 144 under the Securities Act may be sold under Rule 144 rather than under this prospectus. There is no underwriter or coordinating broker acting in connection with the proposed sale of the shares by the selling securityholders.

We agreed to keep this prospectus effective until the earlier of (i) the date on which the shares may be resold by the selling securityholders without registration and without regard to any volume limitations by reason of Rule 144(k) under the Securities Act or any other rule of similar effect or (ii) all of the shares have been sold pursuant to this prospectus or Rule 144 under the Securities Act or any other rule of similar effect. The shares will be sold only through registered or licensed brokers or dealers if required under applicable state securities laws. In addition, in certain states, the shares may not be sold unless they have been registered or qualified for sale in the applicable state or an exemption from the registration or qualification requirement is available and is complied with.

Under applicable rules and regulations under the Securities Exchange Act of 1934, any person engaged in the distribution of the shares may not simultaneously engage in market making activities with respect to the common stock for the applicable restricted period, as defined in Regulation M, prior to the commencement of the distribution. In addition, the selling securityholders will be subject to applicable provisions of the Exchange Act and the rules and regulations thereunder, including Regulation M, which may limit the timing of purchases and sales of shares of the common stock by the selling securityholders or any other person. We will make copies of this prospectus available to the selling securityholders and have informed them of the need to deliver a copy of this prospectus to each purchaser at or prior to the time of the sale (including by compliance with Rule 172 under the Securities Act).

We are required to pay certain fees and expenses incurred by us incident to the registration of the shares. We have agreed to indemnify the selling securityholders against certain losses, claims, damages and liabilities, including liabilities under the Securities Act.

The selling securityholders may offer all of the shares of common stock for sale. Further, because it is possible that a significant number of shares could be sold at the same time under this prospectus, such sales, or that possibility, may have a depressive effect on the market price of our common stock. We cannot assure you, however, that any of the selling securityholders will sell any or all of the shares of common stock they may offer.

Description of Securities

The Company's authorized capital consists of 65,000,000 shares of Common Stock and 10,000,000 shares of convertible preferred shares, each with par value $.001. We have issued 18,811,700 shares of Common Stock, which are currently outstanding and no preferred shares. Upon completion of the Offering and the exercise of all warrants, 20,811,700 shares of Common Stock will be issued and outstanding.

Common Stock

Holders of our common stock are entitled to one vote for each share on all matters submitted to a stockholder vote. Our stockholders may not cumulate their votes. Except as otherwise required by applicable law, the holders of shares of Common Stock shall vote together as one class on all matters submitted to a vote of stockholders of the Corporation (or, if any holders of shares of Preferred Stock are entitled to vote together with the holders of Common Stock, as a single class with such holders of shares of Preferred Stock). Holders of common stock are entitled to share in all dividends that the board of directors, in its discretion, declares from legally available funds. Each share of Common Stock shall be entitled to the same rights and privileges as every other share of Common Stock.

Holders of our common stock have no conversion, preemptive or other subscription rights, and there are no redemption provisions applicable to our common stock. The Common Stock shall be subject to the express terms of the Preferred Stock and any series of Preferred stock.

In the event of any voluntary or involuntary liquidation, distribution or winding up of the Corporation, after distribution in full of preferential amounts to the holders of shares of Preferred Stock, the common stockholders will be entitled to receive all of the remaining assets of the Corporation. Each stockholder is entitled to a ratable distribution in proportion to the number of shares of Common Stock held by them. The Common Stock shall be subject to the express terms of the Preferred Stock and any series thereof. Each share of Common Stock shall be equal to every other share of Common Stock, except as otherwise provided herein or required by law.

Subject to the preferential and other dividend rights applicable to Preferred Stock, holders of Common Stock shall be entitled to such dividends and other distributions in cash, stock or property of the Corporation as may be declared thereon by the Board of Directors from time to time out of assets or funds of the Corporation legally available therefore. All dividends and distributions on the Common Stock payable in stock of the Corporation shall be made in shares of Common Stock.

Preferred Stock

Under Nevada law, we have authorized up to a total of 10,000,000 preferred shares "blank check" preferred stock. Nevada law permits broad discretion is determining the rights and preferences of blank check preferred stock. Our board of directors is authorized, without further stockholder approval, to issue blank check preferred shares from time-to-time in one or more series, convertible to common stock at a ratio of ten shares of common stock. As of the date of this private placement memorandum, there are no outstanding shares of preferred stock. The Board of Directors may confer voting rights on the preferred stock which shall have priority over the voting rights of common stock. The votes of the class of Preferred Stockholders may be weighted more heavily than the votes of the common stock class.

The Board of Directors is authorized to cause preferred shares to be issued in one or more classes or series and with may designate preferences with respect to each such class or series. Each class or series may have designations, powers, preferences and rights with respect to the shares of each such series as well as qualifications, limitations or restrictions.

Subject to certain limitations prescribed by law and the rights and preferences of the preferred stock. Each new series of preferred stock may have different rights and preferences that may be established by our board of directors. We may offer preferred stock to our officers, directors, holders of 5% or more of any class of our securities, or similar parties except on the same terms as the preferred stock is offered to all other existing or new stockholders.

The Board may determine the rights and preferences of future series of preferred stock such as:

- o Shares;
- o Dividends;
- o Conversion rights to common stock or other securities;
- o Voting rights;
- o Preferential payments upon liquidation;
- o Establishment of reserves for preferred payments; and
- o Redemption prices to be paid upon redemption of the preferred stock.

Redeemable Common Stock Purchase Warrants – Class A and Class B

General

In the, 2005 offering, we sold 100 Units. Each unit contained 10,000 redeemable Class A common stock purchase warrants and 10,000 redeemable Class B common stock purchase warrants. Each redeemable Class A Common Stock purchase warrant entitles the holder to purchase one share of our Common Stock at an exercise price per share of $0.65. Each redeemable Class B Common Stock purchase warrant entitles the holder to purchase one share of our Common Stock at an exercise price per share of $0.90. Unless noted otherwise, both the Class A and Class B Common Stock purchase warrants will be referred to as the “Warrant or Warrants.”

There will be 1,000,000 Class A warrants and 1,000,000 Class B warrants outstanding. The warrants will expire eighteen months after the date of their registration The Warrant certificate provides that the warrant exercise price may be adjusted for certain events. These events include changes in our capitalization, like a stock split, stock dividend or the like.

Exercise

Exercise of the warrants may occur only if an appropriate registration statement is then in effect with the Securities and Exchange Commission and if the underlying shares of common stock may be lawfully issued under the securities laws of the state or jurisdiction in which the holder resides.

Our warrants may be exercised by delivering to our transfer agent the applicable certificate on or prior to the expiration date or the redemption date. The reverse side of the certificate must be properly executed and accompanied by the full exercise price for each warrant being exercised. Warrants may only be exercised to purchase whole shares.

Exercise Price and Adjustments of Exercise Price

The exercise price of the outstanding Class A warrants is $0.65, so the Company would receive $650,000 if all Class A warrants are exercised. The exercise price of the outstanding Class B warrants is $0.90, so the Company would receive $900,000 if all Class A warrants are exercised.

The exercise price of our Warrants may be adjusted to reflect changes in our capitalization. The exercise price will be appropriately adjusted in the event of:

- o a capital reorganization or reclassification of the common stock;
- o if we consolidate with, or merge into, or sell our property to another corporation (other than a consolidation or merger that does not result in any reclassification or change of the outstanding common stock);
- o stock split; or
- o reverse stock split.

This adjustment of the exercise price will also result in an adjustment of shares issuable upon exercise of the Warrant. The exercise price will be proportionately reduced or increased upon the effectiveness of the change.

Redemption of Warrants

We have the right to redeem the common stock purchase warrants for $0.05 per warrant under certain conditions. The Company’s right to redeem the warrants begins beginning six months after the date of this private placement memorandum We may redeem if the closing price of our common stock exceeds 110% of the exercise price of the warrants for five consecutive trading sessions ending on the two days prior to the day on which notice of redemption is given. If we give notice of redemption, holders of our redeemable Class A and/or Class B Common Stock purchase warrants will be forced to sell or exercise the Warrants they hold or accept the redemption price.

The Company must give the Warrant holders 30 days advance notice by registered or certified mail. The notice must be sent to the Warrant holder’s last known addresses maintained by the Company’s transfer agent. No other notice is required. If we redeem the Warrants, they will still be exercisable through the close of business on the last business day before the redemption date. On the redemption date the holders of record of redeemed Warrants shall be entitled to payment of the redemption price upon surrender of such redeemed Warrants to the Company at the office of the warrant agent designated for that purpose.

On the redemption date, the Company shall cause the warrant agent to pay the redemption price to the holders of record of redeemed Warrants. Upon payment of the redemption price, the redeemed Warrants and all rights of the Warrant holders under the Warrants shall terminate.

Fractional shares will not be issued upon exercise of our Warrants.

Registration Rights

We have granted no registration rights except as registered under this prospectus..

Transfer Agent and Registrar

The Company will initially act as its own transfer agent and registrar for its shares of Common Stock. The Company expects to engage Transfer Online, Inc., a transfer agent in Portland, Oregon after the conclusion of this offering.

Limitations of Liability and Indemnification

Our articles of incorporation provide that we will indemnify any person who is or was a director, officer, employee, agent or fiduciary of our company to the fullest extent permitted by applicable law. Nevada law permits a Nevada corporation to indemnify its directors, officers, employees and agents against liabilities and expenses they may incur in such capacities in connection with any proceeding in which they may be involved, if (i) such director or officer is not liable to the corporation or its stockholders due to the fact that his or her acts or omissions constituted a breach of his or her fiduciary duties as a director or officer and the breach of those duties involved intentional misconduct, fraud or a knowing violation of law, or (ii) he or she acted in good faith and in a manner reasonably believed to be in or not opposed to our best interests, or that with respect to any criminal action or proceeding, he or she had no reasonable cause to believe that his or her conduct was unlawful.

In addition, our bylaws include provisions to indemnify our officers and directors and other persons against expenses, judgments, fines and amounts paid in settlement actually and reasonably incurred in connection with the action, suit or proceeding against such persons by reason of serving or having served as officers, directors, or in other capacities, if such person either is not liable pursuant to Nevada Revised Statutes 78.138 or acted in good faith and in a manner such person reasonably believed to be in or not opposed to the best interests of our company, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction or upon a plea of nolo contendre or its equivalent will not, of itself, create a presumption that the person is liable pursuant to Nevada Revised Statutes 78.138 or did not act in good faith and in a manner which such person reasonably believed to be in or not opposed to the best interests of our company and, with respect to any criminal action or proceeding, had reasonable cause to believe that such person's conduct was unlawful.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the small business issuer pursuant to the foregoing provisions, or otherwise, we have been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in such Act and is, therefore, unenforceable.

There are no provisions in our articles of incorporation or bylaws that would delay, defer or prevent a change or control.

LEGAL MATTERS

Charles W. Barkley, our counsel, will pass upon the validity of the shares of common stock offered in this prospectus. Mr. Barkley owns 330,000 restricted shares of our common stock which are not being registered in this offering.

EXPERTS

The financial statements included in this prospectus have been audited by Greg Lamb, independent registered public accountants to the extent and for the periods set forth in their report appearing elsewhere herein and are included in reliance upon such report given upon the authority of that firm as experts in auditing and accounting.

FINANCIAL INFORMATION

INDEPENDENT AUDITORS REPORT

GREG LAMB, CPA
6409 Viking Trail
Arlington, TX 76001

The Board of Directors and Shareholders of
Revolutionary Concepts, Inc.

We have audited the accompanying balance sheet of Revolutionary Concepts, Inc. as of December 31, 2006 and December 31, 2007 and the related statements of loss, shareholders' deficiency and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accountability Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2006 and December 31, 2007 and the results of its operations and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. The Company has suffered recurring losses, negative cash flows from operations and has a net working capital deficiency, factors which raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regards to these matters are described in note 1. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Greg Lamb, CPA

March 26, 2008

REVOLUTIONARY CONCEPTS, INC.
(A Development Stage Company)

BALANCE SHEET
Years Ended December 31, 2007 and 2006
Three Months Ended March 31, 2008 and 2007

		(Audited) Years Ended December 31, 2007	December 31, 2006	(Unaudited) Three Months Ended March 31 2008	March 31 2007
ASSETS					
Current Assets					
Cash and Cash Equivalernts		19,070	-	1,229	12,325
Loans to Shareholders		107,396	125,731	86,230	88,235
Total Current Assets	$	126,466	125,731	87,459	100,560
Fixed Assets					
Accumulated Depreciation		(6,049)	(3,861)	(6,049)	(3,861)
Computer		11,331	8,344	11,331	9,031
Total Fixed Assets		5,282	4,483	5,282	5,170
Other Assets					
Accumulated Amortization		(18,454)	(11,400)	(18,454)	(11,400)
Securty Deposts		1,500	1,500	1,500	1,500
Organizational Costs		3,070	3,070	3,070	3,070
Patent Costs		62,305	39,539	71,806	49,540
Reasearch and Development Costs		242,615	240,665	242,615	235,664
Total Other Assets		291,036	273,374	300,537	278,374
TOTAL ASSETS	$	422,784	403,588	393,278	384,104
LIABILITIES AND STOCKHOLDERS' EQUITY					
Current Liabilities					
Accounts Payable		83,643	91,990	83,143	91,751
Total Current Liabilities	$	83,643	91,990	83,143	91,751
Stockholders's Equity					
Preferred Stock 10,000,000 shares authorized, none issued Common Stock, .001 par value, 18,811,700 shares issued and outstanding, 65,000,000 authorized		18,812	17,856	18,812	17,856
Paid in Capital		1,215,538	738,644	1,215,538	738,644
Deficit accumulated during the development stage		(895,209)	(444,902)	(924,215)	(464,147)
		339,141	311,598	310,135	292,353
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$	422,784	403,588	393,278	384,104

See notes to financial statements.

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REVOLUTIONARY CONCEPTS, INC.
(A Development Stage Company)

STATEMENT OF INCOME (LOSS)
Year Ended December 31, 2007, 2006 and
the Three Months Ended March 31, 2008 and 2007

	(Audited) Years Ended December 31, 2007	December 31, 2006	(Unaudited) Three Months Ended March 31, 2008	March 31, 2007
OPERATING EXPENSES				
Automobile Expense	13,822	-	-	-
Bank Charges	1,130	1,164	423	113
Depreciation and Amortization Expense	9,242	8,885	-	-
Interest Expense	266	99	6	261
License and Permits	-	228	-	-
Office Expense	10,308	-	-	-
Office Supplies	6,635	963	59	142
Payroll taxes	9,418	-	-	-
Printing and Reproduction	2,052	1,891	294	539
Professional Development	243,066	-	-	10,000
Professional Fees	143,240	17,535	26,192	6,250
Product Research and Development	-	-	-	-
Taxes	-	517	3	-
Telephone Expense	3,778	3,158	375	350
Travel Expense	6,686	23,106	2,227	2,597
Website Development	2,700	-	-	-
Other Expenses	4,160	196	492	315
	$ 456,503	$ 57,742	30,071	20,567
OTHER INCOME				
Interest	6,196	7,020	1,065	1,322
NET (LOSS)	$ (450,307)	$ (50,722)	(29,006)	(19,245)
Weighted number of shares outstanding	17,626,925	17,232,000	17,626,925	17,232,000
(Loss) per weighted number of shares Outstanding	(0.0255)	(0.0029)	(0.0016)	(0.0011)

See notes to financial statements.

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REVOLUTIONARY CONCEPTS, INC.
(A Development Stage Company)

STATEMENTS OF STOCKHOLDERS' ACCUMULATED DEFICIT for the Years Ended December 31, 2004, 2005, 2006, 2007 and Quarter Ended March 31, 2008

	Number of Shares	Par Value	Paid in Capital	Accumulated (Deficit)	Total
BALANCE MARCH 12, 2004	10,000	1	32,499	(3,991)	28,509
(Date of Inception)					
Contributed Capital			99,500		99,500
Net (Loss)				(86,084)	(86,084)
BALANCE DECEMBER 31, 2004	10,000	$ 1	131,999	$ (90,075)	41,925
Shares issued after redomicile	15,990,000	15,999			15,999
Shares issued for services	1,000,000	1,000	99,000		100,000
Private Placement Memorandum	850,000	850	455,151		456,001
Net (Loss)				(304,105)	(304,105)
BALANCE DECEMBER 31, 2005 (Audited)	17,850,000	$ 17,850	686,150	$ (394,180)	309,820
Private Placement Memorandum	6,000	6	52,494		52,500
Net (Loss)				(50,722)	(50,722)
BALANCE DECEMBER 31, 2006 (Audited)	17,856,000	$ 17,856	738,644	$ (444,902)	311,598
Private Placement Memorandum	642,200	642	320,458		321,100
Shares for services	313,500	314	156,436		156,750
Net (Loss)				(450,307)	(450,307)
BALANCE DECEMBER 31, 2007 (Audited)	18,811,700	$ 18,812	1,215,538	$ (895,209)	339,141
Net (Loss)				(29,006)	(29,006)
BALANCE MARCH 31, 2008 (Unaudited)	18,811,700	$ 18,812	1,215,538	$ (924,215)	310,135

See notes to financial statements.

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REVOLUTIONARY CONCEPTS, INC.
(A Development Stage Company)

STATEMENTS OF CASH FLOWS
Years Ended December 31, 2007, 2006 and the Quarters ended March 31, 2008 and 2007

	(Audited) Years Ended		(Unaudited) Three Months Ended	
	December 31, 2007	December 31, 2006	Mach 31. 2008	Mach 31. 2007
CASH FLOWS FROM OPERATING ACTIVITIES				
Net Income (Loss)	(450,307)	(50,722)	(29,006)	(19,245)
Adjustments to reconcile net loss to net cash from operating activities:				
Depreciation and Amortization	9,242	8,885	-	-
(Increase) Decrease in Loans to Shareholders	18,335	26,496	21,166	37,497
(Increase) in Equipment	(2,987)	(2,992)	-	(687)
(Increase) in Security deposits	-	-	-	-
(Increase) in Organizational costs	-	-	-	-
(Increase) in Patent costs	(22,766)	(10,000)	(9,501)	(10,000)
(Increase) in Research and development costs	(1,950)	(26,500)	-	5,000
Increase in (Decrease) Accounts payable	(8,347)	(1,761)	(500)	(240)
NET CASH USED BY OPERATING ACTIVITIES	(458,780)	(56,594)	(17,841)	12,325
CASH FLOWS FROM FINANCING ACTIVITIES				
Increase in Common Stock	956	6	-	-
Increase in Paid in Capital	476,894	52,494	-	-
NET CASH PROVIDED BY FINANCING ACTIVITIES	477,850	52,500	-	-
NET (DECREASE) IN CASH	19,070	(4,094)	(17,841)	12,325
CASH BALANCE BEGINNING OF PERIOD	-	4,094	19,070	0
CASH BALANCE END OF PERIOD	19,070	-	1,229	12,325
SUPPLEMENTAL DISCLOSURES				
Interest paid	266	99	6	261

See notes to financial statements.

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REVOLUTIONARY CONCEPTS, INC.

(A Development Stage Company)

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of operations - Revolutionary Concepts, Inc. (the “Company”) was originally organized in North Carolina on March 12, 2004. On February 28, 2005 the company was reorganized and re-domiciled as a Nevada corporation. The Company is in the product development stage. Recently, the company completed the initial development of a working prototype of the Eyetalk Communicator (“EYETALK”). This technology has many applications. The EYETALK specifically provides wireless technology that offers consumers an opportunity to interact with visitors to their front door. This is initiated through a doorbell or a motion sensor, which sets off a series of events that result in a phone call to the consumer who then can interact with the visitor through both video and audio. This same wireless technology could also be made portable so that you could see a child’s sporting event or school play even when you not present. The Company is also exploring other applications for the technology. The company may need to raise additional capital to further develop the EYETALK and to begin the commercialization of the EYETALK technology. They have obtained a patent on certain key components of the technology.

Basis of presentation - These financial statements have been prepared in conformity with generally accepted accounting principles in the United States of America and have been consistently applied in the preparation of the financial statements on a going concern basis, which assumes the realization of assets and the discharge of liabilities in the normal course of operations for the foreseeable future. The Company maintains its financial records on an accrual method of accounting. The Company’s ability to continue as a going concern is dependent upon continued ability to obtain financing to repay its current obligations and fund working capital until it is able to achieve profitable operations. The Company will seek to obtain capital from equity financing through the exercise of warrants and through future common share private placements. The Company may also seek debt financing, if available. Management hopes to realize sufficient sales in future years to achieve profitable operations. There can be no assurance that the Company will be able to raise sufficient debt or equity capital on satisfactory terms. If management is unsuccessful in obtaining financing or achieving profitable operations, the Company may be required to cease operations. The outcome of these matters cannot be predicted at this time. These financial statements do not give effect to any adjustments which could be necessary should the Company be unable to continue as a going concern and, therefore, be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts differing from those reflected in the financial statements.

Revenue recognition - The Company will recognize sales revenue at the time of delivery when ownership has transferred to the customer, when evidence of a payment arrangement exists and the sales proceeds are determinable and collectable. Provisions will be recorded for product returns based on historical experience. To date, the Company’s revenue is primarily comprised of interest income.

Options and warrants issued - The Company allocates the proceeds received from equity financing and the attached options and warrants issued, based on their relative fair values, at the time of issuance. The amount allocated to the options and warrants is recorded as additional paid in capital.

Stock-based compensation - The Company will account for its employee stock based compensation arrangements in accordance with the provisions of Accounting Principles Board (“APB”) Opinion No. 25. “Accounting for Stock Issued to Employees”, and related interpretations. As such, compensation expense for stock options, common stock and other equity instruments issued to non-employees for services received will be based upon the fair value of the equity instruments issued, as the services are provided and the securities earned. SFAS No. 123, “Accounting for Stock-Based Compensation”, requires entities that continue to apply the provisions of APB Opinion No. 25 for transactions with employees to provide pro forma net earnings (loss) and pro forma earnings (loss) per share disclosures for employee stock option grants as if the fair-value-based method defined in SFAS No. 123 had been applied to these transactions. For the period from inception (March 12, 2004) to December 31, 2007, no stock options were committed to be issued to employees.

REVOLUTIONARY CONCEPTS, INC.

(A Development Stage Company)

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income taxes – Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss carry forwards that are available to be carried forward to future years for tax purposes. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. When it is not considered to be more likely than not that a deferred tax asset will be realized, a valuation allowance is provided for the excess. Although the Company has significant loss carry forwards available to reduce future income for tax purposes, no amount has been reflected on the balance sheet for deferred income taxes as any deferred tax asset has been fully offset by a valuation allowance.

Loss per share – Basic loss per share has been calculated using the weighted average number of common shares issued and outstanding during the year.

Use of Estimates - The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make certain estimates and assumptions, where applicable, that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. While actual results could differ from those estimates, management does not expect such variances, if any, to have a material effect on the financial statements.

Research and Development Costs - *Research* is planned search or critical investigation aimed at discovery of new knowledge with the hope that such knowledge will be useful in developing a new product or service or a new process or technique or in bringing about a significant improvement to an existing product or process. Development is the translation of research findings or other knowledge into a plan or design for a new product or process or for a significant improvement to an existing product or process whether intended for sale or use. It includes the conceptual formulation, design, and testing of product alternatives, construction of prototypes, and operation of pilot plants. It does not include routine or periodic alterations to existing products, production lines, manufacturing processes, and other on-going operations even though those alterations may represent improvements and it does not include market research or market testing activities. Elements of costs shall be identified with research and development activities as follows: The costs of materials and equipment or facilities that are acquired or constructed for research and development activities and that have alternative future uses shall be capitalized as tangible assets when acquired or constructed. The cost of such materials consumed in research and development activities and the depreciation of such equipment or facilities used in those activities are research and development costs. However, the costs of materials, equipment, or facilities that are acquired or constructed for a particular research and development project and that have no alternative future uses and therefore no separate economic values are research and development costs at the time the costs are incurred. Salaries, wages, and other related costs of personnel engaged in research and development activities shall be included in research and development costs. The costs of contract services performed by others in connection with the research and development activities of an enterprise, including research and development conducted by others in behalf of the enterprise, shall be included in research and development costs.

REVOLUTIONARY CONCEPTS, INC.

(A Development Stage Company)

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Depreciation – is computed using the straight-line method over the assets' expected useful lives.

Amortization – Deferred charges are amortized using the straight-line method over six years.

NOTE 2 – ACCOUNTING PRONOUNCEMENTS

SFAS No. 7, Accounting and Reporting by Development Stage Enterprises, establishes guidelines for identifying companies in the development stage and specifies the standards of financial accounting and reporting that apply to those companies. In December 2004, the Financial Accounting Standards Board ("FASB") issued SFAS No. 123R, "Share-Based Payment" ("SFAS 123R"). SFAS 123R revises FASB Statement No. 123 "Accounting for Stock-Based Compensation" and supersedes APB Opinion No. 25 "Accounting for Stock Issued to Employees." SFAS 123R requires all public and non-public companies to measure and recognize compensation expense for all stock-based payments for services received at the grant-date fair value, with the cost recognized over the vesting period (or the requisite service period). SFAS 123R is effective for small business issuers for all interim periods beginning after December 15, 2005. The adoption of SFAS 123R did not have a material impact on the Company's financial statements or results of operations.

SFAS No. 123R permits public companies to adopt its requirements using one of two methods. A "modified prospective" method in which compensation cost is recognized beginning with the effective date (a) based on the requirements of SFAS 123R for all share-based payments granted after the effective date and (b) based on the requirements of SFAS No. 123 for all awards granted to employees prior to the effective date of SFAS No. 123R that remain unvested on the effective date. A "modified retrospective" method which includes the requirements of the modified prospective method described above, but also permits entities to restate based on the amounts previously recognized under SFAS No. 123 for purposes of pro forma disclosures either (a) all prior periods presented or (b) prior interim periods of the year of adoption. The Company has yet to determine which method to use in adopting SFAS 123R.

In November 2004, the FASB issued SFAS No. 151 "Inventory Costs - an amendment of ARB No. 43, Chapter 4" ("SFAS 151"). This statement amends the guidance in ARB No. 43, Chapter 4, "Inventory Pricing" to clarify the accounting for abnormal amounts of idle facility expense, freight, handling costs, and wasted material (spoilage). SFAS 151 requires that those items be recognized as current-period charges. In addition, this Statement requires that allocation of fixed production overheads to costs of conversion be based upon the normal capacity of the production facilities. The provisions of SFAS 151 are effective for fiscal years beginning after June 15, 2005. As such, the Company has adopted these provisions, if any, at the beginning of the fiscal year 2006.

In December 2004, the FASB issued SFAS No. 153, "Exchanges of Non-monetary Assets - an amendment of APB Opinion No. 29" ("SFAS 153"). SFAS 153 replaces the exception from fair value measurement in APB Opinion No. 29 for non-monetary exchanges of similar productive assets with a general exception from fair value measurement for exchanges of non-monetary assets that do not have commercial substance. A non-monetary exchange has commercial substance if the future cash flows of the entity are expected to change significantly as a result of the exchange. SFAS 153 is effective for all interim periods beginning after June 15, 2005. The adoption of SFAS 153 did not have a material impact on the Company's financial statements or results of operations.

In May 2005, the FASB issued SFAS No. 154, "Accounting Changes and Error Corrections - a replacement of APB Opinion No. 20 and FASB Statement No. 3" ("SFAS 154"). SFAS 154 changes the requirements for the accounting for and reporting of a change in accounting principle. These requirements apply to all voluntary changes and changes required by an accounting pronouncement in the unusual instance that the pronouncement does not include specific transition provisions. SFAS 154 is effective for fiscal years beginning after December 15, 2005. As such, the Company has adopted these provisions, if any, at the beginning of the fiscal year ended December 31, 2006.

REVOLUTIONARY CONCEPTS, INC.

(A Development Stage Company)

NOTES TO FINANCIAL STATEMENTS

NOTE 2 – ACCOUNTING PRONOUNCEMENTS continued

In February 2006, the FASB issued SFAS No. 155, "Accounting for Certain Hybrid Financial Instruments--an amendment of FASB Statements No. 133 and 140" ("SFAS 155"). This Statement amends FASB Statements No. 133, "Accounting for Derivative Instruments and Hedging Activities", and No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities". This Statement resolves issues addressed in Statement 133 Implementation Issue No. D1, "Application of Statement 133 to Beneficial Interests in Securitized Financial Assets". This Statement permits fair value re-measurement for any hybrid financial instrument that contains an embedded derivative that otherwise would require bifurcation, clarifies which interest-only strips and principal-only strips are not subject to the requirements of Statement 133,

establishes a requirement to evaluate interests in securitized financial assets to identify interests that are freestanding derivatives or that are hybrid financial instruments that contain an embedded derivative requiring bifurcation, clarifies that concentrations of credit risk in the form of subordination are not embedded derivatives and amends Statement 140 to eliminate the prohibition on a qualifying special-purpose entity from holding a derivative financial instrument that pertains to a beneficial interest other than another derivative financial instrument. SFAS 155 is effective for all financial instruments acquired or issued for the Company for fiscal year begins after September 15, 2006. The adoption of this standard is not expected to have a material effect on the Company's results of operations or financial position

NOTE 2 – ACCOUNTING PRONOUNCEMENTS continued

NOTE 3 – RELATED PARTY TRANSACTIONS

The Board of Directors have authorized the officers of the company to receive advances from the company for the foreseeable future, in lieu of taking compensation, under terms of promissory notes bearing 5% interest, beginning January 1, 2006. As of December 31, 2006 and 2007 the advances totaled $125,731 and $107,396, respectively.

NOTE 4 – ACCOUNTS PAYABLE

Accounts payable consist of the following:	12/31/06	12/31/07
Professional fees	$ 12,000	$ 9,125
Accrued payroll taxes	-	9,418
Overdraft	1,239	-
Legal fees	8,751	10,100
Consulting fees	70,000	55,000
	$ 91,990	$ 83,643

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REVOLUTIONARY CONCEPTS, INC.

(A Development Stage Company)

NOTES TO FINANCIAL STATEMENTS

NOTE 5 – COMITMENTS AND CONTENGINCIES

Liabilities for loss contingencies, arising from claims, assessments, litigation, fines and penalties and other sources are recorded when it is probable that a liability has been incurred and the amount of the assessment and/or remediation can be reasonably estimated. Recoveries from third parties, which are probable of realization are separately recorded, and are not offset against the related liability, in accordance with FASB No. 39, "Offsetting of Amounts Related to Certain Contracts." The Company is the plaintiff in a lawsuit seeking damages against the law firm retained to file for "EYETALK" product patent.

The Company alleges professional malpractice by a patent agent, professional malpractice by attorneys, failure to supervise a non-attorney employee, respondent

NOTE 5 – COMITMENTS AND CONTENGINCIES continued

superior, misappropriation of funds and breach of contract. The outcome of this lawsuit cannot be determined at this time and attorneys fees associated with the lawsuit are contingent upon a successful outcome in this case.

NOTE 6 – CAPITAL FINANCING

The Company, though a Private Placement Memorandum ("PPM") dated April 24, 2007, has raised additional capital of $321,100. The PPM offered 642,200 shares of common stock at a price of $.50 per share. Expenses of this offering, $18,000, were paid from the proceeds and included legal and accounting expenses, filling fees, printing costs and other offering costs. No commission, discount, finder's fee or other similar remuneration or compensation was paid, directly or indirectly to any person for soliciting any prospective purchaser. This was a non-contingent offering and there was no minimum number of shares required to be sold, except the minimum of $1,000 (2,000 shares) per purchaser was required to accredited investors.

NOTE 7 – ITELLECTUAL PROPERTY

The patent no. US 7,193644 B2, for the prototype was successfully obtained on March 20, 2007. In accordance with FASB 86, the Company has established a technological feasibility date on July 21, 2004, the date that Phase I was delivered and presented. The software development costs have been analyzed and it has been determined that all software development costs were incurred subsequent to the feasibility date. The useful life of capitalized software costs has been assumed to be 5 years. Total software development costs were $32,200 and the appropriate minimum amortization has been taken, also in accordance with FASB 86.

NOTE 8 – COMMON STOCK SHARES FOR SERVICES

In January 2005, the Company issued one million shares of common stock for professional, legal and consulting fees. This transaction was recorded in accordance with FASB 123R at $.10 per share. These initial shares for services were issued before the Company raised any capital by private offering and was therefore valued at the value of services provided. In the year ending December 31, 2007, the Company issued 313,500 shares of common stock for professional services. These transactions were also recorded in accordance with FASB 123R at $.50 per share based on the value indicated from the shares sold in recent private placement memorandum.

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

Item 23. Changes in and Disagreements with Accountants on Accounting and Financial Issues.

There have not been any disagreements with the auditor on any audit or accounting issues.

Item 24. Indemnification of Directors and Officers.

Our articles of incorporation provide that we will indemnify any person who is or was a director, officer, employee, agent or fiduciary of our company to the fullest extent permitted by applicable law. Nevada law permits a Nevada corporation to indemnify its directors, officers, employees and agents against liabilities and expenses they may incur in such capacities in connection with any proceeding in which they may be involved, if (i) such director or officer is not liable to the corporation or its stockholders due to the fact that his or her acts or omissions constituted a breach of his or her fiduciary duties as a director or officer and the breach of those duties involved intentional misconduct, fraud or a knowing violation of law, or (ii) he or she acted in good faith and in a manner reasonably believed to be in or not opposed to the best interests of our company, or that with respect to any criminal action or proceeding, he or she had no reasonable cause to believe that his or her conduct was unlawful.

In addition, our bylaws include provisions to indemnify its officers and directors and other persons against expenses, judgments, fines and amounts paid in settlement actually and reasonably incurred in connection with the action, suit or proceeding against such persons by reason of serving or having served as officers, directors, or in other capacities, if such person either is not liable pursuant to Nevada Revised Statutes 78.138 or acted in good faith and in a manner such person reasonably believed to be in or not opposed to the best interests of our company, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction or upon a plea of nolo contendre or its equivalent will not, of itself, create a presumption that the person is liable pursuant to Nevada Revised Statutes 78.138 or did not act in good faith and in a manner which such person reasonably believed to be in or not opposed to the best interests of our company and, with respect to any criminal action or proceeding, had reasonable cause to believe that such person's conduct was unlawful.

Item 25. Other Expenses of Issuance and Distribution.

Registration Fees*	$	179
Federal Taxes		—
State Taxes		—
Legal Fees and Expenses		30,000
Transfer Agent and Printing		5,000
Blue Sky Fees		5,000
Accounting Fees and Expenses		5-,000
Miscellaneous (1)		7,500
Total	$	62,679

* Estimated Figures
(1) Includes costs for Edgar filings and all other costs anticipated.

Item 26. Recent Sales of Unregistered Securities.

In February, 2005, we agreed to issue 670,000 shares of restricted common stock to Sedgefield Capital Corporation, for consulting services and 330,000 shares of restricted common stock to Charles Barkley, our securities counsel, to partially defray the costs of attorney's fees.

2005 Private Placement

In March 2005, RCI commenced a private offering in which we sold securities to 72 accredited investors in the form of 100 units, each consisting of 10,000 shares of common stock; 10,000 Class A Warrants, and 10,000 Class B Warrants (the "2005 Offering"). The units were sold at a price of $5,000 per unit and the offering was completed in March, 2006. We received total consideration of $500,000, which were used to pay our consultants and to complete the prototype and patenting of the remote network camera video system.

Each Class A warrant is exercisable for one share of common stock at an exercise price of $0.65 per share, and each Class B warrant is exercisable for one share of common stock at an exercise price of $0.90 per share. Each 2005 Warrant will be exercisable for eighteen months after the date of their registration, unless extended or redeemed. The exercise price and number of shares of common stock underlying the 2005 Warrants is subject to adjustment on certain events, including reverse stock splits, stock dividends and recapitalizations, combinations, and mergers. We must at all times reserve and keep available, solely for issuance and delivery upon the exercise of the 2005 Warrants, such shares of common stock underlying the 2005 Warrants, as from time to time shall be issuable upon the exercise of the 2005 Warrants.

The common stock, warrants and common stock issuable upon exercise of the warrants have not been registered under the Securities Act, and were issued and sold in reliance upon the exemption from registration contained in Section 4(2) of the Securities Act and Regulation D promulgated thereunder, which exempt transactions by an issuer not involving any public offering. The issuance of the shares was undertaken without general solicitation or advertising. Each purchaser of the shares represented in the purchase agreement, among other things, that (a) it was an “accredited investor”, as defined in Regulation D promulgated under the Securities Act of 1933, (b) it had obtained sufficient information from us to evaluate the merits and risks of an investment in the shares of our common stock and (c) it was acquiring the shares of our common stock for investment purposes and not with a view to any public resale or other distribution in violation of the Securities Act of 1933 or the securities laws of any state. In addition, the stock certificate representing these shares contained a legend that they are restricted securities under the Securities Act of 1933. These securities may not be offered or sold in the United States in the absence of an effective registration statement or exemption from the registration requirements under the Securities Act.

2007 Private Placement

In April 2007, we commenced a private offering under Regulation D in which we sold 642,200 shares of restricted common stock for $0.50 per share to 63 accredited investors, which was completed in October, 2007. We received total consideration of $321,100, a portion of which is expected to be used to fund the costs of this offering.

Other Consultants

In 2005 the Company entered into marketing and public relations agreement with Red Moon Marketing, Inc. and NexCom, both of Charlotte, North Carolina. company paid $83,580.10 to NexCom along with 56,000 shares of restricted common stock and $50,000 to Red Moon and 87,500 sharers of restricted common stock. These agreements ended as of December 31, 2007.

We also entered into an agreement with JDSL to provide research and technical support in the presentation of the Eyetalk. We have paid JDSL $40,000 cash and 120,000 shares of restricted common stock. Beginning in January 2008, our agreement with JDSL is fee based only.

We believe these were private placements within the meaning of the rules and regulations under the Securities Act. Each purchaser of the shares represented in the purchase agreement, among other things, that (a) it was an “accredited investor”, as defined in Regulation D promulgated under the Securities Act of 1933, (b) it had obtained sufficient information from us to evaluate the merits and risks of an investment in the shares of our common stock and (c) it was acquiring the shares of our common stock for investment purposes and not with a view to any public resale or other distribution in violation of the Securities Act of 1933 or the securities laws of any state. In addition, the stock certificate representing these shares contained a legend that they are restricted securities under the Securities Act of 1933. These securities may not be offered or sold in the United States in the absence of an effective registration statement or exemption from the registration requirements under the Securities Act.

Item 27. Exhibits.

The following is a list of Exhibits filed as part of this registration statement:

Exhibit No.	Description of Exhibit
3.1	Articles of Incorporation
3.2	Bylaws
4.1	Form of Stock Certificate
4.2	Form of Class A Warrant Certificate
4.3	Form of Class B Warrant Certificate
4.4	Warrant Agreement
5.1	Legal Opinion*
10.1	Agreement with Absolutely New
10.2	Agreement with Dr. Jones
10.3	Agreement with Tillman Wright
10.4	Agreement with JDSL
10.7	Consulting Agreement with Sedgefield Capital
10.8	Additional Services Agreement with Sedgefield Capital
14.1	Code of Ethics
23.1	Consent of Charles Barkley, Attorney (Included in exhibit 5)
23.2	Consent of Greg Lamb, CPA *
99.2	US Patent

· Filed herewith

Item 28. Undertakings.

(a) The undersigned small business issuer hereby undertakes to:

(1) File, during any period in which it offers and sells securities, a post-effective amendment to this prospectus to:

(i) Include any prospectus required by section 10(a)(3) of the Securities Act;

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(ii) Reflect in the prospectus any facts or events which, individually or together, represent a fundamental change in the information in the registration statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than a 20% change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective registration statement;

(iii) Include any additional or changed material information on the plan of distribution.

(2) For determining liability under the Securities Act, treat each post-effective amendment as a new registration statement of the securities offered, and the offering of the securities at that time to be the initial *bona fide* offering.

(3) File a post-effective amendment to remove from registration any of the securities that remain unsold at the end of the offering.

(4) For determining liability of the undersigned small business issuer under the Securities Act to any purchaser in the initial distribution of the securities, the undersigned small business issuer undertakes that in a primary offering of securities of the undersigned small business issuer pursuant to this registration statement, regardless of the underwriting method used to sell the securities to the purchaser, if the securities are offered or sold to such purchaser by means of any of the following communications, the undersigned small business issuer will be a seller to the purchaser and will be considered to offer or sell such securities to such purchaser:

(i) Any preliminary prospectus or prospectus of the undersigned small business issuer relating to the offering required to be filed pursuant to Rule 424;

(ii) Any free writing prospectus relating to the offering prepared by or on behalf of the undersigned small business issuer or used or referred to by the undersigned small business issuer;

(iii) The portion of any other free writing prospectus relating to the offering containing material information about the undersigned small business issuer or its securities provided by or on behalf of the undersigned small business issuer; and

(iv) Any other communication that is an offer in the offering made by the undersigned small business issuer to the purchaser.

(b) Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the small business issuer pursuant to the foregoing provisions, or otherwise, the small business issuer has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable.

(c) Each prospectus filed pursuant to Rule 424(b) as part of a registration statement relating to an offering, other than registration statements relying on Rule 430B or other than prospectuses filed in reliance on Rule 430A, shall be deemed to be part of and included in the registration statement as of the date it is first used after effectiveness. Provided, however, that no statement made in a registration statement or prospectus that is part of the registration statement or made in a document incorporated or deemed incorporated by reference into the registration statement or prospectus that is part of the registration statement will, as to a purchaser with a time of contract of sale prior to such first use, supersede or modify any statement that was made in the registration statement or prospectus that was part of the registration statement or made in any such document immediately prior to such date of first use.

In the event that a claim for indemnification against such liabilities (other than the payment by the small business issuer of expenses incurred or paid by a director, officer or controlling person of the small business issuer in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the small business issuer will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

SIGNATURES

In accordance with the requirements of the Securities Act of 1933, the registrant certifies that it has reasonable grounds to believe that it meets all the requirements of filing of Form S-1 and authorized this registration statement to be signed on its behalf by the undersigned, in the City of Charlotte, NC on May 21, 2008.

Revolutionary Concepts, Inc.

/s/ Ron Carter
By: Ron Carter
Title: President & CEO, Director

Revolutionary Concepts, Inc.

/s/ Garry Stevenson
By: Garry Stevenson
Title: Chief Financial Officer, Director

In accordance with the requirements of the Securities Act of 1933, this registration statement was signed by the following persons in the capacities and on the date stated.

/s/ Ron Carter
By: Ron Carter
Title: President and CEO, Director

/s/ Garry Stevenson
By: Garry Stevenson
Title: Chief Financial Officer, Director

Date: May 21, 2008