

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

(Mark One)

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

For the quarterly period ended September 6, 2008 (36 weeks)

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 1-1183



PepsiCo, Inc.

(Exact Name of Registrant as Specified in its Charter)

North Carolina

(State or Other Jurisdiction of
Incorporation or Organization)

13-1584302

(I.R.S. Employer
Identification No.)

700 Anderson Hill Road, Purchase, New York
(Address of Principal Executive Offices)

10577
(Zip Code)

914-253-2000

(Registrant's Telephone Number, Including Area Code)

N/A

(Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES ☒ NO ☐

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

Large accelerated filer ☒

Accelerated filer ☐

Non-accelerated filer ☐ (Do not check if a smaller reporting company)

Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

Number of shares of Common Stock outstanding as of October 9, 2008: 1,553,120,583

PEPSICO, INC. AND SUBSIDIARIES

INDEX

	<u>Page No.</u>
Part I Financial Information	
Item 1. Condensed Consolidated Financial Statements	3
Condensed Consolidated Statement of Income – 12 and 36 Weeks Ended September 6, 2008 and September 8, 2007	3
Condensed Consolidated Statement of Cash Flows – 36 Weeks Ended September 6, 2008 and September 8, 2007	4
Condensed Consolidated Balance Sheet – September 6, 2008 and December 29, 2007	5-6
Condensed Consolidated Statement of Comprehensive Income – 12 and 36 Weeks Ended September 6, 2008 and September 8, 2007	7
Notes to the Condensed Consolidated Financial Statements	8-18
Item 2. Management’s Discussion and Analysis – Financial Review	18-34
Report of Independent Registered Public Accounting Firm	35
Item 3. Quantitative and Qualitative Disclosures About Market Risk	36
Item 4. Controls and Procedures	36
Part II Other Information	
Item 1. Legal Proceedings	37
Item 1A. Risk Factors	37
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	38-39
Item 6. Exhibits	40

PART I FINANCIAL INFORMATION

ITEM 1. Condensed Consolidated Financial Statements.

PEPSICO, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF INCOME
(in millions except per share amounts, unaudited)

	12 Weeks Ended		36 Weeks Ended	
	9/6/08	9/8/07	9/6/08	9/8/07
Net Revenue	\$11,244	\$10,171	\$30,522	\$27,128
Cost of sales	5,268	4,627	14,180	12,254
Selling, general and administrative expenses	3,979	3,467	10,577	9,397
Amortization of intangible assets	13	15	43	37
Operating Profit	1,984	2,062	5,722	5,440
Bottling equity income	201	218	439	465
Interest expense	(73)	(57)	(205)	(153)
Interest income	14	21	53	82
Income before income taxes	2,126	2,244	6,009	5,834
Provision for income taxes	550	501	1,586	1,438
Net Income	\$ 1,576	\$ 1,743	\$ 4,423	\$ 4,396
Net Income Per Common Share				
Basic	\$ 1.01	\$ 1.08	\$ 2.79	\$ 2.70
Diluted	\$ 0.99	\$ 1.06	\$ 2.74	\$ 2.64
Cash Dividends Declared Per Common Share	\$ 0.425	\$ 0.375	\$ 1.225	\$ 1.05

See accompanying [Notes to the Condensed Consolidated Financial Statements](#).

PEPSICO, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(in millions, unaudited)

	36 Weeks Ended	
	9/6/08	9/8/07
Operating Activities		
Net income	\$ 4,423	\$ 4,396
Depreciation and amortization	1,055	948
Stock-based compensation expense	169	182
Excess tax benefits from share-based payment arrangements	(83)	(118)
Pension and retiree medical plan contributions	(132)	(155)
Pension and retiree medical plan expenses	318	362
Bottling equity income, net of dividends	(372)	(398)
Deferred income taxes and other tax charges and credits	275	(3)
Change in accounts and notes receivable	(1,166)	(844)
Change in inventories	(362)	(244)
Change in prepaid expenses and other current assets	(49)	51
Change in accounts payable and other current liabilities	188	324
Change in income taxes payable	566	830
Other, net	(172)	(161)
Net Cash Provided by Operating Activities	4,658	5,170
Investing Activities		
Capital spending	(1,399)	(1,260)
Sales of property, plant and equipment	85	23
Proceeds from finance assets	–	3
Acquisitions and investments in noncontrolled affiliates	(1,707)	(988)
Cash restricted for pending acquisitions	(297)	–
Cash proceeds from sale of The Pepsi Bottling Group (PBG) and PepsiAmericas, Inc. (PAS) stock	342	296
Short-term investments, by original maturity		
More than three months – purchases	(143)	(78)
More than three months – maturities	44	58
Three months or less, net	1,299	(3)
Net Cash Used for Investing Activities	(1,776)	(1,949)
Financing Activities		
Proceeds from issuances of long-term debt	1,733	1,005
Payments of long-term debt	(488)	(542)
Short-term borrowings, by original maturity		
More than three months – proceeds	42	181
More than three months – payments	(120)	(70)
Three months or less, net	2,080	(513)
Cash dividends paid	(1,879)	(1,598)
Share repurchases – common	(4,197)	(3,123)
Share repurchases – preferred	(4)	(8)
Proceeds from exercises of stock options	495	666
Excess tax benefits from share-based payment arrangements	83	118
Net Cash Used for Financing Activities	(2,255)	(3,884)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(20)	47
Net Increase/(Decrease) in Cash and Cash Equivalents	607	(616)
Cash and Cash Equivalents – Beginning of year	910	1,651
Cash and Cash Equivalents – End of period	\$ 1,517	\$ 1,035

See accompanying [Notes to the Condensed Consolidated Financial Statements](#).

PEPSICO, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEET
(in millions)

	(Unaudited) <u>9/6/08</u>	<u>12/29/07</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 1,517	\$ 910
Short-term investments	342	1,571
Accounts and notes receivable, less allowance: 9/08 – \$72, 12/07 – \$69	5,752	4,389
Inventories		
Raw materials	1,314	1,056
Work-in-process	269	157
Finished goods	1,221	1,077
	<u>2,804</u>	<u>2,290</u>
Prepaid expenses and other current assets	939	991
Total Current Assets	<u>11,354</u>	<u>10,151</u>
Property, Plant and Equipment	23,306	21,896
Accumulated Depreciation	<u>(11,314)</u>	<u>(10,668)</u>
	11,992	11,228
Amortizable Intangible Assets, net	815	796
Goodwill	5,370	5,169
Other Nonamortizable Intangible Assets	1,301	1,248
Nonamortizable Intangible Assets	<u>6,671</u>	<u>6,417</u>
Investments in Noncontrolled Affiliates	4,611	4,354
Other Assets	<u>3,015</u>	<u>1,682</u>
Total Assets	<u>\$ 38,458</u>	<u>\$ 34,628</u>

Continued on next page.

PEPSICO, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEET (continued)
(in millions except per share amounts)

	(Unaudited) 9/6/08	12/29/07
Liabilities and Shareholders' Equity		
Current Liabilities		
Short-term obligations	\$ 1,203	\$ –
Accounts payable and other current liabilities	8,011	7,602
Income taxes payable	507	151
Total Current Liabilities	9,721	7,753
Long-term Debt Obligations	6,537	4,203
Other Liabilities	5,432	4,792
Deferred Income Taxes	716	646
Total Liabilities	22,406	17,394
Commitments and Contingencies		
Preferred Stock, no par value	41	41
Repurchased Preferred Stock	(136)	(132)
Common Shareholders' Equity		
Common stock, par value 1 2/3 cents per share:		
Authorized 3,600 shares, issued 9/08 and 12/07 – 1,782 shares	30	30
Capital in excess of par value	342	450
Retained earnings	30,581	28,184
Accumulated other comprehensive loss	(945)	(952)
	30,008	27,712
Less: repurchased common stock, at cost:		
9/08 – 225 shares, 12/07 – 177 shares	(13,861)	(10,387)
Total Common Shareholders' Equity	16,147	17,325
Total Liabilities and Shareholders' Equity	\$ 38,458	\$ 34,628

See accompanying [Notes to the Condensed Consolidated Financial Statements](#).

PEPSICO, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT
OF COMPREHENSIVE INCOME
(in millions, unaudited)

	12 Weeks Ended		36 Weeks Ended	
	9/6/08	9/8/07	9/6/08	9/8/07
Net Income	\$ 1,576	\$ 1,743	\$ 4,423	\$ 4,396
Other Comprehensive (Loss)/Income				
Currency translation adjustment	(451)	27	(91)	333
Reclassification of pension and retiree medical losses to net income, net of tax	20	31	108	86
Cash flow hedges, net of tax:				
Net derivative (losses)/gains	(23)	(5)	8	(32)
Reclassification of losses to net income	4	7	13	13
Unrealized (losses)/gains on securities, net of tax	(14)	(8)	(19)	6
Other	(8)	(1)	(12)	3
	(472)	51	7	409
Comprehensive Income	<u>\$ 1,104</u>	<u>\$ 1,794</u>	<u>\$ 4,430</u>	<u>\$ 4,805</u>

See accompanying [Notes to the Condensed Consolidated Financial Statements](#).

PEPSICO, INC. AND SUBSIDIARIES
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Basis of Presentation and Our Divisions

Basis of Presentation

Our Condensed Consolidated Balance Sheet as of September 6, 2008, the Condensed Consolidated Statements of Income and Comprehensive Income for the 12 and 36 weeks ended September 6, 2008 and September 8, 2007, and the Condensed Consolidated Statement of Cash Flows for the 36 weeks ended September 6, 2008 and September 8, 2007 have not been audited. These statements have been prepared on a basis that is substantially consistent with the accounting principles applied in our Annual Report on Form 10-K for the fiscal year ended December 29, 2007. In our opinion, these financial statements include all normal and recurring adjustments necessary for a fair presentation. The results for the 12 and 36 weeks are not necessarily indicative of the results expected for the year.

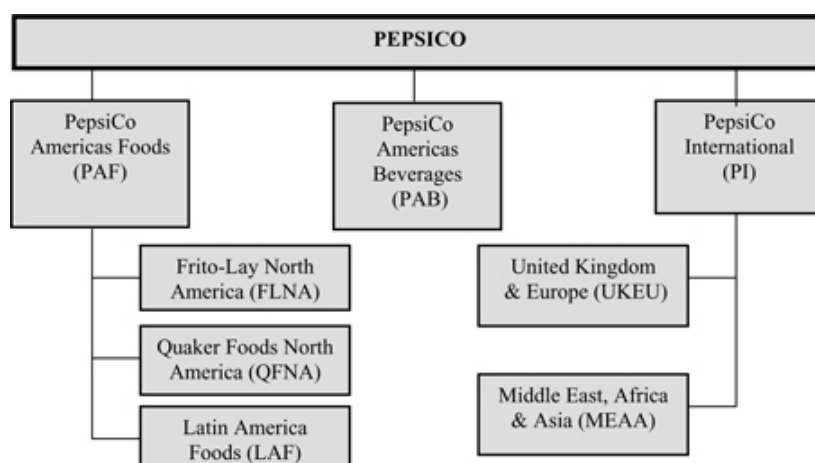
Our significant interim accounting policies include the recognition of a pro rata share of certain estimated annual sales incentives, and certain advertising and marketing costs, generally in proportion to revenue, and the recognition of income taxes using an estimated annual effective tax rate. Raw materials, direct labor and plant overhead, as well as purchasing and receiving costs, costs directly related to production planning, inspection costs and raw material handling facilities, are included in cost of sales. The costs of moving, storing and delivering finished product are included in selling, general and administrative expenses.

Our share of equity income or loss from our anchor bottlers is recorded as bottling equity income in our income statement. Bottling equity income also includes pre-tax gains on our sale of PBG and PAS stock of \$45 million and \$145 million in the 12 and 36 weeks ended September 6, 2008, respectively, and pre-tax gains on our sale of PBG stock of \$58 million and \$162 million in the 12 and 36 weeks ended September 8, 2007, respectively. Our share of income or loss from other noncontrolled affiliates is recorded as a component of selling, general and administrative expenses.

While the majority of our results are reported on a period basis, most of our international operations report on a monthly calendar basis for which the months of June, July and August are reflected in our third quarter results and the months of January through August are reflected in our year-to-date results.

The following information is unaudited. Tabular dollars are presented in millions, except per share amounts. All per share amounts reflect common per share amounts, assume dilution unless otherwise noted and are based on unrounded amounts. This report should be read in conjunction with our Annual Report on Form 10-K for the fiscal year ended December 29, 2007 and our Form 8-K filed on April 7, 2008 in which we revised historical segment information on a basis consistent with our new segment reporting structure.

Our Divisions



	12 Weeks Ended		36 Weeks Ended	
	9/6/08	9/8/07	9/6/08	9/8/07
Net Revenue				
FLNA	\$ 3,057	\$ 2,800	\$ 8,737	\$ 8,076
QFNA	391	411	1,292	1,264
LAF	1,544	1,252	4,038	3,041
PAB	2,923	2,926	8,163	8,001
UKEU	1,783	1,519	4,421	3,655
MEAA	1,546	1,263	3,871	3,091
	<u>\$11,244</u>	<u>\$10,171</u>	<u>\$30,522</u>	<u>\$27,128</u>
Operating Profit				
FLNA	\$ 785	\$ 742	\$ 2,153	\$ 2,034
QFNA	134	126	422	399
LAF	225	185	646	501
PAB	662	741	1,847	1,943
UKEU	279	238	643	544
MEAA	227	192	599	498
Total division	2,312	2,224	6,310	5,919
Corporate – impact of mark-to-market on commodity hedges	(176)	(29)	(119)	–
Corporate – other	(152)	(133)	(469)	(479)
Total corporate	<u>(328)</u>	<u>(162)</u>	<u>(588)</u>	<u>(479)</u>
	<u>\$ 1,984</u>	<u>\$ 2,062</u>	<u>\$ 5,722</u>	<u>\$ 5,440</u>

	Total Assets	
	9/6/08	12/29/07
FLNA	\$ 6,348	\$ 6,270
QFNA	984	1,002
LAF	3,530	3,084
PAB	8,050	7,780
UKEU	10,239	7,102
MEAA	4,249	3,911
Total division	33,400	29,149
Corporate	1,689	2,124
Investments in bottling affiliates	3,369	3,355
	<u>\$38,458</u>	<u>\$ 34,628</u>

Intangible Assets

	9/6/08	12/29/07
<i>Amortizable intangible assets, net</i>		
Brands	\$ 1,491	\$ 1,476
Other identifiable intangibles	382	344
	1,873	1,820
Accumulated amortization	(1,058)	(1,024)
	<u>\$ 815</u>	<u>\$ 796</u>

[Table of Contents](#)

The change in the book value of nonamortizable intangible assets is as follows:

	Balance 12/29/07	Acquisitions	Translation and Other	Balance 9/6/08
FLNA				
Goodwill	\$ 311	\$ —	\$ (14)	\$ 297
QFNA				
Goodwill	175	—	—	175
LAF				
Goodwill	147	258	5	410
Brands	22	99	2	123
	169	357	7	533
PAB				
Goodwill	2,369	—	(5)	2,364
Brands	59	—	—	59
	2,428	—	(5)	2,423
UKEU				
Goodwill	1,626	1	(42)	1,585
Brands	1,041	3	(50)	994
	2,667	4	(92)	2,579
MEAA				
Goodwill	541	1	(3)	539
Brands	126	—	(1)	125
	667	1	(4)	664
Total goodwill	5,169	260	(59)	5,370
Total brands	1,248	102	(49)	1,301
	\$ 6,417	\$ 362	\$ (108)	\$ 6,671

Stock-Based Compensation

For the 12 weeks, we recognized stock-based compensation expense of \$57 million in 2008 and \$58 million in 2007. For the 36 weeks, we recognized stock-based compensation expense of \$169 million in 2008 and \$182 million in 2007. For the 12 weeks in 2008, our grants of stock options and restricted stock units (RSU) were nominal. For the 36 weeks in 2008, we granted 12 million stock options at a weighted average grant price of \$68.71 and 2 million RSUs at a weighted average grant price of \$68.75, under the terms of our 2007 Long-Term Incentive Plan (LTIP).

Our weighted average Black-Scholes fair value assumptions are as follows:

	36 Weeks Ended	
	9/6/08	9/8/07
Expected life	6 yrs.	6 yrs.
Risk free interest rate	2.9%	4.8%
Expected volatility ^(a)	16%	15%
Expected dividend yield	1.9%	1.9%

^(a) Reflects movements in our stock price over the most recent historical period equivalent to the expected life.

Pension and Retiree Medical Benefits

On December 30, 2006, we adopted Statement of Financial Accounting Standards (SFAS) 158 *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans — an amendment of FASB Statements No. 87, 88, 106, and 132(R)* (SFAS 158). SFAS 158 requires that, no later than 2008, our assumptions used to measure our annual pension and retiree medical expense be determined as of the balance sheet date, and all plan assets and liabilities be reported as of that date. Accordingly, as of the beginning of our 2008 fiscal year, we changed the measurement date for our annual pension and retiree medical expense and all plan assets and liabilities from September 30 to our year-end balance sheet date. As a result of this change in measurement date, we recorded an after-tax \$39 million decrease to 2008 opening shareholders' equity, as follows:

	Pension	Retiree Medical	Total
Retained earnings	\$ (63)	\$ (20)	\$ (83)
Accumulated other comprehensive loss	12	32	44
Total	<u>\$ (51)</u>	<u>\$ 12</u>	<u>\$ (39)</u>

The components of net periodic benefit cost for pension and retiree medical plans are as follows:

	12 Weeks Ended					
	Pension				Retiree Medical	
	<u>9/6/08</u>	<u>9/8/07</u>	<u>9/6/08</u>	<u>9/8/07</u>	<u>9/6/08</u>	<u>9/8/07</u>
	U.S.		International			
Service cost	\$ 57	\$ 56	\$ 16	\$ 14	\$ 10	\$ 11
Interest cost	86	78	23	19	19	18
Expected return on plan assets	(96)	(92)	(29)	(23)	–	–
Amortization of prior service cost/(benefit)	4	1	–	–	(3)	(3)
Amortization of experience loss	13	32	5	7	2	4
Total expense	<u>\$ 64</u>	<u>\$ 75</u>	<u>\$ 15</u>	<u>\$ 17</u>	<u>\$ 28</u>	<u>\$ 30</u>

	36 Weeks Ended					
	Pension				Retiree Medical	
	<u>9/6/08</u>	<u>9/8/07</u>	<u>9/6/08</u>	<u>9/8/07</u>	<u>9/6/08</u>	<u>9/8/07</u>
	U.S.		International			
Service cost	\$ 171	\$ 168	\$ 44	\$ 38	\$ 30	\$ 33
Interest cost	258	234	63	52	57	54
Expected return on plan assets	(288)	(276)	(80)	(63)	–	–
Amortization of prior service cost/(benefit)	12	3	1	1	(9)	(9)
Amortization of experience loss	39	96	14	19	6	12
Total expense	<u>\$ 192</u>	<u>\$ 225</u>	<u>\$ 42</u>	<u>\$ 47</u>	<u>\$ 84</u>	<u>\$ 90</u>

Net Income Per Common Share

The computations of basic and diluted net income per common share are as follows:

	12 Weeks Ended			
	9/6/08		9/8/07	
	Income	Shares ^(a)	Income	Shares ^(a)
Net income	\$ 1,576		\$ 1,743	
Preferred shares:				
Dividends	—		—	
Redemption premium	(2)		(2)	
Net income available for common shareholders	\$ 1,574	1,564	\$ 1,741	1,615
Basic net income per common share	\$ 1.01		\$ 1.08	
Net income available for common shareholders	\$ 1,574	1,564	\$ 1,741	1,615
Dilutive securities:				
Stock options and RSUs ^(b)	—	28	—	34
ESOP convertible preferred stock	2	1	2	2
Diluted	\$ 1,576	1,593	\$ 1,743	1,651
Diluted net income per common share	\$ 0.99		\$ 1.06	

	36 Weeks Ended			
	9/6/08		9/8/07	
	Income	Shares ^(a)	Income	Shares ^(a)
Net income	\$ 4,423		\$ 4,396	
Preferred shares:				
Dividends	(1)		(1)	
Redemption premium	(4)		(6)	
Net income available for common shareholders	\$ 4,418	1,582	\$ 4,389	1,627
Basic net income per common share	\$ 2.79		\$ 2.70	
Net income available for common shareholders	\$ 4,418	1,582	\$ 4,389	1,627
Dilutive securities:				
Stock options and RSUs ^(b)	—	29	—	34
ESOP convertible preferred stock	5	1	7	2
Diluted	\$ 4,423	1,612	\$ 4,396	1,663
Diluted net income per common share	\$ 2.74		\$ 2.64	

(a) Weighted average common shares outstanding.

(b) Options to purchase 12.1 million and 4.2 million shares, respectively, for the 12 and 36 weeks in 2008 were not included in the calculation of earnings per share because these options were out-of-the-money. Out-of-the-money options for the 12 and 36 weeks in 2008 had average exercise prices of \$68.86 and \$71.94, respectively. Options to purchase 3.8 million shares for the 36 weeks in 2007 were not included in the calculation of earnings per share because these options were out-of-the money. These out-of-the money options had an average exercise price of \$65.01. There were no out-of-the-money options for the 12 weeks in 2007.

Debt Obligations

In the second quarter of 2008, we issued \$1.75 billion of senior unsecured notes maturing in 2018. The proceeds from the issuance of these notes were used for general corporate purposes, including the repayment of outstanding short-term indebtedness. In connection with the issuance of the notes, we entered into an interest rate swap to effectively convert the interest rate from a fixed rate of 5% to a variable rate based on LIBOR. The terms of the interest rate swap match the terms of the debt it modifies.

In the third quarter of 2008, we updated our U.S. \$2.5 billion euro medium term note program following the expiration of the existing program. Under the program, we may issue unsecured notes under mutually agreed upon terms with the purchasers of the notes. Proceeds from any issuance of notes may be used for general corporate purposes, except as otherwise specified in the related prospectus. As of September 6, 2008, we had no outstanding notes under the program.

Additionally, in the third quarter of 2008, we entered into a new unsecured revolving credit agreement which enables us to borrow up to \$1 billion subject to customary terms and conditions. Funds borrowed under this agreement may be used to repay outstanding commercial paper issued by us and our subsidiaries and for general corporate purposes, including working capital, capital investments and acquisitions. The agreement expires in August 2009. This line of credit remained unused as of September 6, 2008.

As of September 6, 2008, short-term obligations totaled \$3.2 billion, of which \$2.3 billion represented commercial paper. Of this amount, we have reclassified \$2.0 billion to long-term debt based on our intent and ability to refinance on a long-term basis.

Supplemental Cash Flow Information

	36 Weeks Ended	
	9/6/08	9/8/07
Interest paid	\$ 257	\$ 183
Income taxes paid, net of refunds	\$ 747	\$ 613
Acquisitions ^(a) :		
Fair value of assets acquired	\$ 2,624	\$ 1,228
Cash paid and debt issued	(1,707)	(988)
Liabilities assumed	\$ 917	\$ 240

^(a) At the end of the third quarter of 2008, together with PBG, we jointly acquired 81% of the outstanding shares of Russia's leading branded juice company, JSC Lebedyansky (Lebedyansky), for a total purchase price of \$1.5 billion. Lebedyansky is owned 25% and 75% by PBG and us, respectively. Together with PBG, during the fourth quarter of 2008, we initiated a mandatory offering for the remaining shares of Lebedyansky, in accordance with Russian law. As of the acquisition date, the unallocated purchase price is included in other assets on our balance sheet. Lebedyansky's financial results will be reflected in our income statement beginning in the fourth quarter of 2008.

Fair Value

In September 2006, the Financial Accounting Standards Board (FASB) issued SFAS 157, *Fair Value Measurements* (SFAS 157), which defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. The provisions of SFAS 157 were effective as of the beginning of our 2008 fiscal year. However, the FASB deferred the effective date of SFAS 157, until the beginning of our 2009 fiscal year, as it relates to fair value measurement requirements for nonfinancial assets and liabilities that are not remeasured at fair value on a recurring basis. These include goodwill, other nonamortizable intangible assets and unallocated purchase price for recent acquisitions which are included within other assets. We adopted SFAS 157 at the beginning of our 2008 fiscal year and our adoption did not have a material impact on our financial statements.

The fair value framework requires the categorization of assets and liabilities into three levels based upon the assumptions (inputs) used to price the assets or liabilities. Level 1 provides the most reliable measure of fair value, whereas Level 3 generally requires significant management judgment. The three levels are defined as follows:

- *Level 1:* Unadjusted quoted prices in active markets for identical assets and liabilities.
- *Level 2:* Observable inputs other than those included in Level 1. For example, quoted prices for similar assets or liabilities in active markets or quoted prices for identical assets or liabilities in inactive markets.
- *Level 3:* Unobservable inputs reflecting management's own assumptions about the inputs used in pricing the asset or liability.

As of September 6, 2008, the fair values of our financial assets and liabilities are categorized as follows:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Assets				
Short-term investments ^(a)	\$ 147	\$ 147	\$ –	\$ –
Available-for-sale securities ^(b)	46	46	–	–
Forward exchange contracts ^(c)	60	–	60	–
Commodity contracts – futures ^(d)	1	1	–	–
Commodity contracts – other ^(e)	1	–	1	–
Cross currency interest rate swaps ^(f)	1	–	1	–
Interest rate swaps ^(g)	69	–	69	–
Prepaid forward contracts ^(h)	56	–	56	–
Total assets at fair value	<u>\$ 381</u>	<u>\$ 194</u>	<u>\$ 187</u>	<u>\$ –</u>
Liabilities				
Forward exchange contracts ^(c)	\$ 30	\$ –	\$ 30	\$ –
Commodity contracts – futures ^(d)	51	51	–	–
Commodity contracts – other ^(e)	95	–	95	–
Deferred compensation ⁽ⁱ⁾	519	145	374	–
Total liabilities at fair value	<u>\$ 695</u>	<u>\$ 196</u>	<u>\$ 499</u>	<u>\$ –</u>

(a) Based on price changes in index funds.

(b) Based on the price of common stock.

(c) Based on observable market transactions of spot and forward rates.

(d) Based on average prices on futures exchanges.

(e) Based on recently reported transactions in the marketplace, primarily swap arrangements.

(f) Based on observable local benchmarks for currency and interest rates.

(g) Based on the LIBOR index.

(h) Based primarily on the price of our common stock.

(i) Based on the fair value of investments corresponding to employees' investment elections.

Recent Accounting Pronouncements

In February 2007, the FASB issued SFAS 159, *The Fair Value Option for Financial Assets and Financial Liabilities including an amendment of FASB Statement No. 115* (SFAS 159), which permits entities to choose to measure many financial instruments and certain other items at fair value. We adopted SFAS 159 as of the beginning of our 2008 fiscal year and our adoption did not impact our financial statements.

In December 2007, the FASB issued SFAS 141 (revised 2007), *Business Combinations* (SFAS 141R), and SFAS 160, *Noncontrolling Interests in Consolidated Financial Statements* (SFAS 160), to improve, simplify, and converge internationally the accounting for business combinations and the reporting of noncontrolling interests in consolidated financial statements. The provisions of SFAS 141R and SFAS 160 are effective as of the beginning of our 2009 fiscal year. We are currently evaluating the impact of adopting SFAS 141R and SFAS 160 on our financial statements.

In March 2008, the FASB issued SFAS 161, *Disclosures about Derivative Instruments and Hedging Activities* (SFAS 161), which amends and expands the disclosure requirements of SFAS 133, *Accounting for Derivative Instruments and Hedging Activities* (SFAS 133), to provide an enhanced understanding of an entity's use of derivative instruments, how they are accounted for under SFAS 133 and their effect on the entity's financial position, financial performance and cash flows. The provisions of SFAS 161 are effective as of the beginning of our 2009 fiscal year. We are currently evaluating the impact of adopting SFAS 161 on our financial statements.

Subsequent Event

On October 14, 2008, we announced our Productivity for Growth program. The program includes actions in all segments of the business that we believe will simplify the organization for more effective and timely decision-making, increase cost competitiveness across the supply chain, and upgrade and streamline our product portfolio. These costs will largely be incurred in the fourth quarter of 2008 and will result in cash expenditures during the fourth quarter of 2008 and into 2009. We currently expect to complete the productivity program during the first quarter of 2009.

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

FINANCIAL REVIEW

Our discussion and analysis is an integral part of understanding our financial results. Also refer to Basis of Presentation and Our Divisions in the Notes to the Condensed Consolidated Financial Statements. Tabular dollars are presented in millions, except per share amounts. All per share amounts reflect common per share amounts, assume dilution unless otherwise noted, and are based on unrounded amounts. Percentage changes are based on unrounded amounts.

Our Critical Accounting Policies

Sales Incentives and Advertising and Marketing Costs

We offer sales incentives and discounts through various programs to customers and consumers. These incentives are accounted for as a reduction of revenue. Certain sales incentives are recognized at the time of sale while other incentives, such as bottler funding and customer volume rebates, are recognized during the year incurred, generally in proportion to revenue, based on annual targets. Anticipated payments are estimated based on historical experience with similar programs and require management judgment with respect to estimating customer participation and performance levels. Differences between estimated expense and actual incentive costs are normally insignificant and are recognized in earnings in the period such differences are determined. In addition, certain advertising and marketing costs are also recognized during the year incurred, generally in proportion to revenue.

Income Taxes

In determining our quarterly provision for income taxes, we use an estimated annual effective tax rate which is based on our expected annual income, statutory tax rates and tax planning opportunities available to us in the various jurisdictions in which we operate. Subsequent recognition, derecognition and measurement of a tax position taken in a previous period are separately recognized in the quarter in which they occur.

Recent Accounting Pronouncements

In February 2007, the FASB issued SFAS 159 which permits entities to choose to measure many financial instruments and certain other items at fair value. We adopted SFAS 159 as of the beginning of our 2008 fiscal year and our adoption did not impact our financial statements.

In December 2007, the FASB issued SFAS 141R and SFAS 160 to improve, simplify, and converge internationally the accounting for business combinations and the reporting of noncontrolling interests in consolidated financial statements. The provisions of SFAS 141R and SFAS 160 are effective as of the beginning of our 2009 fiscal year. We are currently evaluating the impact of adopting SFAS 141R and SFAS 160 on our financial statements.

In March 2008, the FASB issued SFAS 161 which amends and expands the disclosure requirements of SFAS 133 to provide an enhanced understanding of an entity's use of derivative instruments, how they are accounted for under SFAS 133 and their effect on the entity's financial position, financial performance and cash flows. The provisions of SFAS 161 are effective as of the beginning of our 2009 fiscal year. We are currently evaluating the impact of adopting SFAS 161 on our financial statements.

Our Business Risks

We discuss expectations regarding our future performance, such as our business outlook, in our annual and quarterly reports, press releases, and other written and oral statements. These "forward-looking statements" are based on currently available information, operating plans and projections about future events and trends. They are inherently uncertain, and investors must recognize that events could turn out to be significantly different from our expectations. We undertake no obligation to update any forward-looking statement, whether as a result of new information, future events or otherwise.

Our operations outside of the United States generate approximately half of our net revenue. As a result, we are exposed to foreign currency risks, including unforeseen economic changes and political unrest. During the 12 weeks, net favorable foreign currency contributed 3 percentage points to net revenue growth, primarily due to the appreciation in the euro, Mexican peso and Brazilian real. During the 36 weeks, net favorable foreign currency contributed 3 percentage points to net revenue growth, primarily due to appreciation in the euro, Brazilian real, Canadian dollar and Mexican peso. Currency declines which are not offset could adversely impact our future results.

In the second and third quarters of 2008, we entered into additional derivative contracts to further reduce our exposure to price fluctuations in our raw material and energy costs. Derivatives used to hedge commodity price risks that do not qualify for hedge accounting are marked to market each period and related gains and losses are reflected in our income statement.

Our open commodity derivative contracts that do not qualify for hedge accounting had a face value of \$682 million at September 6, 2008 and \$199 million at September 8, 2007. In addition, during 2008, we entered into other instruments, such as options, to manage our future commodity costs. The open derivative contracts that do not qualify for hedge accounting resulted in net losses of \$159 million and \$106 million in the 12 and 36 weeks ended September 6, 2008, respectively, and net losses of \$27 million and \$15 million in the 12 and 36 weeks ended September 8, 2007, respectively.

We expect to be able to continue to reduce the impact of volatility in our raw material and energy costs through our hedging strategies and ongoing productivity initiatives. See [Fair Value](#) in the Notes to the Condensed Consolidated Financial Statements for the fair value of our commodity contracts as of September 6, 2008.

Cautionary statements included in Item 1A. in our Annual Report on Form 10-K for the fiscal year ended December 29, 2007 and in our revised Management's Discussion and Analysis included in Exhibit 99.1 to our Current Report on Form 8-K filed with the Securities and Exchange Commission (SEC) on April 7, 2008 should be considered when evaluating our trends and future results.

Results of Operations – Consolidated Review

In the discussions of net revenue and operating profit below, “effective net pricing” reflects the year-over-year impact of discrete pricing actions, sales incentive activities and mix resulting from selling varying products in different package sizes and in different countries. Additionally, “acquisitions” reflect all mergers and acquisitions activity, including the impact of acquisitions, divestitures and changes in ownership or control in consolidated subsidiaries and non-consolidated equity investees.

Items Affecting Comparability

The year-over-year comparisons of our financial results are affected by the following items:

	12 Weeks Ended		36 Weeks Ended	
	9/6/08	9/8/07	9/6/08	9/8/07
Operating profit				
Mark-to-market net losses	\$ (176)	\$ (29)	\$ (119)	–
Net income				
Mark-to-market net losses	\$ (112)	\$ (19)	\$ (76)	–
Tax benefits	–	\$ 115	–	\$ 115
Net income per common share – diluted				
Mark-to-market net losses	\$ (0.07)	\$ (0.01)	\$ (0.05)	–
Tax benefits	–	\$ 0.07	–	\$ 0.07

Mark-to-Market Net Losses

In the 12 and 36 weeks ended September 6, 2008, we recognized \$176 million and \$119 million, respectively, of mark-to-market net losses on commodity hedges in corporate unallocated expenses. In the 12 weeks ended September 8, 2007, we recognized \$29 million of mark-to-market net losses on commodity hedges in corporate unallocated expenses. In the 36 weeks ended September 8, 2007, the impact of commodity hedges in corporate unallocated expenses was nominal. We centrally manage commodity derivatives on behalf of our divisions. Certain of these commodity derivatives do not qualify for hedge accounting treatment and are marked to market with the resulting gains and losses recognized in corporate unallocated expenses. These gains and losses are subsequently reflected in division results when the divisions take delivery of the underlying commodity.

Tax Benefits

In 2007, we recognized \$115 million of non-cash tax benefits related to the favorable resolution of certain foreign tax matters.

Subsequent Event

On October 14, 2008, we announced our Productivity for Growth program. The program includes actions in all segments of the business that we believe will simplify the organization for more effective and timely decision-making, increase cost competitiveness across the supply chain, and upgrade and streamline our product portfolio. Globally, approximately 3,300 positions will be eliminated in connection with the productivity program, of which about 40% relate to the closing of up to six plants and other capacity rationalization actions, which will be announced by the end of the year. As a result of the program, we expect to incur a pre-tax charge of approximately \$550 million to \$600 million in the fourth quarter of 2008, comprised of approximately \$275 million of severance and other employee-related costs; approximately \$200 million for asset impairments (substantially all non-cash) resulting from plant closures and related actions; and approximately \$100 million for other costs. We expect that approximately \$325 million to \$375 million of this charge will result in cash expenditures during the fourth quarter of 2008 and into 2009. We currently expect to complete the productivity program during the first quarter of 2009.

Volume

Since our divisions each use different measures of physical unit volume, a common servings metric is necessary to reflect our consolidated physical unit volume. For the 12 weeks, total servings increased 2%, with worldwide beverages growing 3% and worldwide snacks growing 2%. For the 36 weeks, total servings increased 4%, with worldwide beverages growing 4% and worldwide snacks growing 3%.

We discuss volume for our beverage businesses on a bottler case sales (BCS) basis in which all beverage volume is converted to an 8-ounce-case metric. A portion of our volume is sold by our bottlers, and that portion is based on our bottlers' sales to retailers and independent distributors. The remainder of our volume is based on our shipments to retailers and independent distributors. BCS is reported to us by our bottlers on a monthly basis. Our third quarter beverage volume includes bottler sales for June, July and August. Concentrate shipments and equivalents (CSE) represent our physical beverage volume shipments to bottlers, retailers and independent distributors, and is the measure upon which our revenue is based.

Consolidated Results

Total Net Revenue and Operating Profit

	12 Weeks Ended			36 Weeks Ended		
	9/6/08	9/8/07	Change	9/6/08	9/8/07	Change
Total net revenue	\$11,244	\$10,171	11%	\$30,522	\$27,128	13%
Operating profit						
FLNA	\$ 785	\$ 742	6%	\$ 2,153	\$ 2,034	6%
QFNA	134	126	7%	422	399	6%
LAF	225	185	22%	646	501	29%
PAB	662	741	(11)%	1,847	1,943	(5)%
UKEU	279	238	17%	643	544	18%
MEAA	227	192	18%	599	498	20%
Corporate – impact of mark-to-market on commodity hedges	(176)	(29)	499%	(119)	–	–
Corporate – other	(152)	(133)	16%	(469)	(479)	(2)%
Total operating profit	\$ 1,984	\$ 2,062	(4)%	\$ 5,722	\$ 5,440	5%
Total operating profit margin	17.6%	20.3%	(2.7)	18.7%	20.1%	(1.4)

See [Results of Operations – Division Review](#) for a tabular presentation and discussion of key drivers of net revenue.

12 Weeks

Total operating profit decreased 4% and margin decreased 2.7 percentage points. The unfavorable mark-to-market impact of our commodity hedges reduced operating profit performance by 7 percentage points and reduced margin by 1.4 percentage points. The leverage from the revenue growth was partially offset by the impact of higher commodity costs. The favorable impact of foreign currency contributed 2 percentage points to operating profit performance and the favorable impact of acquisitions contributed 1 percentage point.

Other corporate unallocated expenses increased 16%, reflecting foreign transaction losses of \$10 million compared to net gains of \$7 million in the prior year. Higher costs associated with our ongoing business transformation initiative and increased research and development costs were offset by the favorable impact of certain employee-related items.

36 Weeks

Total operating profit increased 5% and margin decreased 1.4 percentage points. The unfavorable mark-to-market impact of our commodity hedges reduced operating profit growth by 2 percentage points and reduced margin by 0.4 percentage points. Leverage from the revenue growth was offset by the impact of higher commodity costs. The impact of foreign currency contributed 2 percentage points to operating profit growth and the impact of acquisitions contributed 1 percentage point.

Other corporate unallocated expenses decreased 2%. Lower deferred compensation costs and the favorable impact of certain other employee-related items were partially offset by higher costs associated with our ongoing business transformation initiative, increased research and development costs and foreign transaction losses. The decrease in deferred compensation costs is offset (as a reduction to interest income) by losses on investments used to economically hedge these costs.

Other Consolidated Results

	12 Weeks Ended			36 Weeks Ended		
	9/6/08	9/8/07	Change	9/6/08	9/8/07	Change
Bottling equity income	\$ 201	\$ 218	(7)%	\$ 439	\$ 465	(5.5)%
Interest expense, net	\$ (59)	\$ (36)	\$ (23)	\$ (152)	\$ (71)	\$ (81)
Tax rate	25.9%	22.3%		26.4%	24.7%	
Net income	\$1,576	\$1,743	(10)%	\$4,423	\$4,396	1%
Net income per common share – diluted	\$ 0.99	\$ 1.06	(6)%	\$ 2.74	\$ 2.64	4%

12 Weeks

Bottling equity income decreased 7%, primarily reflecting lower pre-tax gains on our sales of PBG and PAS stock in the current year.

Net interest expense increased \$23 million, primarily reflecting higher average debt balances, partially offset by the impact of lower average rates on our debt.

The tax rate increased 3.6 percentage points compared to the prior year, primarily due to \$115 million of tax benefits recognized in the prior year related to the favorable resolution of certain foreign tax matters.

Net income decreased 10% and the related net income per share decreased 6%. The unfavorable mark-to-market impact of our commodity hedges and the absence of the tax benefits recognized in the prior year reduced both net income performance and related net income per share by 12 percentage points. Net income per share was favorably impacted by our share repurchases.

36 Weeks

Bottling equity income decreased 5.5%, reflecting lower pre-tax gains on our sales of PBG and PAS stock in the current year and our reduced ownership levels in PBG and PAS in 2008.

Net interest expense increased \$81 million, primarily reflecting higher average debt balances, partially offset by the impact of lower average rates on our debt.

The tax rate increased 1.7 percentage points compared to the prior year, primarily due to \$115 million of tax benefits recognized in the prior year related to the favorable resolution of certain foreign tax matters.

Net income increased 1% and the related net income per share increased 4%. These increases primarily reflect our operating profit growth. The unfavorable mark-to-market impact of our commodity hedges and the absence of the tax benefits recognized in the prior year reduced both net income performance and related net income per share by 4 percentage points. Net income per share was also favorably impacted by our share repurchases.

Results of Operations – Division Review

The results and discussions below are based on how our Chief Executive Officer monitors the performance of our divisions. For additional information on our divisions, see [Our Divisions](#) in the Notes to the Condensed Consolidated Financial Statements.

Net Revenue

12 Weeks Ended	FLNA	QFNA	LAF	PAB	UKEU	MEAA	Total
September 6, 2008	\$3,057	\$ 391	\$1,544	\$2,923	\$ 1,783	\$ 1,546	\$11,244
September 8, 2007	\$2,800	\$ 411	\$1,252	\$2,926	\$ 1,519	\$ 1,263	\$10,171
% Impact of:							
Volume ^(a)	1%	(9)%	–%	(4)%	–% ^(d)	10%	–% ^(d)
Effective net pricing ^(b)	8	3	11	3	5	7	6
Foreign exchange	–	–	9	1	8	4	3
Acquisitions	–	–	4	–	4	1	1
% Change ^(c)	<u>9%</u>	<u>(5)%</u>	<u>23%</u>	<u>–%</u>	<u>17%</u>	<u>22%</u>	<u>11%</u>

Net Revenue

36 Weeks Ended	FLNA	QFNA	LAF	PAB	UKEU	MEAA	Total
September 6, 2008	\$8,737	\$ 1,292	\$4,038	\$8,163	\$ 4,421	\$ 3,871	\$30,522
September 8, 2007	\$8,076	\$ 1,264	\$3,041	\$8,001	\$ 3,655	\$ 3,091	\$27,128
% Impact of:							
Volume ^(a)	1%	(2)%	1%	(3)%	4%	13%	1%
Effective net pricing ^(b)	6	3	10	4	4	5	5
Foreign exchange	1	1	8	1	9	6	3
Acquisitions	–	–	14	–	4	2	2
% Change ^(c)	<u>8%</u>	<u>2%</u>	<u>33%</u>	<u>2%</u>	<u>21%</u>	<u>25%</u>	<u>13%</u>

- (a) Excludes the impact of acquisitions and divestitures. In certain instances, volume growth varies from the amounts disclosed in the following divisional discussions due to non-consolidated joint venture volume, and, for our beverage businesses, temporary timing differences between BCS and CSE. Our net revenue excludes non-consolidated joint venture volume, and, for our beverage businesses, is based on CSE.
- (b) Includes the year-over-year impact of discrete pricing actions, sales incentive activities and mix resulting from selling varying products in different package sizes and in different countries.
- (c) Amounts may not sum due to rounding.
- (d) Includes unfavorable impact of a reporting calendar change in Spain and Portugal.

Frito-Lay North America

	12 Weeks Ended		%	36 Weeks Ended		%
	9/6/08	9/8/07	Change	9/6/08	9/8/07	Change
Net revenue	\$ 3,057	\$ 2,800	9	\$ 8,737	\$ 8,076	8
Operating profit	\$ 785	\$ 742	6	\$ 2,153	\$ 2,034	6

12 Weeks

Net revenue grew 9% and pound volume grew 1.5%. The volume growth reflects mid-single-digit growth in trademark Tostitos, high-single-digit growth in trademark Ruffles as well as mid-single-digit growth in trademark Cheetos and dips. These volume gains were largely offset by a high-single-digit decline in trademark Lay's, reflecting pricing actions and potato shortages. Net revenue growth was largely driven by positive effective net pricing.

Operating profit grew 6%, driven by the net revenue growth. This growth was partially offset by higher commodity costs, primarily cooking oil and fuel.

Smart Spot eligible products represented approximately 14% of net revenue. These products grew in the low-single-digit range, while the balance of the portfolio experienced double-digit revenue growth.

36 Weeks

Net revenue grew 8% and pound volume grew 2%. The volume growth reflects high-single-digit growth in trademark Cheetos and Ruffles as well as mid-single-digit growth in dips, partially offset by a mid-single-digit decline in trademark Lay's. Net revenue growth also benefited from positive effective net pricing. Favorable Canadian exchange rates contributed 1 percentage point to net revenue growth.

Operating profit grew 6%, reflecting the net revenue growth. This growth was partially offset by higher commodity costs, primarily cooking oil and fuel. Favorable Canadian exchange rates contributed nearly 1 percentage point to the operating profit growth.

Smart Spot eligible products represented approximately 15% of net revenue. These products grew in the low-single-digit range, while the balance of the portfolio experienced high-single-digit revenue growth.

Quaker Foods North America

	12 Weeks Ended		%	36 Weeks Ended		%
	9/6/08	9/8/07	Change	9/6/08	9/8/07	Change
Net revenue	\$ 391	\$ 411	(5)	\$ 1,292	\$ 1,264	2
Operating profit	\$ 134	\$ 126	7	\$ 422	\$ 399	6

12 Weeks

Net revenue declined 5% and volume decreased 9%, reflecting the negative impact of the Cedar Rapids flood that occurred at the end of the second quarter. The volume decrease reflects a double-digit decline in ready-to-eat cereals, a high-single-digit decline in Quaker Oatmeal and a low-single-digit decline in Aunt Jemima syrup and mix, partially offset by high-single-digit growth in Rice-A-Roni. The net revenue decline reflects the volume decline partially offset by favorable effective net pricing, due primarily to price increases taken last year and in the first half of 2008.

Operating profit increased 7%. The net impact of the flood on operating profit reflects our business disruption insurance recovery. Favorable effective net pricing and lower advertising and marketing costs were partially offset by increased commodity costs.

Smart Spot eligible products represented over half of the net revenue and declined in the high-single-digit range. The balance of the portfolio declined in the low-single-digit range.

36 weeks

Net revenue increased 2% and volume decreased 2%, reflecting the negative impact of the Cedar Rapids flood. The volume decrease reflects a high-single-digit decline in ready-to-eat cereals and a low-single-digit decline in Quaker Oatmeal. The net revenue growth benefited from favorable effective net pricing due primarily to price increases taken last year and in the first half of 2008. Favorable Canadian exchange rates contributed 1 percentage point to net revenue growth.

Operating profit increased 6%, reflecting the net revenue growth and lower advertising and marketing costs, partially offset by increased commodity costs. The net impact of the flood on operating profit reflects our business disruption insurance recovery, net of the costs incurred to cover the insurance deductible.

Smart Spot eligible products represented over half of net revenue and experienced a low-single-digit net revenue decline. The balance of the portfolio grew in the mid-single-digit range.

Latin America Foods

	12 Weeks Ended		%	36 Weeks Ended		%
	9/6/08	9/8/07	Change	9/6/08	9/8/07	Change
Net revenue	\$ 1,544	\$ 1,252	23	\$ 4,038	\$ 3,041	33
Operating profit	\$ 225	\$ 185	22	\$ 646	\$ 501	29

12 Weeks

Snacks volume grew 3%, primarily reflecting an acquisition in Brazil in the fourth quarter of 2007. A mid-single-digit decline at Sabritas in Mexico, largely resulting from weight-outs, was partially offset by double-digit growth in several smaller markets. Additionally, Gamesa in Mexico grew at a low-single-digit rate. The acquisition in Brazil contributed 3.5 percentage points to the volume growth.

Net revenue grew 23%, reflecting favorable effective net pricing. Foreign currency contributed 9 percentage points and acquisitions contributed nearly 4 percentage points to the net revenue growth.

Operating profit grew 22%, driven by the net revenue growth, offset by increased commodity costs. An insurance recovery gain contributed 8 percentage points to the operating profit growth. Foreign currency contributed 10 percentage points and acquisitions contributed nearly 3 percentage points to the operating profit growth.

36 Weeks

Snacks volume grew 5%, primarily reflecting the acquisition in Brazil. A mid-single-digit decline at Sabritas in Mexico, largely resulting from weight-outs, was offset by double-digit growth in several smaller markets. Additionally, Gamesa in Mexico grew at a low-single-digit rate. The acquisition in Brazil contributed 3.5 percentage points to the volume growth.

Net revenue grew 33%, reflecting favorable effective net pricing and the volume growth. Acquisitions contributed 14 percentage points and foreign currency contributed 8 percentage points to the net revenue growth.

Operating profit grew 29%, driven by the net revenue growth, partially offset by increased commodity costs. Foreign currency contributed 8 percentage points and acquisitions contributed 6 percentage points to the operating profit growth.

PepsiCo Americas Beverages

	12 Weeks Ended		%	36 Weeks Ended		%
	9/6/08	9/8/07	Change	9/6/08	9/8/07	Change
Net revenue	\$ 2,923	\$ 2,926	–	\$ 8,163	\$ 8,001	2
Operating profit	\$ 662	\$ 741	(11)	\$ 1,847	\$ 1,943	(5)

12 Weeks

BCS volume declined 2.5%, driven by a 4% decline in North America, partially offset by a 4% increase in Latin America.

In North America, the BCS volume decline was driven by a 5% decline in non-carbonated beverages and a 3% decline in CSDs. The decline in the non-carbonated portfolio reflects double-digit declines in our base Aquafina water business and Propel, and a low-single-digit decline in Gatorade sports drinks. The decline in the CSD portfolio reflects mid-single-digit declines in trademark Pepsi and Sierra Mist, partially offset by a low-single-digit increase in trademark Mountain Dew.

In Latin America, volume growth was broad-based and reflected a low-single-digit increase in CSDs and a double-digit increase in non-carbonated beverages.

Net revenue was unchanged, reflecting the volume declines in North America, offset by favorable effective net pricing. The effective net pricing reflects positive mix and price increases taken primarily on concentrate and fountain products this year. Favorable foreign currency contributed nearly 1 percentage point to the net revenue performance.

Operating profit declined 11%, reflecting higher selling and delivery costs, primarily higher fuel costs, increased general and administrative costs, primarily information technology initiatives, and higher cost of sales. Favorable foreign currency reduced the operating profit decline by 1 percentage point.

Smart Spot eligible products in the U.S. and Canada represented over 70% of net revenue in North America. These products experienced a mid-single-digit net revenue decline, while the balance of the portfolio grew in the mid-single-digit range.

36 Weeks

BCS volume declined 1.5%, driven by a 3% decline in North America, partially offset by a 5% increase in Latin America.

In North America, the BCS volume decline was driven by a 3% decline in both CSDs and our non-carbonated portfolio. The decline in the CSD portfolio reflects a mid-single-digit decline in trademark Pepsi and a low-single-digit decline in trademark Sierra Mist, offset slightly by a low-single-digit increase in trademark Mountain Dew. The decline in the non-carbonated portfolio reflects a double-digit decline in our base Aquafina water business, a low-single-digit decline in our juice and juice drinks portfolio and a double-digit-decline in Propel, offset slightly by double-digit growth in Amp Energy. Gatorade sports drinks grew at a low-single-digit rate.

In Latin America, volume growth was broad-based and reflected a mid-single-digit increase in CSDs and a double-digit increase in non-carbonated beverages.

Net revenue grew 2%, driven by effective net pricing, partially offset by the volume declines in North America. The effective net pricing reflects positive mix and price increases taken across the portfolio. Favorable foreign currency contributed 1 percentage point to the net revenue growth.

Operating profit declined 5%, reflecting higher selling and delivery costs, primarily higher fuel costs, increased general and administrative costs, primarily information technology initiatives, and higher cost of sales, partially offset by leverage from the revenue growth. Favorable foreign currency reduced the operating profit decline by 1 percentage point.

Smart Spot eligible products in the U.S. and Canada represented over 70% of net revenue in North America. These products experienced a low-single-digit net revenue decline, while the balance of the portfolio grew in the mid-single-digit range.

United Kingdom & Europe

	12 Weeks Ended		%	36 Weeks Ended		%
	9/6/08	9/8/07	Change	9/6/08	9/8/07	Change
Net revenue	\$ 1,783	\$ 1,519	17	\$ 4,421	\$ 3,655	21
Operating profit	\$ 279	\$ 238	17	\$ 643	\$ 544	18

12 Weeks

Snacks volume grew 1%, driven by double-digit growth in Russia, mid-single-digit growth in the Netherlands and low-single-digit growth at Walkers in the United Kingdom. These increases were offset by the unfavorable impact of a reporting calendar change in Spain and Portugal which reduced volume growth by approximately 3 percentage points. The acquisition of a business in Bulgaria in the first quarter contributed 1 percentage point to the volume growth.

Beverage volume grew 13%, primarily reflecting the Sandora acquisition and the expansion of the Pepsi Lipton Joint Venture which together contributed 14 percentage points to growth. Beverage volume also reflected a high-single-digit decline in Russia, partially offset by a mid-single-digit increase in the United Kingdom and double-digit growth in Poland. CSDs declined at a low-single-digit rate and non-carbonated beverages grew at a double-digit rate.

Net revenue grew 17%, reflecting favorable effective net pricing. The unfavorable impact of the reporting calendar change reduced net revenue growth by approximately 3 percentage points. Foreign currency contributed 8 percentage points and acquisitions contributed 4 percentage points to the net revenue growth.

Operating profit grew 17%, driven by the net revenue growth, partially offset by increased commodity costs. The unfavorable impact of the reporting calendar change reduced operating profit growth by approximately 3 percentage points. Acquisitions and foreign currency each contributed 7 percentage points to the operating profit growth.

36 Weeks

Snacks volume grew 5%, reflecting broad-based increases led by double-digit growth in Russia and mid-single-digit growth in Poland. Additionally, Walkers in the United Kingdom grew at a low-single-digit rate. The acquisition of a business in Bulgaria in the first quarter contributed 1 percentage point to the volume growth.

Beverage volume grew 18%, primarily reflecting the Sandora acquisition and the expansion of the Pepsi Lipton Joint Venture which together contributed 16 percentage points to the growth. Beverage volume also benefited from high-single-digit growth in the United Kingdom and double-digit growth in Poland and Romania, partially offset by a low-single-digit decline in Russia and a mid-single-digit decline in Spain. CSDs grew slightly and non-carbonated beverages grew at a double-digit rate.

Net revenue grew 21%, reflecting favorable effective net pricing and volume growth. Foreign currency contributed 9 percentage points and acquisitions contributed 4 percentage points to the net revenue growth.

Operating profit grew 18%, driven by the net revenue growth, partially offset by increased commodity costs. Foreign currency contributed 8 percentage points and acquisitions contributed 5 percentage points to the operating profit growth.

Middle East, Africa & Asia

	12 Weeks Ended		%	36 Weeks Ended		%
	9/6/08	9/8/07	Change	9/6/08	9/8/07	Change
Net revenue	\$ 1,546	\$ 1,263	22	\$ 3,871	\$ 3,091	25
Operating profit	\$ 227	\$ 192	18	\$ 599	\$ 498	20

12 Weeks

Snacks volume grew 9%, reflecting broad-based growth driven by double-digit increases in the Middle East, China and India, partially offset by a low-single-digit decline in Australia. Additionally, South Africa experienced low-single-digit growth and Turkey grew at a high-single-digit rate.

Beverage volume grew 10%, driven by double-digit increases in the Middle East and China, partially offset by a high-single-digit decline in Turkey and a low-single-digit decline in Pakistan. Additionally, India grew in the high-single-digit range. CSDs grew at a high-single-digit rate and non-carbonated beverages grew at a double-digit rate.

Net revenue grew 22%, reflecting volume growth and favorable effective net pricing. Foreign currency contributed 4 percentage points and acquisitions contributed 1 percentage point to the net revenue growth.

Operating profit grew 18%, driven by the net revenue growth, partially offset by increased commodity costs. Foreign currency contributed 4 percentage points to the operating profit growth. Acquisitions had a nominal impact to operating profit growth.

36 Weeks

Snacks volume grew 12%, reflecting broad-based growth. China, the Middle East, India and South Africa all grew at double-digit rates, while Australia experienced low-single-digit growth and Turkey grew at a mid-single-digit rate.

Beverage volume grew 10%, driven by double-digit growth in the Middle East, China and India, partially offset by a mid-single-digit decline in the Philippines. CSDs grew at a high-single-digit rate and non-carbonated beverages grew at a double-digit rate.

Net revenue grew 25%, reflecting volume growth and favorable effective net pricing. Foreign currency contributed 6 percentage points and acquisitions contributed 2 percentage points to the net revenue growth.

Operating profit grew 20%, driven by the net revenue growth, partially offset by increased commodity costs. Foreign currency contributed 4 percentage points and acquisitions contributed 2 percentage points to the operating profit growth.

OUR LIQUIDITY AND CAPITAL RESOURCES

Operating Activities

During the 36 weeks, our operations provided \$4.7 billion of cash, primarily reflecting our favorable business results, partially offset by our use of cash for operating working capital.

Investing Activities

During the 36 weeks, we used \$1.8 billion for our investing activities primarily reflecting \$1.7 billion for acquisitions, \$1.4 billion of net capital spending and \$297 million of cash restricted pending acquisitions. Significant acquisitions included our joint acquisition with PBG of Lebedyansky in Russia and the acquisition of a snacks company in Serbia. Our cash restricted for pending acquisitions primarily relates to our joint acquisition of Lebedyansky. The use of cash was partially offset by net proceeds from sales of short-term investments of \$1.2 billion and proceeds from sales of PBG and PAS stock of \$342 million.

Financing Activities

During the 36 weeks, we used \$2.3 billion for our financing activities, primarily reflecting the return of operating cash flow to our shareholders through common share repurchases of \$4.2 billion and dividend payments of \$1.9 billion. The use of cash was partially offset by net proceeds from short-term borrowings of \$2.0 billion, primarily due to commercial paper issuances, proceeds from issuances of long-term debt, net of payments, of \$1.2 billion and stock option proceeds of \$495 million.

In the second quarter of 2008, our Board of Directors approved a 13% dividend increase from \$1.50 to \$1.70 per share. Also, in the second quarter, we announced our intent to repurchase at least \$5.3 billion of our shares in 2008, subject to market conditions. Since maintaining financial flexibility is critical in the current environment, as described below, any additional share repurchases during the balance of the year will depend upon our assessment of market conditions.

Global capital and credit markets, including the commercial paper markets, have recently experienced increased volatility and disruption. Despite this volatility and disruption, we have continued to have full access to the commercial paper market. Depending upon market conditions, we intend to take advantage of opportunities to replace a portion of our commercial paper funding with long-term debt financing. In addition, we have revolving credit facilities that are discussed under *Debt Obligations* in the Notes to the Condensed Consolidated Financial Statements and in Note 9 included in Exhibit 99.1 to our Current Report on Form 8-K filed with the SEC on April 7, 2008. We believe that our operating cash flow, together with our revolving credit facilities and other available debt financing, will be adequate to meet our operating, investing and financing needs in the foreseeable future, although there can be no assurance that continued or increased volatility and disruption in the global capital and credit markets will not impair our ability to access these markets on terms commercially acceptable to us or at all.

Management Operating Cash Flow

We focus on management operating cash flow as a key element in achieving maximum shareholder value, and it is the primary measure we use to monitor cash flow performance. However, it is not a measure provided by accounting principles generally accepted in the U.S. Since net capital spending is essential to our product innovation initiatives and maintaining our operational capabilities, we believe that it is a recurring and necessary use of cash. As such, we believe investors should also consider net capital spending when evaluating our cash from operating activities. The table below reconciles net cash provided by operating activities as reflected in our Condensed Consolidated Statement of Cash Flows to our management operating cash flow.

	36 Weeks Ended	
	9/6/08	9/8/07
Net cash provided by operating activities	\$ 4,658	\$ 5,170
Capital spending	(1,399)	(1,260)
Sales of property, plant and equipment	85	23
Management operating cash flow	<u>\$ 3,344</u>	<u>\$ 3,933</u>

During 2008, we expect to return approximately all of our management operating cash flow to our shareholders through dividends and share repurchases. However, see “Risk Factors” in Item 1A. in our Annual Report on Form 10-K for the fiscal year ended December 29, 2007 and “Our Business Risks” in our revised Management’s Discussion and Analysis included in Exhibit 99.1 to our Current Report on Form 8-K filed with the SEC on April 7, 2008 for certain factors that may impact our operating cash flows.

Debt Obligations

See [Debt Obligations](#) in the Notes to the Condensed Consolidated Financial Statements.

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders
PepsiCo, Inc.:

We have reviewed the accompanying Condensed Consolidated Balance Sheet of PepsiCo, Inc. and Subsidiaries as of September 6, 2008, the related Condensed Consolidated Statements of Income and Comprehensive Income for the twelve and thirty-six weeks ended September 6, 2008 and September 8, 2007, and the Condensed Consolidated Statements of Cash Flows for the thirty-six weeks ended September 6, 2008 and September 8, 2007. These interim condensed consolidated financial statements are the responsibility of PepsiCo, Inc.'s management.

We conducted our review in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying interim condensed consolidated financial statements referred to above for them to be in conformity with U.S. generally accepted accounting principles.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Consolidated Balance Sheet of PepsiCo, Inc. and Subsidiaries as of December 29, 2007, and the related Consolidated Statements of Income, Cash Flows and Common Shareholders' Equity for the year then ended not presented herein; and in our report dated February 15, 2008, except as to Notes 1, 3 and 4, which are as of April 7, 2008, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying Condensed Consolidated Balance Sheet as of December 29, 2007, is fairly stated, in all material respects, in relation to the Consolidated Balance Sheet from which it has been derived.

/s/ KPMG LLP

New York, New York
October 15, 2008

ITEM 3. Quantitative and Qualitative Disclosures About Market Risk.

In the second and third quarters of 2008, we entered into additional derivative contracts to further reduce our exposure to price fluctuations in our raw material and energy costs.

For additional information, see “Management’s Discussion and Analysis – Our Business Risks”. In addition, see “Risk Factors” in Item 1A. in our Annual Report on Form 10-K for the fiscal year ended December 29, 2007 and “Our Business Risks” in our revised Management’s Discussion and Analysis included in Exhibit 99.1 to our Current Report on Form 8-K filed with the SEC on April 7, 2008.

ITEM 4. Controls and Procedures.

As of the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures, as such term is defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that as of the end of the period covered by this report our disclosure controls and procedures were effective to ensure that information required to be disclosed by us in reports we file or submit under the Exchange Act is (1) recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms, and (2) accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

During our third fiscal quarter of 2008, we continued migrating certain of our financial processing systems to SAP software. This software implementation is part of our ongoing global business transformation initiative, and we plan to continue implementing such software throughout other parts of our businesses over the course of the next few years. In connection with the SAP implementation and resulting business process changes, we continue to enhance the design and documentation of our internal control processes to ensure suitable controls over our financial reporting.

Except as described above, there were no changes in our internal control over financial reporting during our third fiscal quarter of 2008 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II OTHER INFORMATION

ITEM 1. Legal Proceedings.

We are party to a variety of legal proceedings arising in the normal course of business. While the results of proceedings cannot be predicted with certainty, management believes that the final outcome of these proceedings will not have a material adverse effect on our consolidated financial statements, results of operations or cash flows.

ITEM 1A. Risk Factors.

There have been no material changes with respect to the risk factors disclosed in our Annual Report on Form 10-K for the fiscal year ended December 29, 2007.

ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds.

A summary of our common stock repurchases (in millions, except average price per share) during the third quarter is set forth in the following table. During the quarter, we completed our \$8.5 billion repurchase program publicly announced on May 3, 2006 and expiring on June 30, 2009 and began repurchasing shares under our \$8 billion repurchase program publicly announced on May 2, 2007 and expiring on June 30, 2010. All such shares of common stock were repurchased pursuant to open market transactions, other than 80,000 shares of common stock which were purchased pursuant to a privately negotiated block trade transaction.

Issuer Purchases of Common Stock

Period	Total Number of Shares Repurchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares That May Yet Be Purchased Under the Plans or Programs
6/14/08				\$ 8,070
6/15/08 – 7/12/08	5.5	\$ 65.11	5.5	(356)
				7,714
7/13/08 – 8/9/08	6.5	\$ 66.93	6.5	(440)
				7,274
8/10/08 – 9/6/08	6.7	\$ 69.42	6.7	(464)
Total	18.7	\$ 67.28	18.7	\$ 6,810

PepsiCo also repurchases shares of its convertible preferred stock from an employee stock ownership plan (ESOP) fund established by Quaker in connection with share redemptions by ESOP participants. The following table summarizes our convertible preferred share repurchases during the third quarter.

Issuer Purchases of Convertible Preferred Stock

Period	Total Number of Shares Repurchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares That May Yet Be Purchased Under the Plans or Programs
6/14/08				
6/15/08 – 7/12/08	1,900	\$ 322.96	N/A	N/A
7/13/08 – 8/9/08	2,400	\$ 335.81	N/A	N/A
8/10/08 – 9/6/08	–	–	N/A	N/A
Total	<u>4,300</u>	\$ 330.13	N/A	N/A

ITEM 6. Exhibits

See Index to Exhibits on page 42.

[Table of Contents](#)

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

PepsiCo, Inc.

(Registrant)

Date: October 15, 2008

/s/ Peter A. Bridgman

Peter A. Bridgman
Senior Vice President and
Controller

Date: October 15, 2008

/s/ Thomas H. Tamoney, Jr.

Thomas H. Tamoney, Jr.
Senior Vice President, Deputy General
Counsel and Assistant Secretary
(Duly Authorized Officer)

INDEX TO EXHIBITS

ITEM 6 (a)

EXHIBITS

Exhibit 1.1	Amended and Restated Programme Agreement dated August 5, 2008 between PepsiCo and the Dealers named therein, which is incorporated herein by reference to Exhibit 1.1 to PepsiCo's Current Report on Form 8-K dated as of August 5, 2008
Exhibit 4.1	Amended and Restated Agency Agreement dated August 5, 2008 by and among PepsiCo, The Bank of New York Mellon and The Bank of New York (Luxembourg) S.A., which is incorporated herein by reference to Exhibit 4.1 to PepsiCo's Current Report on Form 8-K dated as of August 5, 2008
Exhibit 4.2	Amended and Restated Deed of Covenant dated August 5, 2008 made by PepsiCo, which is incorporated herein by reference to Exhibit 4.2 to PepsiCo's Current Report on Form 8-K dated as of August 5, 2008
Exhibit 10.1	PepsiCo Executive Income Deferral Program (Plan Document for the Pre-409A Program), amended and restated effective July 1, 1997
Exhibit 10.2	PepsiCo Executive Income Deferral Program (Plan Document for the 409A Program), amended and restated effective January 1, 2005
Exhibit 10.3	PepsiCo Director Deferral Program, effective as of January 1, 2005
Exhibit 10.4	PepsiCo, Inc. 2003 Long-Term Incentive Plan, as amended and restated effective September 12, 2008
Exhibit 10.5	Severance Plan for Executive Employees of PepsiCo, Inc. and Affiliates
Exhibit 10.6	PepsiCo, Inc. 2007 Long-Term Incentive Plan, as amended and restated effective September 12, 2008
Exhibit 12	Computation of Ratio of Earnings to Fixed Charges
Exhibit 15	Letter re: Unaudited Interim Financial Information
Exhibit 31	Certifications of Chief Executive Officer and Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
Exhibit 32	Certifications of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

PEPSICO

EXECUTIVE INCOME

DEFERRAL PROGRAM

**Plan Document for the Pre-409A Program
As Amended and Restated Effective July 1, 1997
(with Revisions through September 12, 2008)**

PEPSICO
EXECUTIVE INCOME DEFERRAL PROGRAM

TABLE OF CONTENTS

<u>ARTICLE I: INTRODUCTION AND ESTABLISHMENT</u>	1
<u>ARTICLE II: DEFINITIONS</u>	3
2.1 Account	3
2.2 Base Compensation	3
2.3 Beneficiary	3
2.4 Bonus Compensation	3
2.5 Code	4
2.6 Company	4
2.7 Deferral Subaccount	4
2.8 Disability	4
2.9 Effective Date	4
2.10 Election Form	4
2.11 Employee	4
2.12 Employer	4
2.13 ERISA	4
2.14 Fair Market Value	4
2.15 Participant	5
2.16 Performance Unit Payout	5
2.17 Plan	5
2.18 Plan Administrator	5
2.19 Plan Year	5
2.20 Retirement	5
2.21 Risk of Forfeiture Subaccount	5
2.22 Section 409A	6
2.23 Stock Option Gains	6
2.24 Termination of Employment	6
2.25 Valuation Date	6
<u>ARTICLE III: PARTICIPATION</u>	7
3.1 Eligibility to Participate	7
3.2 Deferral Election	7
3.3 Time and Manner of Deferral Election	8
3.4 Period of Deferral	9
<u>ARTICLE IV: INTERESTS OF PARTICIPANTS</u>	11
4.1 Accounting for Participants' Interests	11
4.2 Vesting of a Participant's Account	14
4.3 Risk of Forfeiture Subaccounts	14

4.4 Distribution of a Participant's Account	16
4.5 Acceleration of Payment in Certain Cases	18
<u>ARTICLE V: PLAN ADMINISTRATOR</u>	19
5.1 Plan Administrator	19
5.2 Action	19
5.3 Rights and Duties	19
5.4 Compensation, Indemnity and Liability	20
5.5 Taxes	20
5.6 Section 16 Compliance	21
<u>ARTICLE VI: CLAIMS PROCEDURE</u>	23
6.1 Claims for Benefits	23
6.2 Appeals	23
6.3 Special Procedures for Disability Determinations	23
<u>ARTICLE VII: AMENDMENT AND TERMINATION</u>	24
7.1 Amendments	24
7.2 Termination of Plan	24
<u>ARTICLE VIII: MISCELLANEOUS</u>	25
8.1 Limitation on Participant's Rights	25
8.2 Unfunded Obligation of Individual Employer	25
8.3 Other Plans	25
8.4 Receipt or Release	25
8.5 Governing Law and Compliance	25
8.6 Adoption of Plan by Related Employers	26
8.7 Gender, Tense, Headings and Examples	26
8.8 Successors and Assigns; Nonalienation of Benefits	26
8.9 Facility of Payment	26
8.10 Separate Plans	27
<u>APPENDIX</u>	
Article A: Spinoff of Tricon	2
Article B: Initial Public Offering of PBG	6

ARTICLE I

INTRODUCTION

PepsiCo, Inc. (the “Company”) established the PepsiCo Executive Income Deferral Program in 1972 to permit eligible executives to defer certain cash awards made under its executive compensation programs. Subsequently, the PepsiCo Executive Income Deferral Program (the “Plan”) was expanded to permit eligible executives to defer base pay, certain other categories of executive compensation and gains on Performance Share Stock Options.

Except as otherwise provided, this document sets forth the terms of the Plan as in effect on July 1, 1997. As of that date, it specifies the group of executives of the Company and certain affiliated employers eligible to make deferrals, the procedures for electing to defer compensation and the Plan’s provisions for maintaining and paying out amounts that have been deferred. Additional provisions applicable to certain executives are set forth in the Appendix, which modifies and supplements the general provisions of the Plan.

Deferrals under the Plan that were earned and vested on or before December 31, 2004 are governed by a set of documents (which includes this document) that set forth the pre-Section 409A terms of the Plan (the “Pre-409A Program”). The terms of the Plan that are applicable to deferrals that are subject to Section 409A, i.e., generally, deferred amounts that are earned or vested after December 31, 2004 (the “409A Program”) are governed by a separate document. This document sets forth the terms of the Pre-409A Program as in effect on July 1, 1997 with revisions through September 12, 2008, while terms in effect prior to July 1, 1997 are governed by other Pre-409A Program documents. Alternatively, the 409A Program document reflects the provisions in effect from and after January 1, 2005, and the rights and benefits of individuals who are participants in the Plan from and after that date (and of those claiming through or on behalf of such individuals) shall be governed by the provisions of the 409A Program document and not the Pre-409A Program documents in the case of actions and events occurring on or after January 1, 2005 with respect to deferrals that are subject to the 409A Program. For purposes of the preceding sentence, the term “actions and events” shall include all distribution trigger events and dates. The rights and benefits with respect to persons who only participated in the Plan prior to January 1, 2005 shall be governed by this document and the other applicable provisions of the Pre-409A Program documents that were in effect at such time, and shall not be governed by the 409A Program documents.

Together, the documents for the 409A Program and the documents for the Pre-409A Program describe the terms of a single plan. However, amounts subject to the terms of the 409A Program and amounts subject to the terms of the Pre-409A Program shall be tracked separately at all times. The preservation of the terms of the Pre-409A Program, without material modification, and the separation between the 409A Program amounts and the Pre-409A Program amounts are intended to permit the Pre-409A Program to remain exempt from Section 409A, and the administration of the Plan shall be consistent with this intent.

The Plan is unfunded and unsecured. Amounts deferred by an executive are an obligation of that executive's individual employer. With respect to his employer, the executive has the rights of a general creditor.

ARTICLE II

DEFINITIONS

When used in this Plan, the following underlined terms shall have the meanings set forth below unless a different meaning is plainly required by the context:

2.1 Account: The account maintained for a Participant on the books of his Employer to determine, from time to time, the Participant's interest under this Plan. The balance in such Account shall be determined by the Plan Administrator. Each Participant's Account shall consist of at least one Deferral Subaccount for each separate deferral under Section 3.2. In accordance with Section 4.3, some or all of a separate deferral may be held in a Risk of Forfeiture Subaccount. The Plan Administrator may also establish such additional subaccounts as it deems necessary for the proper administration of the Plan. Where appropriate, a reference to a Participant's Account shall include a reference to each applicable subaccount that has been established thereunder.

2.2 Base Compensation: An eligible Employee's adjusted base salary, as determined by the Plan Administrator and to the extent paid in U.S. dollars from an Employer's U.S. payroll. For any applicable payroll period, an eligible Employee's adjusted base salary shall be determined after reductions for applicable tax withholdings, Employee authorized deductions (including deductions for SaveUp, Benefits Plus and charitable donations), tax levies, garnishments and such other amounts as the Plan Administrator recognizes as reducing the amount of base salary available for deferral.

2.3 Beneficiary: The person or persons (including a trust or trusts) properly designated by a Participant, as determined by the Plan Administrator, to receive the amounts in one or more of the Participant's subaccounts in the event of the Participant's death. To be effective, any Beneficiary designation must be in writing, signed by the Participant, and filed with the Plan Administrator prior to the Participant's death, and it must meet such other standards as the Plan Administrator shall require from time to time. If no designation is in effect at the time of a Participant's death or if all designated Beneficiaries have predeceased the Participant, then the Participant's Beneficiary shall be his estate. A Beneficiary designation of an individual by name (or name and relationship) remains in effect regardless of any change in the designated individual's relationship to the Participant. A Beneficiary designation solely by relationship (for example, a designation of "spouse," that does not give the name of the spouse) shall designate whoever is the person in that relationship to the Participant at his death. An individual who is otherwise a Beneficiary with respect to a Participant's Account ceases to be a Beneficiary when all payments have been made from the Account.

2.4 Bonus Compensation: An eligible Employee's adjusted annual incentive award under his Employer's annual incentive plan or the Executive Incentive Compensation Plan, as determined and adjusted by the Plan Administrator and to the extent paid in U.S. dollars

from an Employer's U.S. payroll. An eligible Employee's annual incentive awards shall be adjusted to reduce them for applicable tax withholdings, Employee authorized deductions (including deductions for SaveUp, Benefits Plus and charitable donations), tax levies, garnishments and such other amounts as the Plan Administrator recognizes as reducing the amount of such awards available for deferral.

2.5 Code: The Internal Revenue Code, as amended.

2.6 Company: PepsiCo, Inc., a North Carolina corporation, or its successor or successors.

2.7 Deferral Subaccount: A subaccount of a Participant's Account maintained to reflect his interest in the Plan attributable to each deferral of Base Compensation, Bonus Compensation, Performance Unit Payout and Stock Option Gains, respectively, and earnings or losses credited to such subaccount in accordance with Section 4.1(b).

2.8 Disability: A Participant who is entitled to receive benefits under the PepsiCo Long Term Disability Plan shall be deemed to suffer from a disability. Participants who are not eligible to participate in the PepsiCo Long Term Disability Plan shall be deemed to suffer to from a disability if, in the judgment of the Plan Administrator, they satisfy the standards for disability under the PepsiCo Long Term Disability Plan.

2.9 Effective Date: July 1, 1997.

2.10 Election Form: The form prescribed by the Plan Administrator on which a Participant specifies the amount of his Base Compensation, Bonus Compensation, Performance Unit Payout or Stock Option Gains to be deferred pursuant to the provisions of Article III.

2.11 Employee: Any person in a salaried classification of an Employer who (i) is receiving remuneration for personal services rendered in the employment of the Employer, (ii) is either a United States citizen or a resident alien lawfully admitted for permanent residence in the United States, and (iii) is paid in U.S. dollars from the Employer's U.S. payroll.

2.12 Employer: Each division of the Company and each of the Company's subsidiaries and affiliates that is currently designated as an Employer by the Plan Administrator.

2.13 ERISA: The Employee Retirement Income Security Act of 1974, as amended.

2.14 Fair Market Value: For purposes of converting a Participant's deferrals to PepsiCo Capital Stock as of any date, the Fair Market Value of PepsiCo Capital Stock is determined as the average of the high and low price on such date for PepsiCo Capital Stock

as reported on the composite tape for securities listed on the New York Stock Exchange, Inc., rounded to four decimal places. For purposes of determining the value of a Plan distribution or for reallocating amounts between phantom investment options under the Plan, the Fair Market Value of PepsiCo Capital Stock is determined as the closing price on the applicable Valuation Date (identified based on the Plan Administrator's current procedures) for PepsiCo Capital Stock, as reported on the composite tape for securities listed on the New York Stock Exchange, Inc., rounded to four decimal places.

2.15 Participant: Any Employee eligible pursuant to Section 3.1 who has satisfied the requirements for participation in this Plan and who has an Account. A Participant includes any individual who deferred compensation prior to the Effective Date and for whom any Employer maintains on its books an Account for such deferred compensation as of the Effective Date. An active Participant is one who is currently deferring under Section 3.2.

2.16 Performance Unit Payout: The adjusted performance unit award payable to an Employee under the Company's Long Term Incentive Plan during a Plan Year, to the extent paid in U.S. dollars from an Employer's U.S. payroll. An eligible Employee's performance unit award shall be adjusted to reduce it for applicable tax withholdings, Employee authorized deductions, tax levies, garnishments and such other amounts as the Plan Administrator recognizes as reducing the amount of such awards available for deferral.

2.17 Plan: The PepsiCo Executive Income Deferral Program, the plan set forth herein and in the 409A Program document, as it may be amended and restated from time to time (subject to the limitations on amendment that are applicable hereunder and under the 409A Program). The portion of the Plan that governs deferrals that are subject to Section 409A is referred to as the "409A Program," while the portion of the Plan that governs deferrals that are not subject to Section 409A, which includes this document, is referred to as the "Pre-409A Program."

2.18 Plan Administrator: The Compensation Committee of the Board of Directors of the Company or its delegate or delegates.

2.19 Plan Year: The 12-month period from January 1 to December 31.

2.20 Retirement: Termination of service with the Company and its affiliates after attaining eligibility for retirement. A Participant attains eligibility for retirement when he attains at least age 55 with 10 or more years of service, or at least age 65 with 5 or more years of service (whichever occurs earliest) while in the employment of the Company or its affiliates. A Participant's service is determined under the terms of the PepsiCo Salaried Employees Retirement Plan.

2.21 Risk of Forfeiture Subaccount: The subaccount provided for by Section 4.3 to contain the portion of each separate deferral that is subject to forfeiture.

2.22 Section 409A: Section 409A of the Code and the applicable regulations and other guidance of general applicability that are issued thereunder.

2.23 Stock Option Gains: The gains on an eligible Employee's Performance Share Stock Options that are available for deferral under the Plan pursuant to Section 3.3(c). With respect to any options that are made subject to a Stock Option Gain deferral election, the gains on such options shall be determined through a sale of related shares by the Plan Administrator net of: (i) the exercise price of the options, (ii) any transaction costs incurred when such gains are captured through the sale of related shares, and (iii) any related taxes that the Plan Administrator determines will not otherwise be satisfied by the Participant. For purposes of such sales, the Plan Administrator may aggregate shares related to the options of different Participants, sell them over one or more days and divide the net proceeds from such aggregate sales between the Participants in a reasonable manner. The Plan Administrator shall have absolute discretion with respect to the timing and aggregation of such sales.

2.24 Termination of Employment: A Participant's cessation of employment with the Company, all Employers and all other Company subsidiaries and affiliates (as defined for this purpose by the Plan Administrator). For purposes of determining forfeitures under Section 4.3 and distributing a Participant's Account under Section 4.4, the following shall apply:

(a) A Participant does not have a Termination of Employment when the business unit or division of the Company that employs him is sold if the Participant and substantially all employees of that entity continue to be employed by the entity or its successor after the sale. A Participant also does not have a Termination of Employment when the subsidiary of the Company that employs him is sold if: (i) the Participant continues to be employed by the entity or its successor after the sale, and (ii) the Participant's interest in the Plan continues to be carried as a liability by that entity or its successor after the sale through a successor arrangement. In each case, the Participant's Termination of Employment shall occur upon the Participant's post-sale termination of employment from such entity or its successor (and their related organizations, as determined by the Plan Administrator).

(b) With respect to any individual deferral, the term "Termination of Employment" may encompass a Participant's death or death may be considered a separate event, depending upon the convention the Plan Administrator follows with respect to such deferral.

2.25 Valuation Date: Each date as of which Participant Accounts are valued in accordance with procedures of the Plan Administrator that are currently in effect. As of the Effective Date, the Valuation Dates are March 31, June 30, September 30 and December 31. Values are determined as of the close of a Valuation Date or, if such date is not a business day, as of the close of the immediately preceding business day.

ARTICLE III

PARTICIPATION

3.1 Eligibility to Participate.

(a) An Employee shall be eligible to defer compensation under the Plan while employed by an Employer at salary grade level 14 or above. Notwithstanding the preceding sentence, from time to time the Plan Administrator may modify, limit or expand the class of Employees eligible to defer hereunder, pursuant to criteria for eligibility that need not be uniform among all or any group of Employees. During the period an individual satisfies all of the eligibility requirements of this section, he shall be referred to as an eligible Employee.

(b) Each eligible Employee becomes an active Participant on the date an amount is first withheld from his compensation pursuant to an Election Form submitted by the Employee to the Plan Administrator under Section 3.3.

(c) An individual's eligibility to participate actively by making deferrals under Section 3.2 shall cease upon the earlier of:

- (1) The date he ceases to be an Employee who is employed by an Employer at salary grade level 14 or above; or
- (2) The date the Employee ceases to be eligible under criteria described in the last sentence of subsection (a) above.

(d) An individual, who has been an active Participant under the Plan, ceases to be a Participant on the date his Account is fully paid out.

3.2 Deferral Election.

(a) Each eligible Employee may make an election to defer under the Plan any whole percentage (up to 100%) of his Base Compensation, Bonus Compensation, Performance Unit Payout or Stock Option Gains in the manner described in Section 3.3. Any percentage of Base Compensation deferred by an eligible Employee for a Plan Year will be deducted each pay period during the Plan Year for which he has Base Compensation and is an eligible Employee. The percentage of Bonus Compensation or Performance Unit Payout deferred by an Eligible Employee for a Plan Year will be deducted from his payment under the applicable compensation program at the time it would otherwise be made, provided he remains an eligible Employee at such time. Any Stock Option Gains deferred by an eligible Employee shall be captured as of the date or dates applicable for the category

of underlying options under procedures adopted by the Plan Administrator, provided that the Plan Administrator determines the eligible Employee's rights in such options may still be recognized at such time.

(b) To be effective, an Eligible Employee's Election Form must set forth the percentage of Base Compensation, Bonus Compensation or Performance Unit Payout to be deferred (or for a deferral of Stock Option Gains, the specific options on which any gains are to be deferred), the investment choice under Section 4.1 (which investment must be stated in multiples of 5 percent), the deferral period under Section 3.4, the eligible Employee's Beneficiary designation, and any other information that may be requested by the Plan Administrator from time to time. In addition, the Election Form must meet the requirements of Section 3.3 below.

3.3 Time and Manner of Deferral Election.

(a) Deferrals of Base Compensation. Subject to the next two sentences, an eligible Employee must make a deferral election for a Plan Year with respect to Base Compensation at least two months prior to the Plan Year in which the Base Compensation would otherwise be paid. An individual who newly becomes an eligible Employee during a Plan Year (or less than three months prior to a Plan Year) may make a deferral election with respect to Base Compensation to be paid during the balance of the current Plan Year within 30 days of the date the individual becomes an eligible Employee. Such an individual may also make an election at this time with respect to Base Compensation to be paid during the next Plan Year.

(b) Deferrals of Bonuses and Performance Unit Payouts. Subject to the next sentence, an eligible Employee must make a deferral election for a Plan Year with respect to his Bonus Compensation or Performance Unit Payout at least six months prior to the Plan Year in which the Bonus Compensation or Performance Unit Payout would otherwise be paid. An individual who newly becomes an eligible Employee may make a deferral election with respect to his Bonus Compensation or Performance Unit Payout to be paid during the succeeding Plan Year later than the date applicable under the previous sentence so long as the deferral election is made: (i) within 30 days of the date the individual becomes an eligible Employee, and (ii) sufficiently prior to the first day of such succeeding Plan Year to ensure, in the discretionary judgment of the Plan Administrator, that the amount to be deferred will not have been constructively received (under all the facts and circumstances).

(c) Deferrals of Stock Option Gains. From time to time, the Plan Administrator shall notify eligible Employees with outstanding Performance Share Options which options then qualify for deferral of their related Stock Option Gains. An eligible Employee who has qualifying options must make a deferral election with respect to his related Stock Option Gains at least 6 months before such qualifying options' proposed capture date (as defined below) or, if earlier, in the calendar year

preceding the year of the proposed capture date. The “proposed capture date” for a set of options shall be the earliest date that the Plan Administrator would capture a Participant’s Stock Option Gains in accordance with the deferral agreement prepared for such purpose by the Plan Administrator.

(d) General Provisions. A separate deferral election under (a), (b) or (c) above must be made by an eligible Employee for each category of a Plan Year’s compensation that is eligible for deferral. If an eligible Employee fails to file a properly completed and executed Election Form with the Plan Administrator by the prescribed time, he will be deemed to have elected not to defer any Base Compensation, Bonus Compensation, Performance Unit Payout or Stock Option Gains, as the case may be, for the applicable Plan Year. An election is irrevocable once received and determined by the Plan Administrator to be properly completed. Increases or decreases in the amount or percentage a Participant elects to defer shall not be permitted during a Plan Year. Notwithstanding the preceding three sentences, to the extent necessary because of extraordinary circumstances, the Plan Administrator may grant an extension of any election period and may permit (to the extent necessary to avoid undue hardship to an eligible Employee) the complete revocation of an election with respect to future deferrals. Any such extension or revocation shall be available only if the Plan Administrator determines that it shall not trigger constructive receipt of income and is desirable for plan administration, and only upon such conditions as may be required by the Plan Administrator.

(e) Beneficiaries. A Participant designates on the Election Form a Beneficiary to receive payment in the event of his death of amounts credited to his subaccount for such deferral. A Beneficiary is paid in accordance with the terms of a Participant’s Election Form, as interpreted by the Plan Administrator in accordance with the terms of this Plan. At any time, a Participant may change a Beneficiary designation for any or all subaccounts in a writing that is signed by the Participant and filed with the Plan Administrator prior to the Participant’s death, and that meets such other standards as the Plan Administrator shall require from time to time.

3.4 Period of Deferral. An eligible Employee making a deferral election shall specify a deferral period on his Election Form by designating a specific payout date, one or more specific payout events or both a date and one or more specific events from the choices that are made available to the eligible Employee by the Plan Administrator. From time to time in its discretion, the Plan Administrator may condition a Participant’s right to designate one or more specific payout events on the Participant’s also specifying a payout date. Subject to the next sentence, an eligible Employee’s elected period of deferral shall run until the earliest occurring date or event specified on his Election Form. Notwithstanding an eligible Employee’s actual election, an eligible Employee shall be deemed to have elected a period of deferral of not less than:

(a) For Base Compensation, at least 6 months after the Plan Year during which the Base Compensation would have been paid absent the deferral;

(b) For Bonus Compensation, at least 1 year after the date the Bonus Compensation would have been paid absent the deferral;

(c) For Performance Unit Payouts, at least 1 year after the date the Performance Unit Payout would have been paid absent the deferral; and

(d) For Stock Option Gains, at least 1 year after the date the Stock Option Gain is credited to a Deferral Subaccount for the benefit of the Participant.

ARTICLE IV

INTERESTS OF PARTICIPANTS

4.1 Accounting for Participants' Interests.

(a) Deferral Subaccounts. Each Participant shall have a separate Deferral Subaccount credited with the amount of each separate deferral of Base Compensation, Bonus Compensation, Performance Unit Payout or Stock Option Gains made by the Participant under this Plan. A Participant's deferral shall be credited to his Account as soon as practicable following the date when the deferral of compensation actually occurs, as determined by the Plan Administrator. A Participant's Account is a bookkeeping device to track the value of his deferrals (and his Employer's liability therefor). No assets shall be reserved or segregated in connection with any Account, and no Account shall be insured or otherwise secured.

(b) Account Earnings or Losses. As of each Valuation Date, a Participant's Account shall be credited with earnings and gains (and shall be debited for expenses and losses) determined as if the amounts credited to his Account had actually been invested as directed by the Participant in accordance with this section (as modified by Section 4.3, if applicable). The Plan provides only for "phantom investments," and therefore such earnings, gains, expenses and losses are hypothetical and not actual. However, they shall be applied to measure the value of a Participant's Account and the amount of his Employer's liability to make deferred payments to or on behalf of the Participant.

(c) Investment Options. Each of a Participant's Subaccounts (other than those containing Stock Option Gains) shall be invested on a phantom basis in any combination of phantom investment options specified by the Participant (or following the Participant's death, by his Beneficiary) from those offered by the Plan Administrator for this purpose from time to time. Subsection (e) below governs the phantom investment options available for deferrals of Stock Option Gains. The Plan Administrator may discontinue any phantom investment option with respect to some or all Accounts, and it may provide for shifting a Participant's phantom investment from the discontinued option to a specified replacement option (unless the Participant selects another replacement option in accordance with such requirements as the Plan Administrator may apply). As of the Effective Date, the phantom investment options are:

(1) Interest Bearing Account.

(i) Effective from and after December 29, 2006, Participant Accounts invested in this phantom option accrue a return based upon an interest rate that is 120% of the applicable Federal long-term rate

(pursuant to Code Section 1274(d) or any successor provision) applicable for annual compounding, as published by the U.S. Internal Revenue Service from time to time. Returns accrue during the period since the last Valuation Date based upon 120% of the applicable Federal long-term rate (applicable for annual compounding) in effect on the first business day after such Valuation Date and are compounded annually. An amount deferred or transferred into this option is credited with the applicable rate of return beginning with the date as of which the amount is treated as invested in this option by the Plan Administrator.

(ii) Effective for periods ending on December 28, 2006, Participant Accounts invested in this phantom option accrue a return based upon the prime rate of interest announced from time to time by Citibank, N.A. (or another bank designated by the Plan Administrator from time to time). Returns accrue during the period since the last Valuation Date based on the prime rate in effect on the first business day after such Valuation Date and are compounded annually. An amount deferred or transferred into this option is credited with the applicable rate of return beginning with the date as of which the amount is treated as invested in this option by the Plan Administrator.

(iii) Amounts that are invested in the phantom option under clause (ii) above at the end of the day on December 28, 2006 shall be transferred to the phantom investment option under clause (i) above effective as of the beginning of the day on December 29, 2006, and thereafter the phantom investment option under clause (ii) above shall be terminated.

(iv) For the periods during which the phantom investment options under clauses (i) and (ii) above are in effect, such phantom investment options are the “default” option to the extent a default option is needed in order to make certain a Participant’s Account is 100% invested.

(2) PepsiCo Capital Stock Account. Participant Accounts invested in this phantom option are adjusted to reflect an investment in PepsiCo Capital Stock. An amount deferred or transferred into this option is converted to phantom shares of PepsiCo Capital Stock of equivalent value by dividing such amount by the Fair Market Value of a share of PepsiCo Capital Stock on the date as of which the amount is treated as invested in this option by the Plan Administrator. Only whole shares are determined. Any remaining amount (and all amounts that would be received by the Account as dividends, if dividends were paid on phantom shares of PepsiCo Capital Stock as they are on actual shares) are credited to a dividend subaccount that is invested in the phantom option in paragraph (1) above (the Interest Bearing Account).

(i) A Participant's interest in the PepsiCo Capital Stock Account is valued as of a Valuation Date by multiplying the number of phantom shares credited to his Account on such date by the Fair Market Value of a share of PepsiCo Capital Stock on such date, and then adding the value of the Participant's dividend subaccount.

(ii) If shares of PepsiCo Capital Stock change by reason of any stock split, stock dividend, recapitalization, merger, consolidation, spinoff, combination or exchange of shares or other any other corporate change treated as subject to this provision by the Plan Administrator, such equitable adjustment shall be made in the number of shares credited to an Account or subaccount as the Plan Administrator may determine to be necessary or appropriate.

In no event will shares of PepsiCo Capital Stock actually be purchased or held under this Plan, and no Participant shall have any rights as a shareholder of PepsiCo Capital Stock on account of an interest in this phantom option. While this Plan refers to PepsiCo Capital Stock and the phantom PepsiCo Capital Stock Account, such references to capital stock shall mean and refer to PepsiCo common stock from and after the date when the Company changed to a common stock structure.

(3) SaveUp Accounts. From time to time, the Plan Administrator shall designate which of the investment options under the Company's Long Term Savings Plan (SaveUp) shall be available as phantom investment options under this Plan. As of the Effective Date, such available phantom options are the Equity-Index Account, Equity-Income Account, and the Security Plus Account. Participant Accounts invested in these phantom options are adjusted to reflect an investment in the corresponding investment options under SaveUp. An amount deferred or transferred into one of these options is converted to phantom units in the applicable SaveUp fund of equivalent value by dividing such amount by the value of a unit in such fund on the date as of which the amount is treated as invested in this option by the Plan Administrator. Thereafter, a Participant's interest in each such phantom option is valued as of a Valuation Date by multiplying the number of phantom units credited to his Account on such date by the value of a unit in the applicable SaveUp fund.

(d) Method of Allocation. With respect to any deferral election by a Participant, the Participant must use his Election Form to allocate the deferral in 5 percent increments among the phantom investment options then offered by the Plan

Administrator. Thereafter, a Participant may reallocate previously deferred amounts in a subaccount by properly completing and submitting a fund transfer form provided by the Plan Administrator and specifying, in 5 percent increments, the reallocation of his Subaccount among the phantom investment options then offered by the Plan Administrator for this purpose. Any such transfer form shall be effective as of the Valuation Date that follows its receipt by at least the number of days that the Plan Administrator specifies for this purpose from time to time. If more than one transfer form is received on a timely basis for a subaccount, the transfer form that the Plan Administrator determines to be the most recent shall be followed.

(e) Investment Choices for Stock Option Gains. Deferrals of Stock Option gains initially may be invested only in the PepsiCo Capital Stock Account. In the case of a Participant who has attained his Retirement or, effective as of September 12, 2008, upon a Participant's death or Disability, the Plan Administrator may make available some or all of the other phantom investment options described in subsection (c) above. In this case, any election to reallocate the balance in the Participant's applicable Deferral Subaccount shall be governed by the foregoing provisions of this section.

4.2 Vesting of a Participant's Account. Except as provided in Section 4.3, a Participant's interest in the value of his Account shall at all times be 100 percent vested, which means that it will not forfeit as a result of his Termination of Employment.

4.3 Risk of Forfeiture Subaccounts. A Participant may elect to defer Base Compensation, Bonus Compensation or Performance Unit Payouts to a Risk of Forfeiture Subaccount only if: (i) he had, as of June 1, 1994, a deferred compensation subaccount maintained under a forfeiture agreement (as defined below), and (ii) he has not yet attained eligibility for Retirement when the first amount would be deferred pursuant to his current risk-of-forfeiture election. A "forfeiture agreement" is an agreement with the Company, any Employer, or one of their predecessors providing that the subaccount would be forfeited if the employee terminated employment voluntarily or on account of misconduct prior to Retirement. A Participant who meets these requirements may elect under Article III to defer some or all of his eligible compensation to a Risk of Forfeiture Subaccount subject to the following terms. (The date when a Participant attains eligibility for Retirement is specified in the definition of "Retirement.")

(a) A Risk of Forfeiture Subaccount will be terminated and forfeited in the event that the Participant has a Termination of Employment that is voluntary or because of his misconduct prior to the earliest of:

- (1) The end of the deferral period designated in his Election Form for such deferral (or if later, the end of such minimum period as may be required under Section 3.4);

(2) The date the Participant attains eligibility for Retirement; or

(3) The date indicated on his Election Form as the end of the risk of forfeiture condition (but not before completing the minimum risk of forfeiture period required by the Plan Administrator from time to time).

(b) A Risk of Forfeiture Subaccount shall become fully vested (and shall cease to be a Risk of Forfeiture Subaccount) when:

(1) The Participant reaches any of the dates in subsection (a) above while still employed by the Company or one of its affiliates, or

(2) On the date the Participant terminates involuntarily from his Employer (including death and termination for Disability), provided that such termination is not for his misconduct.

(c) No amounts credited to a Risk of Forfeiture Subaccount may be transferred to a subaccount of the Participant that is not a Risk of Forfeiture Subaccount. No amounts credited to a subaccount of the Participant that is not a Risk of Forfeiture Subaccount may be transferred to a Risk of Forfeiture Subaccount.

(d) A Participant may initially direct and then reallocate his Risk of Forfeiture Subaccount to any of the phantom investment options under the Plan that are currently available for such direction or reallocation, whichever applies. During the period before a Risk of Forfeiture Subaccount ceases to be a Risk of Forfeiture Subaccount, the return under any such phantom investment option shall be supplemented as follows.

(1) In the case of the PepsiCo Capital Stock Account, the Participant's dividend subaccount thereunder shall be credited with an additional year-end dividend amount equal to 2 percent of the average closing price of PepsiCo Capital Stock for the 30 business days preceding the end of the Company's fiscal year multiplied by the number of phantom shares of PepsiCo Capital Stock credited to the Participant's Account as of the end of the year. If the Participant's subaccount was not a Risk of Forfeiture Subaccount for the entire year (or if the Participant reallocated amounts to the PepsiCo Capital Stock Account after the beginning of the year), this 2 percent additional dividend will be prorated down appropriately, as determined by the Plan Administrator. In addition, the Participant's dividend subaccount shall earn interest at a rate that is 2 percent above the rate ordinarily applicable under the Interest Bearing Account for the period that it is contained within a Risk of Forfeiture Subaccount.

(2) In the case of any other available phantom investment option, the return on each such option shall be supplemented with an additional 2% annual return for the period that it is held within a Risk of Forfeiture Subaccount (but prorated for periods of such investment of less than a year).

4.4 Distribution of a Participant's Account. A Participant's Account shall be distributed in cash as provided in this Section 4.4.

(a) Scheduled Payout Date. With respect to a specific deferral, a Participant's "Scheduled Payout Date" shall be the earlier of:

- (1) The date selected by the Participant for such deferral in accordance with Section 3.4, or
- (2) The first day of the calendar quarter that follows the earliest to occur event selected by the Participant for such deferral in accordance with Section 3.4.

Notwithstanding the prior sentence, in the case of a deferral of Stock Option Gains, a Participant's Scheduled Payout Date for such deferral shall be first day of the calendar quarter following his Termination of Employment other than for death, Disability or Retirement (or 12 months after the date of the deferral, if that would be later than such first day). With respect to any deferral, if a Participant selects only a payout event that might not occur (such as Retirement) and then terminates employment before the occurrence of the event, the Plan Administrator may adopt rules to specify the Scheduled Payout Date that shall apply to the deferral, notwithstanding the terms of the Participant's election. Unless an election has been made in accordance with subsection (b) below, the Participant's subaccount containing the deferral shall be distributed to the Participant in a single lump sum as soon as practicable following the Scheduled Payout Date.

(b) Payment Election. A Participant may delay receipt of a subaccount beyond its Scheduled Payout Date, or elect to receive installments rather than a lump sum, by making a payment election under this subsection. A payment election must be made by the calendar year before the year containing the Scheduled Payout Date (or if earlier, at least 6 months before the Scheduled Payout Date). Any payment election to receive a lump sum at a later time must specify a revised payout date that is at least 12 months after the Scheduled Payout Date. Any payment election to receive installment payments in lieu of a lump sum shall specify the amount (or method for determining) each installment and a set of revised payout dates, the last of which must be at least 12 months after the Scheduled Payout Date. With respect to any subaccount, only one election may be made under this subsection. Beneficiaries are not permitted to make elections under this subsection. In addition, an election under this subsection may not delay the distribution of a deferral of Stock Option Gains made by a Participant whose employment has terminated other than for death, Disability or Retirement. Actual payments shall be made as soon as practicable following a revised payout date.

(c) Valuation. In determining the amount of any individual distribution pursuant to subsection (a) or (b) above, the Participant's subaccount shall continue to be credited with earnings and gains (and debited for expenses and losses) under Sections 4.1 and 4.3 until the Valuation Date preceding the Scheduled Payout Date or revised payout date for such distribution (whichever is applicable). In determining the value of a Participant's remaining subaccount following an installment distribution, such installment distribution shall reduce the value of the Participant's subaccount as of the close of the Valuation Date preceding the revised payout date for such installment.

(d) Limitations. The following limitations apply to distributions from the Plan.

(1) Installments may only be made quarterly, semi-annually or annually, for a period of no more than 20 years, and not later than the Participant's 80th birthday (or what would have been his 80th birthday, if the Participant dies earlier).

(2) If a Participant has elected a Scheduled Payout Date that would be after his 80th birthday, the Participant shall be deemed to have elected his 80th birthday as his Scheduled Payout Date.

(3) If a Participant has elected to defer income, which would qualify as performance-based compensation under Code section 162(m), into a Risk of Forfeiture Subaccount, then such subaccount may not be paid out at any time while the Participant is a covered employee under Code section 162(m)(3), to the extent the Plan Administrator determines it would result in compensation being paid to the Participant in such year that would not be deductible under Code section 162(m). The payout of any such amount shall be deferred until a year when the Participant is no longer a section 162(m) covered employee. The Plan Administrator may waive the foregoing provisions of this paragraph to the extent necessary to avoid an undue hardship to the Participant. This paragraph shall apply notwithstanding any provision of the Plan to the contrary.

(e) Upon a Participant's death, his Beneficiary shall be paid each subaccount still standing to the Participant's credit under the Plan in accordance with the terms of the Participant's payout election for such subaccount under Section 3.4, or his payment election under subsection (b) above, whichever is applicable.

4.5 Acceleration of Payment in Certain Cases. Except as expressly provided in this Section 4.5, no payments shall be made under this Plan prior to the date (or dates) applicable under Section 4.4.

(a) A Participant who is suffering severe financial hardship resulting from extraordinary and unforeseeable events beyond the control of the Participant (and who does not have other funds reasonably available that could satisfy the severe financial hardship) may file a written request with the Plan Administrator for accelerated payment of all or a portion of the amount credited to his Account. A committee composed of representatives from the Company's Compensation Department, Tax Department and Law Department, or such other parties as the Plan Administrator may specify from time to time, shall have sole discretion to determine whether a Participant satisfies the requirements for a hardship request and the amount that may be distributed (which shall not exceed the amount reasonably necessary to alleviate the Participant's hardship).

(b) After a Participant has filed a written request pursuant to this section, along with all supporting material, the committee shall grant or deny the request within 60 days (or such other number of days as is customarily applied from time to time) unless special circumstances warrant additional time.

(c) The Plan Administrator may adjust the standards for hardship withdrawals from time to time to the extent it determines such adjustment to be necessary to avoid triggering constructive receipt of income under the Plan.

(d) A Beneficiary may also request a hardship distribution upon satisfaction of the foregoing requirements and subject to the foregoing limitations.

(e) When determined to be necessary in the interest of sound plan administration, the Plan Administrator may accelerate the payment of a class of Participants' subaccounts hereunder. This shall only occur to the extent the Plan Administrator determines that such acceleration will not trigger constructive receipt of subaccounts that are not paid out.

(f) When some or all of a Participant's subaccount is distributed pursuant to this section, the distribution and the subaccount shall be valued as provided by the Plan Administrator, using rules patterned after those in Section 4.4(c) above, on the Valuation Date coincident with or immediately preceding the date on which the decision to make accelerated payment is made (or if later, the date on which it is deemed to be effective).

ARTICLE V

PLAN ADMINISTRATOR

5.1 Plan Administrator. The Plan Administrator is the Compensation Committee of the Company's Board of Directors (the "Committee") or its delegate or delegates, who shall act within the scope of their delegation pursuant to such operating guidelines as the Committee shall establish from time to time. The Plan Administrator is responsible for the administration of the Plan.

5.2 Action. Action by the Committee may be taken in accordance with procedures that the Committee adopts from time to time or that the Company's Law Department determines are legally permissible.

5.3 Rights and Duties. The Plan Administrator shall administer and manage the Plan and shall have all powers necessary to accomplish that purpose, including (but not limited to) the following:

- (a) To exercise its discretionary authority to construe, interpret, and administer this Plan;
- (b) To exercise its discretionary authority to make all decisions regarding eligibility, participation and deferrals, to make allocations and determinations required by this Plan, and to maintain records regarding Participants' Accounts;
- (c) To compute and certify to the Employer the amount and kinds of payments to Participants or their Beneficiaries, and to determine the time and manner in which such payments are to be paid;
- (d) To authorize all disbursements by the Employer pursuant to this Plan;
- (e) To maintain (or cause to be maintained) all the necessary records for administration of this Plan;
- (f) To make and publish such rules for the regulation of this Plan as are not inconsistent with the terms hereof;
- (g) To delegate to other individuals or entities from time to time the performance of any of its duties or responsibilities hereunder;
- (h) To establish or to change the phantom investment options or arrangements under Article IV; and

(i) To hire agents, accountants, actuaries, consultants and legal counsel to assist in operating and administering the Plan.

(j) Notwithstanding any other provision of this Plan except Section 8.5 (relating to compliance with Section 409A), the Plan Administrator may take any action the Plan Administrator deems is necessary to assure compliance with any policy of the Company respecting insider trading as may be in effect from time to time. Such actions may include altering the effective date of phantom investment option transfers or the distribution date of Deferral Subaccounts. Any such actions shall alter the normal operation of the Plan to the minimum extent necessary.

The Plan Administrator has the exclusive and discretionary authority to construe and to interpret the Plan, to decide all questions of eligibility for benefits, to determine the amount and manner of payment of such benefits and to make any determinations that are contemplated by (or permissible under) the terms of this Plan, and its decisions on such matters will be final and conclusive on all parties. Any such decision or determination shall be made in the absolute and unrestricted discretion of the Plan Administrator, even if (A) such discretion is not expressly granted by the Plan provisions in question, or (B) a determination is not expressly called for by the Plan provisions in question, and even though other Plan provisions expressly grant discretion or call for a determination. In the event of a review by a court, arbitrator or any other tribunal, any exercise of the Plan Administrator's discretionary authority shall not be disturbed unless it is clearly shown to be arbitrary and capricious.

5.4 Compensation, Indemnity and Liability. The Plan Administrator will serve without bond and without compensation for services hereunder. All expenses of the Plan and the Plan Administrator will be paid by the Employer. To the extent deemed appropriate by the Plan Administrator, any such expense may be charged against specific Participant Accounts, thereby reducing the obligation of the Employer. No member of the Committee, and no individual acting as the delegate of the Committee, shall be liable for any act or omission of any other member or individual, nor for any act or omission on his own part, excepting his own willful misconduct. The Employer will indemnify and hold harmless each member of the Committee and any individual or individuals acting as the delegate of the Committee against any and all expenses and liabilities, including reasonable legal fees and expenses, arising out of his membership on the Committee (or his serving as the delegate of the Committee), excepting only expenses and liabilities arising out of his own willful misconduct.

5.5 Taxes. If the whole or any part of any Participant's Account becomes liable for the payment of any estate, inheritance, income, or other tax which the Employer may be required to pay or withhold, the Employer will have the full power and authority to withhold and pay such tax out of any moneys or other property in its hand for the account of the Participant. To the extent practicable, the Employer will provide the Participant notice of such withholding. Prior to making any payment, the Employer may require such releases or other documents from any lawful taxing authority as it shall deem necessary.

5.6 Section 16 Compliance:

(a) General. To the maximum extent possible, this Plan is intended to be a formula plan for purposes of Section 16 of the Securities Exchange Act of 1934, as amended, (the “Act”). Accordingly, in the case of a deferral or other action under the Plan that constitutes a transaction that could be covered by Rule 16b-3(d) or (e), if it were approved by the Company’s Board of Directors or Compensation Committee (“Board Approval”), it is intended that the Plan shall be administered by delegates of the Compensation Committee, in the case of a Participant who is subject to Section 16 of the Act, in a manner that will permit the Board Approval of the Plan to avoid any additional Board Approval of specific transactions to the maximum possible extent.

(b) Approval of Distributions: From and after January 1, 2005, this Plan remains subject to the Company’s policies requiring compliance with Section 16 of the Act. Accordingly, this Subsection shall govern the distribution of a deferral that (i) is wholly or partly invested in the phantom PepsiCo Capital Stock Account at the time the deferral would be valued to determine the amount of cash to be distributed to a Participant, (ii) either was the subject of a re-deferral election or was not covered by an agreement, made at the time of the Participant’s original deferral election, that any investments in the phantom PepsiCo Capital Stock Account would, once made, remain in that account until distribution of the deferral, (iii) is made to a Participant who is subject to Section 16 of the Act at the time the interest in the phantom PepsiCo Capital Stock Account would be liquidated in connection with the distribution, and (iv) if paid at the time the distribution would be made without regard to this subsection, could result in a violation of Section 16 of the Act because there is an opposite way transaction that would be matched with the liquidation of the Participant’s interest in the PepsiCo Capital Stock Account (either as a “discretionary transaction,” within the meaning of Rule 16b-3(b)(1), or as a regular transaction, as applicable) (a “Covered Distribution”). In the case of a Covered Distribution, if the liquidation of the Participant’s interest in the phantom PepsiCo Capital Stock Account in connection with the distribution has not received Board Approval by the time the distribution would be made if it were not a Covered Distribution, or if it is a discretionary transaction, then provided that there is no material modification for Section 409A purposes, the actual distribution to the Participant shall be delayed only until the earlier of:

- (1) In the case of a transaction that is not a discretionary transaction, Board Approval of the liquidation of the Participant’s interest in the phantom PepsiCo Capital Stock Account in connection with the distribution, and

(2) The date the distribution would no longer violate Section 16 of the Act, e.g., when the Participant is no longer subject to Section 16 of the Act, when the Deferral Subaccount related to the distribution is no longer invested in the phantom PepsiCo Capital Stock Account or when the time between the liquidation and an opposite way transaction is sufficient.

ARTICLE VI

CLAIMS PROCEDURE

6.1 Claims for Benefits. If a Participant, Beneficiary or other person (hereafter, "Claimant") does not receive timely payment of any benefits which he believes are due and payable under the Plan, he may make a claim for benefits to the Plan Administrator. The claim for benefits must be in writing and addressed to the Plan Administrator or to the Company. If the claim for benefits is denied, the Plan Administrator will notify the Claimant in writing within 90 days after the Plan Administrator initially received the benefit claim. However, if special circumstances require an extension of time for processing the claim, the Plan Administrator will furnish notice of the extension to the Claimant prior to the termination of the initial 90-day period and such extension may not exceed one additional, consecutive 90-day period. Any notice of a denial of benefits should advise the Claimant of the basis for the denial, any additional material or information necessary for the Claimant to perfect his claim, and the steps which the Claimant must take to have his claim for benefits reviewed.

6.2 Appeals. Each Claimant whose claim for benefits has been denied may file a written request for a review of his claim by the Plan Administrator. The request for review must be filed by the Claimant within 60 days after he received the written notice denying his claim. The decision of the Plan Administrator will be made within 60 days after receipt of a request for review and will be communicated in writing to the Claimant. Such written notice shall set forth the basis for the Plan Administrator's decision. If there are special circumstances which require an extension of time for completing the review, the Plan Administrator's decision may be rendered not later than 120 days after receipt of a request for review.

6.3 Special Procedures for Disability Determinations: Notwithstanding Sections 6.1 and 6.2, for claims and appeals relating to Disability benefits that are filed from and after January 1 2002, such claim or appeal shall be processed pursuant to the applicable provisions of Department of Labor Regulation Section 2560.503-1 relating to Disability benefits, including Sections 2560.503-1(d), 2560.503-1(f)(3), 2560.503-1(h)(4) and 2560.503-1(i)(3).

ARTICLE VII

AMENDMENT AND TERMINATION

7.1 Amendments. The Compensation Committee of the Board of Directors of the Company has the right in its sole discretion to amend this Plan in whole or in part at any time and in any manner; provided, however, that no such amendment shall reduce the amount credited to the Account of any Participant as of the date such amendment is adopted. Any amendment shall be in writing and adopted by the Committee or an officer of the Company who is authorized by the Committee for this purpose. All Participants shall be bound by such amendment.

7.2 Termination of Plan. The Company expects to continue this Plan, but does not obligate itself to do so. The Company, acting by the Compensation Committee of its Board of Directors, reserves the right to discontinue and terminate the Plan at any time, in whole or in part, for any reason (including a change, or an impending change, in the tax laws of the United States or any State). Termination of the Plan will be binding on all Participants (and a partial termination shall be binding upon all affected Participants), but in no event may such termination reduce the amounts credited at that time to any Participant's Account. If this Plan is terminated (in whole or in part), amounts theretofore credited to affected Participants' Accounts may either be paid in a lump sum immediately, or distributed in some other manner consistent with this Plan, as determined by the Plan Administrator in its sole discretion.

ARTICLE VIII

MISCELLANEOUS

8.1 Limitation on Participant's Rights. Participation in this Plan does not give any Participant the right to be retained in the Employer's or Company's employ (or any right or interest in this Plan or any assets of the Company or Employer other than as herein provided). The Company and Employer reserve the right to terminate the employment of any Participant without any liability for any claim against the Company or Employer under this Plan, except for a claim for payment of deferrals as provided herein.

8.2 Unfunded Obligation of Individual Employer. The benefits provided by this Plan are unfunded. All amounts payable under this Plan to Participants are paid from the general assets of the Participant's individual Employer. Nothing contained in this Plan requires the Company or Employer to set aside or hold in trust any amounts or assets for the purpose of paying benefits to Participants. Neither a Participant, Beneficiary, nor any other person shall have any property interest, legal or equitable, in any specific Employer asset. This Plan creates only a contractual obligation on the part of a Participant's individual Employer, and the Participant has the status of a general unsecured creditor of this Employer with respect to amounts of compensation deferred hereunder. Such a Participant shall not have any preference or priority over, the rights of any other unsecured general creditor of the Employer. No other Employer guarantees or shares such obligation, and no other Employer shall have any liability to the Participant or his Beneficiary. In the event, a Participant transfers from the employment of one Employer to another, the former Employer shall transfer the liability for deferrals made while the Participant was employed by that Employer to the new Employer (and the books of both Employers shall be adjusted appropriately).

8.3 Other Plans. This Plan shall not affect the right of any eligible Employee or Participant to participate in and receive benefits under and in accordance with the provisions of any other employee benefit plans which are now or hereafter maintained by any Employer, unless the terms of such other employee benefit plan or plans specifically provide otherwise or it would cause such other plan to violate a requirement for tax favored treatment.

8.4 Receipt or Release. Any payment to a Participant in accordance with the provisions of this Plan shall, to the extent thereof, be in full satisfaction of all claims against the Plan Administrator, the Employer and the Company, and the Plan Administrator may require such Participant, as a condition precedent to such payment, to execute a receipt and release to such effect.

8.5 Governing Law and Compliance. This Plan shall be construed, administered, and governed in all respects in accordance with applicable federal law and, to the extent not preempted by federal law, in accordance with the laws of the State of North

Carolina. If any provisions of this instrument shall be held by a court of competent jurisdiction to be invalid or unenforceable, the remaining provisions hereof shall continue to be fully effective. In addition, at all times during each Plan Year, this Plan shall be operated to preserve the status of deferrals under this Pre-409A Program as being exempt from Section 409A, i.e., to preserve the grandfathered status of this Pre-409A Program. In all cases, the provisions of the prior sentence shall apply notwithstanding any contrary provision of the Plan.

8.6 Adoption of Plan by Related Employers. The Plan Administrator may select as an Employer any division of the Company, as well as any corporation related to the Company by stock ownership, and permit or cause such division or corporation to adopt the Plan. The selection by the Plan Administrator shall govern the effective date of the adoption of the Plan by such related Employer. The requirements for Plan adoption are entirely within the discretion of the Plan Administrator and, in any case where the status of an entity as an Employer is at issue, the determination of the Plan Administrator shall be absolutely conclusive.

8.7 Gender, Tense, Headings and Examples. In this Plan, whenever the context so indicates, the singular or plural number and the masculine, feminine, or neuter gender shall be deemed to include the other. Headings and subheadings in this Plan are inserted for convenience of reference only and are not considered in the construction of the provisions hereof. Whenever an example is provided or the text uses the term “including” followed by a specific item or items, or there is a passage having a similar effect, such passage of the Plan shall be construed as if the phrase “without limitation” followed such example or term (or otherwise applied to such passage in a manner that avoids limitation on its breadth of application).

8.8 Successors and Assigns; Nonalienation of Benefits. This Plan inures to the benefit of and is binding upon the parties hereto and their successors, heirs and assigns; provided, however, that the amounts credited to the Account of a Participant are not (except as provided in Section 5.5) subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, charge, garnishment, execution or levy of any kind, either voluntary or involuntary, and any attempt to anticipate, alienate, sell, transfer, assign, pledge, encumber, charge or otherwise dispose of any right to any benefits payable hereunder, including, without limitation, any assignment or alienation in connection with a separation, divorce, child support or similar arrangement, will be null and void and not binding on the Plan or the Company or Employer. Notwithstanding the foregoing, the Plan Administrator reserves the right to make payments in accordance with a divorce decree, judgment or other court order as and when cash payments are made in accordance with the terms of this Plan from the subaccount of a Participant. Any such payment shall be charged against and reduce the Participant's Account.

8.9 Facility of Payment. Whenever, in the Plan Administrator's opinion, a Participant or Beneficiary entitled to receive any payment hereunder is under a legal

disability or is incapacitated in any way so as to be unable to manage his financial affairs, the Plan Administrator may direct the Employer to make payments to such person or to the legal representative of such person for his benefit, or to apply the payment for the benefit of such person in such manner as the Plan Administrator considers advisable. Any payment in accordance with the provisions of this section shall be a complete discharge of any liability for the making of such payment to the Participant or Beneficiary under the Plan.

8.10 Separate Plans. This Plan document encompasses three separate plans of deferred compensation for all legal purposes (including federal tax law, state tax law and, effective January 1, 1999, ERISA) as set forth in subsections (a), (b) and (c) below.

(a) The portion of the Plan that provides for deferrals of Base Compensation and Bonus Compensation (which shall be known as the “PepsiCo Executive Income Deferral Plan”).

(b) The portion of the Plan that provides for deferrals of Performance Unit Payouts (which shall be known as the “PepsiCo Performance Unit Deferral Plan”).

(c) The portion of the Plan that provides for deferrals of Stock Option Gains (which shall be known as the “PepsiCo Option Gains Deferral Plan”).

Together, these three separate plans of deferred compensation are referred to as the PepsiCo Executive Income Deferral Program.

PEPSICO EXECUTIVE INCOME DEFERRAL PROGRAM

APPENDIX

The following Appendix articles modify or supplement the general terms of the Plan as it applies to certain executives.

Except as specifically modified in the Appendix, the foregoing provisions of the Plan shall fully apply. In the event of a conflict between this Appendix and the foregoing provisions of the Plan, the Appendix shall govern with respect to the conflict.

ARTICLE A

SPINOFF OF TRICON

This Article sets forth provisions that apply in connection with the Company's spinoff of Tricon Global Restaurants, Inc.

A.1 Definitions. When used in this Article, the following underlined terms shall have the meanings set forth below. Except as otherwise provided in this Article, all terms that are defined in Article II of the Plan shall have the meaning assigned to them by Article II.

- (a) Distribution Date: The "Distribution Date" as that term is defined in the 1997 Separation Agreement between PepsiCo, Inc. and Tricon.
- (b) PepsiCo Account Holder: A Participant who has an interest in the PepsiCo Capital Stock Account on the Reference Date.
- (c) Reference Date: The date specified by the Plan Administrator for purposes of determining who shall be credited with an interest in the Tricon Common Stock Account.
- (d) Transferred Individual: A "Transferred Individual" as that term is defined in the 1997 Employee Programs Agreement between PepsiCo, Inc. and Tricon.
- (e) Transition Individuals: A "Transition Individual" as that term is defined in the 1997 Employee Programs Agreement between PepsiCo, Inc. and Tricon.
- (f) Tricon: Tricon Global Restaurants, Inc., a North Carolina Corporation.
- (g) Tricon Account Holder: A PepsiCo Account Holder whose interest in the PepsiCo Capital Stock Account on the Reference Date includes at least 10 phantom shares of PepsiCo Capital Stock.
- (h) Tricon EID: Tricon Executive Income Deferral Program.
- (i) Tricon Group: Tricon and its subsidiaries and affiliates, as determined by the Plan Administrator.

A.2 Transfer of Benefits and Liabilities. Effective as of the end of the day on the Distribution Date, all interests in the Plan of (and Plan liabilities with respect to)

nonterminated Transferred Individuals shall be transferred to the Tricon EID. This transfer shall constitute a complete payout of these individuals' Accounts for purposes of determining who is a Participant or Beneficiary under the Plan. For this purpose, a Transferred Individual shall be considered "nonterminated" if he is actively employed by (or on a leave of absence from and expected to return to) the Tricon Group. Following the Distribution Date, Tricon shall succeed to all of PepsiCo's authority to affect and govern Plan interests transferred in accordance with this section (including through interpretation, plan amendment or plan termination).

A.3 Cessation of Employer Status. Effective as of the end of the day on the Distribution Date, any Employer who is a member of the Tricon Group shall no longer qualify as Employers hereunder. Any individual whose Account is transferred in accordance with Section A.2 shall not thereafter be able to defer any compensation (including Stock Option Gains) under this Plan, unless he returns to employment with an Employer following the Distribution Date (and is an eligible Employee at the time of the deferral).

A.4 Employment Transfers by Transition Individuals. If a Participant is transferred to the Tricon Group under circumstances that cause him to be a Transition Individual, such transfer to the Tricon Group shall not be considered a Termination of Employment or other event that could trigger distribution of the Participant's interest in the Plan. In this case, the Participant's interest in the Plan (and all Plan liabilities with respect to the Participant) shall be retained by the Plan. For purposes of determining the distribution of such Participant's interest in the Plan, the Participant's Termination of Employment shall not be deemed to occur before his termination of employment with the Tricon Group.

A.5 Special Tricon Stock Investment Option. As of the Distribution Date, the Plan Administrator shall establish a temporary phantom investment option under the Plan, the Tricon Common Stock Account, and each Tricon Account Holder shall be credited with an interest in such account.

(a) Establishing the Account Holder's Interest. The amount of a Tricon Account Holder's interest is determined by dividing by 10 the number of phantom shares of PepsiCo Capital Stock standing to his credit in the PepsiCo Capital Stock Account on the Reference Date. The portion of the resulting quotient that is an integer shall be the number of phantom shares of Tricon Common Stock that is credited to the Participant's Tricon Common Stock Account as of the Distribution Date. A Tricon Stock Holder's interest in the Tricon Common Stock Account shall also include a dividend subaccount. The initial balance in the dividend subaccount shall be zero, but it shall thereafter be credited with all amounts that would be received for the Participant by the Tricon Common Stock Account as dividends, if dividends were paid on phantom shares of Tricon Common Stock as they are on actual shares. All amounts credited to this dividend subaccount shall be invested in the phantom option described in Section 4.1(c)(1) (the Interest Bearing Account).

(b) Valuation and Adjustment: A Participant's interest in the Tricon Common Stock Account is valued as of a Valuation Date by multiplying the number of phantom shares credited to his Account on such date by the fair market value of a share of Tricon Common Stock on such date, and then adding the value of the Participant's dividend subaccount.

(1) As of any date, the fair market value of Tricon Common Stock is determined for purposes of this Article using procedures comparable to those used in determining the Fair Market Value of PepsiCo Capital Stock, but with such modifications as the Plan Administrator may apply from time to time.

(2) If shares of Tricon Common Stock change by reason of any stock split, stock dividend, recapitalization, merger, consolidation, spinoff, combination or exchange of shares or other any other corporate change treated as subject to this provision by the Plan Administrator, such equitable adjustment shall be made in the number of shares credited to an Account or subaccount as the Plan Administrator may determine to be necessary or appropriate

In no event will shares of Tricon Common Stock actually be purchased or held under this Plan, and no Participant shall have any rights as a shareholder of Tricon Common Stock on account of an interest in the Tricon Common Stock Account.

(c) Investment Reallocations. In accordance with Section 4.1(e), a Tricon Account Holder may reallocate amounts from his Subaccounts in the Tricon Common Stock Account to other phantom investment options under the Plan that are available for this purpose. No Participant may reallocate amounts into the Tricon Common Stock Account.

(d) Termination of the Tricon Common Stock Account. Effective as of the end of the day on December 31, 1999 (or such later date as the Plan Administrator shall specify), the Tricon Common Stock Account shall cease to be available under the Plan. Any amount under the Plan still standing to the credit of a Participant on such date shall automatically be reallocated to the phantom investment option described in Section 4.1(c)(1) (the Interest Bearing Account) unless the Participant selects a different replacement option in accordance with such requirements as the Plan Administrator may apply.

A.6 PepsiCo Account Holders with Less Than 10 Shares: The interest in the PepsiCo Capital Stock Account of any PepsiCo Account Holder who does not qualify to be a Tricon Account Holder shall be adjusted as of the Distribution Date. Pursuant to this adjustment, the value of his dividend subaccount under the PepsiCo Capital Stock Account shall be increased by the product of (a) and (b) below:

(a) The number of phantom shares of PepsiCo stock credited to the Participant's Account under the PepsiCo Capital Stock Account divided by 10.

(b) The fair market value of a share of Tricon Common Stock on the Distribution Date.

ARTICLE B

INITIAL PUBLIC OFFERING OF PBG

This Article sets forth provisions that apply in connection with PBG's initial public offering.

B.1 Definitions. When used in this Article, the following underlined terms shall have the meanings set forth below. Except as otherwise provided in this Article, all terms that are defined in Article II of the Plan shall have the meaning assigned to them by Article II.

- (a) Offering Date: The "Offering Date" as that term is defined in the Separation Agreement between PepsiCo, Inc. and PBG.
- (b) PBG: Pepsi Bottling Group, Inc.
- (c) PBG EID: PBG Executive Income Deferral Program.
- (d) PBG Group: PBG and its subsidiaries and affiliates, as determined by the Plan Administrator.
- (e) Transferred Individual: A "Transferred Individual" as that term is defined in the Employee Programs Agreement between PepsiCo, Inc. and PBG.
- (f) Transition Individuals: A "Transition Individual" as that term is defined in the Employee Programs Agreement between PepsiCo, Inc. and PBG.

B.2 Transfer of Benefits and Liabilities. Effective as of the end of the day on the Offering Date, all interests in the Plan of (and Plan liabilities with respect to) nonterminated Transferred Individuals shall be transferred to the PBG EID. This transfer shall constitute a complete payout of these individuals' Accounts for purposes of determining who is a Participant or Beneficiary under the Plan. For this purpose, a Transferred Individual shall be considered "nonterminated" if he is actively employed by (or on a leave of absence from and expected to return to) the PBG Group, as of the end of the day on the Offering Date.

B.3 Cessation of Employer Status. Effective as of the end of the day on the Offering Date, any Employer who is a member of the PBG Group shall no longer qualify as an Employer hereunder. Any individual whose Account is transferred in accordance with Section B.2 shall not thereafter be able to defer any compensation (including Stock Option Gains) under this Plan, unless he returns to employment with an Employer following the Offering Date (and is an eligible Employee at the time of the deferral). Following the Offering Date, PBG shall succeed to all of PepsiCo's authority to affect and govern Plan interests transferred in accordance with this section (including through interpretation, plan amendment or plan termination).

B.4 Employment Transfers by Transition Individuals.

(a) Transfers to PBG. If a Participant is transferred to the PBG Group under circumstances that cause him to be a Transition Individual, such transfer to the PBG Group shall not be considered a Termination of Employment or other event that could trigger distribution of the Participant's interest in the Plan. In this case, the Participant's interest in the Plan (and all Plan liabilities with respect to the Participant) may be retained by the Plan, or they may be transferred to the PBG EID, as determined by the Plan Administrator in its discretion. If a transfer of the Participant's interest occurs, this transfer shall constitute a complete payout of the Participant's Account for purposes of determining who is a Participant or Beneficiary under the Plan. If a transfer does not occur, for purposes of determining the distribution of such Participant's interest in the Plan, the Participant's Termination of Employment shall not be deemed to occur before his termination of employment with the PBG Group.

(b) Transfers from PBG. If an individual is transferred by the PBG Group to an Employer under circumstances that cause him to be a Transition Individual and such individual's interest in the PBG EID is transferred to this Plan, such Individual shall become a Participant in this Plan. In connection with any such transfer of the individual's interest, the individual's phantom investment in PBG capital stock under the PBG EID shall be carried over and replicated hereunder until December 31, 2000 (or such other date as may be specified by the Plan Administrator). Any other phantom investment of the individual under the PBG EID may be carried over and replicated hereunder, or it may be converted to a phantom investment available under the Plan (depending upon the procedures then applied by the Plan Administrator).

B.5 Special PBG Stock Investment Option. To the extent required by Section B.4 (and as otherwise made available by the Plan Administrator from time to time), the Plan Administrator shall establish a temporary phantom investment option under the Plan, the PBG Capital Stock Account.

(a) General Principles. The PBG Capital Stock Account shall be administered under rules that are similar to those applicable to the PepsiCo Capital Stock Account, but with such modifications as the Plan Administrator may apply from time to time.

(b) Valuation and Adjustment: A Participant's interest in the PBG Capital Stock Account is valued as of a Valuation Date by multiplying the number of phantom shares credited to his Account on such date by the fair market value of a

share of PBG Capital Stock on such date, and then adding the value of the Participant's dividend subaccount. If shares of PBG Capital Stock change by reason of any stock split, stock dividend, recapitalization, merger, consolidation, spinoff, combination or exchange of shares or other any other corporate change treated as subject to this provision by the Plan Administrator, such equitable adjustment shall be made in the number of shares credited to an Account or subaccount as the Plan Administrator may determine to be necessary or appropriate. In no event will shares of PBG Capital Stock actually be purchased or held under this Plan, and no Participant shall have any rights as a shareholder of PBG Capital Stock on account of an interest in the PBG Capital Stock Account.

(c) Investment Reallocations. In accordance with Section 4.1(e), a PBG Account Holder may reallocate amounts from his Subaccounts in the PBG Capital Stock Account to other phantom investment options under the Plan that are available for this purpose. Except as expressly authorized by the Plan Administrator, no Participant may reallocate amounts into the PBG Capital Stock Account.

(d) Termination of the PBG Capital Stock Account. Effective as of the end of the day on December 31, 2000 (or such later date as the Plan Administrator shall specify), the PBG Capital Stock Account shall cease to be available under the Plan. Any amount under the Plan still standing to the credit of a Participant on such date shall automatically be reallocated to the phantom investment option described in Section 4.1(c)(1) (the Interest Bearing Account) unless the Participant selects a different replacement option in accordance with such requirements as the Plan Administrator may apply.

PEPSICO

EXECUTIVE INCOME

DEFERRAL PROGRAM

**Plan Document for the 409A Program
Amended and Restated Effective as of January 1, 2005
(with Amendments through September 11, 2008)**

TABLE OF CONTENTS

	<u>Page</u>
ARTICLE I – INTRODUCTION	1
ARTICLE II – DEFINITIONS	2
2.01 ACCOUNT:	2
2.02 ACT:	2
2.03 BASE COMPENSATION:	2
2.04 BENEFICIARY:	2
2.05 BONUS COMPENSATION:	2
2.06 CODE:	3
2.07 COMPANY:	3
2.08 DEFERRAL SUBACCOUNT:	3
2.09 DISABILITY:	3
2.10 DISTRIBUTION VALUATION DATE:	3
2.11 ELECTION FORM:	3
2.12 ELIGIBLE EXECUTIVE:	4
2.13 EMPLOYER:	4
2.14 ERISA:	4
2.15 EXECUTIVE:	4
2.16 409A PROGRAM:	4
2.17 KEY EMPLOYEE:	4
2.18 NAV:	5
2.19 PARTICIPANT:	5
2.20 PEPSICO ORGANIZATION:	6
2.21 PERFORMANCE PERIOD:	6
2.22 PLAN:	6
2.23 PLAN ADMINISTRATOR:	6
2.24 PLAN YEAR:	6
2.25 PRE-409A PROGRAM:	6
2.26 PROHIBITED MISCONDUCT:	6
2.27 RECORDKEEPER:	8
2.28 RETIREMENT:	8
2.29 RISK OF FORFEITURE SUBACCOUNT:	8
2.30 SECOND LOOK ELECTION:	8
2.31 SECTION 409A:	8
2.32 SEPARATION FROM SERVICE:	8
2.33 SPECIFIC PAYMENT DATE:	9
2.34 UNFORESEEABLE EMERGENCY:	9
2.35 U.S.:	9
2.36 VALUATION DATE:	9
ARTICLE III – ELIGIBILITY AND PARTICIPATION	10
3.01 ELIGIBILITY TO PARTICIPATE:	10
3.02 TERMINATION OF ELIGIBILITY TO DEFER:	10
3.03 TERMINATION OF PARTICIPATION:	11

TABLE OF CONTENTS

	<u>Page</u>
ARTICLE IV – DEFERRAL OF COMPENSATION	12
4.01 DEFERRAL ELECTION:	12
4.02 TIME AND MANNER OF DEFERRAL ELECTION:	13
4.03 PERIOD OF DEFERRAL:	15
4.04 FORM OF DEFERRAL PAYOUT:	15
4.05 SECOND LOOK ELECTION:	16
ARTICLE V – INTERESTS OF PARTICIPANTS	18
5.01 ACCOUNTING FOR PARTICIPANTS’ INTERESTS:	18
5.02 INVESTMENT OPTIONS:	18
5.03 METHOD OF ALLOCATION:	19
5.04 VESTING OF A PARTICIPANT’S ACCOUNT:	20
5.05 RISK OF FORFEITURE SUBACCOUNTS:	20
5.06 FORFEITURE OF EARNINGS FOR PROHIBITED MISCONDUCT:	22
ARTICLE VI – DISTRIBUTIONS	23
6.01 GENERAL:	23
6.02 DISTRIBUTIONS BASED ON A SPECIFIC PAYMENT DATE:	24
6.03 DISTRIBUTIONS ON ACCOUNT OF A SEPARATION FROM SERVICE:	25
6.04 DISTRIBUTIONS ON ACCOUNT OF DEATH:	26
6.05 DISTRIBUTIONS ON ACCOUNT OF RETIREMENT:	27
6.06 DISTRIBUTIONS ON ACCOUNT OF DISABILITY:	27
6.07 DISTRIBUTIONS ON ACCOUNT OF UNFORESEEABLE EMERGENCY:	28
6.08 VALUATION:	28
6.09 SECTION 162(M) COMPLIANCE:	29
6.10 IMPACT OF SECTION 16 OF THE ACT ON DISTRIBUTIONS:	29
6.11 ACTUAL PAYMENT DATE:	29
ARTICLE VII – PLAN ADMINISTRATION	30
7.01 PLAN ADMINISTRATOR:	30
7.02 ACTION:	30
7.03 POWERS OF THE PLAN ADMINISTRATOR:	30
7.04 COMPENSATION, INDEMNITY AND LIABILITY:	31
7.05 WITHHOLDING:	31
7.06 SECTION 16 COMPLIANCE:	32
7.07 CONFORMANCE WITH SECTION 409A:	33
ARTICLE VIII – CLAIMS PROCEDURE	34
8.01 CLAIMS FOR BENEFITS:	34
8.02 APPEALS OF DENIED CLAIMS:	34
8.03 SPECIAL CLAIMS PROCEDURES FOR DISABILITY DETERMINATIONS:	34
ARTICLE IX – AMENDMENT AND TERMINATION	35
9.01 AMENDMENT OF PLAN:	35
9.02 TERMINATION OF PLAN:	35

TABLE OF CONTENTS

	<u>Page</u>
ARTICLE X – MISCELLANEOUS	36
10.01 LIMITATION ON PARTICIPANT’S RIGHTS:	36
10.02 UNFUNDED OBLIGATION OF INDIVIDUAL EMPLOYER:	36
10.03 OTHER PLANS:	36
10.04 RECEIPT OR RELEASE:	36
10.05 GOVERNING LAW:	37
10.06 ADOPTION OF PLAN BY RELATED EMPLOYERS:	37
10.07 GENDER, TENSE AND EXAMPLES:	37
10.08 SUCCESSORS AND ASSIGNS; NONALIENATION OF BENEFITS:	37
10.09 FACILITY OF PAYMENT:	38
ARTICLE XI – AUTHENTICATION	39
APPENDIX	Appendix
APPENDIX ARTICLE A – TRANSITION PROVISIONS	A-1

ARTICLE I – INTRODUCTION

PepsiCo, Inc. (the “Company”) established the PepsiCo Executive Income Deferral Program (the “Plan”) in 1972 to permit Eligible Executives to defer certain cash awards made under its executive compensation programs. Deferrals under the Plan that were earned and vested on or before December 31, 2004 are governed by a separate set of documents that set forth the pre-Section 409A terms of the Plan (the “Pre-409A Program”). The terms of the Plan that are applicable to deferrals that are subject to Section 409A, *i.e.*, generally, deferred amounts that are earned or vested after December 31, 2004 (the “409A Program”) are governed by this document. This document sets forth the 409A Program and is effective as of January 1, 2005 (the “Effective Date”). Except as otherwise provided herein, this document reflects the provisions in effect from and after January 1, 2005, and the rights and benefits of individuals who are Participants in the Plan from and after that date (and of those claiming through or on behalf of such individuals) shall be governed by the provisions of this document in the case of actions and events occurring on or after the Effective Date with respect to deferrals that are subject to the 409A Program. For purposes of the preceding sentence, the term “actions and events” shall include all distribution trigger events and dates. The rights and benefits with respect to persons who only participated in the Plan prior to January 1, 2005 shall be governed by the applicable provisions of the Pre-409A Program documents that were in effect at such time, and shall not be governed by the 409A Program documents.

Together, the documents for the 409A Program and the documents for the Pre-409A Program describe the terms of a single plan. However, amounts subject to the terms of the 409A Program and amounts subject to the terms of the Pre-409A Program shall be tracked separately at all times. The preservation of the terms of the Pre-409A Program, without material modification, and the separation between the 409A Program amounts and the Pre-409A Program amounts are intended to permit the Pre-409A Program to remain exempt from Section 409A, and the administration of the Plan shall be consistent with this intent.

For federal income tax purposes, the Plan is intended to be a nonqualified deferred compensation plan that is unfunded and unsecured. For purposes of ERISA, the Plan is intended to be a plan described in Sections 201(2), 301(a)(3) and 401(a)(1) of ERISA providing benefits to a select group of management or highly compensated employees.

ARTICLE II – DEFINITIONS

When used in this Plan, the following underlined terms shall have the meanings set forth below unless a different meaning is plainly required by the context:

2.01 Account:

The account maintained for a Participant on the books of his or her Employer to determine, from time to time, the Participant's interest under this Plan. The balance in such Account shall be determined by the Recordkeeper pursuant to any guidelines established by the Plan Administrator. Each Participant's Account shall consist of at least one Deferral Subaccount for each separate deferral under Section 4.01. In accordance with Section 5.05, some or all of a separate deferral may be held in a Risk of Forfeiture Subaccount. The Recordkeeper may also establish such additional Deferral Subaccounts as it deems necessary for the proper administration of the Plan. Except as provided in Section 5.05, the Recordkeeper may also combine Deferral Subaccounts to the extent it deems separate accounts are not needed for sound recordkeeping. Where appropriate, a reference to a Participant's Account shall include a reference to each applicable Deferral Subaccount that has been established thereunder.

2.02 Act:

The Securities Exchange Act of 1934, as amended from time to time.

2.03 Base Compensation:

An Eligible Executive's adjusted base salary, to the extent payable in U.S. dollars from an Employer's U.S. payroll (as modified by the provisions of Section 3.01(a)). For any applicable payroll period, an Eligible Executive's adjusted base salary shall be determined after reductions for applicable tax withholdings, tax levies, garnishments, other legally required deductions, and Executive authorized deductions that are made under any Code Section 401(k) or Code Section 125 plans sponsored by the Executive's Employer or the Company.

2.04 Beneficiary:

The person or persons (including a trust or trusts) properly designated by a Participant, as determined by the Recordkeeper (or for designations filed prior to June 3, 2002, as determined by the Plan Administrator), to receive the amounts in one or more of the Participant's Deferral Subaccounts in the event of the Participant's death in accordance with Section 4.02(d).

2.05 Bonus Compensation:

An Eligible Executive's adjusted annual incentive award under his or her Employer's annual incentive plan or the Executive Incentive Compensation Plan, to the extent payable in U.S. dollars from an Employer's U.S. payroll (as modified by the provisions of Section 3.01(a)). An Eligible Executive's annual incentive awards shall be adjusted to reduce them for applicable tax withholdings, tax levies, garnishments, other legally required deductions, and Executive authorized deductions that are made under any Code Section 401(k) or Code Section 125 plans

sponsored by the Executive's Employer or the Company. Notwithstanding the preceding sentence, an Eligible Executive's premium bonuses (a term that will have its normal meaning under the compensation practices of the Executive's Employer) shall not be included in the definition of Bonus Compensation and shall not be eligible for deferral hereunder.

2.06 Code:

The Internal Revenue Code of 1986, as amended from time to time.

2.07 Company:

PepsiCo, Inc., a corporation organized and existing under the laws of the State of North Carolina, or its successor or successors.

2.08 Deferral Subaccount:

A subaccount of a Participant's Account maintained to reflect his or her interest in the Plan attributable to each deferral (or separately tracked portion of a deferral) of Base Compensation and Bonus Compensation, and earnings or losses credited to such subaccount in accordance with Section 5.01(b).

2.09 Disability:

A Participant shall be considered to suffer from a Disability or be Disabled hereunder if the Participant is considered "disabled" under the PepsiCo Disability Plan (as amended and restated from time to time). The Participant's disability must also meet the duration requirements to qualify for a distribution on account of Disability in accordance with Section 6.06(a).

2.10 Distribution Valuation Date:

Each date as specified by the Plan Administrator from time to time as of which Participant Accounts are valued for purposes of a distribution from a Participant's Account. The current Distribution Valuation Dates are January 1, April 1, July 1 and October 1. Any current Distribution Valuation Date may be changed by the Plan Administrator, provided that such change does not result in a change in when deferrals are paid out that is impermissible under Section 409A. Values are determined as of the close of a Distribution Valuation Date or, if such date is not a business day, as of the close of the following business day.

2.11 Election Form:

The form prescribed by the Plan Administrator on which a Participant specifies the amount of his or her Base Compensation and Bonus Compensation to be deferred and the timing and form of his or her deferral payout, pursuant to the provisions of Article IV. An Election Form need not exist in a paper format, and it is expressly authorized that the Plan Administrator may make available for use such technologies, including voice response systems, Internet-based forms and any other electronic forms for use as an Election Form, as it deems appropriate from time to time.

2.12 Eligible Executive:

The term, Eligible Executive, shall have the meaning given to it in Section 3.01(a)(1).

2.13 Employer:

The Company and each division, subsidiary or affiliate of the Company (if any) that is currently designated as an Employer for purposes of this Plan by the Plan Administrator. An entity shall be an Employer hereunder only for the period that it is (i) so designated by the Plan Administrator, and (ii) a member of the PepsiCo Organization.

2.14 ERISA:

Public Law 93-406, the Employee Retirement Income Security Act of 1974, as amended from time to time.

2.15 Executive:

Any person in a salaried classification of an Employer who (i) is receiving remuneration for personal services rendered in the employment of the Employer, and (ii) is paid in U.S. dollars from the Employer's U.S. payroll. Notwithstanding the foregoing sentence, any person meeting the requirements of the foregoing sentence who is working outside the U.S. shall not be included as an Executive hereunder, if applicable local law of the country in which the person is working (*e.g.*, local law relating to the payment of compensation) does not permit the person to defer the receipt of compensation that is eligible for deferral hereunder.

2.16 409A Program:

The program described in this document. The term "409A Program" is used to identify the portion of the Plan that is subject to Section 409A.

2.17 Key Employee:

As modified by the Appendix, the individuals identified in accordance with the principles set forth below.

(a) General. Any Participant who at any time during the applicable year is:

- (1) An officer of any member of the PepsiCo Organization having annual compensation greater than \$130,000 (as adjusted for the applicable year under Code Section 416(i)(1));
- (2) A 5-percent owner of any member of the PepsiCo Organization ; or

(3) A 1-percent owner of any member of the PepsiCo Organization having annual compensation of more than \$150,000.

For purposes of (1) above, no more than 50 employees identified in the order of their annual compensation shall be treated as officers. For purposes of this Section, annual compensation means compensation as defined in Treas. Reg. §1.415(c)-2(a), without regard to Treas. Reg. §§1.415(c)-2(d), 1.415(c)-2(e), and 1.415(c)-2(g). The Plan Administrator shall determine who is a Key Employee in accordance with Code Section 416(i) and the applicable regulations and other guidance of general applicability issued thereunder or in connection therewith (provided, that Code Section 416(i)(5) shall not apply in making such determination), and provided further that the applicable year shall be determined in accordance with Section 409A and that any modification of the foregoing definition that applies under Section 409A shall be taken into account.

(b) Applicable Year. Effective from and after January 1, 2008, the Plan Administrator shall determine Key Employees effective as of the last day of each calendar year, based on compensation for such year, and such designation shall be effective for purposes of this Plan for the twelve month period commencing on April 1st of the next following calendar year (*e.g.*, the Key Employees determined by the Plan Administrator as of December 31, 2008 shall apply to the period from April 1, 2009 to March 31, 2010).

(c) Rule of Administrative Convenience. Effective from and after January 1, 2008, in addition to the foregoing, the Plan Administrator shall treat all other employees classified as Band IV and above on the applicable determination date prescribed in subsection (b) (*i.e.*, the last day of each calendar year) as a Key Employee for purposes of the Plan for the twelve month period commencing on April 1st of the next following calendar year; provided that if this would result in counting more than 200 individuals as Key Employees as of any such determination date, then the number treated as Key Employees will be reduced to 200 by eliminating from consideration those employees otherwise added by this subsection (c) in order by their base compensation, from the lowest to the highest.

2.18 NAV:

The net asset value of a phantom unit in one of the phantom funds offered for investment under the Plan, determined as of any date in the same manner as applies on that date under the actual fund that is the basis of the phantom fund offered by the Plan.

2.19 Participant:

Any Executive who is qualified to participate in this Plan in accordance with Section 3.01 and who has an Account. An active Participant is one who is currently deferring under Section 4.01.

2.20 PepsiCo Organization:

The controlled group of organizations of which the Company is a part, as defined by Code section 414(b) and (c) and the regulations issued thereunder. An entity shall be considered a member of the PepsiCo Organization only during the period it is one of the group of organizations described in the preceding sentence.

2.21 Performance Period:

The 52/53 week fiscal year of the Employer for which Bonus Compensation is calculated and determined. A Performance Period shall be deemed to relate to the Plan Year in which the Performance Period ends.

2.22 Plan:

The PepsiCo Executive Income Deferral Program, the plan set forth herein and in the Pre-409A Program documents, as it may be amended and restated from time to time (subject to the limitations on amendment that are applicable hereunder and under the Pre-409A Program).

2.23 Plan Administrator:

The Compensation Committee of the Board of Directors of the Company (Compensation Committee) or its delegate or delegates, which shall have the authority to administer the Plan as provided in Article VII. As of the Effective Date, the Company's Senior Vice President, Compensation and Benefits is delegated the responsibility for the operational administration of the Plan. In turn, the Senior Vice President, Compensation and Benefits, has the authority to re-delegate operational responsibilities to other persons or parties. As of the Effective Date, the Senior Vice President, Compensation and Benefits, has re-delegated certain operational responsibilities to the Recordkeeper. However, references in this document to the Plan Administrator shall be understood as referring to the Compensation Committee, the Senior Vice President, Compensation and Benefits and those delegated by the Senior Vice President, Compensation and Benefits other than the Recordkeeper. All delegations made under the authority granted by this Section are subject to Section 7.06.

2.24 Plan Year:

The 12-consecutive month period beginning on January 1 and ending on December 31.

2.25 Pre-409A Program:

The portion of the Plan that governs deferrals that are not subject to Section 409A. The terms of the "Pre-409A Program" are set forth in a separate set of documents.

2.26 Prohibited Misconduct:

Any of the following activities engaged in, directly or indirectly, by a Participant shall constitute Prohibited Misconduct:

(a) The Participant accepting any employment, assignment, position or responsibility, or acquiring any ownership interest, which involves the Participant's "Participation" (as defined below) in a business entity that markets, sells, distributes or produces "Covered Products" (as defined below), unless such business entity makes retail sales or consumes Covered Products without in any way competing with the PepsiCo Organization.

(b) The Participant, directly or indirectly (including through someone else acting on the Participant's recommendation, suggestion, identification or advice), soliciting any PepsiCo Organization employee to leave the PepsiCo Organization's employment or to accept any position with any other entity.

(c) The Participant using or disclosing to anyone any confidential information regarding the PepsiCo Organization other than as necessary in his or her position with the PepsiCo Organization. Such confidential information shall include all non-public information the Participant acquired as a result of his or her positions with the PepsiCo Organization which might be of any value to a competitor of the PepsiCo Organization, or which might cause any economic loss or substantial embarrassment to the PepsiCo Organization or its customers, bottlers, distributors or suppliers if used or disclosed. Examples of such confidential information include non-public information about the PepsiCo Organization's customers, suppliers, distributors and potential acquisition targets; its business operations and structure; its product lines, formulas and pricing; its processes, machines and inventions; its research and know-how; its financial data; and its plans and strategies.

(d) The Participant engaging in any acts that are considered to be contrary to the PepsiCo Organization's best interests, including violating the Company's Code of Conduct, engaging in unlawful trading in the securities of the Company or of any other company based on information gained as a result of his or her employment with the PepsiCo Organization, or engaging in any other activity which constitutes gross misconduct.

(e) The Participant engaging in any activity that constitutes fraud.

For purposes of this Section, "Covered Products" shall mean any product that falls into one or more of the following categories, so long as the PepsiCo Organization is producing, marketing, selling or licensing such product anywhere in the world – beverages, including without limitation carbonated soft drinks, tea, water, juice drinks, sports drinks, coffee drinks and value-added dairy drinks; juices and juice products; snacks, including salty snacks, sweet snacks, meat snacks, granola and cereal bars, and cookies; hot cereals; pancake mixes; value-added rice products; pancake syrups; value-added pasta products; ready-to-eat cereals; dry pasta products ; or any product or service that the Participant had reason to know was under development by the PepsiCo Organization during the Participant's employment with the PepsiCo Organization.

For purposes of this Section, "Participation" shall be construed broadly to include: (i) serving as a director, officer, employee, consultant or contractor with respect to such a business entity; (ii) providing input, advice, guidance or suggestions to such a business entity; or (iii) providing a recommendation or testimonial on behalf of such a business entity or one or more products it produces.

2.27 Recordkeeper:

For any designated period of time, the party that is delegated the responsibility, pursuant to the authority granted in the definition of Plan Administrator, to maintain the records of Participant Accounts, process Participant transactions and perform other duties in accordance with any procedures and rules established by the Plan Administrator.

2.28 Retirement:

A Participant's Separation from Service after attaining (whichever of the following occurs earlier): (a) at least age 55 with 10 or more years of service, or (b) at least age 65 with 5 or more years of service. As modified by the Appendix, effective from and after January 1, 2008, a Participant's "years of service" (for purposes of this Section) shall be equal to the sum of the following – (a) all periods of time a Participant was employed by a member of the PepsiCo Organization, plus (b) if a Participant is employed by a member of the PepsiCo Organization, the Participant's employment terminates with all members of the PepsiCo Organization and then the Participant is rehired by a member of the PepsiCo Organization thereafter, the period of time during which the Participant was not employed by a member of the PepsiCo Organization. Notwithstanding the foregoing, the period of time prior to a Participant being first employed by a member of the PepsiCo Organization shall not be counted as part of a Participant's "years of service," and the period of time after a Participant terminates employment with all members of the PepsiCo Organization shall not be counted, unless the Participant is rehired by a member of the PepsiCo Organization thereafter (and then only upon his/her rehire date).

2.29 Risk of Forfeiture Subaccount:

The Deferral Subaccount provided for by Section 5.05 to contain the portion of each separate deferral that is subject to forfeiture.

2.30 Second Look Election:

The term, Second Look Election, shall have the meaning given to it in Section 4.05.

2.31 Section 409A:

Section 409A of the Code and the applicable regulations and other guidance of general applicability that are issued thereunder.

2.32 Separation from Service:

A Participant's separation from service as defined in Section 409A; provided that for purposes of determining whether a Separation from Service has occurred, the Plan has determined, based upon legitimate business criteria, to use the twenty percent (20%) test described in Treas. Reg. §1.409A-1(h)(3). In the event a Participant also provides services other than as an Executive for the Company and its affiliates, as determined under the prior sentence, such other services shall not be taken into account in determining when a Separation from Service occurs to the extent permitted under Treas. Reg. § 1.409A-1(h)(5). The term may also be used as a verb (*i.e.*, "Separates from Service") with no change in meaning.

2.33 Specific Payment Date:

A specific date selected by an Eligible Executive that triggers a lump sum payment of a deferral or the start of installment payments for a deferral, as provided in Section 4.03. The Specific Payment Dates that are available to be selected by Eligible Executives shall be determined by the Plan Administrator, and the currently available Specific Payment Dates shall be reflected on the Election Forms that are made available from time to time by the Plan Administrator. In the event that an Election Form only provides for selecting a month or a calendar quarter and a year as the Specific Payment Date, the first day of the month or the first day of the calendar quarter that is selected shall be the Specific Payment Date.

2.34 Unforeseeable Emergency:

A severe financial hardship to the Participant resulting from (a) an illness or accident of the Participant, the Participant's spouse, the Participant's Beneficiary or the Participant's dependent (as defined in Code Section 152(a), without regard to Code Sections 152(b)(1), 152(b)(2) and 152(d)(1)(B)); (b) loss of the Participant's property due to casualty; or (c) any other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant. The Recordkeeper shall determine the occurrence of an Unforeseeable Emergency in accordance with Treas. Reg. §1.409A-3(i)(3) and any guidelines established by the Plan Administrator.

2.35 U.S.:

The United States, comprised of its 50 states, the District of Columbia, and its possessions (other than Puerto Rico).

2.36 Valuation Date:

Each business day, as determined by the Recordkeeper, as of which Participant Accounts are valued in accordance with Plan procedures that are currently in effect. In accordance with procedures that may be adopted by the Plan Administrator, any current Valuation Date may be changed.

3.01 Eligibility to Participate:

(a) In General.

- (1) Subject to Paragraphs (2) and (3) below, the election timing rules of Article IV and the provisions of the Appendix, an Executive shall be eligible to defer compensation under the Plan 30 days after (i) being hired by an Employer as an Executive classified as Band II or above (and while he or she remains so classified) or (ii) being promoted by an Employer from below Band II into a Band II or above position. However, an Eligible Executive who makes an irrevocable election to participate for a Plan Year shall remain an Eligible Executive for the remainder of the Plan Year (i) regardless of whether such Executive is subsequently classified in a salary band below Band II or (ii) regardless of whether such Executive subsequently is paid in non-U.S. dollars or is paid from a non-U.S. payroll; provided that the occurrence of such events shall cut off any election that has been made that has not yet required to become irrevocable in order to be timely in accordance with Section 409A. Any individual who becomes an Eligible Executive during a Plan Year (including an individual who previously was an Eligible Executive under the Plan, or who had similar status under another elective account balance plan of the Employer) may only be treated as an Eligible Executive for such Plan Year by satisfying the initial eligibility requirements of Treas. Reg. 1.409A-2(a)(7)(ii).
- (2) Notwithstanding Paragraph (1) above, from time to time the Plan Administrator may modify, limit or expand the class of Executives eligible to defer hereunder, pursuant to criteria for eligibility that need not be uniform among all or any group of Executives; provided that the Plan Administrator may remove an Executive from eligibility to participate effective only as of the end of a Plan Year.

(b) During the period an individual satisfies all of the eligibility requirements of this Section, he or she shall be referred to as an Eligible Executive.

(c) Each Eligible Executive becomes an active Participant on the date an amount is first withheld from his or her compensation pursuant to an Election Form submitted by the Executive to the Recordkeeper (or, if authorized, the Plan Administrator) under Section 4.01.

3.02 Termination of Eligibility to Defer:

An individual's eligibility to participate actively by making deferrals (or a deferral election) under Article IV shall cease upon the "Election Termination Date" (as defined below) occurring after the earliest of:

- (a) Subject to Section 4.01(b), the date he or she Separates from Service; or

(b) The date that the Executive ceases to be eligible under criteria described in Section 3.01(a).

An individual's "Election Termination Date" shall be a date as soon as administratively practicable following the date in subsection (a) or (b) (or such other date as may be determined in accordance with rules of the Plan Administrator) ; provided that an Election Termination Date shall not affect any election already made that otherwise has become irrevocable in accordance with the rules of this Plan. However, the occurrence of an Election Termination Date shall terminate any election that has been made that is not yet required to become irrevocable in order to be timely in accordance with Section 409A.

3.03 Termination of Participation:

An individual, who has been an active Participant under the Plan, ceases to be a Participant on the date his or her Account is fully paid out; provided, however, even if a Participant's Account is fully paid out, participation shall continue under the Plan if there is an expectation that the Participant shall be entitled to future benefits under the Plan or that a deferral will be credited to the Participant's Account in the future (*e.g.*, a deferral of Bonus Compensation that is paid in a future year).

4.01 Deferral Election:

(a) Deferrals of Base Compensation. Except as modified by the Appendix, effective for Base Compensation that is paid from and after January 1, 2009, each Eligible Executive may make an election to defer under the Plan any whole percentage up to 85% of his or her Base Compensation in the manner described in Section 4.02. A newly Eligible Executive may only defer the portion of his or her eligible Base Compensation that is earned for services performed after the date of his or her election. Subject to the foregoing sentence, any Base Compensation deferred by an Eligible Executive for a Plan Year shall be deducted each pay period during the Plan Year for which he or she has Base Compensation and is an Eligible Executive. Base Compensation paid after the end of a Plan Year for services performed during the final payroll period of the preceding Plan Year shall be treated as Base Compensation for services in the subsequent Plan Year.

(b) Deferrals of Bonus Compensation.

- (1) General Rules. Each Eligible Executive may make an election to defer under the Plan any whole percentage (up to 100%) of his or her Bonus Compensation in the manner described in Section 4.02. An Eligible Executive that is hired during a Plan Year may not defer any portion of his or her Bonus Compensation earned for the Performance Period relating to the Plan Year in which he or she is hired. The percentage of Bonus Compensation deferred by an Eligible Executive for a Plan Year will be deducted from his or her payment under the applicable compensation program at the time it would otherwise be paid, provided he or she satisfies all conditions for payment that would apply in the absence of a deferral. In addition, for the Plan Year in which the Participant incurs a Separation from Service, the Participant shall be eligible to defer Bonus Compensation paid for the Performance Period that relates to the Plan Year in which the Participant incurred the Separation from Service, if the Participant makes a valid and irrevocable deferral election prior to his or her Separation from Service.
- (2) Special Rules for Promoted Eligible Executives. An Eligible Executive that becomes an Eligible Executive during a Plan Year as a result of a promotion from below Band II into a position that is in Band II or above shall only be eligible to defer Bonus Compensation earned for the Performance Period relating to the Plan Year in which he or she is promoted, if the Eligible Executive (i) is a bonus-eligible Executive for all of such Plan Year and (ii) is promoted by May 15th of the Plan Year in which the promotion occurs. If a promoted Eligible Executive does not satisfy the requirements of the previous sentence, he or she shall not be eligible to defer Bonus Compensation earned for the Performance Period relating to the Plan Year in which he or she is promoted.
- (3) Performance Criteria. Notwithstanding Subsections (b)(1) and (b)(2) above, an Eligible Executive shall not be eligible to defer Bonus Compensation for a Plan Year unless (i) the Bonus Compensation is contingent on the satisfaction of

organizational or individual performance criteria for the Performance Period that relates to the Plan Year, (ii) such criteria have been established in writing by not later than 90 days after the beginning of the applicable Performance Period, and (iii) the Bonus Compensation otherwise satisfies the requirements for performance-based compensation under Section 409A.

(c) Election Form Rules. To be effective in deferring Base Compensation or Bonus Compensation, an Eligible Executive's Election Form must set forth the percentage of Base Compensation or Bonus Compensation (whichever applies) to be deferred, the deferral period under Section 4.03, the form of payment under Section 4.04, and any other information that may be required by the Plan Administrator from time to time. In addition, the Election Form must meet the requirements of Section 4.02. It is contemplated that an Eligible Executive will specify the investment choice under Section 5.02 (in multiples of 1%) for the Eligible Executive's deferral. However, this is not a condition for making an effective election.

4.02 Time and Manner of Deferral Election:

(a) Deferrals of Base Compensation. An Eligible Executive must make a deferral election for a Plan Year with respect to Base Compensation no later than December 31 of the year prior to the Plan Year in which the Base Compensation would otherwise be paid. Notwithstanding the prior sentence, the Plan Administrator may adopt policies and procedures that encourage or require earlier submission of Election Forms, but in which case any requirement for the earlier submission of an Election Form may be waived (but not beyond the date specified by the first sentence of this subsection) by the Plan Administrator to prevent undue hardship for one or more Eligible Executives. If December 31 is not a business day, the deadline shall be the preceding day that is a business day. However, an individual who newly becomes an Eligible Executive will have 30 days from the date the individual becomes an Eligible Executive to make a deferral election with respect to Base Compensation that is earned for services performed after the election is received (the "30-Day Election Period"). The 30-Day Election Period may be used to make an election for Base Compensation that otherwise would be paid in the Plan Year in which the individual becomes an Eligible Executive. In addition, the 30-Day Election Period may be used to make an election for Base Compensation that would otherwise be paid in the next Plan Year (*i.e.*, the Plan Year following when the individual becomes an Eligible Executive), if the individual becomes an Eligible Executive not later than December 31 of a Plan Year. Thus, if a Base Compensation deferral election for a Plan Year is made in reliance on the 30-day rule, then the Plan Administrator shall apply the restriction that the election may only apply to Base Compensation earned for services performed after the date the election is received.

(b) Deferrals of Bonus Compensation. An Eligible Executive must make a deferral election with respect to his or her Bonus Compensation at least six months prior to the end of the Performance Period for which the applicable Bonus Compensation is paid, and this election will be the Eligible Executive's bonus deferral election for the Plan Year to which the Performance Period relates. This applies to both continuing Eligible Executives and individuals who newly become Eligible Executives. Accordingly, if an individual becomes an Eligible Executive during a Plan Year as a result of a promotion and is eligible to defer Bonus Compensation under Section 4.01(b) for such Plan Year, such Eligible Executive must make a deferral election for Bonus Compensation that is earned for the Performance Period that relates

to the Plan Year in which he or she is promoted at least six months prior to the end of the applicable Performance Period. Notwithstanding the first sentence of this subsection, the Plan Administrator may adopt policies and procedures that encourage or require earlier submission of Election Forms for Bonus Compensation, but in which case any requirement for the earlier submission of an Election Form may be waived (but not beyond the date specified by the first sentence of this subsection) by the Plan Administrator to prevent undue hardship for one or more Eligible Executives.

(c) General Provisions. A separate deferral election under (a) or (b) above must be made by an Eligible Executive for each category of a Plan Year's compensation that is eligible for deferral. If a properly completed and executed Election Form is not actually received by the Recordkeeper (or, if authorized, the Plan Administrator) by the prescribed time in (a) and (b) above, the Eligible Executive will be deemed to have elected not to defer any Base Compensation or Bonus Compensation, as the case may be, for the applicable Plan Year. Except as provided in the next sentence, an election is irrevocable once received and determined by the Plan Administrator to be properly completed (and such determination shall be made not later than the last date for making the election in question). Increases or decreases in the amount or percentage a Participant elects to defer shall not be permitted during a Plan Year. Notwithstanding the foregoing, effective as of January 1, 2008, if a Participant receives a hardship distribution under a cash or deferred profit sharing plan that is sponsored by a member of the PepsiCo Organization and such plan requires that deferrals under such plan be suspended for a period of time following the hardship distribution, the Plan Administrator may cancel the Participant's deferral election under this Plan so that no deferrals shall be made during such suspension period. If an election is cancelled because of a hardship distribution in accordance with the prior sentence, such cancellation shall permanently apply to the deferral election or elections for any Plan Year covered by such suspension period and the Participant will only be eligible to make a new deferral election for the Plan Year that begins after the end of the suspension period pursuant to the rules in Sections 4.01 and 4.02.

(d) Beneficiaries. A Participant may designate on the Election Form (or in some other manner authorized by the Plan Administrator) one or more Beneficiaries to receive payment, in the event of his or her death, of the amounts credited to his or her Account; provided that, to be effective, any Beneficiary designation must be in writing, signed by the Participant, and must meet such other standards (including any requirement for spousal consent) as the Plan Administrator or Recordkeeper shall require from time to time. The Beneficiary designation must also be filed with the Recordkeeper (or the Plan Administrator for periods prior to June 3, 2002) prior to the Participant's death. An incomplete Beneficiary designation, as determined by the Recordkeeper or Plan Administrator, shall be void and of no effect. In determining whether a Beneficiary designation that relates to the Plan is in effect, unrevoked designations that were received under the Pre-409A Program or prior to the Effective Date shall be considered. A Beneficiary designation of an individual by name remains in effect regardless of any change in the designated individual's relationship to the Participant. Solely for periods prior to June 3, 2002, a Beneficiary designation solely by relationship (for example, a designation of "spouse," that does not give the name of the spouse) shall designate whoever is the person in that relationship to the Participant at his or her death. However, any Beneficiary designation submitted to the Recordkeeper from and after June 3, 2002 that only specifies a Beneficiary by relationship shall not be considered an effective Beneficiary designation and shall be void and of

no effect. If more than one Beneficiary is specified and the Participant fails to indicate the respective percentage applicable to two or more Beneficiaries, then each Beneficiary for whom a percentage is not designated will be entitled to an equal share of the portion of the Account (if any) for which percentages have not been designated. At any time, a Participant may change a Beneficiary designation for his or her Account in a writing that is signed by the Participant and filed with the Recordkeeper prior to the Participant's death, and that meets such other standards as the Plan Administrator shall require from time to time. An individual who is otherwise a Beneficiary with respect to a Participant's Account ceases to be a Beneficiary when all payments have been made from the Account.

4.03 Period of Deferral:

An Eligible Executive making a deferral election shall specify a deferral period on his or her Election Form by designating either a Specific Payment Date or the date he or she incurs a Separation from Service. In no event shall an Eligible Executive's deferral period end later than his or her 80th birthday, regardless of whether the Participant chose a single lump sum or installments as the form of payment. Except as modified by the Appendix, notwithstanding an Eligible Executive's actual election of a Specific Payment Date, an Eligible Executive shall be deemed to have elected a period of deferral of not less than:

(a) For Base Compensation that is paid from and after January 1, 2008, at least twelve (12) months after the end of the Plan Year during which the Base Compensation would have been paid absent the deferral; and

(b) For Bonus Compensation that is paid from and after January 1, 2008, at least eighteen (18) months after the date the Bonus Compensation would have been paid absent the deferral.

In the case of a deferral to a Specific Payment Date, if an Eligible Executive's Election Form either fails to specify a period of deferral or specifies a period less than the applicable minimum, the Eligible Executive shall be deemed to have selected a Specific Payment Date equal to the minimum period of deferral as provided in Subsections (a) and (b) above.

4.04 Form of Deferral Payout:

An Eligible Executive making a deferral election shall specify a form of payment on his or her Election Form by designating either a lump sum payment or installment payments to be paid over a period of no more than 20 years, and not later than the Executive's 80th birthday. Any election for installment payments shall also specify (a) the frequency for which installment payments shall be paid, which shall be quarterly, semi-annually and annually and (b) whether the installment payments shall be paid in a fixed dollar amount or a fixed number of years. Installment elections for a fixed dollar amount shall be paid based on the selected frequency and the selected amount until the applicable Deferral Subaccount is exhausted, but shall not be paid for a period of more than 20 years and not later than the Executive's 80th birthday. If an Eligible Executive elects installments for a period extending beyond the Eligible Executive's 80th birthday (or for purposes of a fixed dollar amount installment election, the installments would continue beyond the Executive's 80th birthday or beyond 20 years), such election shall be treated

as an election for installments over a period of whole and partial years that ends on the Eligible Executive's 80th birthday or at the end of 20 years; provided that the amounts to be distributed in connection with the installments prior to the Eligible Executive's 80th birthday or prior to the end of 20 years shall be determined in accordance with Section 6.08 and his or her election by assuming that the installments shall continue for the full number of installments or the elected fixed dollar amount, with the entire remaining amount of the relevant Deferral Subaccount distributed on the Eligible Executive's 80th birthday or at the end of 20 years.

4.05 Second Look Election:

(a) In General. Subject to Subsection (b) below, a Participant who has made a valid initial deferral in accordance with the foregoing provisions of this Article may subsequently make another one-time election regarding the time and/or form of payment of his or her deferral. This opportunity to modify the Participant's initial election is referred to as a "Second Look Election."

(b) Requirements for Second Look Elections. A Second Look Election must comply with all of the following requirements:

- (1) If a Participant's initial election specified payment based on a Specific Payment Date, the Participant may only make a Second Look Election if the election is made at least 12 months before the Participant's original Specific Payment Date. In addition, in this case the Participant's Second Look Election must delay the payment of the Participant's deferral to a new Specific Payment Date that is at least 5 years after the original Specific Payment Date.
- (2) If a Participant's initial election specified payment based on the Participant's Separation from Service, the Participant may only make a Second Look Election if the election is made at least 12 months before the Participant's Separation from Service. In addition, in this case the Participant's Second Look Election must delay the payment of the Participant's deferral to a new Specific Payment Date that turns out to be at least 5 years after the Participant's Separation from Service. If the Specific Payment Date selected in a Second Look Election turns out to be less than 5 years after the Participant's Separation from Service, the Second Look Election is void.
- (3) A Separation from Service may not be specified as the payout date resulting from a Second Look Election.
- (4) A Participant may make only one Second Look Election for each individual deferral, and all Second Look Elections must comply with all of the requirements of this Section 4.05.
- (5) A Participant who changes the form of his or her payment election from lump sum to installments will be subject to the provisions of the Plan regarding installment payment elections in Section 4.04, and such installment payments must begin no earlier than 5 years after when the lump sum payment would have been paid based upon the Participant's initial election. Accordingly, a Participant may not make a Second Look Election if the election would provide for installment payments to be made after the Participant's 80th birthday.

- (6) If a Participant's initial election specified payment in the form of installments and the Participant wants to elect installment payments over a greater or lesser number of years or wants to elect a different frequency of installment payments (e.g., change from annual installments to quarterly installments), the election will be subject to the provisions of the Plan regarding installment payment elections in Section 4.04, and the first payment date of the new installment payment schedule must be no earlier than 5 years after the first payment date that applied under the Participant's initial installment election. Accordingly, a Participant may not make a Second Look Election if the election would provide for installment payments to be made after the Participant's 80th birthday.
- (7) If a Participant's initial election specified payment in the form of installments and the Participant wants to elect instead payment in a lump sum, the earliest payment date of the lump sum must be no earlier than 5 years after the first payment date that applied under the Participant's initial installment election.
- (8) For purposes of this Section, all of a Participant's installment payments related to a specific deferral election shall be treated as a single payment.

A Second Look Election will be void and payment will be made based on the Participant's original election under Sections 4.03 and 4.04 if all of the provisions of the foregoing Paragraphs of this Subsection are not satisfied in full. However, if a Participant's Second Look Election becomes effective in accordance with the provisions of this Subsection, the Participant's original election shall be superseded (including any Specific Payment Date specified therein), and this original election shall not be taken into account with respect to the deferral that is subject to the Second Look Election.

(c) Plan Administrator's Role. Each Participant has the sole responsibility to elect a Second Look Election by contacting the Recordkeeper (or, if authorized, the Plan Administrator) and to comply with the requirements of this Section. The Plan Administrator or the Recordkeeper may provide a notice of a Second Look Election opportunity to some or all Participants, but the Recordkeeper and Plan Administrator is under no obligation to provide such notice (or to provide it to all Participants, in the event a notice is provided only to some Participants). The Recordkeeper and the Plan Administrator have no discretion to waive or otherwise modify any requirement for a Second Look Election set forth in this Section or in Section 409A.

5.01 Accounting for Participants' Interests:

(a) Deferral Subaccounts. Each Participant shall have at least one separate Deferral Subaccount for each separate deferral of Base Compensation or Bonus Compensation made by the Participant under this Plan. A Participant's deferral shall be credited as of the date of the deferral to his or her Account as soon as administratively practicable following the date the compensation would be paid in the absence of a deferral. A Participant's Account is a bookkeeping device to track the value of the Participant's deferrals (and his or her Employer's liability therefor). No assets shall be reserved or segregated in connection with any Account, and no Account shall be insured or otherwise secured.

(b) Account Earnings or Losses. As of each Valuation Date, a Participant's Account shall be credited with earnings and gains (and shall be debited for expenses and losses) determined as if the amounts credited to his or her Account had actually been invested as directed by the Participant in accordance with this Article (as modified by Section 5.05, if applicable). The Plan provides only for "phantom investments," and therefore such earnings, gains, expenses and losses are hypothetical and not actual. However, they shall be applied to measure the value of a Participant's Account and the amount of his or her Employer's liability to make deferred payments to or on behalf of the Participant.

5.02 Investment Options:

(a) General. Each of a Participant's Deferral Subaccounts shall be invested on a phantom basis in any combination of phantom investment options specified by the Participant (or following the Participant's death, by his or her Beneficiary) from those offered by the Plan Administrator for this purpose from time to time. The Plan Administrator may discontinue any phantom investment option with respect to some or all Accounts, and it may provide rules for transferring a Participant's phantom investment from the discontinued option to a specified replacement option (unless the Participant selects another replacement option in accordance with such requirements as the Plan Administrator may apply).

(b) Phantom Investment Options. The basic phantom investment options offered under the Plan are as follows:

- (1) Phantom PepsiCo Common Stock Fund. Participant Accounts invested in this phantom option are adjusted to reflect an investment in the PepsiCo Common Stock Fund, which is offered under the PepsiCo 401(k) Plan for Salaried Employees. An amount deferred or transferred into this option is converted to phantom units in the PepsiCo Common Stock Fund by dividing such amount by the NAV of the fund on the Valuation Date as of which the amount is treated as invested in this option by the Plan Administrator. A Participant's interest in the Phantom PepsiCo Common Stock Fund is valued as of a Valuation Date (or a Distribution Valuation Date) by multiplying the number of phantom units credited to the Participant's Account on such date by the NAV of a unit in the PepsiCo Common Stock Fund on such date. If shares of PepsiCo Common Stock change by reason of any stock split, stock dividend, recapitalization,

merger, consolidation, spin-off, combination or exchange of shares or other any other corporate change treated as subject to this provision by the Plan Administrator, such equitable adjustment shall be made in the number and kind of phantom units credited to an Account or subaccount as the Plan Administrator may determine to be necessary or appropriate. In no event will shares of PepsiCo Common Stock actually be purchased or held under this Plan, and no Participant shall have any rights as a shareholder of PepsiCo Common Stock on account of an interest in this phantom option.

- (2) Phantom AFR Fund: This fund is established effective from and after December 29, 2006. Participant Accounts invested in this phantom option accrue a return based upon an interest rate that is 120% of the applicable Federal long-term rate (pursuant to Code Section 1274(d) or any successor provision) applicable for annual compounding, as published by the U.S. Internal Revenue Service from time to time. Returns accrue for each month based upon 120% of the applicable Federal long-term rate (applicable for annual compounding) in effect on the first business day of each month and are compounded annually. An amount deferred or transferred into this option is credited with the applicable rate of return beginning with the date as of which the amount is treated as invested in this option by the Plan Administrator.
- (3) Other Funds. From time to time, the Plan Administrator shall designate which (if any) other investment options shall be available as phantom investment options under this Plan. These phantom investment options shall be described in materials provided to Participants from time to time. Any of these phantom investment options shall be administered under procedures implemented from time to time by the Plan Administrator. Unless otherwise specified in these materials or procedures, in the case of any such phantom investment option that is based on a unitized fund, an amount deferred or transferred into such option is converted to phantom units in the applicable fund of equivalent value by dividing such amount by the NAV of a unit in such fund on the Valuation Date as of which the amount is treated as invested in this option by the Plan Administrator. Thereafter, a Participant's interest in each such phantom option is valued as of a Valuation Date (or a Distribution Valuation Date) by multiplying the number of phantom units credited to his or her Account on such date by the NAV of a unit in such fund on such date.

5.03 Method of Allocation:

(a) Deferral Elections. With respect to any deferral election by a Participant, the Participant may use his or her Election Form to allocate the deferral in one percent increments among the phantom investment options then offered by the Plan Administrator. If an Election Form related to an original deferral election specifies phantom investment options for less than 100% of the Participant's deferral, the Recordkeeper shall allocate the Participant's deferrals to the Phantom AFR Fund to the extent necessary to provide for investment of 100% of the Participant's deferral. If an Election Form related to an original deferral election specifies phantom investment options for more than 100% of the Participant's deferral, the Recordkeeper shall prorate all of the Participant's investment allocations to the extent necessary to reduce (after rounding to whole percents) the Participant's aggregate investment percentages to 100%.

(b) Fund Transfers. A Participant may reallocate previously deferred amounts in a Deferral Subaccount by properly completing and submitting a fund transfer form provided by the Plan Administrator or Recordkeeper and specifying, in one percent increments, the reallocation of his or her Deferral Subaccount among the phantom investment options then offered by the Plan Administrator for this purpose. (The rules relating to non-paper formats for Election Forms shall also apply to the fund transfer form.) If a fund transfer form provides for investing less than or more than 100% of the Participant's Deferral Subaccount, it will be void and disregarded. Any transfer form that is not void under the preceding sentence shall be effective as of the Valuation Date next occurring after its receipt by the Recordkeeper, but the Plan Administrator or Recordkeeper may also specify a minimum number of days in advance of which such transfer form must be received in order for the form to become effective as of such next Valuation Date. If more than one fund transfer form is received on a timely basis, the form that the Plan Administrator or Recordkeeper determines to be the most recent shall be followed.

(c) Phantom PepsiCo Common Stock Fund Restrictions. Notwithstanding the preceding provisions of this Section, the Plan Administrator may at any time alter the effective date of any investment or allocation involving the Phantom PepsiCo Common Stock Fund pursuant to Section 7.03(j) (relating to safeguards against insider trading). The Plan Administrator may also, to the extent necessary to ensure compliance with Rule 16b-3(f) of the Act, arrange for tracking of any such transaction defined in Rule 16b-3(b)(1) of the Act and bar any such transaction to the extent it would not be exempt under Rule 16b-3(f). The Company may also impose blackout periods pursuant to the requirements of the Sarbanes-Oxley Act of 2002 whenever the Company determines that circumstances warrant. Further, the Company may impose quarterly blackout periods on insider trading in the Phantom PepsiCo Common Stock Fund as needed (as determined by the Company), timed to coincide with the release of the Company's quarterly earnings reports. The commencement and termination of these blackout periods in each quarter, the parties to which they apply and the activities they restrict shall be as set forth in the official insider trading policy promulgated by the Company from time to time. These provisions shall apply notwithstanding any provision of the Plan to the contrary except Section 7.07 (relating to compliance with Section 409A).

5.04 Vesting of a Participant's Account:

Subject to Section 5.05, a Participant's interest in the value of his or her Account shall at all times be 100 percent vested, which means that it will not forfeit as a result of his or her Separation from Service.

5.05 Risk of Forfeiture Subaccounts:

(a) In the case of compensation earned on or after January 1, 2005, a Participant may no longer elect to defer Base Compensation or Bonus Compensation to a Risk of Forfeiture Subaccount. However, if a Participant had, as of December 31, 2004, a deferred compensation subaccount maintained under a forfeiture agreement (as defined below), and the Participant has not yet attained eligibility for Retirement or terminated as of December 31, 2004, then the amounts in such subaccount shall be held in a Risk of Forfeiture Subaccount under this 409A Program. (A "forfeiture agreement" is an agreement with any Employer, or one of their predecessors providing that the subaccount would be forfeited if the Participant terminated

employment voluntarily or on account of misconduct prior to Retirement. "Misconduct" solely for purposes of this Section shall have the definition provided for this term in the forfeiture agreement or other written document applicable for this purpose as determined by the Plan Administrator.) A Participant who meets these requirements may continue to invest (his or her compensation that was earned prior to January 1, 2005) in his or her Risk of Forfeiture Subaccount and this Subaccount will be maintained in accordance with the terms of this Section. However, such Participant shall not be eligible to transfer into or contribute to his or her Risk of Forfeiture Subaccount any compensation earned on or after January 1, 2005. (The date when a Participant attains eligibility for Retirement is specified in the definition of "Retirement.")

(b) A Risk of Forfeiture Subaccount will be terminated and forfeited in the event that the Participant has a Separation from Service that is voluntary or because of his or her misconduct prior to the earliest of:

- (1) The end of the deferral period designated in his or her Election Form for such deferral (or if later, the end of such minimum period as may be required under Section 4.03);
- (2) The date the Participant attains eligibility for Retirement; or
- (3) The date indicated on his or her Election Form as the end of the risk of forfeiture condition (but not before completing the minimum risk of forfeiture period required by the Plan Administrator from time to time).

(c) A Risk of Forfeiture Subaccount shall become fully vested (and shall cease to be a Risk of Forfeiture Subaccount) when:

- (1) The Participant reaches any of the dates in Subsection (b) above while still employed by the Company or one of its affiliates (as defined by the Plan Administrator for this purpose), or
- (2) On the date the Participant terminates involuntarily from his or her Employer, including death and termination because of the Participant's disability (whether or not this constitutes a Disability), provided that such termination is not for his or her misconduct.

(d) No amounts credited to a Risk of Forfeiture Subaccount may be transferred to a Subaccount of the Participant that is not a Risk of Forfeiture Subaccount. No amounts credited to a Subaccount of the Participant that is not a Risk of Forfeiture Subaccount may be transferred to a Risk of Forfeiture Subaccount.

(e) A Participant may reallocate his or her Risk of Forfeiture Subaccount to any of the phantom investment options under the Plan that are currently available for such direction or reallocation. During the period before a Risk of Forfeiture Subaccount ceases to be a Risk of Forfeiture Subaccount, the return under any such phantom investment option shall be supplemented as follows:

- (1) In the case of the Phantom PepsiCo Common Stock Fund, the Participant's interest in the Phantom PepsiCo Common Stock Fund shall be increased in value by 2% as of the end of the Plan Year. If the Participant's Subaccount was not a Risk of Forfeiture Subaccount for the entire year (or if the Participant reallocated amounts to the Phantom PepsiCo Common Stock Fund after the beginning of the year), the above additional investment return for the year will be prorated down appropriately, as determined by the Plan Administrator.
- (2) In the case of any other available phantom investment option for the Plan Year, the return on each such option shall be supplemented with an additional 2% annual return for the period that it is held within a Risk of Forfeiture Subaccount (but prorated for periods of such investment of less than a year).

(f) Any deferrals allocated to a Risk of Forfeiture Subaccount as of December 31, 2004, will be subject to the requirements of Section 409A.

5.06 Forfeiture of Earnings for Prohibited Misconduct:

Effective beginning with deferrals for Bonus Compensation for the 2006 Plan Year and deferrals for Base Compensation for the 2007 Plan Year, and notwithstanding any other provision of this Plan to the contrary, if the Plan Administrator determines that a Participant has engaged in Prohibited Misconduct at any time prior to the second anniversary of his or her Separation from Service, the Participant shall forfeit all current and future net earnings and gains that have been or will be credited to his or her Account under the provisions of Sections 5.01(b) and/or 6.08, and his or her Account balance shall be adjusted to reflect such forfeiture. Accordingly, a Participant who has engaged in Prohibited Misconduct during such period shall only be eligible to receive a distribution of the lesser of: (a) the aggregate amount of his or her Base Compensation and Bonus Compensation deferrals under this Plan that relate to elections made for and after the 2006 Plan Year for Bonus Compensation and the 2007 Plan Year for Base Compensation (the "Affected Deferrals"), or (b) the net value of the Participant's Affected Deferrals as of the date the Plan Administrator determines that the Participant has engaged in Prohibited Misconduct.

6.01 General:

A Participant's Deferral Subaccount(s) that are governed by the terms of this 409A Program shall be distributed as provided in this Article, subject in all cases to Section 7.03(j) (relating to safeguards against insider trading) and Section 7.06 (relating to compliance with Section 16 of the Act). All Deferral Subaccount balances (including those hypothetically invested in the Phantom PepsiCo Common Stock Fund) shall be distributed in cash. In no event shall any portion of a Participant's Account be distributed earlier or later than is allowed under Section 409A.

The following general rules shall apply for purposes of interpreting the provisions of this Article VI.

(a) Section 6.02 (Distributions Based on a Specific Payment Date) applies when a Participant has elected to defer until a Specific Payment Date and the Specific Payment Date is reached before the Participant's (i) Separation from Service (other than for Retirement), (ii) Disability, or (iii) death. However, if such a Participant Separates from Service (other than for Retirement or death) prior to the Specific Payment Date (or prior to processing of the first installment or Second Look Election payment due in connection with the Specific Payment Date), Section 6.03 shall apply. If such a Participant dies prior to the Specific Payment Date, Section 6.04 shall apply to the extent it would result in an earlier distribution of all or part of a Participant's Account. If such a Participant becomes Disabled prior to the Specific Payment Date, Section 6.06 shall apply to the extent it would result in an earlier distribution of all or part of a Participant's Account.

(b) Section 6.03 (Distributions on Account of a Separation from Service) applies (i) when a Participant has elected to defer until a Separation from Service and then the Participant Separates from Service (other than for Retirement or death), or (ii) when applicable under Subsection (a) above.

(c) Section 6.04 (Distributions on Account of Death) applies when the Participant dies. If a Participant is entitled to receive or is receiving a distribution under Section 6.02, 6.03 or 6.05 (see below) at the time of his death, Section 6.04 shall take precedence over those sections to the extent Section 6.04 would result in an earlier distribution of all or part of a Participant's Account.

(d) Section 6.05 (Distributions on Account of Retirement) applies when a Participant has elected to defer until a Separation from Service and then the Participant Separates from Service on account of his or her Retirement. Subsections (c) and (e) of this Section provide for when Section 6.04 or 6.06 take precedence over Section 6.05.

(e) Section 6.06 (Distributions on Account of Disability) applies when the Participant becomes Disabled. If a Participant who becomes Disabled dies, Section 6.04 shall take precedence over Section 6.06 to the extent it would result in an earlier distribution of all or part

of a Participant's Account. If a Participant is entitled to receive or is receiving a distribution under Section 6.02, 6.03 or 6.05 at the time of his Disability, Section 6.06 shall take precedence over those sections to the extent Section 6.06 would result in an earlier distribution of all or part of a Participant's Account.

(f) Section 6.07 (Distributions on Account of Unforeseeable Emergency) applies when the Participant incurs an Unforeseeable Emergency prior to when a Participant's Account is distributed under Sections 6.02 through 6.06. In this case, the provisions of Section 6.07 shall take precedence over Sections 6.02 through 6.06 to the extent Section 6.07 would result in an earlier distribution of all or part of the Participant's Account.

6.02 Distributions Based on a Specific Payment Date:

This Section shall apply to distributions that are to be made upon the occurrence of a Specific Payment Date. In the event a Participant's Specific Payment Date for a Deferral Subaccount is reached before (i) the Participant's Disability, (ii) the Participant's Separation from Service (other than for Retirement), or (iii) the Participant's death, such Deferral Subaccount shall be distributed based on the occurrence of such Specific Payment Date in accordance with the following terms and conditions:

(a) If a Participant's Deferral Subaccount is to be paid in the form of a lump sum pursuant to Section 4.04 or 4.05, whichever is applicable, the Deferral Subaccount shall be valued as of the last Distribution Valuation Date that occurs on or immediately precedes the Participant's Specific Payment Date, and the resulting amount shall be paid in a single lump sum on the Specific Payment Date.

(b) This subsection shall be effective for Specific Payment Dates and Separations from Service occurring from and after January 1, 2009 (with additional rules contained in the Appendix). If a Participant's Deferral Subaccount is to be paid in the form of installments pursuant to Section 4.04 or 4.05, whichever is applicable, the Participant's first installment payment shall be paid on the Specific Payment Date. Thereafter, installment payments shall continue in accordance with the schedule elected by the Participant (subject to the provisions of this Plan that constrain such elections), except as provided in Sections 6.03, 6.04, 6.06 and 6.07 (relating to distributions upon Separation from Service (other than Retirement), death, Disability or Unforeseeable Emergency). The amount of each installment shall be determined under Section 6.08. Notwithstanding the preceding provisions of this Subsection, if before the date the last installment distribution is processed for payment the Participant Separates from Service (other than Retirement) or the Participant would be entitled to a distribution in accordance with Section 6.04 or 6.06 (relating to distributions on account of death or Disability), the remaining balance of the Participant's Deferral Subaccounts that would otherwise be distributed based on such Specific Payment Date shall instead be distributed in accordance with Section 6.03, 6.04 or 6.06 (relating to distributions on account of Separation from Service (other than Retirement), death or Disability), whichever applies, but only to the extent it would result in an earlier distribution of the Participant's Subaccounts in the case of Section 6.04 or Section 6.06.

6.03 Distributions on Account of a Separation from Service:

A Participant's total Account shall be distributed upon the occurrence of a Participant's Separation from Service (other than for Retirement, Disability or death) in accordance with the terms and conditions of this Section. When used in this Section, the phrase "Separation from Service" shall only refer to a Separation from Service that is not for Retirement, Disability or death. The rules of this Section shall be effective for Specific Payment Dates and Separations from Service occurring from and after January 1, 2009 (with additional rules contained in the Appendix).

(a) Subject to Subsection (c), for those Deferral Subaccounts that have a Specific Payment Date that is after the Participant's Separation from Service, such Deferral Subaccounts shall be distributed in a single lump sum payment on the first day of the calendar quarter that follows the Participant's Separation from Service.

(b) Subject to Subsection (c), if the Participant's Separation from Service is on or after the Specific Payment Date (including a Specific Payment Date resulting from a Second Look Election) applicable to a Participant's Deferral Subaccount and the Participant has selected installment payments as the form of distribution for the Deferral Subaccount, then such Deferral Subaccount shall be distributed as follows:

- (1) If the first installment payment has been processed prior to the Participant's Separation from Service, then the Participant's installment payment election shall be void and the Participant shall be paid a single lump sum distribution for the remaining balance of the Deferral Subaccount based upon the provisions of Subsection (a) above; and
- (2) If the first installment payment has not yet been processed prior to the Participant's Separation from Service, then the Participant's installment payment election shall be void and the Participant shall be paid a single lump sum distribution for the Deferral Subaccount based upon the provisions of Subsection (a) above.

(c) If the Participant is classified as a Key Employee at the time of the Participant's Separation from Service (or at such other time for determining Key Employee status as may apply under Section 409A), then such Participant's Account shall not be paid, as a result of the Participant's Separation from Service, earlier than the first day of the calendar quarter that is at least 6 months after the Participant's Separation from Service.

(d) If a Participant has Separated from Service, the Participant's entire Account balance has been distributed under this Article VI as a result of such Separation from Service, and later the Participant's Account is credited with a deferral of compensation that was not available for credit before the time the Participant's Account was previously paid out (*e.g.*, Bonus Compensation), then the new balance of such Participant's Account shall be distributed as a result of such prior Separation from Service and the distribution shall be made in a single lump sum payment on the first day of the calendar quarter that follows the date that the deferral was credited to the Participant's Account, subject however to the rules of subsection (c).

6.04 Distributions on Account of Death:

(a) Upon a Participant's death, the value of the Participant's Account under the Plan shall be distributed in a single lump sum payment on the first day of the calendar quarter beginning after the first anniversary of the Participant's death. If the Participant is receiving installment payments at the time of the Participant's death, such installment payments shall continue in accordance with the terms of the applicable deferral election that governs such payments until the time that the lump sum payment is due to be paid under the preceding sentence of this Subsection. Immediately prior to the time that such lump sum payment is scheduled to be paid, all installment payments shall cease and the remaining balance of the Participant's Account shall be distributed at such scheduled payment time in a single lump sum. Amounts paid following a Participant's death, whether a lump sum or continued installments, shall be paid to the Participant's Beneficiary. If some but not all of the persons designated by a Participant to receive his or her Account at death predecease the Participant, the Participant's surviving Beneficiaries shall be entitled to the portion of the Participant's Account intended for such pre-deceased persons in proportion to the surviving Beneficiaries' respective shares.

(b) Effective for deaths occurring from and after January 1, 2009, if no designation is in effect at the time of a Participant's death (as determined by the Plan Administrator) or if all persons designated as Beneficiaries have predeceased the Participant, then the payments to be made pursuant to this Section shall be distributed as follows:

- (1) If the Participant is married at the time of his/her death, all payments made pursuant to this Section shall be paid to the Participant's spouse; and
- (2) If the Participant is not married at the time of his/her death, all payments made pursuant to this Section shall be paid to the Participant's estate.

The Plan Administrator shall determine whether a Participant is "married" and shall determine a Participant's "spouse" based on the state or local law where the Participant has his/her primary residence at the time of death. The Plan Administrator is authorized to make any applicable inquiries and to request any documents, certificates or other information that it deems necessary or appropriate in order to make the above determinations.

(c) Prior to the time the value of the Participant's Account is distributed under Subsection (a), the Participant's Beneficiary may apply for a distribution under Section 6.07 (relating to a distribution on account of an Unforeseeable Emergency).

(d) Any claim to be paid any amounts standing to the credit of a Participant in connection with the Participant's death must be received by the Recordkeeper or the Plan Administrator at least 14 days before any such amount is paid out by the Recordkeeper. Any claim received thereafter is untimely, and it shall be unenforceable against the Plan, the Company, the Plan Administrator, the Recordkeeper or any other party acting for one or more of them.

6.05 Distributions on Account of Retirement:

If a Participant incurs a Separation from Service on account of his or her Retirement, the Participant's Account shall be distributed in accordance with the terms and conditions of this Section.

(a) If the Participant's Retirement is prior to the Specific Payment Date that is applicable to a Deferral Subaccount, the Participant's deferral election pursuant to Sections 4.03, 4.04 or 4.05 (*i.e.*, time and form of payment) shall continue to be given effect, and the Deferral Subaccount shall be distributed based upon the provisions of Subsections (a) and (b) under Section 6.02, whichever applies (relating to distributions based on a Specific Payment Date).

(b) If the Participant has selected payment of his or her deferral on account of Separation from Service, distribution of the related Deferral Subaccount shall commence on the first day of the calendar quarter following Retirement. Such distribution shall be made in either a single lump sum payment or in installment payments depending upon the Participant's deferral election under Sections 4.04 or 4.05. If the Participant is entitled to installment payments, such payments shall be made in accordance with the Participant's installment election (but subject to acceleration under Sections 6.04, 6.06 and 6.07 relating to distributions on account of death, Disability and Unforeseeable Emergency) and with the installment payment amounts determined under Section 6.08. However, if the Participant is classified as a Key Employee at the time of the Participant's Retirement (or at such other time for determining Key Employee status as may apply under Section 409A), then such Participant's Account shall not be paid, as a result of the Participant's Retirement, earlier than the first day of the calendar quarter that is at least 6 months after the Participant's Retirement.

(c) If the Participant is receiving installment payments in accordance with Section 6.02 (relating to distributions on account of a Specific Payment Date) for one or more Deferral Subaccounts at the time of his or her Retirement, such installment payments shall continue to be paid based upon the Participant's deferral election (but subject to acceleration under Sections 6.04, 6.06 and 6.07 relating to distributions on account of death, Disability and Unforeseeable Emergency).

6.06 Distributions on Account of Disability:

If a Participant incurs a Disability, the Participant's Account shall be distributed in accordance with the terms and conditions of this Section.

(a) The value of the Participant's Account under the Plan as of the most recent Distribution Valuation Date shall be distributed in a single lump sum payment on the first date (i) on which the Participant is Disabled (determined without regard to the duration requirement of the next clause), (ii) that is at least 12 months following the first date the Participant was Disabled from the cause of the current Disability, and (iii) that is after the Participant has received payments from a PepsiCo disability plan (including the PepsiCo Disability Plan) for the current cause of Disability (determined without regard to the duration requirement of this clause).

(b) If the Participant is receiving installment payments at the time of the Participant's Disability, such installment payments shall continue to be paid in accordance with the provisions of the Participant's applicable deferral election until the time that the lump sum payment is due to be paid under the provisions of Subsection (a). Immediately prior to the time that such lump sum payment is scheduled to be paid, all installment payments shall cease and the remaining balance of the Participant's Account shall be distributed at the time specified in Subsection (a) in a single lump sum.

6.07 Distributions on Account of Unforeseeable Emergency:

Prior to the time that an amount would become distributable under Sections 6.02 through 6.06, a Participant or Beneficiary may file a written request with the Recordkeeper for accelerated payment of all or a portion of the amount credited to the Participant's Account based upon an Unforeseeable Emergency. After an individual has filed a written request pursuant to this Section, along with all supporting material that may be required by the Recordkeeper from time to time, the Recordkeeper shall determine within 60 days (or such other number of days that is necessary if special circumstances warrant additional time) whether the individual meets the criteria for an Unforeseeable Emergency. If the Recordkeeper determines that an Unforeseeable Emergency has occurred, the Participant or Beneficiary shall receive a distribution from his or her Account as of the day the Recordkeeper finalizes the determination. However, such distribution shall not exceed the dollar amount necessary to satisfy the Unforeseeable Emergency (plus amounts necessary to pay taxes reasonably anticipated as a result of the distribution) after taking into account the extent to which the Unforeseeable Emergency is or may be relieved through reimbursement or compensation by insurance or otherwise or by liquidation of the Participant's assets (to the extent the liquidation of such assets would not itself cause severe financial hardship).

6.08 Valuation:

In determining the amount of any individual distribution pursuant to this Article, the Participant's Deferral Subaccount shall continue to be credited with earnings and gains (and debited for expenses and losses) as specified in Article V until the Distribution Valuation Date that is used in determining the amount of the distribution under this Article. If a particular Section in this Article does not specify a Distribution Valuation Date to be used in calculating the distribution, the Participant's Deferral Subaccount shall continue to be credited with earnings and gains (and debited for expenses and losses) as specified in Article V until the Distribution Valuation Date that precedes such distribution. In determining the value of a Participant's remaining Deferral Subaccount following an installment distribution from the Deferral Subaccount (or a partial distribution under Section 6.07 relating to a distribution on account of an Unforeseeable Emergency), such distribution shall reduce the value of the Participant's Deferral Subaccount as of the close of the Distribution Valuation Date preceding the payment date for such installment (or partial distribution). The amount to be distributed in connection with any installment payment (other than a fixed amount elected under Section 4.04) shall be determined by dividing the value of a Participant's Deferral Subaccount as of such preceding Distribution Valuation Date (determined before reduction of the Deferral Subaccount as of such Distribution Valuation Date in accordance with the preceding sentence) by the remaining number of installments to be paid with respect to the Deferral Subaccount. The amount distributed in connection with a fixed dollar amount installment election shall be equal to the dollar amount elected and subject to the rules in Section 4.04.

6.09 Section 162(m) Compliance:

If a Participant has elected to defer income, which would qualify as performance-based compensation under Code Section 162(m), into a Risk of Forfeiture Subaccount, then such Deferral Subaccount may not be paid out at any time while the Participant is a covered employee under Code Section 162(m)(3), to the extent it would result in compensation being paid to the Participant in such year that would not be deductible under Code Section 162(m). The payout of any such amount shall be deferred until a year when its payout will not result in the payment of non-performance-based compensation that exceeds the \$1 million cap in Code Section 162(m)(1) (and then only such portion that will not exceed such cap shall be paid out in the year). However, the total amount (1) which stands to the credit of the Participant in Risk of Forfeiture Subaccounts, and (2) which would be currently or previously distributed from the Plan but for this Section, shall be paid out in the first year when the Participant is no longer a Code Section 162(m) covered employee. This Section shall apply notwithstanding the fact that a Participant would otherwise be entitled to an earlier distribution under the foregoing provisions of this Article, except that a Participant may receive an earlier distribution with respect to deferrals subject to this Section to the extent the Participant qualifies for such an earlier distribution under Section 6.07.

6.10 Impact of Section 16 of the Act on Distributions:

The provisions of Sections 5.03(c) and 7.06 shall apply in determining whether a Participant's distribution shall be delayed beyond the date applicable under the preceding provisions of this Article VI.

6.11 Actual Payment Date:

An amount payable on a date specified in this Article VI shall be paid no later than the later of (a) the end of the calendar year in which the specified date occurs, or (b) the 15th day of the third calendar month following such specified date. In addition, the Participant (or Beneficiary) is not permitted to designate the taxable year of the payment.

7.01 Plan Administrator:

The Plan Administrator is responsible for the administration of the Plan. The Plan Administrator has the authority to name one or more delegates to carry out certain responsibilities hereunder, as specified in the definition of Plan Administrator. Any such delegation shall state the scope of responsibilities being delegated and is subject to Section 7.06 below.

7.02 Action:

Action by the Plan Administrator may be taken in accordance with procedures that the Plan Administrator adopts from time to time or that the Company's Law Department determines are legally permissible.

7.03 Powers of the Plan Administrator:

The Plan Administrator shall administer and manage the Plan and shall have (and shall be permitted to delegate) all powers necessary to accomplish that purpose, including the following:

- (a) To exercise its discretionary authority to construe, interpret, and administer this Plan;
- (b) To exercise its discretionary authority to make all decisions regarding eligibility, participation and deferrals, to make allocations and determinations required by this Plan, and to maintain records regarding Participants' Accounts;
- (c) To compute and certify to the Employers the amount and kinds of payments to Participants or their Beneficiaries, and to determine the time and manner in which such payments are to be paid;
- (d) To authorize all disbursements by the Employer pursuant to this Plan;
- (e) To maintain (or cause to be maintained) all the necessary records for administration of this Plan;
- (f) To make and publish such rules for the regulation of this Plan as are not inconsistent with the terms hereof;
- (g) To delegate to other individuals or entities from time to time the performance of any of its duties or responsibilities hereunder;
- (h) To establish or to change the phantom investment options or arrangements under Article V;

(i) To hire agents, accountants, actuaries, consultants and legal counsel to assist in operating and administering the Plan; and

(j) Notwithstanding any other provision of this Plan except Section 7.07 (relating to compliance with Section 409A), the Plan Administrator or the Recordkeeper may take any action the Plan Administrator deems is necessary to assure compliance with any policy of the Company respecting insider trading as may be in effect from time to time. Such actions may include altering the effective date of intra-fund transfers or the distribution date of Deferral Subaccounts. Any such actions shall alter the normal operation of the Plan to the minimum extent necessary.

The Plan Administrator has the exclusive and discretionary authority to construe and to interpret the Plan, to decide all questions of eligibility for benefits, to determine the amount and manner of payment of such benefits and to make any determinations that are contemplated by (or permissible under) the terms of this Plan, and its decisions on such matters will be final and conclusive on all parties. Any such decision or determination shall be made in the absolute and unrestricted discretion of the Plan Administrator, even if (1) such discretion is not expressly granted by the Plan provisions in question, or (2) a determination is not expressly called for by the Plan provisions in question, and even though other Plan provisions expressly grant discretion or call for a determination. As a result, benefits under this Plan will be paid only if the Plan Administrator decides in its discretion that the applicant is entitled to them. In the event of a review by a court, arbitrator or any other tribunal, any exercise of the Plan Administrator's discretionary authority shall not be disturbed unless it is clearly shown to be arbitrary and capricious.

7.04 Compensation, Indemnity and Liability:

The Plan Administrator will serve without bond and without compensation for services hereunder. All expenses of the Plan and the Plan Administrator will be paid by the Employers. To the extent deemed appropriate by the Plan Administrator, any such expense may be charged against specific Participant Accounts, thereby reducing the obligation of the Employers. No member of the Committee (which serves as the Plan Administrator), and no individual acting as the delegate of the Committee, shall be liable for any act or omission of any other member or individual, nor for any act or omission on his or her own part, excepting his or her own willful misconduct. The Employers (other than the Company) will indemnify and hold harmless each member of the Committee and any employee of the Company (or a Company affiliate, if recognized as an affiliate for this purpose by the Plan Administrator) acting as the delegate of the Committee against any and all expenses and liabilities, including reasonable legal fees and expenses, arising in connection with this Plan out of his or her membership on the Committee (or his or her serving as the delegate of the Committee), excepting only expenses and liabilities arising out of his or her own willful misconduct or bad faith.

7.05 Withholding:

The Employer shall withhold from amounts due under this Plan, any amount necessary to enable the Employer to remit to the appropriate government entity or entities on behalf of the Participant as may be required by the federal income tax provisions of the Code, by an applicable

state's income tax provisions, and by an applicable city, county or municipality's earnings or income tax provisions. Further, the Employer shall withhold from the payroll of, or collect from, a Participant the amount necessary to remit on behalf of the Participant any Social Security or Medicare taxes which may be required with respect to amounts deferred or accrued by a Participant hereunder, as determined by the Employer. In addition, to the extent required by Section 409A, amounts deferred under this Plan shall be reported on each Participant's Form W-2 for the applicable tax year, and any amounts that become taxable hereunder shall be reported as taxable wages on the Participant's Form W-2 for the applicable tax year. All such reporting shall be performed based on the rules and procedures of Section 409A.

7.06 Section 16 Compliance:

(a) In General. This Plan is intended to be a formula plan for purposes of Section 16 of the Act. Accordingly, in the case of a deferral or other action under the Plan that constitutes a transaction that could be covered by Rule 16b-3(d) or (e), if it were approved by the Company's Board or Compensation Committee ("Board Approval"), it is intended that the Plan shall be administered by delegates of the Compensation Committee, in the case of a Participant who is subject to Section 16 of the Act, in a manner that will permit the Board Approval of the Plan to avoid any additional Board Approval of specific transactions to the maximum possible extent.

(b) Approval of Distributions: This Subsection shall govern the distribution of a deferral that (i) is wholly or partly invested in the Phantom PepsiCo Common Stock Fund at the time the deferral would be valued to determine the amount of cash to be distributed to a Participant, (ii) either was the subject of a Second Look Election or was not covered by an agreement, made at the time of the Participant's original deferral election, that any investments in the Phantom PepsiCo Common Stock Fund would, once made, remain in that fund until distribution of the deferral, (iii) is made to a Participant who is subject to Section 16 of the Act at the time the interest in the Phantom PepsiCo Common Stock Fund would be liquidated in connection with the distribution, and (iv) if paid at the time the distribution would be made without regard to this subsection, could result in a violation of Section 16 of the Act because there is an opposite way transaction that would be matched with the liquidation of the Participant's interest in the PepsiCo Common Stock Fund (either as a "discretionary transaction," within the meaning of Rule 16b-3(b)(1), or as a regular transaction, as applicable) (a "Covered Distribution"). In the case of a Covered Distribution, if the liquidation of the Participant's interest in the Phantom PepsiCo Common Stock Fund in connection with the distribution has not received Board Approval by the time the distribution would be made if it were not a Covered Distribution, or if it is a discretionary transaction, then the actual distribution to the Participant shall be delayed only until the earlier of:

- (1) In the case of a transaction that is not a discretionary transaction, Board Approval of the liquidation of the Participant's interest in the Phantom PepsiCo Common Stock Fund in connection with the distribution, and
- (2) The date the distribution would no longer violate Section 16 of the Act, *e.g.*, when the Participant is no longer subject to Section 16 of the Act, when the Deferral Subaccount related to the distribution is no longer invested in the Phantom PepsiCo Common Stock Fund or when the time between the liquidation and an opposite way transaction is sufficient.

7.07 Conformance with Section 409A:

Effective from and after January 1, 2009, at all times during each Plan Year, this Plan shall be operated (i) in accordance with the requirements of Section 409A, and (ii) to preserve the status of deferrals under the Pre-409A Program as being exempt from Section 409A, *i.e.*, to preserve the grandfathered status of the Pre-409A Program. In all cases, the provisions of this Section shall apply notwithstanding any contrary provision of the Plan that is not contained in this Section.

8.01 Claims for Benefits:

If a Participant, Beneficiary or other person (hereafter, “Claimant”) does not receive timely payment of any benefits which he or she believes are due and payable under the Plan, he or she may make a claim for benefits to the Plan Administrator. The claim for benefits must be in writing and addressed to the Plan Administrator. If the claim for benefits is denied, the Plan Administrator will notify the Claimant within 90 days after the Plan Administrator initially received the benefit claim. However, if special circumstances require an extension of time for processing the claim, the Plan Administrator will furnish notice of the extension to the Claimant prior to the termination of the initial 90-day period and such extension may not exceed one additional, consecutive 90-day period. Any notice of a denial of benefits shall advise the Claimant of the basis for the denial, any additional material or information necessary for the Claimant to perfect his or her claim, and the steps which the Claimant must take to appeal his or her claim for benefits.

8.02 Appeals of Denied Claims:

Each Claimant whose claim for benefits has been denied may file a written appeal for a review of his or her claim by the Plan Administrator. The request for review must be filed by the Claimant within 60 days after he or she received the notice denying his or her claim. The decision of the Plan Administrator will be communicated to the Claimant within 60 days after receipt of a request for appeal. The notice shall set forth the basis for the Plan Administrator’s decision. However, if special circumstances require an extension of time for processing the appeal, the Plan Administrator will furnish notice of the extension to the Claimant prior to the termination of the initial 60-day period and such extension may not exceed one additional, consecutive 60-day period. In no event shall the Plan Administrator’s decision be rendered later than 120 days after receipt of a request for appeal.

8.03 Special Claims Procedures for Disability Determinations:

Notwithstanding Sections 8.01 and 8.02, if the claim or appeal of the Claimant relates to Disability benefits, such claim or appeal shall be processed pursuant to the applicable provisions of Department of Labor Regulation Section 2560.503-1 relating to Disability benefits, including Sections 2560.503-1(d), 2560.503-1(f)(3), 2560.503-1(h)(4) and 2560.503-1(i)(3).

9.01 Amendment of Plan:

The Compensation Committee of the Board of Directors of the Company has the right in its sole discretion to amend this Plan in whole or in part at any time and in any manner, including the manner of making deferral elections, the terms on which distributions are made, and the form and timing of distributions. However, except for mere clarifying amendments necessary to avoid an inappropriate windfall, no Plan amendment shall reduce the amount credited to the Account of any Participant as of the date such amendment is adopted. Any amendment shall be in writing and adopted by the Committee. All Participants and Beneficiaries shall be bound by such amendment. Any amendments made to the Plan shall be subject to any restrictions on amendment that are applicable to ensure continued compliance under Section 409A.

9.02 Termination of Plan:

(a) The Company expects to continue this Plan, but does not obligate itself to do so. The Company, acting by the Compensation Committee of the Board of Directors, or through its entire Board of Directors, reserves the right to discontinue and terminate the Plan at any time, in whole or in part, for any reason (including a change, or an impending change, in the tax laws of the United States or any State). Termination of the Plan will be binding on all Participants (and a partial termination shall be binding upon all affected Participants) and their Beneficiaries, but in no event may such termination reduce the amounts credited at that time to any Participant's Account. If this Plan is terminated (in whole or in part), the termination resolution shall provide for how amounts theretofore credited to affected Participants' Accounts will be distributed.

(b) This Section is subject to the same restrictions related to compliance with Section 409A that apply to Section 9.01. In accordance with these restrictions, the Company intends to have the maximum discretionary authority to terminate the Plan and make distributions in connection with a Change in Control (as defined in Section 409A), and the maximum flexibility with respect to how and to what extent to carry this out following a Change in Control (as defined in Section 409A) as is permissible under Section 409A. The previous sentence contains the exclusive terms under which a distribution may be made in connection with any change in control with respect to deferrals made under this 409A Program.

10.01 Limitation on Participant's Rights:

Participation in this Plan does not give any Participant the right to be retained in the Employer's employ (or any right or interest in this Plan or any assets of the Employer other than as herein provided). The Employer reserves the right to terminate the employment of any Participant without any liability for any claim against the Employer under this Plan, except for a claim for payment of deferrals as provided herein.

10.02 Unfunded Obligation of Individual Employer:

(a) The benefits provided by this Plan are unfunded. All amounts payable under this Plan to Participants are paid from the general assets of the Participant's individual Employer. Nothing contained in this Plan requires an Employer to set aside or hold in trust any amounts or assets for the purpose of paying benefits to Participants. Neither a Participant, Beneficiary, nor any other person shall have any property interest, legal or equitable, in any specific Employer asset. This Plan creates only a contractual obligation on the part of a Participant's individual Employer, and the Participant has the status of a general unsecured creditor of this Employer with respect to amounts of compensation deferred hereunder. Such a Participant shall not have any preference or priority over, the rights of any other unsecured general creditor of the Employer. No other Employer guarantees or shares such obligation, and no other Employer shall have any liability to the Participant or his or her Beneficiary. In the event, a Participant transfers from the employment of one Employer to another, the former Employer shall transfer the liability for deferrals made while the Participant was employed by that Employer to the new Employer (and the books of both Employers shall be adjusted appropriately).

(b) Notwithstanding the provisions of Subsection (a), for purposes of this Section an "Employer" shall only refer to those entities which are part of the PepsiCo Organization. If a Participant transfers to an entity that is not part of the PepsiCo Organization, the liability for deferrals made while the Participant was employed by the PepsiCo Organization shall remain with his or her last Employer that was part of the PepsiCo Organization.

10.03 Other Plans:

This Plan shall not affect the right of any Eligible Executive or Participant to participate in and receive benefits under and in accordance with the provisions of any other employee benefit plans which are now or hereafter maintained by any Employer, unless the terms of such other employee benefit plan or plans specifically provide otherwise or it would cause such other plan to violate a requirement for tax favored treatment.

10.04 Receipt or Release:

Any payment to a Participant in accordance with the provisions of this Plan shall, to the extent thereof, be in full satisfaction of all claims against the Plan Administrator, the Recordkeeper, the Company, and all Employers, and the Plan Administrator may require such Participant, as a condition precedent to such payment, to execute a receipt and release to such effect.

10.05 Governing Law:

This Plan shall be construed, administered, and governed in all respects in accordance with applicable federal law and, to the extent not preempted by federal law, in accordance with the laws of the State of North Carolina. If any provisions of this instrument shall be held by a court of competent jurisdiction to be invalid or unenforceable, the remaining provisions hereof shall continue to be fully effective.

10.06 Adoption of Plan by Related Employers:

The Plan Administrator may select as an Employer (other than the Company, which is automatically an Employer hereunder) any division of the Company, as well as any subsidiary or affiliate related to the Company by ownership (and that is a member of the PepsiCo Organization), and permit or cause such division, subsidiary or affiliate to adopt the Plan. The selection by the Plan Administrator shall govern the effective date of the adoption of the Plan by such related Employer. The requirements for Plan adoption are entirely within the discretion of the Plan Administrator and, in any case where the status of an entity as an Employer is at issue, the determination of the Plan Administrator shall be absolutely conclusive.

10.07 Gender, Tense and Examples:

In this Plan, whenever the context so indicates, the singular or plural number and the masculine, feminine, or neuter gender shall be deemed to include the other. Whenever an example is provided or the text uses the term “including” followed by a specific item or items, or there is a passage having a similar effect, such passage of the Plan shall be construed as if the phrase “without limitation” followed such example or term (or otherwise applied to such passage in a manner that avoids limitation on its breadth of application).

10.08 Successors and Assigns; Nonalienation of Benefits:

This Plan inures to the benefit of and is binding upon the parties hereto and their successors, heirs and assigns; provided, however, that the amounts credited to the Account of a Participant are not (except as provided in Sections 5.06 and 7.05) subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, charge, garnishment, execution or levy of any kind, either voluntary or involuntary, and any attempt to anticipate, alienate, sell, transfer, assign, pledge, encumber, charge or otherwise dispose of any right to any benefits payable hereunder, including, without limitation, any assignment or alienation in connection with a separation, divorce, child support or similar arrangement, will be null and void and not binding on the Plan or the Company or any Employer. Notwithstanding the foregoing, the Plan Administrator reserves the right to make payments in accordance with a divorce decree, judgment or other court order as and when cash payments are made in accordance with the terms of this Plan from the Deferral Subaccount of a Participant. Any such payment shall be charged against and reduce the Participant's Account.

10.09 Facility of Payment:

Whenever, in the Plan Administrator's opinion, a Participant or Beneficiary entitled to receive any payment hereunder is under a legal disability or is incapacitated in any way so as to be unable to manage his or her financial affairs, the Plan Administrator may direct the Employer to make payments to such person or to the legal representative of such person for his or her benefit, or to apply the payment for the benefit of such person in such manner as the Plan Administrator considers advisable. Any payment in accordance with the provisions of this Section shall be a complete discharge of any liability for the making of such payment to the Participant or Beneficiary under the Plan.

ARTICLE XI – AUTHENTICATION

The 409A Program was first adopted and approved by the Compensation Committee of the Company’s Board of Directors at the Compensation Committee’s duly authorized meeting on November 18, 2005. This 409A Program document as amended and restated is hereby adopted and approved effective as stated herein by the Compensation Committee at the Compensation Committee’s duly authorized meeting on September 11, 2008.

APPENDIX

The following Appendix articles modify particular terms of the Plan. Except as specifically modified in the Appendix, the foregoing main provisions of the Plan shall fully apply in determining the rights and benefits of Eligible Executives, Participants and Beneficiaries (and of any other individual claiming a benefit through or under the foregoing). In the event of a conflict between the Appendix and the foregoing main provisions of the Plan, the Appendix shall govern.

Appendix

A.1 Scope.

This Article A provides the transition rules for the Plan that were effective at some time during the period beginning January 1, 2005 and ending December 31, 2008. The time period during which each provision in this Article A was effective shall be provided herein.

A.2 Transition Rules for Article II (Definitions).

(a) Key Employee. In addition to the provisions provided in Article II for identifying Key Employees. The following operating rules were in effect for the indicated time periods –

- (1) Operating Rules for 2005. To ensure that the Company does not fail to identify any Key Employees, in the case of Separation from Service distributions during the 2005 Plan Year, the Company shall treat as Key Employees all Eligible Executives (and former Eligible Executives) that are classified (or grandfathered) for any portion of the 2005 Plan Year as Band IV and above.
- (2) Operating Rules for 2006 and 2007. To ensure that the Company does not fail to identify any Key Employees, in the case of Separation from Service distributions during the 2006 Plan Year and 2007 Plan Year, the Company shall treat as Key Employees for such applicable Plan Year of their Separation from Service those individuals who meet the provisions of subparagraph (i) or (ii) below (or both).
 - (i) The Company shall treat as Key Employees all Eligible Executives (and former Eligible Executives) that are classified (or grandfathered) for any portion of the applicable Plan Year of their Separation from Service as Band IV and above; and
 - (ii) The Company shall treat as a Key Employee any Eligible Executive who would be a Key Employee as of his or her Separation from Service date based on the standards in this subparagraph (ii). For purposes of this subparagraph (ii), the Company shall determine Key Employees based on compensation (as defined in Code Section 415I(3)) that is taken into account as follows –
 - (A) If the determination is in connection with a Separation from Service in the first calendar quarter of a Plan Year, the determination shall be made using compensation earned in the calendar year that is two years prior to the current calendar year (e.g., for a determination made in the first quarter of 2006, compensation earned in the 2004 calendar year shall be used); and
 - (B) If the determination is in connection with a Separation from Service in the second, third or fourth calendar quarter of a Plan Year, the determination shall be made using the compensation earned in the prior calendar year (e.g., for a determination made in the second quarter of 2006, compensation earned in the 2005 calendar year shall be used).

(b) Retirement. In addition to the provisions in Article II, for the period beginning from and after January 1, 2005 and ending on December 31, 2007, a Participant's "years of service" (used in determining whether a "Retirement" has occurred) shall be determined by reference to the definition of "years of service" for purposes of vesting under the PepsiCo Salaried Employees Retirement Plan (with such definition being applicable whether or not the Participant is actually eligible for or is a participant in the PepsiCo Salaried Employees Retirement Plan).

A.3 Transition Rules for Article III (Eligibility):

Notwithstanding the provisions of Section 3.01, the following special rules shall apply to Executives during the 2005 Plan Year –

- (a) If an Executive was an eligible executive under the Pre-409A Program immediately prior to January 1, 2005, the Executive shall be eligible to defer 2005 Base Compensation beginning January 1, 2005 (subject to the election requirements of Section 4.02(a)).
- (b) If an Executive is hired into a Band II or above position or promoted from below Band II into a Band II or above position from and after January 1, 2005 and by May 31, 2005, the Executive shall become eligible to defer 2005 Base Compensation under Sections 4.01 and 4.02(b) beginning June 1, 2005.
- (c) If an Executive is hired into a Band II or above position or promoted from below Band II into a Band II or above position from and after June 1, 2005 and before October 1, 2005, the Executive shall become eligible to defer 2005 Base Compensation under Sections 4.01 and 4.02(b) 30 days after hire or promotion.
- (d) If an Executive is hired into a Band II or above position or promoted from below Band II into a Band II or above position from and after October 1, 2005, the Executive shall not be eligible to defer 2005 Base Compensation.
- (e) If an Executive is hired into a Band II or above position after January 1, 2005, the Executive shall not be eligible to defer any portion of 2005 Bonus Compensation. If an Executive becomes an Eligible Executive during 2005 as a result of a promotion from below Band II into a Band II or above position, such Eligible Executive shall not be eligible to defer 2005 Bonus Compensation, unless he or she meets the rules under Section 4.01(b)(2) and 4.02(b) and he or she was a bonus-eligible Executive for the entire Performance Period for which the 2005 Bonus Compensation is paid.

A.4 Transition Rules for Article IV (Deferral of Compensation):

- (a) Base Compensation Deferrals. Notwithstanding the first sentence of Section 4.01(a), for Base Compensation that is paid from and after January 1, 2005 and on or before

December 31, 2008, each Eligible Executive may make an election to defer under the Plan any whole percentage up to 100% of his or her Base Compensation in the manner described in Section 4.02.

(b) Period of Deferral. Notwithstanding the provisions of Section 4.03 and an Eligible Executive's actual election of a Specific Payment Date, an Eligible Executive shall be deemed to have elected a period of deferral of not less than –

- (1) For Base Compensation that is paid from and after January 1, 2005 and on or before December 31, 2007, at least six (6) months after the end of the Plan Year during which the Base Compensation would have been paid absent the deferral; and
- (2) For Bonus Compensation that is paid from and after January 1, 2005 and on or before December 31, 2007, at least twelve (12) months after the date the Bonus Compensation would have been paid absent the deferral.

A.5 Transition Rules for Article V (Investments):

(a) Investment Options. Notwithstanding Section 5.02(b)(2), effective for periods from and after January 1, 2005 and ending on December 28, 2006, the Plan shall have the Phantom Prime Rate Fund as a phantom investment option. Participant Accounts invested in this phantom option accrue a return based upon the prime rate of interest as reported from time to time by The Wall Street Journal (or another source designated by the Plan Administrator from time to time). Returns accrue for each month based on the prime rate in effect on the first business day of each month and are compounded annually. An amount deferred or transferred into this option is credited with the applicable rate of return beginning with the date as of which the amount is treated as invested in this option by the Plan Administrator. Any Participant Accounts invested in the Phantom Prime Rate Fund as of December 28, 2006 were transferred into the Phantom AFR Fund effective as of December 29, 2006.

(b) Investment Elections. Notwithstanding the provisions of Section 5.03, for periods from and after January 1, 2005 and ending on December 28, 2006, the Phantom Prime Rate Fund was the “default” fund to the extent a default fund was needed in order to make certain a Participant's Account was 100% invested.

A.6 Transition Rules for Article VI (Distributions):

(a) Distributions on Account of a Specific Payment Date. For Specific Payment Dates and Separations from Service that occur from and after January 1, 2005 and on or before December 31, 2008, the language in Section 6.02(b) shall be replaced in its entirety with the following language:

- “(b) If a Participant's Deferral Subaccount is to be paid in the form of installments pursuant to Section 4.04 or 4.05, whichever is applicable, the Participant's first installment payment shall be paid on the Specific Payment Date. Thereafter, installment payments shall continue in accordance with the schedule elected by the Participant, except as provided in Sections 6.04, 6.06 and 6.07 (relating to distributions

upon death, Disability or Unforeseeable Emergency). The amount of each installment shall be determined under Section 6.08. Notwithstanding the preceding provisions of this Subsection, if before the date the first installment distribution is processed for payment the Participant Separates from Service (other than for Retirement) or the Participant would be entitled to a distribution in accordance with Section 6.04 or 6.06 (relating to distributions on account of death or Disability), the Participant's Deferral Subaccounts that would otherwise be distributed based on such Specific Payment Date shall instead be distributed in accordance with Section 6.03 (as modified by Article A), 6.04 or 6.06 (relating to distributions on account of Separation from Service, death or Disability), whichever applies, but only to the extent it would result in an earlier distribution of the Participant's Subaccounts in the case of Section 6.04 or Section 6.06."

(b) Distributions on Account of a Separation from Service. For Specific Payment Dates and Separations from Service that occur from and after January 1, 2005 and on or before December 31, 2008, the language of Section 6.03 shall be replaced in its entirety with the following language:

"6.03 Distributions on Account of a Separation from Service:

A Participant's total Account shall be distributed upon the occurrence of a Participant's Separation from Service (other than for Retirement, Disability or death) in accordance with the terms and conditions of this Section. When used in this Section, the phrase "Separation from Service" shall only refer to a Separation from Service that is not for Retirement, Disability or death.

- (a) Subject to Subsections (c) and (d), for those Deferral Subaccounts that have a Specific Payment Date that is after the Participant's Separation from Service, such Deferral Subaccounts shall be distributed in a single lump sum payment on the first day of the calendar quarter that follows the Participant's Separation from Service.
- (b) Subject to Subsections (c) and (d), if the Participant's Separation from Service is on or after the Specific Payment Date applicable to a Participant's Deferral Subaccount and the Participant has selected installment payments as the form of distribution for the Deferral Subaccount, then such Deferral Subaccount shall be distributed as follows:
 - (1) If the first installment payment has been processed prior to the Participant's Separation from Service, then installment payments will continue (subject to acceleration under Sections 6.04, 6.06 and 6.07 relating to distributions on account of death, Disability and Unforeseeable Emergency) based upon the Participant's installment payment election; and
 - (2) If the first installment payment has not yet been processed prior to the Participant's Separation from Service, then the Participant's installment payment election shall be void and the Participant shall be paid a single lump sum distribution for the Deferral Subaccount based upon the provisions of Subsection (a) above.

- (c) If the Participant incurs a Separation from Service after making a valid Second Look Election (and before the first payment has been processed in accordance with such Second Look Election), each Deferral Subaccount to which the Second Look Election applies shall be distributed in a single lump sum payment following the latest of the following: (1) the first day of the calendar quarter beginning on or after the fifth anniversary of the payment date selected in the Participant's original deferral election under Section 4.03, (2) the first day of the calendar quarter following the Separation from Service, or (3) the date applicable under Subsection (d). However, if the Plan Administrator determines that Section 409A would permit a lump sum payment to be made earlier than the date specified in clause (1) of the preceding sentence, then the preceding sentence shall be applied by substituting the earliest date permissible under Section 409A for the date in clause (1). If the Participant's Separation from Service occurs on or after the date the first payment is processed, payment will be made in accordance with the Second Look Election (but subject to acceleration under Sections 6.04, 6.06 and 6.07 relating to distributions on account of death, Disability and Unforeseeable Emergency).
- (d) If the Participant is classified as a Key Employee at the time of the Participant's Separation from Service (or at such other time for determining Key Employee status as may apply under Section 409A), then such Participant's Account shall not be paid, as a result of the Participant's Separation from Service, earlier than the date following the first day of the calendar quarter that is at least 6 months after the Participant's Separation from Service."

A.7 Transition Rules for Article VII (Administration):

For periods effective from and after January 1, 2005 and on or before December 31, 2008, the language of Section 7.07 shall be replaced in its entirety with the following language:

"7.07 Conformance with Section 409A:

At all times during each Plan Year, this Plan shall be operated (i) in accordance with the requirements of Section 409A, and (ii) to preserve the status of deferrals under the Pre-409A Program as being exempt from Section 409A, i.e., to preserve the grandfathered status of the Pre-409A Program. Any action that may be taken (and, to the extent possible, any action actually taken) by the Plan Administrator, the Recordkeeper or the Company shall not be taken (or shall be void and without effect), if such action violates the requirements of Section 409A or if such action would adversely affect the grandfather of the Pre-409A Program. If the failure to take an action under the Plan would violate Section 409A, then to the extent it is possible thereby to avoid a violation of section 409A, the rights and effects under the Plan shall be altered to avoid such violation. A corresponding rule shall apply with respect to a failure to take an action that would adversely affect the grandfather of the Pre-409A Program. Any provision in this Plan document that is determined to violate the requirements of Section 409A or to adversely affect the grandfather of the Pre-409A Program shall be void and without effect. In addition, any provision that is required to appear in this Plan document to

satisfy the requirements of Section 409A, but that is not expressly set forth, shall be deemed to be set forth herein, and the Plan shall be administered in all respects as if such provision were expressly set forth. A corresponding rule shall apply with respect to a provision that is required to preserve the grandfather of the Pre-409A Program. In all cases, the provisions of this Section shall apply notwithstanding any contrary provision of the Plan that is not contained in this Section.”

A.8 Certain Transition Rules:

Pursuant to Q&A-20(a) of IRS Notice 2005-1, each Eligible Executive shall have the right to cancel his or her election to defer 2005 Base Compensation and each Eligible Executive whose 2004 Bonus Compensation is subject to Section 409A shall have the right to cancel his or her election to defer such 2004 Bonus Compensation. Such election to cancel must be filed with the Plan Administrator pursuant to the procedures and timing requirements established by the Plan Administrator for this purpose (such procedures and timing requirements to be consistent with the requirements of Q&A-20(a)). Any Eligible Executive who makes an election to cancel such deferral election shall have the 2005 Base Compensation and/or the 2004 Bonus Compensation related to such deferral election paid to him or her (plus any applicable earnings or minus any applicable losses) and such amount shall be reported as taxable income to the Eligible Executive for the 2005 calendar year.

PEPSICO

DIRECTOR

DEFERRAL PROGRAM

**Plan Document for the 409A Program
Amended and Restated Effective as of January 1, 2005
(with Revisions through September 12, 2008)**

TABLE OF CONTENTS

	<u>Page</u>
ARTICLE I – INTRODUCTION	1
ARTICLE II – DEFINITIONS	2
2.01 ACCOUNT:	2
2.02 ACT:	2
2.03 BENEFICIARY:	2
2.04 CODE:	2
2.05 COMPANY:	2
2.06 COMPENSATION YEAR:	2
2.07 DEFERRAL SUBACCOUNT:	3
2.08 DIRECTOR:	3
2.09 DIRECTOR COMPENSATION:	3
2.10 DISABILITY:	3
2.11 DISTRIBUTION VALUATION DATE:	4
2.12 ELECTION FORM:	4
2.13 ELIGIBLE DIRECTOR:	4
2.14 ERISA:	4
2.15 FAIR MARKET VALUE:	4
2.16 409A PROGRAM:	5
2.17 KEY EMPLOYEE:	5
2.18 MANDATORY DEFERRAL:	6
2.19 PARTICIPANT:	6
2.20 PEPSICO ORGANIZATION:	6
2.21 PLAN:	6
2.22 PLAN ADMINISTRATOR:	6
2.23 PLAN YEAR:	6
2.24 PRE-409A PROGRAM:	7
2.25 RECORDKEEPER:	7
2.26 SECOND LOOK ELECTION:	7
2.27 SECTION 409A:	7
2.28 SEPARATION FROM SERVICE:	7
2.29 SPECIFIC PAYMENT DATE:	7
2.30 UNFORESEEABLE EMERGENCY:	8
2.31 VALUATION DATE:	8
ARTICLE III – ELIGIBILITY AND PARTICIPATION	9
3.01 ELIGIBILITY TO PARTICIPATE:	9
3.02 TERMINATION OF ELIGIBILITY TO DEFER:	9
3.03 TERMINATION OF PARTICIPATION:	9

TABLE OF CONTENTS

	<u>Page</u>
ARTICLE IV – DEFERRAL OF COMPENSATION	10
4.01 DEFERRAL ELECTION:	10
4.02 TIME AND MANNER OF DEFERRAL ELECTION:	10
4.03 PERIOD OF DEFERRAL; FORM OF PAYMENT:	12
4.04 SECOND LOOK ELECTION:	12
4.05 MANDATORY DEFERRALS:	14
ARTICLE V – INTERESTS OF PARTICIPANTS	16
5.01 ACCOUNTING FOR PARTICIPANTS’ INTERESTS:	16
5.02 PHANTOM INVESTMENT OF ACCOUNT:	16
5.03 VESTING OF A PARTICIPANT’S ACCOUNT:	17
ARTICLE VI – DISTRIBUTIONS	18
6.01 GENERAL:	18
6.02 DISTRIBUTIONS BASED ON A SPECIFIC PAYMENT DATE:	19
6.03 DISTRIBUTIONS ON ACCOUNT OF A SEPARATION FROM SERVICE:	20
6.04 DISTRIBUTIONS ON ACCOUNT OF DEATH:	21
6.05 DISTRIBUTIONS ON ACCOUNT OF DISABILITY:	22
6.06 DISTRIBUTIONS ON ACCOUNT OF UNFORESEEABLE EMERGENCY:	23
6.07 DISTRIBUTIONS OF MANDATORY DEFERRALS:	23
6.08 VALUATION:	24
6.09 IMPACT OF SECTION 16 OF THE ACT ON DISTRIBUTIONS:	24
6.10 ACTUAL PAYMENT DATE:	25
ARTICLE VII – PLAN ADMINISTRATION	26
7.01 PLAN ADMINISTRATOR:	26
7.02 ACTION:	26
7.03 POWERS OF THE PLAN ADMINISTRATOR:	26
7.04 COMPENSATION, INDEMNITY AND LIABILITY:	27
7.05 WITHHOLDING:	28
7.06 SECTION 16 COMPLIANCE:	28
7.07 CONFORMANCE WITH SECTION 409A:	29
ARTICLE VIII – CLAIMS PROCEDURE	30
8.01 CLAIMS FOR BENEFITS:	30
8.02 APPEALS OF DENIED CLAIMS:	30
8.03 SPECIAL CLAIMS PROCEDURES FOR DISABILITY DETERMINATIONS:	30
ARTICLE IX – AMENDMENT AND TERMINATION	31
9.01 AMENDMENT OF PLAN:	31
9.02 TERMINATION OF PLAN:	31
ARTICLE X – MISCELLANEOUS	32
10.01 LIMITATION ON PARTICIPANT’S RIGHTS:	32

TABLE OF CONTENTS

	<u>Page</u>
10.02 UNFUNDED OBLIGATION OF THE COMPANY:	32
10.03 OTHER PLANS:	32
10.04 RECEIPT OR RELEASE:	32
10.05 GOVERNING LAW:	32
10.06 GENDER, TENSE AND EXAMPLES:	33
10.07 SUCCESSORS AND ASSIGNS; NONALIENATION OF BENEFITS:	33
10.08 FACILITY OF PAYMENT:	33
ARTICLE XI – AUTHENTICATION	34
APPENDIX	Appendix
APPENDIX ARTICLE A – TRANSITION PROVISIONS	A-1

ARTICLE I – INTRODUCTION

PepsiCo, Inc. (the “Company”) established the PepsiCo Director Deferral Program (the “Plan”) to permit Eligible Directors to defer certain compensation paid to them as Directors.

The Plan consists of two primary components, each of which is subject to separate documentation: (i) deferrals under the Plan that were earned and vested prior to the 2004-2005 Compensation Year (the “Pre-409A Program”), and (ii) and deferrals under the Plan that were not earned and vested prior to the 2004-2005 Compensation Year (the “409A Program”). The 409A Program is governed by this document. The Pre-409A Program is governed by a separate set of documents. Except as otherwise provided herein, this document reflects the provisions in effect from and after January 1, 2005, and the rights and benefits of individuals who are Participants in the Plan from and after that date (and of those claiming through or on behalf of such individuals) shall be governed by the provisions of this document in the case of actions and events occurring on or after January 1, 2005, with respect to deferrals that are subject to the 409A Program. For purposes of the preceding sentence, the term “actions and events” shall include all distribution trigger events and dates. The rights and benefits with respect to persons who only participated in the Plan prior to January 1, 2005 shall be governed by the applicable provisions of the Pre-409A Program documents that were in effect at such time, and shall not be governed by the 409A Program documents.

Together, the documents for the 409A Program and the documents for the Pre-409A Program describe the terms of a single plan. However, amounts subject to the terms of this 409A Program and amounts subject to the terms of the Pre-409A Program shall be tracked separately at all times. The preservation of the terms of the Pre-409A Program, without material modification, and the separation between the 409A Program amounts and the Pre-409A Program amounts are intended to permit the Pre-409A Program to remain exempt from Section 409A and the administration of the Plan shall be consistent with this intent.

For federal income tax purposes, the Plan is intended to be a nonqualified unfunded deferred compensation plan that is unfunded and unsecured. For purposes of ERISA, the Plan is intended to be exempt from ERISA coverage as a plan that solely benefits non-employees (or alternatively, a plan described in Sections 201(2), 301(a)(3) and 401(a)(1) of ERISA providing benefits to a select group of management or highly compensated employees).

ARTICLE II – DEFINITIONS

When used in this Plan, the following underlined terms shall have the meanings set forth below unless a different meaning is plainly required by the context:

2.01 Account:

The account maintained for a Participant on the books of the Company to determine, from time to time, the Participant's interest under this Plan. The balance in such Account shall be determined by the Plan Administrator. Each Participant's Account shall consist of at least one Deferral Subaccount for each separate deferral under Section 4.01. The Recordkeeper may also establish such additional Deferral Subaccounts as it deems necessary for the proper administration of the Plan. The Recordkeeper may also combine Deferral Subaccounts to the extent it deems separate accounts are not needed for sound recordkeeping. Where appropriate, a reference to a Participant's Account shall include a reference to each applicable Deferral Subaccount that has been established thereunder.

2.02 Act:

The Securities Exchange Act of 1934, as amended from time to time.

2.03 Beneficiary:

The person or persons (including a trust or trusts) properly designated by a Participant, as determined by the Plan Administrator, to receive the amounts in one or more of the Participant's Deferral Subaccounts in the event of the Participant's death in accordance with Section 4.02(c).

2.04 Code:

The Internal Revenue Code of 1986, as amended from time to time.

2.05 Company:

PepsiCo, Inc., a corporation organized and existing under the laws of the State of North Carolina, or its successor or successors.

2.06 Compensation Year:

The 12-month period of time for which Directors are compensated for their services on the Board of Directors, commencing with the annual retainer payable on October 1 in one calendar year and concluding on September 30 of the following calendar year.

2.07 Deferral Subaccount:

A subaccount of a Participant's Account maintained to reflect his or her interest in the Plan attributable to each deferral (or separately tracked portion of a deferral) of Director Compensation, and earnings or losses credited to such subaccount in accordance with Section 5.01(b).

2.08 Director:

A person who is a member of the Board of Directors of the Company and who is not currently an employee of the PepsiCo Organization.

2.09 Director Compensation:

Direct monetary remuneration to the extent paid in cash in U.S. dollars to the Eligible Director by the Company. Director Compensation shall not include the amount of any reimbursement by the Company for expenses incurred by the Eligible Director in the discharge of his or her duties as a member of the Board of Directors of the Company. Subject to the next sentence, the Director Compensation shall be limited to the amount due an Eligible Director for the discharge of his or her duties as a member of the Board of Directors of the Company, and shall be reduced for any applicable tax levies, garnishments and other legally required deductions. Notwithstanding the preceding sentence, an Eligible Director's Director Compensation may be reduced by an item described in the preceding sentence only to the extent such reduction does not violate Section 409A.

2.10 Disability:

A Participant shall be considered to suffer from a Disability, if, in the judgment of the Recordkeeper (based on the provisions of Section 409A and any guidelines established by the Plan Administrator for this purpose), the Participant –

- (a) Is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, or
- (b) By reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, is receiving income replacement benefits for a period of not less than 3 months under an accident and health plan of the Company.

Solely for those Participants who are otherwise eligible for Social Security, a Participant who is determined to be totally disabled by the Social Security Administration will be deemed to satisfy the requirements of Subsection (a), and a Participant who has not been determined to be totally disabled by the Social Security Administration will be deemed to not meet the requirements of Subsection (a).

2.11 Distribution Valuation Date:

Each date as specified by the Plan Administrator from time to time as of which Participant Accounts are valued for purposes of a distribution from a Participant's Account. The current Distribution Valuation Dates are January 1, April 1, July 1 and October 1. Any current Distribution Valuation Date may be changed by the Plan Administrator, provided that such change does not result in a change in when deferrals are paid out that is impermissible under Section 409A. Values are determined as of the close of a Distribution Valuation Date or, if such date is not a business day, as of the close of the following business day.

2.12 Election Form:

The form prescribed by the Plan Administrator on which a Participant specifies the amount of his or her Director Compensation to be deferred and the timing and form of his or her deferral payout, pursuant to the provisions of Article IV. An Election Form need not exist in a paper format, and it is expressly authorized that the Plan Administrator may make available for use such technologies, including voice response systems, Internet-based forms and any other electronic forms, as it deems appropriate from time to time.

2.13 Eligible Director:

The term "Eligible Director" shall have the meaning given to it in Section 3.01(b).

2.14 ERISA:

Public Law 93-406, the Employee Retirement Income Security Act of 1974, as amended from time to time.

2.15 Fair Market Value:

For purposes of converting a Participant's deferrals to phantom PepsiCo Common Stock as of any date, the Fair Market Value of such stock is the closing price on such date (or if such date is not a trading date, the first date immediately following such date that is a trading date) for PepsiCo Common Stock as reported on the composite tape for securities listed on the New York Stock Exchange, Inc., rounded to four decimal places. For purposes of determining the value of a Plan distribution, the Fair Market Value of phantom PepsiCo Common Stock is determined as the closing price on the applicable Distribution Valuation Date for PepsiCo Common Stock as reported on the composite tape for securities listed on the New York Stock Exchange, Inc., rounded to four decimal places.

2.16 409A Program:

The term “409A Program” shall have the meaning given to it in Article 1.

2.17 Key Employee:

The individuals identified in accordance with the principles set forth below.

(a) General. Any Participant who at any time during the applicable year is –

- (1) An officer of any member of the PepsiCo Organization having annual compensation greater than \$130,000 (as adjusted for the applicable year under Code Section 416(i)(1));
- (2) A 5-percent owner of any member of the PepsiCo Organization; or
- (3) A 1-percent owner of any member of the PepsiCo Organization having annual compensation of more than \$150,000.

For purposes of (1) above, no more than 50 employees identified in the order of their annual compensation shall be treated as officers. For purposes of this Section, annual compensation means compensation as defined in Treas. Reg. §1.415(c)-2(a), without regard to Treas. Reg. §§1.415(c)-2(d), 1.415(c)-2(e), and 1.415(c)-2(g). The Plan Administrator shall determine who is a Key Employee in accordance with Code Section 416(i) and the applicable regulations and other guidance of general applicability issued thereunder or in connection therewith (provided, that Code Section 416(i)(5) shall not apply in making such determination), and provided further that the applicable year shall be determined in accordance with Section 409A and that any modification of the foregoing definition that applies under Section 409A shall be taken into account.

(b) Applicable Year. The Plan Administrator shall determine Key Employees as of the last day of each calendar year (the “determination date”), based on compensation for such year, and the designation for a particular determination date shall be effective for purposes of this Plan for the twelve month period commencing on April 1 of the next following calendar year (*e.g.*, the Key Employees determined by the Plan Administrator as of December 31, 2008, shall apply to the period from April 1, 2009, to March 31, 2010).

(c) Rule of Administrative Convenience. Effective on and after January 1, 2008, in addition to the foregoing, the Plan Administrator shall treat all other employees classified as Band IV and above on the applicable determination date prescribed in subsection (b) as Key Employees for purposes of the Plan for the twelve month period commencing on April 1st of the next following calendar year, provided that if this would result in counting more than 200 individuals as Key Employees as of any such determination date, then the number treated as Key Employees will be reduced to 200 by eliminating from consideration those employees otherwise added by this subsection (c) in order by their base compensation, from the lowest to the highest.

2.18 Mandatory Deferral:

The term “Mandatory Deferral” shall have the meaning given to it in Section 4.05.

2.19 Participant:

Any Director who is qualified to participate in this Plan in accordance with Section 3.01 and who has an Account. An active Participant is one who is currently deferring under Section 4.01.

2.20 PepsiCo Organization:

The controlled group of organizations of which the Company is a part, as defined by Code section 414(b) and (c) and the regulations issued thereunder. An entity shall be considered a member of the PepsiCo Organization only during the period it is one of the group of organizations described in the preceding sentence.

2.21 Plan:

The PepsiCo Director Deferral Program, comprised of (i) the 409A Program set forth herein and (ii) the Pre-409A Program set forth in a separate set of documents, as each may be amended and restated from time to time (subject to the limitations on amendment that are applicable hereunder and under the Pre-409A Program).

2.22 Plan Administrator:

The Board of Directors of the Company or its delegate or delegates, which shall have the authority to administer the Plan as provided in Article VII. As of the Effective Date, the Company’s Senior Vice President, Compensation and Benefits is delegated the responsibility for the operational administration of the Plan. In turn, the Senior Vice President, Compensation and Benefits has the authority to re-delegate operational responsibilities to other persons or parties. As of the Effective Date, the Senior Vice President, Compensation and Benefits has re-delegated certain operational responsibilities to the Recordkeeper. However, references in this document to the Plan Administrator shall be understood as referring to the Board of Directors, the Senior Vice President, Compensation and Benefits and those delegated by the Senior Vice President, Compensation and Benefits other than the Recordkeeper. All delegations made under the authority granted by this Section are subject to Section 7.06.

2.23 Plan Year:

The 12-consecutive month period beginning on January 1 and ending on December 31.

2.24 Pre-409A Program:

The term “Pre-409A Program” shall have the meaning given to it in Article 1.

2.25 Recordkeeper:

For any designated period of time, the party (which may include the Company’s Compensation Department) that is delegated the responsibility, pursuant to the authority granted in the definition of Plan Administrator, to maintain the records of Participant Accounts, process Participant transactions and perform other duties in accordance with any procedures and rules established by the Plan Administrator.

2.26 Second Look Election:

The term “Second Look Election” shall have the meaning given to it in Section 4.04.

2.27 Section 409A:

Code Section 409A and the applicable regulations and other guidance of general applicability that are issued thereunder.

2.28 Separation from Service:

A Participant’s separation from service as defined in Section 409A; provided that for purposes determining whether a Separation from Service has occurred, the Plan has determined, based upon legitimate business criteria, to use the twenty percent (20%) test described in Treas. Reg. §1.409A-1(h)(3). In the event the Participant also provides services other than as a Director for the Company and its affiliates, as determined under the prior sentence, such other services shall not be taken into account in determining when a Separation from Service occurs to the extent permitted under Treas. Reg. § 1.409A-1(h)(5). The term may also be used as a verb (*i.e.*, “Separates from Service”) with no change in meaning.

2.29 Specific Payment Date:

A specific date selected by an Eligible Director that triggers a lump sum payment of a deferral or the start of installment payments for a deferral, as specified in Section 4.03 or 4.04. The Specific Payment Dates that are available to be selected by Eligible Directors shall be determined by the Plan Administrator. With respect to any deferral, the currently available Specific Payment Date(s) shall be the date or dates reflected on the Election Form or the Second Look Election form that is made available by the Plan Administrator for the deferral. In the event that an Election Form or Second Look Election form only provides for selecting a month and a year as the Specific Payment Date, the first day of the month that is selected shall be the Specific Payment Date. As of the Effective Date, the Specific Payment Date is January 1 of the year specified by the Eligible Director.

2.30 Unforeseeable Emergency:

A severe financial hardship to the Participant resulting from –

- (a) An illness or accident of the Participant, the Participant's spouse, the Participant's Beneficiary or the Participant's dependent (as defined in Code Section 152(a) without regard to Code Sections 152(b)(1), 152(b)(2) and 152(d)(1)(B));
- (b) Loss of the Participant's property due to casualty (including, effective January 1, 2009, the need to rebuild a home following damage to the home not otherwise covered by insurance); or
- (c) Any other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant.

The Recordkeeper shall determine the occurrence of an Unforeseeable Emergency in accordance with Treas. Reg. §1.409A-3(i)(iii) and any guidelines that may be established by the Plan Administrator.

2.31 Valuation Date:

Each business day, as determined by the Recordkeeper, as of which Participant Accounts are valued in accordance with Plan procedures that are currently in effect. The Plan Administrator may change the Valuation Dates for future deferrals at any time before the election to make such deferrals becomes irrevocable under the Plan. The Plan Administrator may change the Valuation Dates for existing deferrals only to the extent that such change is permissible under Section 409A.

3.01 Eligibility to Participate:

- (a) An individual shall be eligible to defer compensation under the Plan during the period that he or she is a Director hereunder.
- (b) During the period an individual satisfies the eligibility requirements of this Section, he or she shall be referred to as an Eligible Director.
- (c) Each Eligible Director shall become an active Participant on the earlier of the date an amount is first withheld from his or her compensation pursuant to an Election Form submitted by the Director to the Plan Administrator under Section 4.01 or, effective October 1, 2007, the date on which a Mandatory Deferral is first credited to the Plan on his or her behalf under Section 4.05.

3.02 Termination of Eligibility to Defer:

An individual's eligibility to participate actively by making deferrals under Section 4.01 shall cease as soon as administratively practicable following the date he or she ceases to be a Director.

3.03 Termination of Participation:

An individual, who has been an active Participant under the Plan, ceases to be a Participant on the date his or her Account is fully paid out.

4.01 Deferral Election:

(a) Each Eligible Director may make an election to defer under the Plan in 10% increments up to 100% of his or her Director Compensation for a Compensation Year (disregarding any Director Compensation that is subject to a Mandatory Deferral pursuant to Section 4.05) in the manner described in Section 4.02. Such election to defer shall apply to Director Compensation that is earned for services performed in the corresponding Compensation Year. A newly Eligible Director may only defer the portion of his or her eligible Director Compensation for the Compensation Year in which he or she becomes an Eligible Director that is earned for services performed after the date of his or her election. For this purpose, if a valid Election Form is received prior to the date on which the Eligible Director becomes a Director and the Election Form is effective under Section 4.02(a) as of the date on which the Eligible Director becomes a Director, then the Director shall be deemed to receive all of his or her Director Compensation for the Compensation Year in which he or she becomes an Eligible Director after the date of the election. Any Director Compensation deferred by an Eligible Director for a Compensation Year will be deducted for each payment period during the Compensation Year for which he or she has Director Compensation and is an Eligible Director. Director Compensation paid after the end of a Compensation Year for services performed during such initial Compensation Year shall be treated as Director Compensation for services performed during such initial Compensation Year.

(b) To be effective, an Eligible Director's Election Form must set forth the percentage of Director Compensation to be deferred and any other information that may be requested by the Plan Administrator from time to time. In addition, the Election Form must meet the requirements of Section 4.02.

4.02 Time and Manner of Deferral Election:

(a) Deferral Election Deadlines. An Eligible Director must make a deferral election for Director Compensation earned for services performed in a Compensation Year no later than December 31 of the calendar year immediately prior to the beginning of the Compensation Year (although the Plan Administrator may adopt policies that encourage or require earlier submission of election forms). If December 31 of such year is not a business day, then the deadline for deferral elections will be the first business day preceding December 31 of such year. In addition, an individual, who has been nominated for Director status, must submit an Election Form prior to becoming an Eligible Director or otherwise prior to rendering services as an Eligible Director, and such Election Form will be effective immediately upon commencement of the individual's status as an Eligible Director or otherwise upon commencement of his or her services as an Eligible Director.

(b) General Provisions. A separate deferral election under subsection (a) above must be made by an Eligible Director for each Compensation Year's compensation that is eligible for deferral. If a properly completed and executed Election Form is not actually

received by the Plan Administrator (or, if authorized by the Plan Administrator for this purpose, the Recordkeeper) by the prescribed time in subsection (a) above, the Eligible Director will be deemed to have elected not to defer any Director Compensation for the applicable Compensation Year. Except as provided in the next sentence, an election is irrevocable once received and determined by the Plan Administrator to be properly completed (and such determination shall be made not later than the last date for making the election in question). Increases or decreases in the amount or percentage a Participant elects to defer shall not be permitted after the beginning of the calendar year during which the applicable Compensation Year begins; provided that if a Participant receives a distribution on account of an Unforeseeable Emergency pursuant to Section 6.06, the Plan Administrator may cancel the Participant's deferral election for the year in which such distribution occurs. If an election is cancelled because of a distribution on account of an Unforeseeable Emergency, such cancellation shall permanently apply to the deferral election for such year, and the Participant will only be eligible to make a new deferral election for the next year pursuant to the rules in Sections 4.01 and 4.02.

(c) Beneficiaries. A Participant may designate on the Election Form (or in some other manner authorized by the Plan Administrator) one or more Beneficiaries to receive payment, in the event of his or her death, of the amounts credited to his or her Account; provided that, to be effective, any Beneficiary designation must be in writing, signed by the Participant, and must meet such other standards (including any requirement for spousal consent) as the Plan Administrator shall require from time to time. The Beneficiary designation must also be filed with the Plan Administrator (or Recordkeeper, if designated by the Plan Administrator for this purpose) prior to the Participant's death. An incomplete Beneficiary designation, as determined by the Plan Administrator (or Recordkeeper, if designated by the Plan Administrator for this purpose), shall be void and no effect. In determining whether a Beneficiary designation that relates to the Plan is in effect, unrevoked designations that were received under the Pre-409A Program or prior to the Effective Date shall be considered. A Beneficiary designation of an individual by name remains in effect regardless of any change in the designated individual's relationship to the Participant. Any Beneficiary designation submitted to the Plan Administrator (or Recordkeeper, if designated by the Plan Administrator for this purpose) that only specifies a Beneficiary by relationship shall not be considered an effective Beneficiary designation and shall be void and of no effect. If more than one Beneficiary is specified and the Participant fails to indicate the respective percentage applicable to two or more Beneficiaries, then each Beneficiary for whom a percentage is not designated will be entitled to an equal share of the portion of the Account (if any) for which percentages have not been designated. At any time, a Participant may change a Beneficiary designation for his or her Account in a writing that is signed by the Participant and filed with the Plan Administrator (or Recordkeeper, if designated by the Plan Administrator for this purpose) prior to the Participant's death, and that meets such other standards as the Plan Administrator shall require from time to time. An individual who is otherwise a Beneficiary with respect to a Participant's Account ceases to be a Beneficiary when all payments have been made from the Account.

4.03 Period of Deferral; Form of Payment:

(a) Period of Deferral. An Eligible Director making a deferral election shall specify a deferral period on his or her Election Form by designating either a Specific Payment Date or the date he or she incurs a Separation from Service. In no event shall an Eligible Director's Specific Payment Date be later than his or her 80th birthday (and the specification of such a later date shall be deemed instead to specify the Director's 80th birthday as the Specific Payment Date). In addition, an Eligible Director shall be deemed to have elected a period of deferral of not less than the first day of the Plan Year after the end of the Plan Year during which the Director Compensation would have been paid absent the deferral. If the Specific Payment Date selected by an Eligible Director would result in a period of deferral that is less than the minimum, the Eligible Director shall be deemed to have selected a Specific Payment Date equal to the minimum period of deferral as provided in the preceding sentence. If an Eligible Director fails to affirmatively designate a period of deferral on his or her Election Form, he or she shall be deemed to have specified the date on which he or she incurs a Separation from Service.

(b) Form of Payment. This subsection (b) is effective for elective deferral elections filed for Compensation Years beginning from and after October 1, 2009; see the Appendix for rules applicable prior to that date. An Eligible Director making a deferral election shall specify a form of payment on his or her Election Form by designating either a lump sum payment or annual installment payments to be paid over a period of 5 years but not later than the Eligible Director's 80th birthday. If the Eligible Director elects installment payments and the installments would otherwise extend beyond the Eligible Director's 80th birthday, such election shall be treated as an election for installments over a period of whole and partial years that ends on the Eligible Director's 80th birthday; provided that the amounts to be distributed in connection with the installments prior to the Eligible Director's 80th birthday shall be determined in accordance with Section 6.08 by assuming that the installments shall continue for the full number of installments with the entire remaining amount of the relevant Deferral Subaccount distributed on the Eligible Director's 80th birthday. If an Eligible Director fails to make a form of payment election for a deferral as provided above, he or she shall be deemed to have elected a lump sum payment. Initial form of payment elections for Mandatory Deferrals are governed by Section 4.05.

4.04 Second Look Election:

(a) General. Subject to Subsection (b) below, a Participant who has made a valid initial deferral in accordance with the foregoing provisions of this Article may subsequently make another one-time election regarding the time and/or form of payment of his or her deferral. This opportunity to modify the Participant's initial election is referred to as a "Second Look Election."

(b) Requirements for Second Look Elections. A Second Look Election must comply with all of the following requirements:

- (1) If a Participant's initial election specified payment based on a Specific Payment Date, the Participant may only make a Second Look Election if the election is made at least 12 months before the Participant's original Specific Payment Date. In addition, in this case the Participant's Second Look Election must provide for a new Specific Payment Date that is at least 5 years after the original Specific Payment Date. The Specific Payment Date applicable pursuant to a Second Look Election may not be after the Participant's 80th birthday, and if this would be necessary to comply with 5-year rule stated above, then a Second Look Election may not be made.
- (2) If a Participant's initial election specified payment based on the Participant's Separation from Service, the Participant may only make a Second Look Election if the election is made at least 12 months before the Participant's Separation from Service. In addition, in this case the Participant must elect a new Specific Payment Date that turns out to be at least 5 years after the Participant's Separation from Service. If the new Specific Payment Date selected in the Second Look Election turns out to be less than five years after the Participant's Separation from Service, the Second Look Election is void.
- (3) A Participant may make only one Second Look Election for each individual deferral, and each Second Look Election must comply with all of the relevant requirements of this Section.
- (4) A Participant who uses a Second Look Election to change the form of the Participant's payment from a lump sum to installments shall be subject to the provisions of Subsection (c) below regarding installment payment elections, and such installment payments must begin no earlier than 5 years after when the lump sum payment would have been paid based upon the Participant's initial election.
- (5) If a Participant's initial election specified payment in the form of installments and the Participant wants to elect instead payment in a lump sum, the earliest payment date of the lump sum must be no earlier than 5 years after the first payment date that applied under the Participant's initial installment election.
- (6) For purposes of this Section, all of a Participant's installment payments related to a specific deferral election shall be treated as a single payment.

A Second Look Election will be void and payment will be made based on the Participant's original election under Section 4.03 if all of the relevant provisions of this subsection (b) are not satisfied in full. However, if a Participant's Second Look Election becomes effective in accordance with the provisions of subsection (b), the Participant's original election shall be superseded (including any Specific Payment Date specified therein), and the original election shall not be taken into account with respect to the deferral that is subject to the Second Look Election.

(c) Installment Payments. A Participant making a Second Look Election may make an election to change the payment of the deferral subject to the Second Look Election from a lump sum payment to installment payments. Participants are allowed to choose installment payments by designating that payments shall be paid annually over five years, but not later than the Participant's 80th birthday. If the Participant elects installment payments and the installments would otherwise begin before and extend beyond the Participant's 80th birthday, such election shall be treated as an election for installments over a period of whole and partial years that ends on the Participant's 80th birthday; provided that the amounts to be distributed in connection with the installments prior to the Participant's 80th birthday shall be determined in accordance with Section 6.08 by assuming that the installments shall continue for the full number of installments, with the entire remaining amount of the relevant Deferral Subaccount distributed on the Participant's 80th birthday.

(d) Plan Administrator's Role. Each Participant has the sole responsibility to elect a Second Look Election by contacting the Plan Administrator (or, if authorized by the Plan Administrator, the Recordkeeper) and to comply with the requirements of this Section. The Plan Administrator or the Recordkeeper may provide a notice of a Second Look Election opportunity to some or all Participants, but the Recordkeeper and Plan Administrator is under no obligation to provide such notice (or to provide it to all Participants, in the event a notice is provided only to some Participants). The Recordkeeper and the Plan Administrator have no discretion to waive or otherwise modify any requirement for a Second Look Election set forth in this Section or in Section 409A.

4.05 Mandatory Deferrals:

(a) General. As provided in this Section, the Board of Directors of the Company may require that Director Compensation be deferred under the Plan. Such portion of an Eligible Director's Director Compensation for a Compensation Year that the Board of Directors of the Company requires to be deferred under this Section 4.05 shall be referred to as a "Mandatory Deferral."

(b) Time for Committee's Determination. To be effective hereunder, any determination by the Board of Directors of the Company to require a Mandatory Deferral of a portion of an Eligible Director's Director Compensation for a Compensation Year must be made no later than the December 31 immediately preceding the calendar year in which the Eligible Director performs the services to which such Director Compensation relates (or, to the extent the Eligible Director is not permitted to make any payment election with respect to such Mandatory Deferral and it would result in a later deadline, immediately prior to the time the Eligible Director first has a legally binding right to such Director Compensation). As of such date or time, the determination by the Board of Directors of the Company to require the deferral of the Director Compensation shall be irrevocable. Any Mandatory Deferral for a Compensation Year shall be credited to a separate Deferral Subaccount for such Compensation Year.

(c) Current Mandatory Deferrals. Pursuant to a September 14, 2007 resolution of the Board of Directors of the Company, a Mandatory Deferral of \$150,000 shall be

credited as of October 1 of each Compensation Year to each individual who is an Eligible Director on such October 1, commencing with a Mandatory Deferral on October 1, 2007; provided that (1) a Director newly appointed or elected to the Board of Directors of the Company during a Compensation Year shall be credited with a pro-rated Mandatory Deferral as of the commencement date of his or her status as a Director, with such pro-rated amount determined by multiplying the Mandatory Deferral for the current Compensation Year by the ratio of the number of full and partial quarters remaining during the Compensation Year as of such commencement date over four, and (2) the Board of Directors of the Company retains the discretion to change the amount subject to Mandatory Deferral or eliminate Mandatory Deferrals entirely with respect to Compensation Years after the 2007-2008 Compensation Year. At the same time, any such discretion shall not alter the determination to defer Director Compensation to the extent such determination has become irrevocable with respect to specific Director Compensation in accordance with subsection (b) above. However, the preceding sentence shall not limit the discretion of the Company's Board of Directors to forfeit outright specific Director Compensation.

(d) Time and Form of Payment. Each Mandatory Deferral shall be distributed in accordance with Section 6.07. The Eligible Director shall specify the form of payment of each of his or her Mandatory Deferrals by designating either a lump sum payment or annual installment payments to be paid over a period of 5 years (but installments are not available if the first installment would begin on or after the Eligible Director's 80th birthday); provided that no such election shall be permitted for the Mandatory Deferral for the 2007-2008 Compensation Year. If permitted under the prior sentence, an Eligible Director shall make a form of payment election with respect to a Mandatory Deferral no later than December 31 immediately preceding the calendar year in which the Eligible Director provides the services to which the Mandatory Deferral relates (although the Plan Administrator may adopt policies that encourage or require earlier submission of election forms). In addition, an individual shall not be eligible to make a form of payment election for a Mandatory Deferral granted to an individual for his first Compensation Year as an Eligible Director, unless such individual submits the election prior to becoming an Eligible Director or otherwise prior to rendering services as an Eligible Director, and then such election shall be effective immediately upon commencement of the individual's status as an Eligible Director or otherwise upon commencement of his or her services as an Eligible Director. If an Eligible Director does not (or is not permitted to) make a form of payment election for a Mandatory Deferral, the Mandatory Deferral shall be paid in a lump sum. If the Eligible Director elects installment payments and the installments would otherwise begin before and extend beyond the Eligible Director's 80th birthday, such election shall be treated as an election for installments over a period of whole and partial years that ends on the Eligible Director's 80th birthday; provided that the amounts to be distributed in connection with the installments prior to the Eligible Director's 80th birthday shall be determined in accordance with Section 6.08 by assuming that the installments shall continue for the full number of installments, with the entire remaining amount of the relevant Deferral Subaccount distributed on the Eligible Director's 80th birthday. The Eligible Director shall be entitled to elect to change the time and form of payment in accordance with Section 4.04 only to the extent expressly permitted by the Board of Directors.

5.01 Accounting for Participants' Interests:

(a) Deferral Subaccounts. Each Participant shall have at least one separate Deferral Subaccount for each separate deferral of Director Compensation made by the Participant under this Plan. A Participant's deferral shall be credited as of the date of the deferral to his or her Account as soon as administratively practicable following the date the compensation would be paid in the absence of a deferral. A Participant's Account is a bookkeeping device to track the value of the Participant's deferrals and the Company's liability therefor. No assets shall be reserved or segregated in connection with any Account, and no Account shall be insured or otherwise secured.

(b) Account Earnings or Losses. As of each Valuation Date, a Participant's Account shall be credited with earnings and gains (and shall be debited for expenses and losses) determined as if the amounts credited to the Participant's Account had actually been invested in accordance with this Article. The Plan provides only for "phantom investments," and therefore such earnings, gains, expenses and losses are hypothetical and not actual. However, they shall be applied to measure the value of a Participant's Account and the amount of the Company's liability to make deferred payments to or on behalf of the Participant.

5.02 Phantom Investment of Account:

(a) General. Each of a Participant's Deferral Subaccounts shall be invested on a phantom basis in phantom PepsiCo Common Stock as provided in Subsection (b) below.

(b) Phantom PepsiCo Common Stock. Participant Accounts invested in this phantom option are adjusted to reflect an investment in PepsiCo Common Stock. An amount deferred into this option is converted to phantom shares (or units) of PepsiCo Common Stock of equivalent value by dividing such amount by the Fair Market Value of a share of PepsiCo Common Stock (or of a unit in the Account) on the Valuation Date as of which the amount is treated as invested in this option by the Plan Administrator. The Plan Administrator shall adopt a fair valuation methodology for valuing a phantom investment in this option, such that the value shall reflect the complete value of an investment in PepsiCo Common Stock in accordance with the following Paragraphs below.

- (1) The Plan Administrator shall value a phantom investment in PepsiCo Common Stock pursuant to an accounting methodology which unitizes partial shares as well as any amounts that would be received by the Account as dividends (if dividends were paid on phantom shares/units of PepsiCo Common Stock as they are on actual shares of equivalent value). For the time period this methodology is chosen, partial shares and the above dividends shall be converted to units and credited to the Participant's investment in the phantom PepsiCo Common Stock.

- (2) A Participant's interest in the phantom PepsiCo Common Stock is valued as of a Valuation Date by multiplying the number of phantom shares (or units) credited to his or her Account on such date by the Fair Market Value of a share of PepsiCo Common Stock (or of a unit in the Account) on such date.
- (3) If shares of PepsiCo Common Stock change by reason of any stock split, stock dividend, recapitalization, merger, consolidation, spin-off, combination or exchange of shares or any other corporate change treated as subject to this provision by the Plan Administrator, such equitable adjustment shall be made in the number and kind of phantom shares/units credited to an Account or Deferral Subaccount as the Plan Administrator may determine to be necessary or appropriate.
- (4) In no event will shares of PepsiCo Common Stock actually be purchased or held under this Plan, and no Participant shall have any rights as a shareholder of PepsiCo Common Stock on account of an interest in this phantom option.

(c) Authority of Recordkeeper. Any valuation or other determination that is required to be made under this Section by the Plan Administrator may also be made by the Recordkeeper, if the Recordkeeper has been authorized by the Plan Administrator to make such valuation or determination.

(d) Phantom PepsiCo Common Stock Fund Restrictions. Notwithstanding the preceding provisions of this Section, the Plan Administrator may at any time alter the effective date of any investment or allocation involving the Phantom PepsiCo Common Stock Fund pursuant to Section 7.03(j) (relating to safeguards against insider trading). The Plan Administrator may also, to the extent necessary to ensure compliance with Rule 16b-3(f) of the Act, arrange for tracking of any such transaction defined in Rule 16b-3(b)(1) of the Act and bar any such transaction to the extent it would not be exempt under Rule 16b-3(f). The Company may also impose blackout periods pursuant to the requirements of the Sarbanes-Oxley Act of 2002 whenever the Company determines that circumstances warrant. Further, the Company may impose quarterly blackout periods on insider trading in the Phantom PepsiCo Common Stock Fund as needed (as determined by the Company), timed to coincide with the release of the Company's quarterly earnings reports. The commencement and termination of these blackout periods in each quarter, the parties to which they apply and the activities they restrict shall be as set forth in the official insider trading policy promulgated by the Company from time to time. These provisions shall apply notwithstanding any provision of the Plan to the contrary except Section 7.07 (relating to compliance with Section 409A).

5.03 Vesting of a Participant's Account:

A Participant's interest in the value of his or her Account shall at all times be 100% vested, which means that it will not forfeit as a result of his or her Separation from Service.

6.01 General:

A Participant's Deferral Subaccount(s) shall be distributed as provided in this Article, subject in all cases to Section 7.03(j) (relating to safeguards against insider trading) and Section 7.06 (relating to compliance with Section 16 of the Act). All Deferral Subaccount balances shall be distributed in cash; provided, however, that effective for distributions made after September 12, 2008, the distribution of a Participant's interest in phantom PepsiCo Common Stock shall be paid in shares of PepsiCo Common Stock which will be deemed to have been distributed under the PepsiCo, Inc. 2007 Long Term Incentive Plan or any successor plan thereto and will count against the limit on the number of shares of PepsiCo Common Stock available for distribution thereunder. If the number of shares of PepsiCo Common Stock to be distributed is not a whole number of shares, the number of shares to be distributed will be rounded down to the closest whole number of shares and the remaining amount will be paid in cash based on the Fair Market Value of a share of PepsiCo Common Stock on the Distribution Valuation Date corresponding to the distribution. In no event shall any portion of a Participant's Account be distributed earlier or later than is allowed under Section 409A. The following general rules shall apply for purposes of interpreting the provisions of this Article VI.

(a) Section 6.02 (Distributions Based on a Specific Payment Date) applies when a Participant has elected to defer until a Specific Payment Date and the Specific Payment Date is reached before the Participant's Disability or death. If such a Participant dies prior to the Specific Payment Date, Section 6.04 shall apply to the extent it would result in an earlier distribution of all or part of a Participant's Account. If such a Participant becomes Disabled prior to the Specific Payment Date, Section 6.05 shall apply to the extent it would result in an earlier distribution of all or part of a Participant's Account.

(b) Section 6.03 (Distributions on Account of a Separation from Service) applies when a Participant has elected to defer until a Separation from Service and then the Participant Separates from Service (other than as a result of death). Subsections (c) and (d) of this Section provide for when Section 6.04 or 6.06 take precedence over Section 6.03.

(c) Section 6.04 (Distributions on Account of Death) applies when the Participant dies. If a Participant is entitled to receive or is receiving a distribution under Section 6.02 or 6.03 (see below) at the time of his or her death, Section 6.04 shall take precedence over those sections to the extent Section 6.04 would result in an earlier distribution of all or part of a Participant's Account.

(d) Section 6.05 (Distributions on Account of Disability) applies when the Participant becomes Disabled. If a Participant who becomes Disabled dies, Section 6.04 shall take precedence over Section 6.05 to the extent it would result in an earlier distribution of all or part of a Participant's Account. If a Participant is entitled to receive or is receiving a distribution under Section 6.02 or 6.03 at the time of his Disability, Section 6.05 shall take precedence over those sections to the extent Section 6.05 would result in an earlier distribution of all or part of a Participant's Account.

(e) Section 6.06 (Distributions on Account of Unforeseeable Emergency) applies when the Participant incurs an Unforeseeable Emergency prior to when a Participant's Account is distributed under Sections 6.02 through 6.05. In this case, the provisions of Section 6.06 shall take precedence over Sections 6.02 through 6.05 to the extent Section 6.06 would result in an earlier distribution of all or part of the Participant's Account.

6.02 Distributions Based on a Specific Payment Date:

This Section shall apply to distributions that are to be made upon the occurrence of a Specific Payment Date. In the event a Participant's Specific Payment Date for a Deferral Subaccount is reached before (i) the Participant's Disability or (ii) the Participant's death, such Deferral Subaccount shall be distributed based on the occurrence of such Specific Payment Date in accordance with the following terms and conditions:

(a) If a Participant's Deferral Subaccount is to be paid in the form of a lump sum pursuant to Sections 4.03 or 4.04, whichever is applicable, the Deferral Subaccount shall be valued as of the last Distribution Valuation Date that occurs on or immediately precedes the Specific Payment Date, and the resulting amount shall be paid in a single lump sum on the Specific Payment Date.

(b) If a Participant's Deferral Subaccount is to be paid in the form of installments pursuant to Section 4.03 or 4.04, whichever is applicable, the Deferral Subaccount shall be valued as of the last Distribution Valuation Date that occurs on or immediately precedes the Specific Payment Date and the first installment payment shall be paid on the Specific Payment Date. Thereafter, installment payments shall continue in accordance with the schedule elected by the Participant on the Election Form or the Second Look Election (whichever is applicable, and subject in each case to the provisions of this Plan that constrain such elections), except as provided in Sections 6.04, 6.05 and 6.06 (relating to distributions on account of death, Disability and Unforeseeable Emergency). The amount of each installment shall be determined under Section 6.08. Notwithstanding the preceding provisions of this Subsection, if before the date the last installment distribution is processed for payment the Participant would be entitled to a distribution in accordance with Sections 6.04 or 6.05 (relating to a distribution on account of death or Disability), the remaining balance of the Participant's Deferral Subaccounts that would otherwise be distributed based on such Specific Payment Date shall instead be distributed in accordance with Section 6.04 or 6.05 (relating to distributions on account of death or Disability), whichever applies, but only to the extent it would result in an earlier distribution of the Participant's Subaccounts in the case of Section 6.04 or 6.05.

6.03 Distributions on Account of a Separation from Service:

This Section shall apply to distributions that are to be made upon Separation from Service. When used in this Section, the phrase "Separation from Service" shall only refer to a Separation from Service that is not for Disability or death.

(a) If the Participant's Separation from Service is prior to the Specific Payment Date that is applicable to a Deferral Subaccount, the Participant's deferral election pursuant to Sections 4.03 or 4.04 (*i.e.*, time and form of payment) shall continue to be given effect, and the Deferral Subaccounts shall be distributed based upon the provisions of Section 6.02.

(b) If the Participant has selected payment of his or her deferral on account of Separation from Service, distribution of the related Deferral Subaccount shall commence as follows:

- (1) for deferrals of Director Compensation other than Mandatory Deferrals, distribution of the related Deferral Subaccount shall commence on the first day of the Plan Year following the end of the Plan Year in which the Participant's Separation from Service occurs; and
- (2) for Mandatory Deferrals, distribution of the related Deferral Subaccount shall commence on the first day of the calendar quarter beginning after the first anniversary of the Participant's Separation from Service occurs.

(c) The distribution provided in subsection (b) shall be made in either a single lump sum payment or in installment payments depending upon the Participant's deferral election under Sections 4.03, 4.04 or 4.05. If the Deferral Subaccount is to be paid in the form of a lump sum, the Deferral Subaccount shall be valued as of the last Distribution Valuation Date that occurs on or immediately precedes the date of the Participant's Separation from Service and the resulting amount shall be distributed in a lump sum on the date specified in subsection (b) above. If a Participant's Deferral Subaccount is to be paid in the form of installments pursuant to Section 4.03 or 4.04, whichever is applicable, the Deferral Subaccount shall be valued as of the last Distribution Valuation Date that occurs on or immediately precedes the date of the Participant's Separation from Service and the first installment payment shall be paid on the date specified in subsection (b) above. Thereafter, installment payments shall continue in accordance with the schedule elected by the Participant on his/her deferral election form or Second Look Election (and subject in each case to the provisions of this Plan that constrain such elections), except as provided in Sections 6.04, 6.05 and 6.06 (relating to distributions on account of death, Disability and Unforeseeable Emergency). The amount of each installment shall be determined under Section 6.08. Notwithstanding the preceding provisions of this Subsection, if before the date the last installment distribution is processed for payment the Participant would be entitled to a distribution in accordance with Sections 6.04 or 6.05 (relating to a distribution on account of death or Disability), the remaining balance of the Participant's Deferral Subaccounts that would otherwise be distributed based on such Separation from Service shall instead be distributed in

accordance with Section 6.04 or 6.05 (relating to distributions on account of death or Disability), whichever applies, but only to the extent it would result in an earlier distribution of the Participant's Subaccounts in the case of Section 6.04 or 6.05.

(d) Notwithstanding subsections (a), (b) and (c) above, if the Participant is classified as a Key Employee at the time of the Participant's Separation from Service (or at such other time for determining Key Employee status as may apply under Section 409A), then such Participant's Account shall not be paid, as a result of the Participant's Separation from Service, earlier than the date that is at least 6 months after the Participant's Separation from Service. In such event:

- (1) any applicable lump sum payment shall be valued as of the Distribution Valuation Date that corresponding to the date that is 6 months after the date of the Participant's Separation from Service and the resulting amount shall be distributed on the date that is 6 months after the date of the Participant's Separation from Service; and
- (2) any installment payments that would otherwise have been paid during such 6 month period shall be valued as of the Distribution Valuation Date that corresponds to the date that is 6 months after the date of the Participant's Separation from Service pursuant to Section 6.08 and the resulting amount(s) shall be distributed in a lump sum on the date that is 6 months after the date of the Participant's Separation from Service and the installment stream shall continue from that point in accordance with the applicable schedule.

(e) If the Participant is receiving installment payments for one or more Deferral Subaccounts in accordance with Section 6.02 at the time of his or her Separation from Service, such installment payments shall continue to be paid based upon the Participant's deferral election (but subject to acceleration under Sections 6.04, 6.05 and 6.06 relating to distributions on account of death, Disability and Unforeseeable Emergency).

6.04 Distributions on Account of Death:

(a) Upon a Participant's death, the Participant's Account under the Plan shall be valued as of the first Distribution Valuation Date of the first Plan Year following the Participant's death and the resulting amount shall be distributed in a single lump sum payment on such date. If the Participant is receiving installment payments at the time of the Participant's death, such installment payments shall continue in accordance with the terms of the Participant's deferral election that governs such payments until the time that the lump sum payment is due to be paid under the provisions of the preceding sentence of this Subsection. Immediately prior to the time that such lump sum payment is to be paid all installment payments shall cease and the remaining balance of the Participant's Account shall be distributed at such scheduled payment time in a single lump sum. Amounts paid following a Participant's death, whether a lump sum or continued installments, shall be paid to the Participant's Beneficiary. If some but not all of the persons designated as Beneficiaries by a Participant to receive his or her Account at death predecease the Participant, the Participant's surviving Beneficiaries shall be entitled to the portion of the Participant's Account intended for such pre-deceased persons in proportion to the surviving Beneficiaries' respective shares.

(b) If no designation is in effect at the time of a Participant's death (as determined by the Plan Administrator) or if all persons designated as Beneficiaries have predeceased the Participant, then the payments to be made pursuant to this Section shall be distributed as follows:

- (1) If the Participant is married at the time of his/her death, all payments made pursuant to this Section shall be paid to the Participant's spouse; and
- (2) If the Participant is not married at the time of his/her death, all payments made pursuant to this Section shall be paid to the Participant's estate.

The Plan Administrator shall determine whether a Participant is "married" and shall determine a Participant's "spouse" based on the state or local law where the Participant has his/her primary residence at the time of death. The Plan Administrator is authorized to make any applicable inquiries and to request any documents, certificates or other information that it deems necessary or appropriate in order to make the above determinations.

(c) Prior to the time the value of the Participant's Account is distributed under this Section, the Participant's Beneficiary may apply for a distribution under Section 6.06 (relating to a distribution on account of an Unforeseeable Emergency).

(d) Any claim to be paid any amounts standing to the credit of a Participant in connection with the Participant's death must be received by the Recordkeeper or the Plan Administrator at least 14 days before any such amount is paid out by the Recordkeeper. Any claim received thereafter is untimely, and it shall be unenforceable against the Plan, the Company, the Plan Administrator, the Recordkeeper or any other party acting for one or more of them.

6.05 Distributions on Account of Disability:

If a Participant incurs a Disability, the Participant's Account shall be distributed in accordance with the terms and conditions of this Section.

(a) Prior to the time that an amount would become distributable under this Article, if a Participant believes he or she is suffering from a Disability, the Participant shall file a written request with the Recordkeeper for payment of the entire amount credited to his or her Account in connection with Disability. After a Participant has filed a written request pursuant to this Section, along with all supporting material that may be required by the Recordkeeper from time to time, the Recordkeeper shall determine within 45 days (or such other number of days as allowed by applicable law if special circumstances warrant additional time) whether the Participant meets the criteria for a Disability. In addition, to the extent required under Section 409A, if the Company becomes aware that the Participant appears to meet the criteria for a

Disability, the Company shall advise the Recordkeeper and the Recordkeeper shall proceed to determine if the Participant meets the criteria for a Disability under this Plan, even if the Participant has yet not applied for payment from this Plan. To the extent practicable, the Participant shall be expected to permit whatever medical examinations are necessary for the Recordkeeper to make its determination. If the Recordkeeper determines that the Participant has satisfied the criteria for a Disability, the Participant's Account shall be valued as of the Distribution Valuation Date that occurs on or immediately precedes the date on which the Participant became Disabled and the resulting amount shall be distributed in a single lump sum payment on the first day of the Plan Year following the end of the Plan Year in which the Disability determination is made.

(b) If the Participant is receiving installment payments at the time of the Participant's Disability, such installment payments shall continue to be paid in accordance with the provisions of the Participant's applicable deferral election until the time that the lump sum payment is due to be paid under the provisions of Subsection (a). Immediately prior to the time that such lump sum payment is scheduled to be paid, all installment payments shall cease and the remaining balance of the Participant's Account shall be distributed at the time specified in Subsection (a) in a single lump sum.

6.06 Distributions on Account of Unforeseeable Emergency:

Prior to the time that an amount would become distributable under Sections 6.02 through 6.05, a Participant or Beneficiary may file a written request with the Recordkeeper for accelerated payment of all or a portion of the amount credited to the Participant's Account based upon an Unforeseeable Emergency. After an individual has filed a written request pursuant to this Section, along with all supporting material that may be required by the Recordkeeper from time to time, the Recordkeeper shall determine within 60 days (or such other number of days that is necessary if special circumstances warrant additional time) whether the individual meets the criteria for an Unforeseeable Emergency. If the Recordkeeper determines that an Unforeseeable Emergency has occurred, the Participant or Beneficiary shall receive a distribution from his or her Account on the date that such determination is finalized by the Recordkeeper. However, such distribution shall not exceed the dollar amount necessary to satisfy the Unforeseeable Emergency (plus amounts necessary to pay taxes reasonably anticipated as a result of the distribution) after taking into account the extent to which the Unforeseeable Emergency is or may be relieved through reimbursement or compensation by insurance or otherwise or by liquidation of the Participant's assets (to the extent the liquidation of such assets would not itself cause severe financial hardship).

6.07 Distributions of Mandatory Deferrals:

This Section 6.07 shall govern the distribution of all Mandatory Deferrals under the Plan. Subject to the last sentence of this Section 6.07, a Participant's Deferral Subaccount(s) for Mandatory Deferrals shall be distributed upon the earliest of the following to occur:

- (a) The Participant's Separation from Service (other than on account of a Disability or death) pursuant to the distribution rules of Section 6.03;
- (b) The Participant's death pursuant to the distribution rules of Section 6.04;
- (c) The Participant's Disability pursuant to the distribution rules of Section 6.05; or
- (d) The occurrence of an Unforeseeable Emergency with respect to the Participant pursuant to the distribution rules of Section 6.06.

Notwithstanding the foregoing, the Board of Directors of the Company may specify different terms for the distribution of Mandatory Deferrals. Such specification may always occur not later than when the Mandatory Deferral becomes irrevocable under Section 4.05(c). Such specification may also occur later, but only to the extent that such later specification satisfies the requirements of Section 4.04 (as if it were an election by the Participant). In addition, to the extent expressly permitted by the Board of Directors, the Participant may make a Second Look Election under Section 4.04.

6.08 Valuation:

In determining the amount of any individual distribution pursuant to this Article, the Participant's Deferral Subaccount shall continue to be credited with earnings and gains (and debited for expenses and losses) as specified in Article V until the Distribution Valuation Date that is used in determining the amount of the distribution under this Article. If a particular Section in this Article does not specify a Distribution Valuation Date to be used in calculating the distribution, the Participant's Deferral Subaccount shall continue to be credited with earnings and gains (and debited for expenses and losses) as specified in Article V until the Distribution Valuation Date on or most recently preceding the date of such distribution. In determining the value of a Participant's remaining Deferral Subaccount following an installment distribution from the Deferral Subaccount (or a partial distribution under Section 6.06 relating to a distribution on account of an Unforeseeable Emergency), such distribution shall reduce the value of the Participant's Deferral Subaccount as of the close of the Distribution Valuation Date on or most recently preceding the payment date for such installment (or partial distribution). The amount to be distributed in connection with any installment payment shall be determined by dividing the value of a Participant's Deferral Subaccount as of such Distribution Valuation Date (determined before reduction of the Deferral Subaccount as of such Distribution Valuation Date in accordance with the preceding sentence) by the remaining number of installments to be paid with respect to the Deferral Subaccount.

6.09 Impact of Section 16 of the Act on Distributions:

The provisions of Section 7.06 shall apply in determining whether a Participant's distribution shall be delayed beyond the date applicable under the preceding provisions of this Article VI.

6.10 Actual Payment Date:

An amount payable on a date specified in this Article VI shall be paid no later than the later of (a) the end of the calendar year in which the specified date occurs, or (b) the 15th day of the third calendar month following such specified date. In addition, the Participant (or Beneficiary) is not permitted to designate the taxable year of the payment.

7.01 Plan Administrator:

The Plan Administrator is responsible for the administration of the Plan. The Plan Administrator has the authority to name one or more delegates to carry out certain responsibilities hereunder, as specified in the definition of Plan Administrator. To the extent not already set forth in the Plan, any such delegation shall state the scope of responsibilities being delegated and is subject to Section 7.06 below.

7.02 Action:

Action by the Plan Administrator may be taken in accordance with procedures that the Plan Administrator adopts from time to time or that the Company's Law Department determines are legally permissible.

7.03 Powers of the Plan Administrator:

The Plan Administrator shall administer and manage the Plan and shall have (and shall be permitted to delegate) all powers necessary to accomplish that purpose, including the following:

- (a) To exercise its discretionary authority to construe, interpret, and administer this Plan;
- (b) To exercise its discretionary authority to make all decisions regarding eligibility, participation and deferrals, to make allocations and determinations required by this Plan, and to maintain records regarding Participants' Accounts;
- (c) To compute and certify to the Company the amount and kinds of payments to Participants or their Beneficiaries, and to determine the time and manner in which such payments are to be paid;
- (d) To authorize all disbursements by the Company pursuant to this Plan;
- (e) To maintain (or cause to be maintained) all the necessary records for administration of this Plan;
- (f) To make and publish such rules for the regulation of this Plan as are not inconsistent with the terms hereof;
- (g) To delegate to other individuals or entities from time to time the performance of any of its duties or responsibilities hereunder;
- (h) To change the phantom investment under Article V;

(i) To hire agents, accountants, actuaries, consultants and legal counsel to assist in operating and administering the Plan; and

(j) Notwithstanding any other provision of this Plan except Section 7.07 (relating to compliance with Section 409A), the Plan Administrator or the Recordkeeper may take any action the Plan Administrator determines is necessary to assure compliance with any policy of the Company respecting insider trading as may be in effect from time to time. Such actions may include altering the distribution date of Deferral Subaccounts. Any such actions shall alter the normal operation of the Plan to the minimum extent necessary.

The Plan Administrator has the exclusive and discretionary authority to construe and to interpret the Plan, to decide all questions of eligibility for benefits, to determine the amount and manner of payment of such benefits and to make any determinations that are contemplated by (or permissible under) the terms of this Plan, and its decisions on such matters will be final and conclusive on all parties. Any such decision or determination shall be made in the absolute and unrestricted discretion of the Plan Administrator, even if (1) such discretion is not expressly granted by the Plan provisions in question, or (2) a determination is not expressly called for by the Plan provisions in question, and even though other Plan provisions expressly grant discretion or call for a determination. As a result, benefits under this Plan will be paid only if the Plan Administrator decides in its discretion that the applicant is entitled to them. In the event of a review by a court, arbitrator or any other tribunal, any exercise of the Plan Administrator's discretionary authority shall not be disturbed unless it is clearly shown to be arbitrary and capricious.

7.04 Compensation, Indemnity and Liability:

The Plan Administrator will serve without bond and without compensation for services hereunder. All expenses of the Plan and the Plan Administrator will be paid by the Company. To the extent deemed appropriate by the Plan Administrator, any such expense may be charged against specific Participant Accounts, thereby reducing the obligation of the Company. No member of the Board of Directors (who serves as the Plan Administrator), and no individual acting as the delegate of the Board of Directors, shall be liable for any act or omission of any other member or individual, nor for any act or omission on his or her own part, excepting his or her own willful misconduct. The Company will indemnify and hold harmless each member of the Board of Directors and any employee of the Company (or a Company affiliate, if recognized as an affiliate for this purpose by the Plan Administrator) acting as the delegate of the Board of Directors against any and all expenses and liabilities, including reasonable legal fees and expenses, arising in connection with this Plan out of his or her membership on the Board of Directors (or his or her serving as the delegate of the Board of Directors), excepting only expenses and liabilities arising out of his or her own willful misconduct or bad faith.

7.05 Withholding:

The Company shall withhold from amounts due under this Plan, any amount necessary to enable the Company to remit to the appropriate government entity or entities on behalf of the Participant as may be required by the federal income tax provisions of the Code, by an applicable state's income tax provisions, and by an applicable city, county or municipality's earnings or income tax provisions. Further, the Company shall withhold from the payroll of, or collect from, a Participant the amount necessary to remit on behalf of the Participant any Social Security and/or Medicare taxes which may be required with respect to amounts deferred or accrued by a Participant hereunder, as determined by the Company. In addition, to the extent required by Section 409A, amounts deferred under this Plan shall be reported to the Internal Revenue Service as provided by Section 409A, and any amounts that become taxable hereunder pursuant to Section 409A shall be reported as taxable compensation to the Participant as provided by Section 409A.

7.06 Section 16 Compliance:

(a) In General. This Plan is intended to be a formula plan for purposes of Section 16 of the Act. Accordingly, in the case of a deferral or other action under the Plan that constitutes a transaction that could be covered by Rule 16b-3(d) or (e), if it were approved by the Company's Board of Directors or Compensation Committee ("Board Approval"), it is intended that the Plan shall be administered by delegates of the Board of Directors, in the case of a Participant who is subject to Section 16 of the Act, in a manner that will permit the Board Approval of the Plan to avoid any additional Board Approval of specific transactions to the maximum possible extent.

(b) Approval of Distributions: This Subsection shall govern the distribution of a deferral that (i) is being distributed to a Participant in cash, (ii) was the subject of a Second Look Election, (iii) is made to a Participant who is subject to Section 16 of the Act at the time the interest in the Phantom PepsiCo Common Stock Fund would be liquidated in connection with the distribution, and (iv) if paid at the time the distribution would be made without regard to this subsection, could result in a violation of Section 16 of the Act because there is an opposite way transaction that would be matched with the liquidation of the Participant's interest in the PepsiCo Common Stock Fund (either as a "discretionary transaction," within the meaning of Rule 16b-3(b)(1), or as a regular transaction, as applicable) (a "Covered Distribution"). In the case of a Covered Distribution, if the liquidation of the Participant's interest in the Phantom PepsiCo Common Stock Fund in connection with the distribution has not received Board Approval by the time the distribution would be made if it were not a Covered Distribution, or if it is a discretionary transaction, then the actual distribution to the Participant shall be delayed only until the earlier of:

- (1) In the case of a transaction that is not a discretionary transaction, Board Approval of the liquidation of the Participant's interest in the Phantom PepsiCo Common Stock Fund in connection with the distribution, or

- (2) The date the distribution would no longer violate Section 16 of the Act, *e.g.*, when the Participant is no longer subject to Section 16 of the Act, or when the time between the liquidation and an opposite way transaction is sufficient.

7.07 Conformance with Section 409A:

Effective from and after January 1, 2009, at all times during each Plan Year, this Plan shall be operated (i) in accordance with the requirements of Section 409A, and (ii) to preserve the status of deferrals under the Pre-409A Program as being exempt from Section 409A, *i.e.*, to preserve the grandfathered status of the Pre-409A Program. In all cases, the provisions of this Section shall apply notwithstanding any contrary provision of the Plan that is not contained in this Section.

8.01 Claims for Benefits:

If a Participant, Beneficiary or other person (hereafter, “Claimant”) does not receive timely payment of any benefits which he or she believes are due and payable under the Plan, he or she may make a claim for benefits to the Plan Administrator. The claim for benefits must be in writing and addressed to the Plan Administrator. If the claim for benefits is denied, the Plan Administrator will notify the Claimant within 90 days after the Plan Administrator initially received the benefit claim. However, if special circumstances require an extension of time for processing the claim, the Plan Administrator will furnish notice of the extension to the Claimant prior to the termination of the initial 90-day period and such extension may not exceed one additional, consecutive 90-day period. Any notice of a denial of benefits shall advise the Claimant of the basis for the denial, any additional material or information necessary for the Claimant to perfect his or her claim, and the steps which the Claimant must take to appeal his or her claim for benefits.

8.02 Appeals of Denied Claims:

Each Claimant whose claim for benefits has been denied may file a written appeal for a review of his or her claim by the Plan Administrator. The request for review must be filed by the Claimant within 60 days after he or she received the notice denying his or her claim. The decision of the Plan Administrator will be communicated to the Claimant within 60 days after receipt of a request for appeal. The notice shall set forth the basis for the Plan Administrator’s decision. If special circumstances require an extension of time for processing the appeal, the Plan Administrator will furnish notice of the extension to the Claimant prior to the termination of the initial 60-day period and such extension may not exceed one additional, consecutive 60-day period. In no event shall the Plan Administrator’s decision be rendered later than 120 days after receipt of a request for appeal.

8.03 Special Claims Procedures for Disability Determinations:

Notwithstanding Sections 8.01 and 8.02 to the contrary, if the claim or appeal of the Claimant relates to Disability benefits, such claim or appeal shall be processed pursuant to the applicable provisions of Department of Labor Regulation Section 2560.503-1 relating to Disability benefits, including Sections 2560.503-1(d), 2560.503-1(f)(3), 2560.503-1(h)(4) and 2560.503-1(i)(3).

9.01 Amendment of Plan:

The Nominating and Corporate Governance Committee of the Board of Directors of the Company has the right in its sole discretion to amend this Plan in whole or in part at any time and in any manner, including the manner of making deferral elections, the terms on which distributions are made, and the form and timing of distributions. However, except for mere clarifying amendments necessary to avoid an inappropriate windfall, no Plan amendment shall reduce the amount credited to the Account of any Participant as of the date such amendment is adopted. Any amendment shall be in writing and adopted by the Committee. All Participants and Beneficiaries shall be bound by such amendment. Any amendments made to the Plan shall be subject to any restrictions on amendment that are applicable to ensure continued compliance under Section 409A.

9.02 Termination of Plan:

(a) The Company expects to continue this Plan, but does not obligate itself to do so. The Company, acting by the Nominating and Corporate Governance Committee of the Board of Directors, or through its entire Board of Directors, reserves the right to discontinue and terminate the Plan at any time, in whole or in part, for any reason (including a change, or an impending change, in the tax laws of the United States or any State). Termination of the Plan will be binding on all Participants (and a partial termination shall be binding upon all affected Participants) and their Beneficiaries, but in no event may such termination reduce the amounts credited at that time to any Participant's Account. If this Plan is terminated (in whole or in part), the termination resolution shall provide for how amounts theretofore credited to affected Participants' Accounts will be distributed.

(b) This Section is subject to the same restrictions related to compliance with Section 409A that apply to Section 9.01. In accordance with these restrictions, the Company intends to have the maximum discretionary authority to terminate the Plan and make distributions in connection with a change in ownership or effective control of the Company or a change in ownership of a substantial portion of the assets of the Company, all within the meaning of Section 409A (a "Change in Control"), and the maximum flexibility with respect to how and to what extent to carry this out following a Change in Control as is permissible under Section 409A. The previous sentence contains the exclusive terms under which a distribution may be made in connection with any change in control with respect to deferrals made under this 409A Program.

10.01 Limitation on Participant's Rights:

Participation in this Plan does not give any Participant the right to be retained in the service of the Company. The Company reserves the right to terminate the service of any Participant without any liability for any claim against the Company under this Plan, except for a claim for payment of deferrals as provided herein.

10.02 Unfunded Obligation of the Company:

The benefits provided by this Plan are unfunded. All amounts payable under this Plan to Participants are paid from the general assets of the Company. Nothing contained in this Plan requires the Company to set aside or hold in trust any amounts or assets for the purpose of paying benefits to Participants. Neither a Participant, Beneficiary, nor any other person shall have any property interest, legal or equitable, in any specific Company asset. This Plan creates only a contractual obligation on the part of the Company, and the Participant has the status of a general unsecured creditor of the Company with respect to amounts of compensation deferred hereunder. Such a Participant shall not have any preference or priority over, the rights of any other unsecured general creditor of the Company. No other Company affiliate guarantees or shares such obligation, and no other Company affiliate shall have any liability to the Participant or his or her Beneficiary.

10.03 Other Plans:

This Plan shall not affect the right of any Eligible Director or Participant to participate in and receive benefits under and in accordance with the provisions of any other Director compensation plans which are now or hereafter maintained by the Company, unless the terms of such other plan or plans specifically provide otherwise or it would cause such other plan to violate a requirement for tax favored treatment.

10.04 Receipt or Release:

Any payment to a Participant in accordance with the provisions of this Plan shall, to the extent thereof, be in full satisfaction of all claims against the Plan Administrator, the Recordkeeper and the Company, and the Plan Administrator may require such Participant, as a condition precedent to such payment, to execute a receipt and release to such effect.

10.05 Governing Law:

This Plan shall be construed, administered, and governed in all respects in accordance with applicable federal law and, to the extent not preempted by federal law, in accordance with the laws of the State of North Carolina. If any provisions of this instrument shall be held by a court of competent jurisdiction to be invalid or unenforceable, the remaining provisions hereof shall continue to be fully effective.

10.06 Gender, Tense and Examples:

In this Plan, whenever the context so indicates, the singular or plural number and the masculine, feminine, or neuter gender shall be deemed to include the other. Whenever an example is provided or the text uses the term “including” followed by a specific item or items, or there is a passage having a similar effect, such passage of the Plan shall be construed as if the phrase “without limitation” followed such example or term (or otherwise applied to such passage in a manner that avoids limitation on its breadth of application).

10.07 Successors and Assigns; Nonalienation of Benefits:

This Plan inures to the benefit of and is binding upon the parties hereto and their successors, heirs and assigns; provided, however, that the amounts credited to the Account of a Participant are not (except as provided in Section 7.05) subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, charge, garnishment, execution or levy of any kind, either voluntary or involuntary, and any attempt to anticipate, alienate, sell, transfer, assign, pledge, encumber, charge or otherwise dispose of any right to any benefits payable hereunder, including, without limitation, any assignment or alienation in connection with a separation, divorce, child support or similar arrangement, will be null and void and not binding on the Plan or the Company. Notwithstanding the foregoing, the Plan Administrator reserves the right to make payments in accordance with a divorce decree, judgment or other court order as and when cash payments are made in accordance with the terms of this Plan from the Deferral Subaccount of a Participant. Any such payment shall be charged against and reduce the Participant’s Account.

10.08 Facility of Payment:

Whenever, in the Plan Administrator’s opinion, a Participant or Beneficiary entitled to receive any payment hereunder is under a legal disability or is incapacitated in any way so as to be unable to manage his or her financial affairs, the Plan Administrator may direct the Company to make payments to such person or to the legal representative of such person for his or her benefit, or to apply the payment for the benefit of such person in such manner as the Plan Administrator considers advisable. Any payment in accordance with the provisions of this Section shall be a complete discharge of any liability for the making of such payment to the Participant or Beneficiary under the Plan.

ARTICLE XI – AUTHENTICATION

The 409A Program was first authorized, adopted and approved by the Company’s Board of Directors at its duly authorized meeting held on November 18, 2005. This 409A Program document as amended and restated is hereby adopted and approved effective as stated herein by the Board of Directors at the Board of Directors’ duly authorized meeting on September 12, 2008.

APPENDIX

The following Appendix articles modify particular terms of the Plan. Except as specifically modified in the Appendix, the foregoing main provisions of the Plan shall fully apply in determining the rights and benefits of Eligible Directors, Participants and Beneficiaries (and of any other individual claiming a benefit through or under the foregoing). In the event of a conflict between the Appendix and the foregoing main provisions of the Plan, the Appendix shall govern.

Appendix

APPENDIX ARTICLE A – TRANSITION PROVISIONS

This Article A provides the transition rules for the Plan that were effective at some time during the period beginning January 1, 2005 and ending December 31, 2008. The time period during which each provision in this Article A was effective shall be provided herein.

I. Cancellation Elections:

Pursuant to Q&A-20(a) of IRS Notice 2005-1, each Eligible Director shall have the right to cancel his or her election to defer Director Compensation for the 2004-2005 Compensation Year. Such election to cancel must be filed with the Plan Administrator prior to the end of the 2004-2005 Compensation Year and must follow any other procedures and timing requirements established by the Plan Administrator for this purpose (such procedures and timing requirements to be consistent with the requirements of Q&A-20(a)). Any Eligible Director who makes an election to cancel such deferral election shall have the Director Compensation related to such deferral election paid to him or her (plus any applicable earnings or minus any applicable losses) from his or her Account by December 31, 2005 and such amount shall be reported as taxable income to the Eligible Director for the 2005 calendar year.

II. Modifications to Article IV:

Section 4.03(b) shall read as follows effective for deferral elections made for Compensation Years beginning before October 1, 2009:

- (b) Form of Payment. The default form of payment for initial deferral elections is a single lump sum that shall be paid at the time applicable under Article IV. A Participant may only change the default payment from a lump sum to installments by means of a Second Look Election that meets all of the requirements of Section 4.04. Form of payment elections for Mandatory Deferrals are governed by Section 4.05.

III. Modifications to Article VI:

The rules set forth in this Article A, Section III apply to any distributions that have occurred or would occur based on events, including any Separations from Service, or Specific Payment Dates that occurred prior to January 1, 2009.

For purposes of this Article A, Section III, the term “Retirement” shall mean Separation from Service after attaining eligibility for retirement. A Participant attains eligibility for retirement when he or she attains age 50 while serving as a director on the Board of Directors of the Company.

For purposes of this Article A, Section III, a new Section 6.05 is added as specified below, and existing Sections 6.05 and 6.06 (as set forth in the main portion of the Plan document) are renumbered as Sections 6.06 and 6.07 respectively.

A. For this purpose, Sections 6.01(a)-(f) read as follows:

- (a) Section 6.02 (Distributions Based on a Specific Payment Date) applies when a Participant has elected to defer until a Specific Payment Date and the Specific Payment Date is reached before the Participant's (i) Separation from Service (other than for Retirement), (ii) Disability, or (iii) death. However, if such a Participant Separates from Service (other than for Retirement or death) prior to the Specific Payment Date (or prior to processing of the first installment payment due in connection with the Specific Payment Date), Section 6.03 shall apply. If such a Participant dies prior to the Specific Payment Date, Section 6.04 shall apply to the extent it would result in an earlier distribution of all or part of a Participant's Account. If such a Participant becomes Disabled prior to the Specific Payment Date, Section 6.06 shall apply to the extent it would result in an earlier distribution of all or part of a Participant's Account.
- (b) Section 6.03 (Distributions on Account of a Separation from Service) applies (i) when a Participant has elected to defer until a Separation from Service and then the Participant Separates from Service (other than for Retirement or death), or (ii) when applicable under Subsection (a) above).
- (c) Section 6.04 (Distributions on Account of Death) applies when the Participant dies. If a Participant is entitled to receive or is receiving a distribution under Section 6.02, 6.03 or 6.05 (see below) at the time of his or her death, Section 6.04 shall take precedence over those sections to the extent Section 6.04 would result in an earlier distribution of all or part of a Participant's Account.
- (d) Section 6.05 (Distributions on Account of Retirement) applies when a Participant has elected to defer until a Separation from Service and then the Participant Separates from Service on account of his or her Retirement. Subsections (c) and (e) of this Section provide for when Section 6.04 or Section 6.06 take precedence over Section 6.05.
- (e) Section 6.06 (Distributions on Account of Disability) applies when the Participant becomes Disabled. If a Participant who becomes Disabled dies, Section 6.04 shall take precedence over Section 6.06 to the extent it would result in an earlier distribution of all or part of a Participant's Account. If a Participant is entitled to receive or is receiving a distribution under Section 6.02, 6.03 or 6.05 at the time of his Disability, Section 6.06 shall take precedence over those sections to the extent Section 6.06 would result in an earlier distribution of all or part of a Participant's Account.
- (f) Section 6.07 (Distributions on Account of Unforeseeable Emergency) applies when the Participant incurs an Unforeseeable Emergency prior to when a Participant's Account is distributed under Sections 6.02 through 6.06. In this

case, the provisions of Section 6.07 shall take precedence over Sections 6.02 through 6.06 to the extent Section 6.07 would result in an earlier distribution of all or part of the Participant's Account.

B. For this purpose, Section 6.02 reads as follows:

This Section shall apply to distributions that are to be made upon the occurrence of a Specific Payment Date. In the event a Participant's Specific Payment Date for a Deferral Subaccount is reached before (i) the Participant's Disability, or (ii) the Participant's Separation from Service (other than Retirement) or (iii) the Participant's death, such Deferral Subaccount shall be distributed based on the occurrence of such Specific Payment Date in accordance with the following terms and conditions:

- (a) If the Participant has not made a valid Second Look Election that includes installment payments, the Deferral Subaccount shall be valued as of the Distribution Valuation Date that corresponds to the Participant's Specific Payment Date, and the resulting amount shall be paid in a single lump sum.
- (b) If the Participant has made a valid Second Look Election that includes installment payments, the first installment payment shall be paid (based on the schedule elected in the Participant's Second Look Election) on the Specific Payment Date. Thereafter, installment payments shall continue in accordance with the schedule elected by the Participant, except as provided in Sections 6.03, 6.04, 6.06 and 6.07 (relating to distributions on account of a Separation from Service, death, Disability and Unforeseeable Emergency). The amount of each installment shall be determined under Section 6.08. Notwithstanding the preceding provisions of this Subsection, if before the date the first installment distribution is processed for payment the Participant Separates from Service other than for Retirement) or the Participant would be entitled to a distribution in accordance with Sections 6.03, 6.04 or 6.06 (relating to a distribution on account of Separation from Service, death or Disability), the Participant's Deferral Subaccounts that would otherwise be distributed based on such Specific Payment Date shall instead be distributed in accordance with Section 6.04 or 6.05 (relating to distributions on account of death or Disability), whichever applies, but only to the extent it would result in an earlier distribution of the Participant's Subaccounts in the case of Section 6.04 or 6.06.

C. For this purpose, Section 6.03 reads as follows:

A Participant's total Account shall be distributed upon the occurrence of a Participant's Separation from Service (other than for Retirement, Disability or death) in accordance with the terms and conditions of this Section. When used in this Section, the phrase "Separation from Service" shall only refer to a Separation from Service that is not for Retirement, Disability or death.

- (a) Subject to subsections (b) and (c), a Participant's total Account balance, shall be distributed in a single lump sum payment on the first day of the first Plan Year after the date of the Participant's Separation from Service.
- (b) If the Participant incurs a Separation from Service after making a valid Second Look Election (and before the first payment has been processed in accordance with such Second Look Election), each Deferral Subaccount to which the Second Look Election applies shall be distributed in a single lump sum payment on the latest of the following: (1) the first day of the calendar quarter beginning on or after the fifth anniversary of the payment date selected in the Participant's original deferral election under Section 4.03, (2) the first day of the Plan Year following the Separation from Service, or (3) the date applicable under Subsection (c). However, if the Plan Administrator determines that Section 409A would permit a lump sum payment to be made earlier than the date specified in clause (1) of the preceding sentence, then the preceding sentence shall be applied by substituting the earliest date permissible under Section 409A for the date in clause (1). If the Participant's Separation from Service occurs on or after the date the first payment is processed, payment will be made in accordance with the Second Look Election (but subject to acceleration under Sections 6.04, 6.06 and 6.07 relating to distributions on account of death, Disability and Unforeseeable Emergency).
- (c) If the Participant is classified as a Key Employee at the time of the Participant's Separation from Service (or at such other time for determining Key Employee status as may apply under Section 409A), then such Participant's Account shall not be paid, as a result of the Participant's Separation from Service, earlier than the date that is at least 6 months after the Participant's Separation from Service.

D. For this purpose, a new Section 6.05 reads as follows:

6.05 Distributions on Account of Retirement:

If a Participant incurs a Separation from Service on account of his or her Retirement, the Participant's Account shall be distributed in accordance with the terms and conditions of this Section.

- (a) If the Participant's Retirement is prior to the Specific Payment Date that is applicable to a Deferral Subaccount, the Participant's deferral election pursuant to Sections 4.03 or 4.04 (*i.e.*, time and form of payment) shall continue to be given effect, and the Deferral Subaccounts shall be distributed based upon the provisions of Section 6.02.
- (b) If the Participant has selected payment of his or her deferral on account of Separation from Service, distribution of the related Deferral Subaccount shall commence on the first day of the first Plan Year after the date of the Participant's Separation from Service. Such distribution shall be made in a single lump sum

payment under Section 4.03. However, if the Participant is classified as a Key Employee at the time of the Participant's Retirement (or at such other time for determining Key Employee status as may apply under Section 409A), then such Participant's Account shall not be paid, as a result of the Participant's Retirement, earlier than the date that is at least 6 months after the Participant's Retirement.

- (c) If the Participant is receiving installment payments for one or more Deferral Subaccounts in accordance with Section 6.02 at the time of his or her Retirement, such installment payments shall continue to be paid based upon the Participant's Second Look Election (but subject to acceleration under Sections 6.04, 6.06 and 6.07 relating to distributions on account of death, Disability and Unforeseeable Emergency).

IV. Modification to Article VII.

For periods effective from and after January 1, 2005 and on or before December 31, 2008, the language of Section 7.07 shall be replaced in its entirety with the following language:

7.07 Conformance with Section 409A:

At all times during each Plan Year, this Plan shall be operated (i) in accordance with the requirements of Section 409A, and (ii) to preserve the status of deferrals under the Pre-409A Program as being exempt from Section 409A, i.e., to preserve the grandfathered status of the Pre-409A Program. Any action that may be taken (and, to the extent possible, any action actually taken) by the Plan Administrator, the Recordkeeper or the Company shall not be taken (or shall be void and without effect), if such action violates the requirements of Section 409A or if such action would adversely affect the grandfather of the Pre-409A Program. If the failure to take an action under the Plan would violate Section 409A, then to the extent it is possible thereby to avoid a violation of section 409A, the rights and effects under the Plan shall be altered to avoid such violation. A corresponding rule shall apply with respect to a failure to take an action that would adversely affect the grandfather of the Pre-409A Program. Any provision in this Plan document that is determined to violate the requirements of Section 409A or to adversely affect the grandfather of the Pre-409A Program shall be void and without effect. In addition, any provision that is required to appear in this Plan document to satisfy the requirements of Section 409A, but that is not expressly set forth, shall be deemed to be set forth herein, and the Plan shall be administered in all respects as if such provision were expressly set forth. A corresponding rule shall apply with respect to a provision that is required to preserve the grandfather of the Pre-409A Program. In all cases, the provisions of this Section shall apply notwithstanding any contrary provision of the Plan that is not contained in this Section.

PepsiCo, Inc.
2003 Long-Term Incentive Plan
(as amended and restated effective September 12, 2008)

1. Purposes.

The purposes of this Plan are to provide long-term incentives to those persons with significant responsibility for the success and growth of PepsiCo, Inc. ("PepsiCo") and its subsidiaries, divisions and affiliated businesses, to associate the interests of such persons with those of PepsiCo's shareholders, to assist PepsiCo in recruiting, retaining and motivating a diverse group of employees and outside directors on a competitive basis, and to ensure a pay for performance linkage for such employees and outside directors. If approved by PepsiCo's shareholders, this Plan would replace the PepsiCo, Inc. 1994 Long-Term Incentive Plan, the PepsiCo, Inc. 1995 Stock Option Incentive Plan, the PepsiCo SharePower Stock Option Plan, the Director Stock Plan and the PepsiCo Share Award Plan, and no further awards would be made under any of the foregoing plans.

2. Definitions.

For purposes of the Plan:

(a) "Award" means a grant of Options, Stock Appreciation Rights, Restricted Shares, Restricted Share Units, Performance Awards, vested shares of Common Stock, or any or all of them (but vested shares of Common Stock may not be granted to employees or officers).

(b) "Board" means the Board of Directors of PepsiCo, Inc.

(c) "Change in Control" is defined in Section 11(f).

(d) "Code" means the Internal Revenue Code of 1986, as amended. Any reference to a section of the Code shall also be a reference to any successor section of the Code (or a successor code).

(e) "Committee" means, with respect to any matter relating to Section 8 of the Plan, the Board, and with respect to all other matters under the Plan, the Compensation Committee of the Board of Directors of PepsiCo, Inc. The Compensation Committee shall be appointed by the Board and shall consist of two or more outside, disinterested members of the Board. The Compensation Committee, in the judgment of the Board, shall be qualified to administer the Plan as contemplated by (a) Rule 16b-3 of the Securities and Exchange Act of 1934 (or any successor rule), (b) Section 162(m) of the Code, as amended, and the regulations thereunder, and (c) any rules and regulations of a stock exchange on which Common Stock is traded. Any member of the Compensation Committee who does not satisfy the qualifications set out in the preceding sentence may recuse himself or herself from any vote or other action taken by the Committee. The Board may, at any time and in its complete discretion, remove any member of the Compensation Committee and may fill any vacancy in the Compensation Committee.

(f) “Common Stock” means the common stock, par value 1 2/3 cents per share, of PepsiCo, Inc.

(g) “Company” means PepsiCo, its subsidiaries, divisions and affiliated businesses.

(h) “Eligible Participants” means any of the following individuals who is designated by the Committee as eligible to receive Awards, subject to the conditions set forth in this Plan: any officer, employee, consultant or advisor of the Company. The term employee does not include any individual who is not, as of the grant date of an Award, classified by the Company as an employee on its corporate books and records even if that individual is later reclassified (by the Company, any court, any governmental or regulatory agency or otherwise) as an employee as of the grant date. Non-Employee Directors are not Eligible Participants.

(i) “Employee Directors” means the members of the Board who are also employees of the Company.

(j) “Fair Market Value” on any date means the average of the high and low market prices at which a share of Common Stock shall have been sold on such date, or the immediately preceding trading day if such date was not a trading day, as reported on the New York Stock Exchange Composite Transactions Listing and, in the case of an ISO, means fair market value as determined by the Committee in accordance with Section 422 of the Code.

(k) “ISO” means an Option satisfying the requirements of Section 422 of the Code and designated by the Committee as an ISO.

(l) “Named Executive Officer” means PepsiCo’s Chief Executive Officer and PepsiCo’s next four highest paid executive officers, as reported in PepsiCo’s proxy statement pursuant to Regulation S-K, Item 402(a)(3) for a given year.

(m) “Non-Employee Director” means a member of the Board who is not an employee of the Company.

(n) “NQSO” or “Non-Qualified Stock Option” means an Option that does not satisfy the requirements of Section 422 of the Code and that is not designated as an ISO by the Committee.

(o) “Options” means the right to purchase shares of Common Stock at a specified price for a specified period of time.

(p) “Option Exercise Price” means the purchase price per share of Common Stock covered by an Option granted pursuant to this Plan.

(q) “Participant” means an individual who has received an Award under this Plan.

(r) “PepsiCo” means PepsiCo, Inc., a North Carolina corporation.

(s) “Performance Awards” means an Award of Performance Shares or Performance Units based on the achievement of Performance Goals during a Performance Period.

(t) “Performance Based Exception” means the performance-based exception set forth in Code Section 162(m)(4)(C) from the deductibility limitations of Code Section 162(m).

(u) “Performance Goals” means the goals established by the Committee under Section 7(d).

(v) “Performance Measures” means the criteria set out in Section 7(d) that may be used by the Committee as the basis for a Performance Goal.

(w) “Performance Period” means the period established by the Committee during which the achievement of Performance Goals is assessed in order to determine whether and to what extent a Performance Award has been earned.

(x) “Performance Shares” means shares of Common Stock awarded to a Participant based on the achievement of Performance Goals during a Performance Period.

(y) “Performance Units” means an Award denominated in shares of Common Stock, cash or a combination thereof, as determined by the Committee, awarded to a Participant based on the achievement of Performance Goals during a Performance Period.

(z) “Plan” means the PepsiCo, Inc. 2003 Long-Term Incentive Plan, as amended and restated from time to time.

(aa) “Prior Plans” means the PepsiCo, Inc. 1994 Long-Term Incentive Plan, the PepsiCo, Inc. 1995 Stock Option Incentive Plan, the PepsiCo SharePower Stock Option Plan, the Director Stock Plan, the PepsiCo Share Award Plan, the PepsiCo 1987 Incentive Plan, the Quaker Long Term Incentive Plan of 1990, the Quaker Long Term Incentive Plan of 1999 and the Quaker Stock Compensation Plan for Outside Directors.

(bb) “Restriction Period” means, with respect to Restricted Shares or Restricted Share Units, the period during which any restrictions set by the Committee remain in place. Restrictions remain in place until such time as they have lapsed under the terms and conditions of the Restricted Shares or as otherwise determined by the Committee.

(cc) “Restricted Shares” means shares of Common Stock, which may not be traded or sold until the date that the restrictions on transferability imposed by the Committee with respect to such shares have lapsed.

(dd) “Restricted Share Units” means the right, as described in Section 7(c), to receive an amount, payable in either cash or shares of Common Stock, equal to the value of a specified number of shares of Common Stock.

(ee) “Retirement” with respect to a Non-Employee Director shall mean termination from the Board after such Non-Employee Director shall have attained at least age 55 or after such Non-Employee Director shall have satisfied the criteria for Retirement established by the Employee Directors from time to time.

(ff) “Stock Appreciation Rights” or “SAR” means the right to receive the difference between the Fair Market Value of a share of Common Stock on the grant date and the Fair Market Value of a share of Common Stock on the date the Stock Appreciation Right is exercised.

(gg) “Total Disability” shall have the meaning set forth in the long-term disability program of PepsiCo.

3. Administration of the Plan.

(a) Authority of Committee. The Plan shall be administered by the Committee, which shall have all the powers vested in it by the terms of the Plan, such powers to include the authority (within the limitations described herein):

- to select the persons to be granted Awards under the Plan,
- to determine the type, size and terms of Awards to be made to each person selected,
- to determine the time when Awards are to be made and any conditions which must be satisfied before an Award is made,
- to establish objectives and conditions for earning Awards,
- to determine whether an Award shall be evidenced by an agreement and, if so, to determine the terms of such agreement (which shall not be inconsistent with the Plan) and who must sign such agreement,
- to determine whether the conditions for earning an Award have been met and whether an Award will be paid at the end of the Performance Period,
- to determine if and when an Award may be deferred,
- to determine whether the amount or payment of an Award should be reduced or eliminated,
- to determine the guidelines and/or procedures for the payment or exercise of Awards, and
- to determine whether an Award should qualify, regardless of its amount, as deductible in its entirety for federal income tax purposes, including whether any Awards granted to Named Executive Officers comply with the Performance Based Exception under Code Section 162(m).

(b) Interpretation of Plan. The Committee shall have full power and authority to administer and interpret the Plan and to adopt or establish such rules, regulations, agreements, guidelines, procedures and instruments, which are not contrary to the terms of the Plan and which, in its opinion, may be necessary or advisable for the administration and operation of the Plan. The Committee’s interpretations of the Plan, and all actions taken and determinations made by the Committee pursuant to the powers vested in it hereunder, shall be conclusive and binding on all parties concerned, including PepsiCo, its shareholders and any person receiving an Award under the Plan.

(c) Delegation of Authority. To the extent not prohibited by law, the Committee may delegate its authority hereunder and may grant authority to employees or designate employees of the Company to execute documents on behalf of the Committee or to otherwise assist the Committee in the administration and operation of the Plan.

4. Eligibility.

(a) General. Subject to the provisions of the Plan, the Committee may, from time to time, select from all Eligible Participants those to whom Awards shall be granted under Section 7 and shall determine the nature and amount of each Award. Only Non-Employee Directors shall be eligible to receive Awards under Section 8.

(b) International Participants. Notwithstanding any provision of the Plan to the contrary, in order to foster and promote achievement of the purposes of the Plan or to comply with provisions of laws in other countries in which the Company operates or has employees, the Committee, in its sole discretion, shall have the power and authority to (i) determine which Eligible Participants (if any) employed by the Company outside the United States are eligible to participate in the Plan, (ii) modify the terms and conditions of any Awards made to such Eligible Participants, and (iii) establish subplans and modified Option exercise procedures and other Award terms and procedures to the extent such actions may be necessary or advisable.

5. Shares of Common Stock Subject to the Plan.

(a) Authorized Number of Shares. Unless otherwise authorized by PepsiCo's shareholders and subject to the provisions of this Section 5 and Section 10, the maximum aggregate number of shares of Common Stock available for issuance under the Plan shall be (i) 70 million, plus (ii) the number of shares underlying awards under the Prior Plans, which are cancelled or expire after the effective date of this Plan. Any of the authorized shares may be used for any of the types of Awards described in the Plan, except:

(i) at least 20 million of the authorized shares will be available for issuance in connection with broad-based grants under PepsiCo's SharePower program,

(ii) no more than 30 million of the authorized shares may be issued pursuant to Awards other than Options granted with an Option Exercise Price equal to Fair Market Value on the date of grant, and

(iii) no more than 50 million shares may be issued in the form of ISOs.

(b) Share Counting. The following shall apply in determining the number of shares remaining available for grant under this Plan:

(i) In connection with the granting of an Option or other Award (other than a Performance Unit denominated in dollars), the number of shares of Common Stock available for issuance under this Plan shall be reduced by the number of shares in respect of which the Option or Award is granted or denominated; provided, however, that where a SAR is settled in shares of Common Stock, the number of shares of Common Stock available for issuance under this Plan shall be reduced only by the number of shares issued in such settlement.

(ii) If any Option is exercised by tendering shares of Common Stock to PepsiCo as full or partial payment of the exercise price, the number of shares available for issuance under this Plan shall be increased by the number of shares so tendered.

(iii) Whenever any outstanding Option or other Award (or portion thereof) expires, is cancelled, is settled in cash or is otherwise terminated for any reason without having been exercised or payment having been made in respect of the entire Option or Award, the shares allocable to the expired, cancelled, settled or otherwise terminated portion of the Option or Award may again be the subject of Options or Awards granted under this Plan.

(iv) Awards granted through the assumption of, or in substitution for, outstanding awards previously granted to individuals who become employees as a result of a merger, consolidation, acquisition or other corporate transaction involving the Company as a result of an acquisition will not count against the reserve of available shares under this Plan.

(c) Shares to be Delivered. Shares of Common Stock to be delivered by the Company under this Plan shall be determined by the Committee and may consist in whole or in part of authorized but unissued shares, treasury shares or shares acquired on the open market.

6. Award Limitations.

The maximum number of Options or SARs that can be granted to any Eligible Participant during a single calendar year cannot exceed 2,000,000. The maximum per Eligible Participant, per calendar year amount of Awards other than Options and SARs shall not exceed \$15,000,000 or 500,000 shares of Common Stock. The maximum Award that may be granted to any Eligible Participant for a Performance Period greater than one year shall not exceed the foregoing annual maximum multiplied by the number of full years in the Performance Period.

7. Awards to Eligible Participants.

(a) Options.

(i) Grants. Subject to the terms and provisions of this Plan, Options may be granted to Eligible Participants. Options may consist of ISOs or NQSOs, as the Committee shall determine. Options may be granted alone or in tandem with SARs. With respect to Options granted in tandem with SARs, the exercise of either such Options or such SARs will result in the simultaneous cancellation of the same number of tandem SARs or Options, as the case may be.

(ii) Option Exercise Price. The Option Exercise Price shall be equal to or greater than the Fair Market Value on the date the Option is granted, unless the Option was granted through the assumption of, or in substitution for, outstanding awards previously granted to individuals who became employees of the Company as a result of a merger, consolidation, acquisition or other corporate transaction involving the Company.

(iii) Term. The term of Options shall be determined by the Committee in its sole discretion, but in no event shall the term exceed ten (10) years from the date of grant; provided, however, that Awards covering up to five (5) million shares of Common Stock may be issued with a term of up to fifteen (15) years.

(iv) ISO Limits. ISOs may only be granted to employees of PepsiCo, its divisions and subsidiaries and may only be granted to an employee who, at the time the Option is granted, does not own stock possessing more than ten percent (10%) of the total combined voting power of all classes of stock of PepsiCo. The aggregate Fair Market Value of all shares with respect to which ISOs are exercisable by a Participant for the first time during any year shall not exceed \$100,000. The aggregate Fair Market Value of such shares shall be determined at the time the Option is granted.

(v) No Repricing. Except for adjustments made pursuant to Section 10, the Option Exercise Price for any outstanding Option granted under the Plan may not be decreased after the date of grant nor may any outstanding Option granted under the Plan be surrendered to the Company as consideration for the grant of a new Option with a lower Option Exercise Price without the approval of PepsiCo's shareholders.

(vi) Buy Out of Option Gains. At any time after any Option becomes exercisable, the Committee shall have the right to elect, in its sole discretion and without the consent of the holder thereof, to cancel such Option and to cause PepsiCo to pay to the Participant the excess of the Fair Market Value of the shares of Common Stock covered by such Option over the Option Exercise Price of such Option at the date the Committee provides written notice (the "Buy Out Notice") of its intention to exercise such right. Buy outs pursuant to this provision shall be effected by PepsiCo as promptly as possible after the date of the Buy Out Notice. Payments of buy out amounts shall be made in shares of Common Stock. The number of shares shall be determined by dividing the amount of the payment to be made by the Fair Market Value of a share of Common Stock at the date of the Buy Out Notice, and by rounding up any fractional share to a whole share. The rights provided by this provision are the exclusive rights that are available with respect to any Option in the event of a buy out, notwithstanding the terms of any outstanding agreement.

(b) Stock Appreciation Rights.

(i) Grants. Subject to the terms and provisions of this Plan, SARs may be granted to Eligible Participants. SARs may be granted alone or in tandem with Options. With respect to SARs granted in tandem with Options, the exercise of either such Options or such SARs will result in the simultaneous cancellation of the same number of tandem SARs or Options, as the case may be.

(ii) Purchase Price. The purchase price per share of Common Stock covered by a SAR granted pursuant to this Plan shall be equal to or greater than Fair Market Value on the date the SAR is granted, unless the SAR was granted through the assumption of, or in substitution for, outstanding awards previously granted to individuals who became employees of the Company as a result of a merger, consolidation, acquisition or other corporate transaction involving the Company.

(iii) Term. The term of a SAR shall be determined by the Committee in its sole discretion, but in no event shall the term exceed ten (10) years from the date of grant; provided, however, that Awards covering up to five (5) million shares of Common Stock may be issued with a term of up to fifteen (15) years.

(iv) Form of Payment. The Committee may authorize payment of a SAR in the form of cash, Common Stock valued at its Fair Market Value on the date of the exercise, a combination thereof, or by any other method as the Committee may determine.

(c) Restricted Shares / Restricted Share Units.

(i) Grants. Subject to the terms and provisions of the Plan, Restricted Shares or Restricted Share Units may be granted to Eligible Participants.

(ii) Restrictions. The Committee shall impose such terms, conditions and/or restrictions on any Restricted Shares or Restricted Share Units granted pursuant to the Plan as it may deem advisable including, without limitation: a requirement that Participants pay a stipulated purchase price for each Restricted Share or each Restricted Share Unit; restrictions based upon the achievement of specific performance goals (Company-wide, divisional, and/or individual); time-based restrictions on vesting; and/or restrictions under applicable Federal or state securities laws. Unless otherwise determined by the Committee at the time of grant, any time-based restriction period shall be for a minimum of three years. To the extent the Restricted Shares or Restricted Share Units are intended to be deductible under Code Section 162(m), the applicable restrictions shall be based on the achievement of Performance Goals over a Performance Period, as described in Section 7(d) below.

(iii) Payment of Units. Restricted Share Units that become payable in accordance with their terms and conditions shall be settled in cash, shares of Common Stock, or a combination of cash and shares, as determined by the Committee. The payment date shall be as soon as practicable after the earliest of (A) any vesting date that can be pre-determined at grant under the terms of an Award Agreement, and (B) the occurrence date of an applicable vesting event (e.g., death, total disability, approved transfer or retirement) specified in the applicable award agreement.

(iv) No Disposition During Restriction Period. During the Restriction Period, Restricted Shares may not be sold, assigned, transferred or otherwise disposed of, or mortgaged, pledged or otherwise encumbered. In order to enforce the limitations imposed upon the Restricted Shares, the Committee may (a) cause a legend or legends to be placed on any certificates relating to such Restricted Shares, and/or (b) issue “stop transfer” instructions, as it deems necessary or appropriate.

(v) Dividend and Voting Rights. Unless otherwise determined by the Committee, during the Restriction Period, Participants who hold Restricted Shares and Restricted Share Units shall have the right to receive dividends in cash or other property

or other distribution or rights in respect of such shares, and Participants who hold Restricted Shares shall have the right to vote such shares as the record owner thereof. Unless otherwise determined by the Committee, any dividends payable to a Participant during the Restriction Period shall be distributed to the Participant only if and when the restrictions imposed on the applicable Restricted Shares or Restricted Share Units lapse.

(vi) Ownership of Restricted Shares. Restricted Shares shall be registered in the name of the Participant subject to the applicable restrictions. At the end of the Restriction Period, the number of shares to which the Participant is then entitled shall be delivered to the Participant free and clear of the restrictions, either in certificated or uncertificated form. No shares shall be registered in the name of the Participant with respect to a Restricted Share Unit unless and until such unit is paid in shares of Common Stock.

(d) Performance Awards.

(i) Grants. Subject to the provisions of the Plan, Performance Awards consisting of Performance Shares or Performance Units may be granted to Eligible Participants. Performance Awards may be granted either alone or in addition to other Awards made under the Plan.

(ii) Performance Goals. Unless otherwise determined by the Committee, Performance Awards shall be conditioned on the achievement of Performance Goals (which shall be based on one or more Performance Measures, as determined by the Committee) over a Performance Period. The Performance Period shall be one year, unless otherwise determined by the Committee.

(iii) Performance Measures. The Performance Measure(s) to be used for purposes of Performance Awards may be described in terms of objectives that are related to the individual Participant or objectives that are Company-wide or related to a subsidiary, division, department, region, function or business unit of the Company in which the Participant is employed, and may consist of one or more or any combination of the following criteria: stock price, market share, sales revenue, cash flow, sales volume, earnings per share, return on equity, return on assets, return on sales, return on invested capital, economic value added, net earnings, total shareholder return, gross margin, and/or costs. The Performance Goals based on these Performance Measures may be made relative to the performance of other corporations.

(iv) Negative Discretion. Notwithstanding the achievement of any Performance Goal established under this Plan, the Committee has the discretion, by Participant, to reduce some or all of a Performance Award that would otherwise be paid.

(v) Extraordinary Events. At, or at any time after, the time an Award is granted, and to the extent permitted under Code Section 162(m) and the regulations thereunder without adversely affecting the treatment of the Award under the Performance Based Exception, the Committee may provide for the manner in which performance will be measured against the Performance Goals (or may adjust the Performance Goals) to reflect the impact of specific corporate transactions, accounting or tax law changes and other extraordinary and nonrecurring events.

(vi) Interpretation. With respect to any Award that is intended to satisfy the conditions for the Performance Based Exception under Code Section 162(m): (A) the Committee shall interpret the Plan and this Section 7 in light of Code Section 162(m) and the regulations thereunder; (B) the Committee shall have no discretion to amend the Award in any way that would adversely affect the treatment of the Award under Code Section 162(m) and the regulations thereunder; and (C) such Award shall not be paid until the Committee shall first have certified that the Performance Goals have been achieved.

(e) Common Stock Awards.

(i) Grants. Subject to the provisions of the Plan, Common Stock Awards consisting of vested shares of Common Stock may be granted to Eligible Participants other than employees and officers. Common Stock Awards may be granted either alone or in addition to other Awards made under the Plan.

(ii) Ownership of Shares. Shares of Common Stock granted under Section 7(e)(i) shall be registered in the name of the Participant free and clear of restrictions.

8. Awards to Non-Employee Directors.

(a) Awards. Non-Employee Directors are eligible to receive any and all types of Awards under this Plan other than ISOs.

(b) Initial Grants. Each newly appointed Non-Employee Director shall, as soon as practicable after initially becoming a member of the Board, be granted: (i) 1,000 shares of Common Stock; (ii) an Annual Grant (as defined below), which for a Non-Employee Director elected after October 1 shall be pro-rated to reflect his or her date of election to the Board; and (iii) a Retainer Award, which for a Non-Employee Director elected after October 1 shall be pro-rated to reflect his or her date of election to the Board.

(c) Annual Grants. Each Non-Employee Director shall receive the following on October 1 (or on such other date as is determined by the Committee) of each year:

(i) An Award (the "Annual Grant") consisting of (A) vested shares of Common Stock (subject to the transfer restrictions in Section 8(e)(iii) below), the number of which shall be determined by dividing \$50,000 by the Fair Market Value on the grant date, and (B) Options, the number of which shall be determined by multiplying the number of shares of Common Stock awarded under Section 8(c)(i)(A) hereof by four.

(ii) A retainer fee of \$120,000 for each Non-Employee Director who is the chairman of a committee of the Board or who is the presiding director (if any) and \$100,000 for each other Non-Employee Director (the "Retainer Award"). Each Non-Employee Director may elect to receive the Retainer Award in the form of (A) cash or (B) deferred stock units.

(d) Death, Total Disability and Retirement. In the event of the death, Total Disability or Retirement of a Non-Employee Director prior to the granting of an Annual Grant and Retainer Award in respect of the fiscal year in which such event occurred, an

Annual Grant and Retainer Award may, in the discretion of the Committee, be granted in respect of such fiscal year to the retired or disabled Non-Employee Director or his or her estate. If any Non-Employee Director ceases to be a member of the Board for any reason other than death, Total Disability or Retirement, his or her rights to any Award to be granted in respect of the fiscal year during which such cessation occurred will terminate unless the Committee determines otherwise.

(e) Terms of Awards Granted to Non-Employee Directors.

(i) Each Option granted to a Non-Employee Director shall have an Option Exercise Price equal to the Fair Market Value on the grant date.

(ii) Each Option granted to a Non-Employee Director prior to October 1, 2003 shall be fully vested and exercisable on the grant date. Subject to subparagraph (iv) below, each Option granted to a Non-Employee Director on or after October 1, 2003 shall vest (and become exercisable) on the third anniversary of the grant date. Each Option granted to a Non-Employee Director shall have a term of ten years.

(iii) Subject to subparagraph (iv) below, each Restricted Share Unit granted to a Non-Employee Director on or after October 1, 2003 and before October 1, 2006 shall vest on the third anniversary of the grant date. Shares of Common Stock granted to a Non-Employee Director on or after October 1, 2006 shall be immediately vested at grant. However, a Non-Employee Director may not transfer beneficial ownership or sell such shares prior to when the Non-Employee Director terminates membership on the Board (except that this transfer restriction shall not prohibit: (A) PepsiCo's retaining shares to satisfy required tax withholding under Section 12(e)(ii), and (B) intra-family transfers permitted by the Committee).

(iv) In the event a Non-Employee Director terminates membership on the Board prior to the vesting date of an Award, then (A) if such termination is the result of such Non-Employee Director's death, Total Disability or Retirement, such Award shall immediately vest and, in the case of Options, be exercisable, and (B) if such termination is the result of an event other than death, Total Disability or Retirement, such unvested Award shall immediately terminate and expire.

(v) No Options granted to a Non-Employee Director may be exercised after he or she ceases to be a member of the Board, except that: (A) if such cessation occurs by reason of death, the Options then held by the Non-Employee Director may be exercised by his or her designated beneficiary (or, if none, his or her legal representative) until the expiration of such Options in accordance with the terms hereof; (B) if such cessation occurs by reason of the Non-Employee Director incurring a Total Disability, the Options then held by the Non-Employee Director may be exercised by him or her until the expiration of such Options in accordance with the terms hereof; and (C) if such cessation occurs by reason of the Non-Employee Director's Retirement, the Options then held by the Non-Employee Director may be exercised by him or her until the expiration of such Options in accordance with the terms hereof.

(f) Exercise of Options Granted to Non-Employee Directors.

(i) To exercise an Option, a Non-Employee Director must provide to PepsiCo (A) a written notice specifying the number of Options to be exercised and (B) to the extent applicable, any required payments due upon exercise.

(ii) Non-Employee Directors may exercise Options under either of the following methods:

(A) Cashless Exercise. Non-Employee Directors may exercise Options through a registered broker-dealer pursuant to cashless exercise procedures that are, from time to time, approved by the Committee. Proceeds from any such exercise shall be used to pay the exercise costs, which include the Option Exercise Price, applicable taxes, brokerage commissions and SEC fees. Any remaining proceeds from the sale shall be delivered to the Non-Employee Director in cash or stock, as specified by the Non-Employee Director.

(B) Standard Exercise. Non-Employee Directors may exercise Options by paying to PepsiCo an amount in cash from his or her own funds equal to the Option Exercise Price and any taxes required at exercise. A Non-Employee director shall become the owner of the shares of Common Stock subject to an Option only after the Option Exercise Price and the applicable taxes have been paid.

9. Deferred Payments.

Subject to the terms of this Plan, the Committee may determine that all or a portion of any Award to a Participant, whether it is to be paid in cash, shares of Common Stock or a combination thereof, shall be deferred or may, in its sole discretion, approve deferral elections made by Participants. Deferrals shall be for such periods and upon such terms as the Committee may determine in its sole discretion.

10. Dilution and Other Adjustments.

In the event of any merger, reorganization, consolidation, recapitalization, stock dividend, stock split, combination or exchange of shares or other change in corporate structure affecting any class of Common Stock, the Committee may, but shall not be required to, make such adjustments in the class and aggregate number of shares which may be delivered under this Plan as described in Section 5, the individual award maximums under Section 6, the class, number, and Option Exercise Price of outstanding Options and the class and number of shares subject to any other Awards granted under this Plan (provided the number of shares of any class subject to any Award shall always be a whole number), as may be determined to be appropriate by the Committee, and any such adjustment may, in the sole discretion of the Committee, take the form of Options covering more than one class of Common Stock. Such adjustment shall be conclusive and binding for all purposes of the Plan.

11. Change in Control.

(a) Impact on Awards Granted Prior to February 2, 2007. Upon a Change in Control, the following shall apply with respect to Awards granted under the Plan prior to February 2, 2007:

(i) Options. Effective on the date of such Change in Control, all outstanding and unvested Options granted under the Plan shall immediately vest and become exercisable, and all Options then outstanding under the Plan shall remain outstanding in accordance with their terms. Notwithstanding anything to the contrary in this Plan, in the event that any Option granted under the Plan becomes unexercisable during its term on or after a Change in Control because: (i) the individual who holds such Option is involuntarily terminated (other than for cause) within two (2) years after the Change in Control; (ii) such Option is terminated or adversely modified; or (iii) Common Stock is no longer issued and outstanding, or no longer traded on a national securities exchange, then the holder of such Option shall immediately be entitled to receive a lump sum cash payment equal to (A) the gain on such Option or (B) only if greater than the gain and only with respect to NQSOs the Black-Scholes value of such Option (as determined by a nationally recognized independent investment banker chosen by PepsiCo), in either case calculated on the date such Option becomes unexercisable; provided that such lump sum cash payment shall be limited as necessary to prevent the Option from being subject to Code Section 409A. For purposes of the preceding sentence, the gain on an Option shall be calculated as the difference between the closing price per share of Common Stock as of the date such Option becomes unexercisable (or if not a trading date, as of the preceding trading date) less the Option Exercise Price.

(ii) Stock Appreciation Rights. Effective on the date of such Change in Control, all outstanding and unvested SARs granted under the Plan shall immediately vest and become exercisable, and all SARs then outstanding under the Plan shall remain outstanding in accordance with their terms. In the event that any SAR granted under the Plan becomes unexercisable during its term on or after a Change in Control because: (i) the individual who holds such SAR is involuntarily terminated (other than for cause) within two (2) years after the Change in Control; (ii) such SAR is terminated or adversely modified; or (iii) Common Stock is no longer issued and outstanding, or no longer traded on a national securities exchange, then the holder of such SAR shall immediately be entitled to receive a lump sum cash payment equal to the gain on such SAR. For purposes of the preceding sentence, the gain on a SAR shall be calculated as the difference between the closing price per share of Common Stock as of the date such SAR becomes unexercisable (or if not a trading date, as of the preceding trading date) and the purchase price per share of Common Stock covered by the SAR.

(iii) Restricted Shares/Restricted Share Units. Upon a Change of Control all Restricted Shares and Restricted Share Units shall immediately vest and be distributed to Participants, effective as of the date of the Change of Control.

(iv) Performance Awards. Each Performance Award granted under the Plan that is outstanding on the date of the Change in Control shall immediately vest and the holder of such Performance Award shall be entitled to a lump sum cash payment equal to the amount of such Performance Award payable at the end of the Performance Period as if 100% of the Performance Goals have been achieved.

(b) Impact on Awards Granted on or After February 2, 2007. Upon a Change in Control, the following shall apply with respect to Awards granted under the Plan on or after February 2, 2007:

(i) If and to the extent that outstanding Awards under the Plan (A) are assumed by the successor corporation (or affiliate thereto) or (B) are replaced with equity awards that preserve the existing value of the Awards at the time of the Change in Control and provide for subsequent payout in accordance with a vesting schedule and Performance Goals, as applicable, that are the same or more favorable to the Participants than the vesting schedule and Performance Goals applicable to the Awards, then all such Awards or such substitutes thereof shall remain outstanding and be governed by their respective terms and the provision of the Plan subject to Section 11(b)(iv) below.

(ii) If and to the extent that outstanding Awards under the Plan are not assumed or replaced in accordance with Section 11(b)(i) above, then upon the Change in Control the following treatment (referred to as "Change-in-Control Treatment") shall apply to such Awards: (A) outstanding Options and SARs shall immediately vest and become exercisable; (B) the restrictions and other conditions applicable to outstanding Restricted Shares, Restricted Share Units and Stock Awards, including vesting requirements, shall immediately lapse; such Awards shall be free of all restrictions and fully vested; and, with respect to Restricted Share Units, shall be payable immediately in accordance with their terms or, if later, as of the earliest permissible date under Code Section 409A; and (C) outstanding Performance Awards granted under the Plan shall immediately vest and shall become immediately payable in accordance with their terms as if 100% of the Performance Goals have been achieved.

(iii) If and to the extent that outstanding Awards under the Plan are not assumed or replaced in accordance with Section 11(b)(i) above, then in connection with the application of the Change-in-Control Treatment set forth in Section 11(b)(ii) above, the Board may, in its sole discretion, provide for cancellation of such outstanding Awards at the time of the Change in Control in which case a payment of cash, property or a combination thereof shall be made to each such Participant upon the consummation of the Change in Control that is determined by the Board in its sole discretion and that is at least equal to the excess (if any) of the value of the consideration that would be received in such Change in Control by the holders of PepsiCo's securities relating to such Awards over the exercise or purchase price (if any) for such Awards.

(iv) If and to the extent that (A) outstanding Awards are assumed or replaced in accordance with Section 11(b)(i) above and (B) a Participant's employment with, or performance of services for, the Company is terminated by the Company for any reasons

other than Cause or by such Participant for Good Reason, in each case, within the two-year period commencing on the Change in Control, then, as of the date of such Participant's termination, the Change-in-Control Treatment set forth in Section 11(b)(ii) above shall apply to all assumed or replaced Awards of such Participant then outstanding.

(v) Outstanding Options or SARs that are assumed or replaced in accordance with Section 11(b)(i) may be exercised by the Participant in accordance with the applicable terms and conditions of such Award as set forth in the applicable award agreement or elsewhere; provided, however, that Options or SARs that become exercisable in accordance with Section 11(b)(iv) may be exercised until the expiration of the original full term of such Option or SAR notwithstanding the other original terms and conditions of such Award.

(c) Timing of Payment. Any amount required to be paid pursuant to this Section 11 shall be paid as soon as practical after the date such amount becomes payable (but not later than 60 days after such date, and the Participant may not determine the time of payment).

(d) Definition of Change in Control. "Change in Control" means the occurrence of any of the following events: (i) acquisition of 20% or more of the outstanding voting securities of PepsiCo, Inc. by another entity or group; excluding, however, the following (A) any acquisition by PepsiCo, Inc., or (B) any acquisition by an employee benefit plan or related trust sponsored or maintained by PepsiCo, Inc.; (ii) during any consecutive two-year period, persons who constitute the Board of Directors of PepsiCo, Inc. (the "Board") at the beginning of the period cease to constitute at least 50% of the Board (unless the election of each new Board member was approved by a majority of directors who began the two-year period); (iii) PepsiCo, Inc. shareholders approve a merger or consolidation of PepsiCo, Inc. with another company, and PepsiCo, Inc. is not the surviving company; or, if after such transaction, the other entity owns, directly or indirectly, 50% or more of the outstanding voting securities of PepsiCo, Inc.; (iv) PepsiCo, Inc. shareholders approve a plan of complete liquidation of PepsiCo, Inc. or the sale or disposition of all or substantially all of PepsiCo, Inc.'s assets; or (v) any other event, circumstance, offer or proposal occurs or is made, which is intended to effect a change in the control of PepsiCo, Inc., and which results in the occurrence of one or more of the events set forth in clauses (i) through (iv) of this paragraph.

(e) Definition of Cause. For purposes of this Section 11, "Cause" means with respect to any Participant, unless otherwise provided in the applicable award agreement, (i) the Participant's willful misconduct that materially injures the Company; (ii) the Participant's conviction of a felony or a plea of nolo contendere by Participant with respect to a felony; or (iii) the Participant's continued failure to substantially perform his or her duties with the Company (other than by reason of the Participant's disability) after written demand by the Company that identifies the manner in which the Company believes that the Participant has not performed his or her duties. A termination for Cause must be communicated to the Participant by written notice that specifies the event or events claimed to provide a basis for termination for Cause.

(f) Definition of Good Reason. For purposes of this Section 11, “Good Reason” means with respect to any Participant, unless otherwise provided in the applicable award agreement, without the Participant’s written consent, (i) the Company’s requiring a material change in the Participant’s principal place of employment as it existed immediately prior to the Change in Control except for reasonably required travel on the Company’s business that is not materially greater than such travel requirements prior to the Change in Control (for this purpose, a change of 35 or fewer miles shall not be considered a material change in the Participant’s principal place of employment); (ii) a material reduction in the Participant’s compensation (within the meaning of Treasury Regulation § 1.409A-1(n)(2)(ii)(A)(2)) as in effect immediately prior to the Change in Control; or (iii) a material reduction in the Participant’s job responsibilities, authority or duties with the Company as in effect immediately prior to the Change in Control. A termination for Good Reason must be communicated to the Company by written notice that specifies the event or events claimed to provide a basis for termination for Good Reason; provided that the Participant’s written notice must be tendered within ninety (90) days of the occurrence of such event or events and provided further that the Company shall have failed to remedy such act or omission within thirty (30) days following its receipt of such notice. A Participant’s continued employment shall not constitute consent to, or a waiver of rights with respect to, any act or failure to act constituting Good Reason hereunder if the Participant actually terminates employment within fourteen (14) days after the Company’s failure to timely remedy or, if earlier, prior to the second anniversary of the Change in Control.

(g) Exclusive Rights. The rights provided by this Section are the exclusive rights that are available with respect to any Award in the event of a Change in Control.

12. Miscellaneous Provisions.

(a) Misconduct. Except as otherwise provided in agreements covering Awards hereunder, a Participant shall forfeit all rights in his or her outstanding Awards under the Plan, and all such outstanding Awards shall automatically terminate and lapse, if the Committee determines that such Participant has (i) used for profit or disclosed to unauthorized persons, confidential information or trade secrets of the Company, (ii) breached any contract with or violated any fiduciary obligation to the Company, including without limitation, a violation of any Company code of conduct, (iii) engaged in unlawful trading in the securities of PepsiCo or of another company based on information gained as a result of that Participant’s employment or other relationship with the Company, or (iv) committed a felony or other serious crime.

(b) Rights as Shareholder. Except as otherwise provided herein, a Participant shall have no rights as a holder of Common Stock with respect to Awards hereunder, unless and until the shares have been registered to the Participant as the owner.

(c) No Loans. No loans from the Company to Participants shall be permitted under this Plan.

(d) Assignment or Transfer. Unless the Committee shall specifically determine otherwise, or except as otherwise provided under the Plan, no Award under the Plan or

any rights or interests therein shall be transferable other than by will or the laws of descent and distribution and shall be exercisable, during the Participant's lifetime, only by the Participant. Once awarded, the shares of Common Stock received by Participants may be freely transferred, assigned, pledged or otherwise subjected to lien, subject to: (i) the transfer restrictions for Non-Employee Directors in Section 8(e)(iii) above; and (ii) the restrictions imposed by the Securities Act of 1933, Section 16 of the Securities Exchange Act of 1934 and PepsiCo's Insider Trading Policy, each as amended from time to time.

(e) Withholding Taxes.

(i) Eligible Participants. PepsiCo shall have the right to deduct from all Awards paid in cash to an Eligible Participant any taxes required by law to be withheld with respect to such Awards. All legally required withholding taxes arising with respect to Awards paid in Common Stock to a an Eligible Participant shall be satisfied by PepsiCo retaining shares of Common Stock having a Fair Market Value on the date the tax is to be determined that is equal to the amount of such required withholding (rounded, if necessary, to the next highest whole number of shares of Common Stock). Such withholding shall also apply in connection with Option exercises, except to the extent that the Eligible Participant provides for satisfying it through cash proceeds from the exercise transaction.

(ii) Non-Employee Directors. Federal income tax withholding at 25% (or such higher rate as may be legally required) and all other tax withholding that is legally required with respect to Awards to a Non-Employee Director of vested shares of Common Stock shall be satisfied by PepsiCo retaining shares of Common Stock having a Fair Market Value, on the date such Common Stock is taxable to the Non-Employee Director, that is equal to the amount of such withholding (rounded, if necessary, to the next highest whole number of shares of PepsiCo Common Stock).

(f) No Rights to Awards. Neither the Plan nor any action taken hereunder shall be construed as giving any employee any right to be retained in the employ of PepsiCo or any of its subsidiaries, divisions or affiliates. Except as set forth herein, no employee or other person shall have any claim or right to be granted an Award under the Plan. By accepting an Award, the Participant acknowledges and agrees (i) that the Award will be exclusively governed by the terms of the Plan, including the right reserved by the Company to amend or cancel the Plan at any time without the Company incurring liability to the Participant (except for Awards already granted under the Plan), (ii) that Awards are not a constituent part of salary and that the Participant is not entitled, under the terms and conditions of employment, or by accepting or being granted Awards under this Plan to require Awards to be granted to him or her in the future under this Plan or any other plan, (iii) that the value of Awards received under the Plan will be excluded from the calculation of termination indemnities or other severance payments, and (iv) that the Participant will seek all necessary approval under, make all required notifications under and comply with all laws, rules and regulations applicable to the ownership of Options and stock and the exercise of Options, including, without limitation, currency and exchange laws, rules and regulations. The obligations of PepsiCo to make delivery of Awards in cash or Common Stock shall be subject to currency or other restrictions imposed by any government.

(g) Beneficiary Designation. To the extent allowed by the Committee, each Participant under the Plan may, from time to time, name any beneficiary or beneficiaries (who may be named on a contingent or successive basis) to whom any benefit under the Plan is to be paid in case of his or her death before he or she receives any or all of such benefit. Unless the Committee determines otherwise, each such designation shall revoke all prior designations by the same Participant, shall be in a form prescribed by the Committee, and will be effective only when filed by the Participant in writing with the Company during the Participant's lifetime. In the absence of any such designation, benefits remaining unpaid at the Participant's death shall be paid to the Participant's estate.

(h) Costs and Expenses. The cost and expenses of administering the Plan shall be borne by PepsiCo and not charged to any Award or to any Participant.

(i) Fractional Shares. Fractional shares of Common Stock shall not be issued or transferred under an Award, but the Committee may pay cash in lieu of a fraction or round the fraction, in its discretion.

(j) Funding of Plan. PepsiCo shall not be required to establish or fund any special or separate account or to make any other segregation of assets to assure the payment of any Award under the Plan.

(k) Indemnification. Provisions for the indemnification of officers and directors of the Company in connection with the administration of the Plan shall be as set forth in PepsiCo's Certificate of Incorporation and Bylaws as in effect from time to time.

(l) Successors. All obligations of the Company under the Plan with respect to Awards granted hereunder shall be binding on any successor to the Company, whether the existence of such successor is the result of a direct or indirect purchase, merger, consolidation, or otherwise, of all or substantially all of the business and/or assets of the Company.

(m) Compliance with Code Section 409A. The Plan is intended to satisfy the requirements of Code Section 409A and any regulations or guidance that may be adopted thereunder from time to time, including any transition relief available under applicable guidance related to Code Section 409A. Accordingly, to ensure the exemption from Code Section 409A of potentially exempt Awards and the compliance with Code Section 409A of other Awards, any payment that under the terms of the Plan or an agreement is to be made as soon as practicable relative to a date shall be made not later than 60 days after such date, and the Participant may not determine the time of payment. Pursuant to Section 13(b), the Plan may be amended or interpreted by the Committee as it determines necessary or appropriate in accordance with Code Section 409A and to avoid a plan failure under Code Section 409A(a)(1).

13. Effective Date, Governing Law, Amendments and Termination.

(a) Effective Date. The Plan was approved by the Board on January 30, 2003 and shall become effective on the date it is approved by PepsiCo's shareholders.

(b) Amendments. The Board may at any time terminate or from time to time amend the Plan in whole or in part, but no such action shall adversely affect any rights or obligations with respect to any Awards granted prior to the date of such termination or amendment. Notwithstanding the foregoing, unless PepsiCo's shareholders shall have first approved the amendment, no amendment of the Plan shall be effective which would (i) increase the maximum number of shares of Common Stock which may be delivered under the Plan or to any one individual (except to the extent such amendment is made pursuant to Section 10 hereof), (ii) extend the maximum period during which Awards may be granted under the Plan, (iii) add to the types of awards that can be made under the Plan, (iv) change the Performance Measures pursuant to which Performance Awards are earned, (v) modify the requirements as to eligibility for participation in the Plan, or (vi) require shareholder approval pursuant to this Plan or applicable law to be effective. With the consent of the Participant affected, the Committee may amend outstanding agreements evidencing Awards under the Plan in a manner not inconsistent with the terms of the Plan.

(c) Governing Law. All questions pertaining to the construction, interpretation, regulation, validity and effect of the provisions of the Plan shall be determined in accordance with the laws of the State of North Carolina without giving effect to conflict of laws principles.

(d) Termination. No Awards shall be made under the Plan after the tenth anniversary of the date on which PepsiCo's shareholders approve the Plan.

By: /s/ CYNTHIA M. TRUDELL

Cynthia Trudell
SVP, Chief Personnel Officer
Date: 10/7/08

By: /s/ CHRISTOPHER BELLANCA

Chris Bellanca
Law Department
Date: 10/7/08

**Severance Plan for Executive Employees
of PepsiCo, Inc. and Affiliates**

(Effective September 24, 1998, as amended effective January 1, 2005)

SECTION 1. Purpose

The Compensation Committee (the “Committee”) of the Board of Directors of PepsiCo, Inc. (the “Company”) has adopted the Severance Plan for Executive Employees of PepsiCo, Inc. and Affiliates (the “Plan”) effective September 24, 1998, to encourage Participants to remain with the Company in the event of a threatened or actual change in control of the Company. The terms of the Plan as set forth below include all amendments adopted by the Committee through September 11, 2008.

SECTION 2. Definitions

For purposes of the Plan only, the following terms shall have the following meanings:

2.1 **“Affiliate”** means an entity listed on Schedule A to this Plan. Prior to a Change in Control, entities may from time to time be added to, or deleted from Schedule A as determined by the Company’s Chief Executive Officer.

2.2 **“Base Salary”** means a Participant’s annual rate of salary in effect on (a) the date on which a Change in Control occurs, or (b) the Termination Date, whichever is higher.

2.3 **“Cause”** means any of the following:

- a. willful misconduct;
- b. refusal to carry out job duties or resignation, in each case other than for Good Reason;
- c. conviction of a felony, or commission of any act which is a crime;
- d. refusal of a comparable position (in terms of pay, benefits and status) following a Change of Control, which position would not require Relocation.

2.4 **“Change in Control”** means the occurrence of any of the following events:

- a. Acquisition of 20% or more of the outstanding voting securities of the Company by another entity or group; excluding, however, the following: (i) any acquisition by the Company, or (ii) any acquisition by an employee benefit plan or related trust sponsored or maintained by the Company;

- b. During any consecutive two-year period, persons who constitute the Company's Board of Directors at the beginning of the period cease to constitute at least 50% of the Board (unless the election of each new Board member was approved by a majority of directors who began the two-year period);
- c. Consummation of a merger or consolidation of the Company with any other corporation, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting shares of the surviving entity) more than 50% of the combined voting power of the voting securities of the Company or such surviving entity outstanding immediately after such merger or consolidation;
- d. Company shareholders approve a plan of complete liquidation of the Company or the sale or disposition of all or substantially all of the Company's assets; or
- e. Any other event, circumstance, offer or proposal occurs or is made, which is intended to effect a change in the control of the Company, and which results in the occurrence of one or more of the events set forth in subsections a. through d. of this Section 2.4.

2.5 **"Code"** means the Internal Revenue Code of 1986, as amended.

2.6 **"Company"** means PepsiCo, Inc. and, after a Change in Control, any successor thereto.

2.7 **"Competing Business"** means a business entity that markets, sells, distributes or produces any product, other than those of the Company, which competes with a snack or beverage product produced, marketed, sold or distributed by the Company.

2.8 **"Confidential Information"** means confidential proprietary information about the Company and its worldwide business, whether or not in writing, including but not limited to information about costs, profits, sales, marketing or business plans, existing or prospective customers, suppliers, possible acquisitions or divestitures, new products or markets, personnel, know-how, formulae, recipes, processes, equipment, discoveries, inventions, research, technical or scientific information and other data not accessible to the public, none of which is general industry knowledge.

2.9 **"Effective Date"** means September 24, 1998.

2.10 **"Good Reason"** means, with respect to any Participant without the Participant's written consent, any of the following:

- a. the Company's requiring a material change in the Participant's principal place of employment as it existed immediately prior to the Change in Control, except for

reasonably required travel on the Company's business that is not materially greater than such travel requirements prior to the Change in Control (for this purpose, a change of 35 or fewer miles shall not be considered a material change in the Participant's principal place of employment);

- b. a material reduction in the Participant's base compensation (within the meaning of Treasury Regulation § 1.409A-1(n)(2)(ii)(A)(2)) as in effect immediately prior to the Change in Control; or
- c. a material reduction in the Participant's job responsibilities, authority or duties with the Company as in effect immediately prior to the Change in Control.

A termination for Good Reason must be communicated by the Participant to the Company by written notice that specifies the event or events claimed to provide a basis for termination for Good Reason; provided that the Participant's written notice must be tendered within ninety (90) days of the occurrence of such event or events and provided further that the Company shall have failed to remedy such act or omission within thirty (30) days following its receipt of such notice. A Participant's continued employment shall not constitute consent to, or a waiver of rights with respect to, any act or failure to act constituting Good Reason hereunder if the Participant actually terminates employment within fourteen (14) days after the Company's failure to timely remedy or, if earlier, prior to the second anniversary of the Change in Control.

2.11 **"Key Employee"** shall have the meaning ascribed to such term in the Company's Executive Income Deferral Program. A Participant's status as a Key Employee shall be determined as of the Participant's Termination Date.

2.12 **"Participant"** shall have the meaning ascribed to such term in Section 3.2 hereof.

2.13 **"Relocation"** means the Company's requiring a material change in the Participant's principal place of employment as it existed immediately prior to the Change in Control, except for reasonably required travel on the Company's business that is not materially greater than such travel requirements prior to the Change in Control (for this purpose, a change of 35 or fewer miles shall not be considered a material change in the Participant's principal place of employment) .

2.14 **"Target Bonus"** means the annual incentive payable to a Participant under the Company's or an Affiliate's Executive Incentive Compensation Plan (or equivalent plan) for the performance period in progress when the Termination Date occurs, calculated on the assumption that the Company (or Affiliate) achieved 100% of the performance goals for such period.

2.15 **"Termination"** means (a) involuntary dismissal of a Participant from employment with the Company or with an Affiliate, or (b) resignation from employment for Good Reason, in each case within two years after a Change in Control.

2.16 **“Termination Date”** means the effective date of a Termination. The effective date of a Participant’s Termination shall be the same as the date the Participant separates from service within the meaning of Section 409A(a)(2)(a)(i) of the Code as a result of the Termination.

2.17 **“Total Disability”** means total disability as set forth in the Company’s Long-Term Disability Plan.

SECTION 3. *Effective Date; Participation*

3.1 **Effective Date.** This Plan is effective as of September 24, 1998, the date of its adoption by the Committee.

3.2 **Participation.** Participants shall be those executives of the Company or of an Affiliate who satisfy the criteria established from time to time by the Committee. The current criteria are set forth on Schedule B hereto. No Executive whose compensation is disclosed in the Company’s proxy statement for a particular year may be a Participant in the Plan for such year unless and until the Committee determines otherwise.

SECTION 4. *Severance Benefits*

4.1 **Benefits.** If there is a Termination of a Participant’s employment with the Company or an Affiliate without Cause (other than by reason of death or Total Disability) during the two-year period following a Change in Control, such Participant shall be entitled to the benefits provided in this Section 4.

- a. **Lump Sum Payment.** Subject to Section 4.2, following the Termination Date, the Company shall promptly pay such Participant a cash lump sum equal to two times the total of the Participant’s Base Salary and Target Bonus.
- b. **Bonus Payment.** Following the Termination Date, the Company shall also promptly pay such Participant a cash lump sum equal to the Participant’s Target Bonus for the year in which the Termination Date occurs.
- c. **Deferred Compensation Plan Payment.** Subject to any restrictions that are applicable to ensure continued compliance under Section 409A of the Code, the Company intends to have the maximum discretionary authority to terminate the Company’s Executive Income Deferral Program and make distributions in connection with a change in control (as defined in Section 409A), and the maximum flexibility with respect to how and to what extent to carry this out following a change in control (as defined in Section 409A) as is permissible under Section 409A.
- d. **Continued Health and Welfare Benefits.** For two years following Termination, the Company or an Affiliate shall provide such Participant with

medical, dental, vision/hearing, accident, life, and short-term and long-term disability insurance coverages at the level provided to the Participant immediately prior to the Termination Date; provided, however, that if the Participant becomes employed by a new employer, the Participant's coverage under the applicable Company or Affiliate plans shall continue, but the Participant's coverage thereunder shall be secondary to (i.e., reduced by) any benefits provided under like plans of such new employer and, provided further that all claims must be submitted not later than six months after the underlying expense is incurred, and all reimbursements must be made not later than the year following when the expense is incurred. The Participant shall pay any employee contribution required for active employees as in effect from time to time at and after the Termination Date.

- e. **Payment of Earned but Unpaid Amounts.** After the Termination Date, the Company shall promptly pay the Participant earned but unpaid compensation in accordance with the applicable terms of the plans or programs governing such compensation.

4.2 Offset of Severance Payments. Notwithstanding the foregoing but subject to the following two sentences, if a Participant is entitled to receive severance benefits from the Company or an Affiliate under any other agreement (including offer letters), plan or statute, any payments that are payable under this Section 4 will be offset by any payments due under such agreement, plan or statute. To the extent that compliance with Section 409A of the Code would require that payments payable under this Section 4 cause an offset against such other payment, then such other payment shall be offset instead. Such other payment shall also be offset to the extent that the availability of an exception from 409A would require this result, provided that doing so does not result in non-compliance with section 409A.

4.3 Parachute Limitation. If payments or distributions by the Company to or for the benefit of a Participant, whether or not paid or distributed pursuant to this Plan or otherwise (the "Total Payments"), would subject the Participant to an excise tax under Section 4999 of the Code (such excise tax, together with any interest and penalties thereon, being referred to as the Excise Tax") on "excess parachute payments" (as defined in Section 280G of the Code and the regulations related thereto ("Section 280G")), then the Participant shall be entitled to an additional payment (the "Gross-Up Payment") in an amount such that, after payment by the Participant of all taxes, including any Excise Tax, imposed upon the Gross-Up Payment, the Executive retains an amount of the Gross-Up Payment equal to the Excise Tax imposed on the Total Payments; provided, however, that if the amount of the Total Payments that exceeds three times the Participant's "base amount" (as defined in Section 280G) is less than \$25,000, then the Total Payments shall be reduced to the extent necessary so that the Total Payments would not subject the Participant to any Excise Tax. Subject to the next sentence, in the event such reduction is necessary with respect to a Participant, the Company shall reduce the Participant's Total Payments by first reducing the Participant's Total Payments that are not payable in such case. However, compensation that is covered by Code Section 409A,

and to which the Participant has a legally binding right within the meaning of Section 409A, shall not be reduced pursuant to the preceding sentence. Any calculation required by this Section 4.3 shall utilize tax rates reasonably related to a Participant's anticipated total tax liabilities. Each Gross-Up Payment required to be made by the Company to a Participant hereunder shall be paid no later than the end of the calendar year next following the calendar year in which the Participant remits the corresponding taxes to the Internal Revenue Service.

4.4 Pension and 401(k) Plans. A Participant will continue to accrue pension benefits under the Company's or an Affiliate's tax qualified and non-qualified defined benefit pension plans for a period of one year from the Termination Date, provided that any such accruals, which would be for a period after the Participant has separated from service within the meaning of Code Section 401(a), shall only be made under a non-qualified defined benefit pension plan. After the Participant's Termination Date, such Participant may not continue contributions to the Company's or an Affiliate's 401(k) Plan.

SECTION 5 *Mitigation*

A Participant shall not be required to mitigate the amount of any payment provided for under this Plan by seeking other employment or otherwise, and compensation earned from such employment or otherwise shall not reduce the amounts payable under this Plan. Benefits under the Plan (other than benefits that are covered by Code Section 409A) shall be offset by any amounts owed by the Participant to the Company or an Affiliate, such as expense advances or the value of property which has not been returned.

SECTION 6 *Misconduct*

If the Committee or its delegate determines that a Participant has at any time prior to the Participant's Termination Date:

- a. accepted employment with a Competing Business;
- b. recruited or hired away employees of the Company;
- c. disclosed to an unauthorized person or misused Confidential Information of the Company,

then the Company may, in its sole discretion, withhold payments to a Participant under this Plan. In the case of compensation covered by Code Section 409A, the Company shall act in compliance with Section 409A when withholding payments to a Participant.

SECTION 7 *Source and Payment of Benefits*

This Plan is unfunded and benefits hereunder shall be paid by the Company from its general assets.

SECTION 8 *Disputes*

Any dispute or controversy arising under or in connection with this Plan, or a final denial of a claim hereunder, shall be settled exclusively by arbitration in the state of the Company's headquarters, in accordance with the Rules of the American Arbitration Association then in effect.

SECTION 9 *Withholding*

The Company will, to the extent required by law, withhold applicable federal, state and local income and other taxes from any payments due to the Participant hereunder.

SECTION 10 *Amendment and Termination of Plan*

10.1 The Committee may at any time terminate, or from time to time amend the Plan; provided, however, that the Plan may not be terminated or amended after a Change in Control.

10.2 No amendment of the Plan shall, without a Participant's express written consent, impair any of the benefits accrued or payable to a Participant under the Plan.

SECTION 11 *Miscellaneous Provisions*

11.1 **Governing Law.** This Plan shall be governed by and construed in accordance with the laws of North Carolina without giving effect to the principles of choice of law thereof.

11.2 **Successors and Assigns.** Except as otherwise provided herein, this Plan shall be binding upon and shall inure to the benefit of and be enforceable by the Company and the Participant and their respective heirs, legal representatives, successors and assigns. If the Company shall be merged into or consolidated with another entity, the provisions of this Plan shall be binding upon and inure to the benefit of the entity surviving such merger or resulting from such consolidation. The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business or assets of the Company to expressly assume and agree to perform the Company's obligations under this Plan in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. The provisions of this Section 11.2 shall continue to apply to each subsequent employer of the Participant hereunder in the event of any subsequent merger, consolidation or transfer of assets of such subsequent employer.

11.3 **No Implied Employment.** Nothing contained in this Plan, nor any decision as to the eligibility for severance pay or the determination of the amount of any benefits hereunder, shall be construed to confer upon any Participant, or any other individual, any right to be retained in the employ of the Company or to be rehired, and the right and power of the Company to dismiss or discharge any Participant or any other individual for any reason is specifically reserved.

11.4 No Assignment or Alienation of Benefits. The benefits payable under this Plan shall not be subject to assignment or alienation by the Participant or his or her beneficiaries, nor shall the benefits be subject to attachment. Any attempt to assign, alienate, transfer, pledge, encumber, commute or anticipate Plan benefits shall be void; no such interest shall be in any manner subject to levy, attachment or other legal process to enforce payment of any claim against a Participant, except to the extent required by law.

11.5 Invalidity. In the event of any provision of this Plan is held to be illegal or invalid, the remaining provisions of this Plan shall not be affected thereby.

11.6 Section 409A. The following provisions are intended to apply notwithstanding other provisions of this Plan.

- a. If any compensation or benefits provided by this Plan may result in the application of Section 409A of the Code, the Company shall modify the Plan in the least restrictive manner necessary in order to exclude such compensation from the definition of “deferred compensation” within the meaning of such Section 409A or in order to comply with the provisions of Section 409A, other applicable provision(s) of the Code and/or any rules, regulations or other regulatory guidance issued under such statutory provisions and without any diminution in the value of the payments to the Participants.
- b. To ensure the exemption from Section 409A of potentially exempt benefits and the compliance with Section 409A of other benefits, any payment that under the terms of the Plan is to be made promptly shall be made not later than 60 days after the Participant’s Termination Date and the Participant may not determine the time of payment (except that any compensation that is payable to a Key Employee and covered by Section 409A shall be paid six months after the Key Employee’s Termination Date).
- c. The lump sum payment provided by Section 4.1a and the Target Bonus payment provided by Section 4.1b are intended to be exempt from Section 409A under the exception for short-term deferrals. The first 18 months of medical, dental and vision/hearing continuation under Section 4.1d are intended to be exempt from Section 409A under the exception for health coverage continued in connection with employment termination. Benefits related to coverage for the period in excess of 18 months are intended to comply with Section 409A (and so, as a matter of caution, it is noted that these payments may not be provided to a Key Employee within six months of the Key Employee’s Termination Date). Continued accident insurance coverage is intended to be exempt from Section 409A as a tax-exempt welfare benefit. Continued life and disability coverage are intended to be exempt from Section 409A as exempt death benefits and

disability pay. The terms of this Plan shall be interpreted to permit categories of compensation that are intended to be exempt from Section 409A to be exempt in practice. With respect to other compensation provided under the Plan that is covered by Section 409A, the terms of this Plan shall be interpreted to permit such compensation to comply with Section 409A.

PepsiCo, Inc.**2007 LONG-TERM INCENTIVE PLAN
(as amended and restated effective September 12, 2008)****1. Purposes.**

The purposes of the Plan are to provide long-term incentives to those persons with significant responsibility for the success and growth of PepsiCo and its subsidiaries, divisions and affiliated businesses, to associate the interests of such persons with those of PepsiCo's shareholders, to assist PepsiCo in recruiting, retaining and motivating a diverse group of employees and outside directors on a competitive basis, and to ensure a pay for performance linkage for such employees and outside directors. If approved by PepsiCo's shareholders, the Plan shall replace the 2003 Long-Term Incentive Plan, and no further awards shall be made under the 2003 Long-Term Incentive Plan.

2. Definitions.

For purposes of the Plan:

- (a) "2003 Long-Term Incentive Plan" means the PepsiCo, Inc. 2003 Long-Term Incentive Plan, as amended and restated from time to time.
- (b) "Award" means a grant of Options, Stock Appreciation Rights, Restricted Shares, Restricted Stock Units, Performance Shares, Performance Units, Stock Awards, or any or all of them (but a Stock Award may not be granted to employees or officers).
- (c) "Board" means the Board of Directors of PepsiCo.
- (d) "Cause" has the meaning set forth in Section 11(b)(ii).
- (e) "Change in Control" has the meaning set forth in Section 11(b)(i).
- (f) "Change-in-Control Treatment" has the meaning set forth in Section 11(a)(ii).
- (g) "Code" means the Internal Revenue Code of 1986, as amended. Any reference to a section of the Code shall also be a reference to any successor section of the Code (or a successor code).
- (h) "Committee" means, with respect to any matter relating to Section 8 of the Plan, the Board, and with respect to all other matters under the Plan, the Compensation Committee of the Board. The Compensation Committee shall be appointed by the Board and shall consist of two or more outside, disinterested members of the Board. In the judgment of the Board, the

Compensation Committee shall be qualified to administer the Plan as contemplated by (a) Rule 16b-3 of the Exchange Act, (b) Code Section 162(m) and the regulations thereunder, and (c) any rules and regulations of a stock exchange on which Common Stock is traded. Any member of the Compensation Committee of the Board who does not satisfy the qualifications set out in the preceding sentence may recuse himself or herself from any vote or other action taken by the Compensation Committee of the Board. The Board may, at any time and in its complete discretion, remove any member of the Compensation Committee and may fill any vacancy in the Compensation Committee.

- (i) "Common Stock" means the common stock, par value 1 2/3 cents per share, of PepsiCo.
- (j) "Company" means PepsiCo, its subsidiaries, divisions and affiliated businesses.
- (k) "Covered Employee" means any PepsiCo employee for whom PepsiCo is subject to the deductibility limitation imposed by Code Section 162(m).
- (l) "Director Deferral Program" means the PepsiCo Director Deferral Program, as amended from time to time, and any successor program.
- (m) "Eligible Person" means any of the following individuals who is designated by the Committee as eligible to receive Awards, subject to the conditions set forth in the Plan: (i) any employee of the Company (including any officer of the Company and any Employee Director) provided that the term employee does not include any individual who is not, as of the grant date of an Award, classified by the Company as an employee on its corporate books and records even if that individual is later reclassified (by the Company, any court, any governmental agency or otherwise) as an employee as of the grant date; (ii) any consultant or advisor of the Company; and (iii) any Non-Employee Director who is eligible to receive an Award in accordance with Section 8 hereof.
- (n) "Employee Director" means a member of the Board who is also an employee of the Company.
- (o) "Exchange Act" means the Securities Exchange Act of 1934, as amended from time to time, and any successor thereto.
- (p) "Fair Market Value" on any date means the average of the high and low market prices at which a share of Common Stock shall have been sold on such date, or the immediately preceding trading day if such date was not a trading day, as reported on the New York Stock Exchange Composite Transactions Listing and, in the case of an ISO, means fair market value as

determined by the Committee in accordance with Code Section 422 and, in the case of an Option or SAR that is intended to be exempt from Code Section 409A, fair market value as determined by the Committee in accordance with Code Section 409A.

- (q) “Good Reason” has the meaning set forth in Section 11(b)(iii).
- (r) “Initial Grant” has the meaning set forth in Section 8(b).
- (s) “ISO” means an Option satisfying the requirements of Code Section 422 and designated as an ISO by the Committee.
- (t) “Non-Employee Director” means a member of the Board who is not an employee of the Company.
- (u) “NQSO” or “Non-Qualified Stock Option” means an Option that does not satisfy the requirements of Code Section 422 or that is not designated as an ISO by the Committee.
- (v) “Options” means the right to purchase shares of Common Stock at a specified price for a specified period of time.
- (w) “Option Exercise Price” means the purchase price per share of Common Stock covered by an Option granted pursuant to the Plan.
- (x) “Participant” means an Eligible Person who has received an Award under the Plan.
- (y) “Payment Shares” has the meaning set forth in Section 8(d).
- (z) “PepsiCo” means PepsiCo, Inc., a North Carolina corporation, and its successors and assigns.
- (aa) “Performance Awards” means an Award of Options, Performance Shares, Performance Units, Restricted Shares, Restricted Stock Units or SARs conditioned on the achievement of Performance Goals during a Performance Period.
- (bb) “Performance-Based Exception” means the performance-based exception to the deductibility limitations of Code Section 162(m), as set forth in Code Section 162(m)(4)(C).
- (cc) “Performance Goals” means the goals established by the Committee under Section 7(d).
- (dd) “Performance Measures” means the criteria set out in Section 7(d) that may be used by the Committee as the basis for a Performance Goal.

- (ee) “Performance Period” means the period established by the Committee during which the achievement of Performance Goals is assessed in order to determine whether and to what extent an Award that is conditioned on attaining Performance Goals has been earned.
- (ff) “Performance Shares” means an Award of shares of Common Stock awarded to a Participant based on the achievement of Performance Goals during a Performance Period.
- (gg) “Performance Units” means an Award denominated in shares of Common Stock, cash or a combination thereof, as determined by the Committee, awarded to a Participant based on the achievement of Performance Goals during a Performance Period.
- (hh) “Plan” means this PepsiCo, Inc. 2007 Long-Term Incentive Plan, as amended and restated from time to time.
- (ii) “Prior Plans” means the PepsiCo, Inc. 2003 Long-Term Incentive Plan, the PepsiCo, Inc. 1994 Long-Term Incentive Plan, the PepsiCo, Inc. 1995 Stock Option Incentive Plan, the PepsiCo SharePower Stock Option Plan, the Director Stock Plan, the PepsiCo 1987 Incentive Plan, the Quaker Long Term Incentive Plan of 1990, the Quaker Long Term Incentive Plan of 1999 and the Quaker Stock Compensation Plan for Outside Directors, each as amended and restated from time to time.
- (jj) “Restricted Shares” means shares of Common Stock that are subject to such restrictions and such other terms and conditions as the Committee may establish.
- (kk) “Restricted Stock Units” means the right, as described in Section 7(c), to receive an amount, payable in either cash, shares of Common Stock or a combination thereof, equal to the value of a specified number of shares of Common Stock, subject to such terms and conditions as the Committee may establish.
- (ll) “Restriction Period” means, with respect to Performance Shares, Performance Units, Restricted Shares or Restricted Stock Units, the period during which any risk of forfeiture or other restrictions set by the Committee remain in effect. Such restrictions remain in effect until such time as they have lapsed under the terms and conditions of the Performance Shares, Performance Units, Restricted Shares or Restricted Stock Units or as otherwise determined by the Committee.
- (mm) “SharePower Program” means the broad-based equity program under the Plan.

- (nn) “Stock Appreciation Rights” or “SARs” means the right to receive a payment equal to the excess of the Fair Market Value of a share of Common Stock on the date the Stock Appreciation Rights are exercised over the exercise price per share of Common Stock established for those Stock Appreciation Rights at the time of grant, multiplied by the number of shares of Common Stock with respect to which the Stock Appreciation Rights are exercised.
- (oo) “Stock Award” means an Award of shares of Common Stock, including Payment Shares, that are subject to such terms, conditions and restrictions (if any) as determined by the Committee in accordance with Section 7(e).

3. Administration of the Plan.

- (a) *Authority of Committee.* The Plan shall be administered by the Committee, which shall have all the powers vested in it by the terms of the Plan, such powers to include the authority (within the limitations described in the Plan):
- to select the persons to be granted Awards under the Plan;
 - to determine the type, size and terms of Awards to be made to each Participant;
 - to determine the time when Awards are to be granted and any conditions that must be satisfied before an Award is granted;
 - to establish objectives and conditions for earning Awards;
 - to determine whether an Award shall be evidenced by an agreement and, if so, to determine the terms and conditions of such agreement (which shall not be inconsistent with the Plan) and who must sign such agreement;
 - to determine whether the conditions for earning an Award have been met and whether an Award will be paid at the end of an applicable Performance Period;
 - except as otherwise provided in Section 7(d), to modify the terms of Awards made under the Plan;
 - to determine if, when and under what conditions payment of all or any part of an Award may be deferred;

- to determine whether the amount or payment of an Award should be reduced or eliminated;
 - to determine the guidelines and/or procedures for the payment or exercise of Awards; and
 - to determine whether an Award should qualify, regardless of its amount, as deductible in its entirety for federal income tax purposes, including whether any Awards granted to Covered Employees should comply with the Performance-Based Exception.
- (b) *Interpretation of Plan.* The Committee shall have full power and authority to administer and interpret the Plan and to adopt or establish such rules, regulations, agreements, guidelines, procedures and instruments, which are not contrary to the terms of the Plan and which, in its opinion, may be necessary or advisable for the administration and operation of the Plan. The Committee's interpretations of the Plan, and all actions taken and determinations made by the Committee pursuant to the powers vested in it hereunder, shall be conclusive and binding on all parties concerned, including PepsiCo, its shareholders and all Eligible Persons and Participants.
- (c) *Delegation of Authority.* To the extent not prohibited by law, the Committee (i) may delegate its authority hereunder to one or more of its members or other persons (except that no such delegation shall be permitted with respect to Awards to Eligible Persons who are subject to Section 16 of the Exchange Act and Awards intended to comply with the Performance-Based Exception) and (ii) may grant authority to employees or designate employees of the Company to execute documents on behalf of the Committee or to otherwise assist the Committee in the administration and operation of the Plan.

4. Eligibility.

- (a) *General.* Subject to the terms and conditions of the Plan, the Committee may, from time to time, select from all Eligible Persons those to whom Awards shall be granted under Section 7 and shall determine the nature and amount of each Award. Non-Employee Directors shall be eligible to receive Awards only pursuant to Section 8.
- (b) *International Participants.* Notwithstanding any provision of the Plan to the contrary, in order to foster and promote achievement of the purposes of the Plan or to comply with provisions of the laws in countries outside the United States in which the Company operates or has employees, the Committee, in its sole discretion, shall have the power and authority to (i) determine which Eligible Persons (if any) employed by the Company

outside the United States should participate in the Plan, (ii) modify the terms and conditions of any Awards made to such Eligible Persons, and (iii) establish sub-plans, modified Option exercise procedures and other Award terms, conditions and procedures to the extent such actions may be necessary or advisable to comply with provisions of the laws in such countries outside the United States in order to assure the lawfulness, validity and effectiveness of Awards granted under the Plan and to the extent such actions are consistent with the Committee's authority to amend the Plan absent shareholder approval pursuant to Section 13(b).

5. Shares of Common Stock Subject to the Plan.

- (a) *Authorized Number of Shares.* Unless otherwise authorized by PepsiCo's shareholders and subject to the provisions of this Section 5 and Section 10, the maximum aggregate number of shares of Common Stock available for issuance under the Plan shall be the total of (i) 65 million plus (ii) the total number of shares of Common Stock underlying awards under the Prior Plans that are cancelled or expire after the effective date of the Plan without delivery of shares. Any of the authorized shares may be used for any of the types of Awards described in the Plan, except:
- (i) at least 20 million of the authorized shares of Common Stock will be exclusively available for issuance pursuant to Awards under the SharePower Program;
 - (ii) no more than 20 million of the authorized shares of Common Stock may be issued pursuant to Awards other than Options or SARs;
 - (iii) no more than 45 million of the authorized shares of Common Stock may be issued in the form of ISOs; and
 - (iv) no more than 150,000 of the authorized shares of Common Stock may be issued in connection with (A) Restricted Shares or Restricted Stock Units having a time-based Restriction Period less than three years (but in no event less than one year), subject to acceleration due to the Participant's death, total disability, retirement or retirement eligibility; (B) Restricted Shares or Restricted Stock Units having a time-based Restriction Period that is actually accelerated due to a Participant's transfer to an affiliated business; or (C) Stock Awards having a restriction on transferability of less than three years (not including transfers to satisfy required tax withholding or intra-family transfers permitted by the Committee), subject to acceleration due to the Participant's death or total disability, in each case described in (A), (B) or (C) above as specified in the applicable award agreement; provided that such limitation shall not be applicable to Payment Shares.

- (b) *Share Counting.* The following rules shall apply in determining the number of shares of Common Stock remaining available for grant under the Plan:
- (i) In connection with the granting of an Option or other Award, the number of shares of Common Stock available for issuance under the Plan shall be reduced by the number of shares of Common Stock in respect of which the Option or Award is granted or denominated, including the number of phantom shares of Common Stock under the Director Deferral Program payable in Payment Shares pursuant to Section 8(d). For example, upon the grant of stock-settled SARs, the number of shares of Common Stock available for issuance under the Plan shall be reduced by the full number of SARs granted, and the number of shares of Common Stock available for issuance under the Plan shall not thereafter be increased upon the exercise of the SARs and settlement in shares of Common Stock, even if the actual number of shares of Common Stock delivered in settlement of the SARs is less than the full number of SARs exercised. However, Awards that by their terms do not permit settlement in shares of Common Stock shall not reduce the number of shares of Common Stock available for issuance under the Plan.
 - (ii) Any shares of Common Stock that are tendered by a Participant or withheld as full or partial payment of withholding or other taxes or as payment for the exercise or conversion price of an Award under the Plan shall not be added back to the number of shares of Common Stock available for issuance under the Plan.
 - (iii) Whenever any outstanding Option or other Award (or portion thereof) expires, is cancelled, is settled in cash rather than in shares of Common Stock (pursuant to the terms of an Award that permits but does not require cash settlement) or is otherwise terminated for any reason without having been exercised or payment having been made in the form of shares of Common Stock, the number of shares of Common Stock available for issuance under the Plan shall be increased by the number of shares of Common Stock allocable to the expired, cancelled, settled or otherwise terminated Option or other Award (or portion thereof).
 - (iv) Any shares of Common Stock underlying Awards granted through the assumption of, or in substitution for, outstanding awards previously granted to individuals who become employees of the Company as a result of a merger, consolidation, acquisition or other corporate transaction involving the Company shall not, unless required by law or regulation, count against the reserve of available shares of Common Stock under the Plan.

- (c) *Shares to be Delivered.* The source of shares of Common Stock to be delivered by the Company under the Plan shall be determined by the Company and may consist in whole or in part of authorized but unissued shares or repurchased shares.

6. Award Limitations.

The maximum number of shares of Common Stock subject to Options and SARs that can be granted to any Eligible Person during a single calendar year shall not exceed two (2) million. The maximum amount of Awards other than Options and SARs that can be granted to any Eligible Person during a single calendar year shall not exceed \$15 million; provided that the foregoing limitation shall be applied to an Award that is denominated in shares of Common Stock on the basis of the Fair Market Value of such shares on the date the Award is granted. Notwithstanding the limitation set forth in the preceding sentence, the maximum Award that may be granted to any Eligible Person for a Performance Period longer than one calendar year shall not exceed the foregoing annual maximum multiplied by the number of full calendar years in the Performance Period.

7. Awards to Eligible Persons.

- (a) *Options.*
 - (i) *Grants.* Subject to the terms and conditions of the Plan, Options may be granted to Eligible Persons. Options may consist of ISOs or NQSOs, as the Committee shall determine. Options may be granted alone or in tandem with SARs. With respect to Options granted in tandem with SARs, the exercise of either such Options or such SARs will result in the simultaneous cancellation of the same number of tandem SARs or Options, as the case may be.
 - (ii) *Option Exercise Price.* The Option Exercise Price shall be equal to or, at the Committee's discretion, greater than the Fair Market Value on the date the Option is granted, unless the Option was granted through the assumption of, or in substitution for, outstanding awards previously granted to individuals who became employees of the Company as a result of a merger, consolidation, acquisition or other corporate transaction involving the Company (in which case the assumption or substitution shall be accomplished in a manner that permits the Option to be exempt from Code Section 409A).
 - (iii) *Term.* The term of Options shall be determined by the Committee in its sole discretion, but in no event shall the term exceed ten (10) years from the date of grant; provided, however, that Awards of NQSOs and SARs covering up to five (5) million shares of Common Stock, in the aggregate, may be issued with a term of up to fifteen (15) years.

- (iv) *ISO Limits.* ISOs may be granted only to Eligible Persons who are employees of PepsiCo or of any parent or subsidiary corporation (within the meaning of Code Section 424) on the date of grant, and may only be granted to an employee who, at the time the Option is granted, does not own stock possessing more than ten percent (10%) of the total combined voting power of all classes of stock of PepsiCo or of any parent or subsidiary corporation (within the meaning of Code Section 424). The aggregate Fair Market Value of all shares of Common Stock with respect to which ISOs are exercisable by a Participant for the first time during any calendar year (under all plans of the Company) shall not exceed \$100,000 or such other amount as may subsequently be specified by the Code and/or applicable regulations. The aggregate Fair Market Value of such shares shall be determined at the time the Option is granted. ISOs shall contain such other provisions as the Committee shall deem advisable but shall in all events be consistent with and contain or deem to contain all provisions required in order to qualify as incentive stock options under Code Section 422.
- (v) *No Repricing.* Except for adjustments made pursuant to Section 10, the Option Exercise Price for any outstanding Option granted under the Plan may not be decreased after the date of grant nor may any outstanding Option granted under the Plan be surrendered to the Company as consideration for the grant of a new Option with a lower Option Exercise Price without the approval of PepsiCo's shareholders.
- (vi) *Form of Payment.* The Option Exercise Price shall be paid to the Company at the time of such exercise, subject to any applicable rules or regulations adopted by the Committee:
 - (A) to the extent permitted by applicable law, pursuant to cashless exercise procedures that are, from time to time, approved by the Committee; proceeds from any such exercise shall be used to pay the exercise costs, which include the Option Exercise Price, statutory minimum applicable taxes, brokerage commissions and SEC fees; any remaining proceeds from the sale shall be delivered to the Participant in cash or stock as specified by the Participant;
 - (B) through the tender of shares of Common Stock owned by the Participant (or by delivering a certification or attestation of ownership of such shares) valued at their Fair Market Value on the date of exercise;

- (C) in cash or its equivalent; or
 - (D) by any combination of (A), (B), and (C) above.
- (vii) *No Dividend Equivalents.* No dividends or dividend equivalents may be paid on Options. Except as otherwise provided herein, a Participant shall have no rights as a holder of Common Stock with respect to shares of Common Stock covered by an Option unless and until such shares of Common Stock have been registered to the Participant as the owner.
- (b) *Stock Appreciation Rights.*
- (i) *Grants.* Subject to the terms and provisions of the Plan, SARs may be granted to Eligible Persons. SARs may be granted alone or in tandem with Options. With respect to SARs granted in tandem with Options, the exercise of either such Options or such SARs will result in the simultaneous cancellation of the same number of tandem SARs or Options, as the case may be.
 - (ii) *Exercise Price.* The exercise price per share of Common Stock covered by a SAR granted pursuant to the Plan shall be equal to or, at the Committee's discretion, greater than Fair Market Value on the date the SAR is granted, unless the SAR was granted through the assumption of, or in substitution for, outstanding awards previously granted to individuals who became employees of the Company as a result of a merger, consolidation, acquisition or other corporate transaction involving the Company (in which case the assumption or substitution shall be accomplished in a manner that permits the SAR to be exempt from Code Section 409A).
 - (iii) *Term.* The term of a SAR shall be determined by the Committee in its sole discretion, but, subject to Section 7(a)(iii), in no event shall the term exceed ten (10) years from the date of grant.
 - (iv) *No Repricing.* Except for adjustments made pursuant to Section 10, the exercise price for any outstanding SAR granted under the Plan may not be decreased after the date of grant nor may any outstanding SAR granted under the Plan be surrendered to the Company as consideration for the grant of a new SAR with a lower exercise price without the approval of PepsiCo's shareholders.
 - (v) *Form of Payment.* The Committee may authorize payment of a SAR in the form of cash, Common Stock valued at its Fair Market Value on the date of the exercise, a combination thereof, or by any other method as the Committee may determine.

- (vi) *No Dividend Equivalents.* No dividends or dividend equivalents may be paid on SARs.
- (c) *Restricted Shares / Restricted Stock Units.*
 - (i) *Grants.* Subject to the terms and provisions of the Plan, Restricted Shares or Restricted Stock Units may be granted to Eligible Persons.
 - (ii) *Restrictions.* The Committee shall impose such terms, conditions and/or restrictions on any Restricted Shares or Restricted Stock Units granted pursuant to the Plan as it may deem advisable including, without limitation: a requirement that Participants pay a stipulated purchase price for each Restricted Share or each Restricted Stock Unit; forfeiture conditions; transfer restrictions; restrictions based upon the achievement of specific performance goals (Company-wide, divisional, and/or individual); time-based restrictions on vesting; and/or restrictions under applicable federal or state securities laws. Except in the case of Awards covered by Section 5(a)(iv), any time-based Restriction Period shall be for a minimum of three years (subject to acceleration due to the Participant's death, total disability, retirement or retirement eligibility, in each case as specified in the applicable award agreement). To the extent the Restricted Shares or Restricted Stock Units are intended to be deductible under Code Section 162(m), the applicable restrictions shall be based on the achievement of Performance Goals over a Performance Period, as described in Section 7(d) below.
 - (iii) *Payment of Restricted Stock Units.* Restricted Stock Units that become payable in accordance with their terms and conditions shall be settled in cash, shares of Common Stock, or a combination of cash and shares, as determined by the Committee. Any person who holds Restricted Stock Units shall have no ownership interest in the shares of Common Stock to which the Restricted Stock Units relate unless and until payment with respect to such Restricted Stock Units is actually made in shares of Common Stock. The payment date shall be as soon as practicable after the earliest of (A) any vesting date that can be pre-determined at grant under the terms of an Award Agreement, and (B) the occurrence date of an applicable vesting event (e.g., death, total disability, approved transfer or retirement) specified in the applicable award agreement.
 - (iv) *Transfer Restrictions.* During the Restriction Period, Restricted

Shares may not be sold, assigned, transferred or otherwise disposed of, or mortgaged, pledged or otherwise encumbered. In order to enforce the limitations imposed upon the Restricted Shares, the Committee may (a) cause a legend or legends to be placed on any certificates evidencing such Restricted Shares, and/or (b) cause “stop transfer” instructions to be issued, as it deems necessary or appropriate. Restricted Stock Units may not be sold, assigned, transferred or otherwise disposed of, or mortgaged, pledged, or otherwise encumbered at any time.

- (v) *Dividend and Voting Rights.* Unless otherwise determined by the Committee, during the Restriction Period, Participants who hold Restricted Shares shall have the right to receive dividends in cash or other property or other distribution or rights in respect of such shares and shall have the right to vote such shares as the record owners thereof; provided that, unless otherwise determined by the Committee, any dividends or other property payable to a Participant during the Restriction Period shall be distributed to the Participant only if and when the restrictions imposed on the applicable Restricted Shares lapse. Unless otherwise determined by the Committee, during the Restriction Period, Participants who hold Restricted Stock Units shall be credited with dividend equivalents in respect of such Restricted Stock Units; provided that, unless otherwise determined by the Committee, such dividend equivalents shall be distributed (without interest) to the Participant only if and when the restrictions imposed on the applicable Restricted Stock Units lapse.
- (vi) *Ownership of Restricted Shares.* Restricted Shares issued under the Plan shall be registered in the name of the Participant on the books and records of the Company or its designee (or by one or more physical certificates if physical certificates are issued with respect to such Restricted Shares) subject to the applicable restrictions imposed by the Plan. If a Restricted Share is forfeited in accordance with the restrictions that apply to such Restricted Shares, such interest or certificate, as the case may be, shall be cancelled. At the end of the Restriction Period that applies to Restricted Shares, the number of shares to which the Participant is then entitled shall be delivered to the Participant free and clear of the restrictions, either in certificated or uncertificated form. No shares of Common Stock shall be registered in the name of the Participant with respect to a Restricted Stock Unit unless and until such unit is paid in shares of Common Stock.

(d) *Performance Awards.*

- (i) *Grants.* Subject to the provisions of the Plan, Performance Awards may be granted to Eligible Persons. Performance Awards may be granted either alone or in addition to other Awards made under the Plan.
- (ii) *Performance Goals.* Unless otherwise determined by the Committee, Performance Awards shall be conditioned on the achievement of Performance Goals (which shall be based on one or more Performance Measures, as determined by the Committee) over a Performance Period. The Performance Period shall be one year, unless otherwise determined by the Committee, provided that the Restriction Period for Performance Awards (not including Options, SARs or Awards covered by Section 5(a)(iv)) shall be for a minimum of three years, subject to acceleration due to the Participant's death or total disability, in each case as specified in the applicable award agreement.
- (iii) *Performance Measures.* The Performance Measure(s) to be used for purposes of Performance Awards may be described in terms of objectives that are related to the individual Participant or objectives that are Company-wide or related to a subsidiary, division, department, region, function or business unit of the Company, and may consist of one or more or any combination of the following criteria: stock price; market share; sales revenue; cash flow; sales volume; earnings per share; return on equity; return on assets; return on sales; return on invested capital; economic value added; net earnings; total shareholder return; gross margin; and costs. The Performance Goals based on these Performance Measures may be expressed in absolute terms or relative to the performance of other entities.
- (iv) *Negative Discretion.* Notwithstanding the achievement of any Performance Goal established under the Plan, the Committee has the discretion to reduce, but not increase, some or all of a Performance Award that would otherwise be paid to a Participant.
- (v) *Extraordinary Events.* At, or at any time after, the time an Award is granted, and to the extent permitted under Code Section 162(m) and the regulations thereunder without adversely affecting the treatment of the Award under the Performance-Based Exception, the Committee, in its sole discretion, may provide for the manner in which performance will be measured against the Performance Goals (or may adjust the Performance Goals) to reflect the impact of specific corporate transactions, accounting or tax law changes and other extraordinary and nonrecurring events.

- (vi) *Performance-Based Exception.* With respect to any Award that is intended to satisfy the conditions for the Performance-Based Exception under Code Section 162(m): (A) the Committee shall interpret the Plan and this Section 7(d) in light of Code Section 162(m) and the regulations thereunder; (B) the Committee shall have no discretion to amend the Award in any way that would adversely affect the treatment of the Award under Code Section 162(m) and the regulations thereunder; and (C) such Award shall not be paid until the Committee shall first have certified that the Performance Goals have been achieved.
- (e) *Stock Awards.*
 - (i) *Grants.* Subject to the provisions of the Plan, Stock Awards consisting of shares of Common Stock may be granted pursuant to this Section 7(e) only to Eligible Persons who are consultants or advisors to the Company and may not be granted to employees of the Company (including Employee Directors). Non-Employee Directors are eligible to receive Stock Awards only pursuant to Section 8. Stock Awards may be granted either alone or in addition to other Awards made under the Plan.
 - (ii) *Terms and Conditions.* The shares of Common Stock subject to a Stock Award shall be immediately vested at the time of grant and nonforfeitable at all times but shall be subject to such other terms and conditions, including restrictions on transferability, as determined by the Committee in its discretion subject to Section 5(a) (iv) and the other provisions of the Plan. The shares of Common Stock subject to a Stock Award shall be registered in the name of the Participant.

8. Awards to Non-Employee Directors.

- (a) *Sole Awards.* Notwithstanding anything in the other sections of the Plan to the contrary, Non-Employee Directors are eligible to receive only Awards authorized by this Section 8. The terms applicable under Section 7 for each such category of Award shall apply under this Section 8 to the extent not inconsistent with the provisions of this Section 8. The Committee retains the discretion to change the amount and terms of the Initial Grant or the types of Awards to Non-Employee Directors notwithstanding paragraphs (a), (b) and (c) of this Section 8.
- (b) *Initial Grants.* Each newly appointed Non-Employee Director shall, as soon as practicable after initially becoming a member of the Board, be

granted an Award (the “Initial Grant”) of a Stock Award consisting of 1,000 shares of Common Stock subject to the transfer restrictions in Section 8(c)(i) below.

(c) *Terms of Initial Grants to Non-Employee Directors.*

- (i) Shares of Common Stock subject to a Stock Award granted to a Non-Employee Director shall be immediately vested at the time of grant and nonforfeitable at all times. However, such shares of Common Stock may not be sold, assigned, transferred or otherwise disposed of, or mortgaged pledged or otherwise encumbered, until the date the Non-Employee Director’s membership on the Board ceases (except that this transfer restriction shall not prohibit: (A) PepsiCo’s retaining shares to satisfy required tax withholding under Section 12(e), and (B) intra-family transfers permitted by the Committee). In order to enforce the limitations imposed upon such shares of Common Stock, the Committee may (a) cause a legend or legends to be placed on any certificates evidencing such shares, and/or (b) cause “stop transfer” instructions to be issued, as it deems necessary or appropriate.
- (ii) Non-Employee Directors who hold shares of Common Stock pursuant to a Stock Award granted under this Section 8 shall have the right to receive dividends in cash or other property and shall have the right to vote such shares as the record owners thereof; provided that any securities of the Company that are distributed to a Non-Employee Director shall be subject to the same transfer restrictions that apply to such shares of Common Stock.

(d) *Payment Shares.* A current or former Non-Employee Director’s interest in phantom shares of Common Stock under the Director Deferral Program, which results from an elective or mandatory deferral of cash payments, shall be paid in shares of Common Stock (“Payment Shares”) pursuant to the Plan while the Plan remains in effect, to the extent the Director Deferral Program provides for the stock settlement of such phantom shares. The number of Payment Shares a current or former Non-Employee Director is entitled to receive shall be equal to the number of the Non-Employee Director’s phantom shares of Common Stock under the Director Deferral Program on the applicable distribution valuation date, and such Payment Shares shall be distributed on the same date such Non-Employee Director would otherwise be entitled to receive the cash payment under the Director Deferral Program in lieu of which the Payment Shares are being distributed.

9. Deferred Payments.

Subject to the terms of the Plan, the Committee may determine that all or a portion of any Award to a Participant, whether it is to be paid in cash, shares of Common Stock or a combination thereof, shall be deferred or may, in its sole discretion, approve deferral elections made by Participants. Deferrals shall be for such periods and upon such terms as the Committee may determine in its sole discretion, which terms shall be designed to comply with Code Section 409A. Notwithstanding the foregoing, deferral of Option or SAR gains shall not be permitted under the Plan.

10. Dilution and Other Adjustments.

In the event of any merger, reorganization, consolidation, recapitalization, stock dividend, stock split, combination or exchange of shares or other change in corporate structure affecting any class of Common Stock, the Committee shall make such adjustments in the class and aggregate number of shares which may be delivered under the Plan as described in Section 5, the individual award maximums under Section 6, the class, number, and Option Exercise Price of outstanding Options, the class number and exercise price of outstanding SARs and the class and number of shares subject to any other Awards granted under the Plan (provided the number of shares of any class subject to any Award shall always be a whole number), as may be, and to such extent (if any), determined to be appropriate and equitable by the Committee, and any such adjustment may, in the sole discretion of the Committee, take the form of Options covering more than one class of Common Stock. Such adjustment shall be conclusive and binding for all purposes of the Plan. Any adjustment of an Option or SAR under this Section 10 shall be accomplished in a manner that permits the Option or SAR to be exempt from Code Section 409A.

11. Change in Control.

- (a) *Impact of Event.* Notwithstanding any other provision of the Plan to the contrary, in the event of a Change in Control:
 - (i) If and to the extent that outstanding Awards under the Plan (A) are assumed by the successor corporation (or affiliate thereto) or (B) are replaced with equity awards that preserve the existing value of the Awards at the time of the Change in Control and provide for subsequent payout in accordance with a vesting schedule and Performance Goals, as applicable, that are the same or more favorable to the Participants than the vesting schedule and Performance Goals applicable to the Awards, then all such Awards or such substitutes thereof shall remain outstanding and be governed by their respective terms and the provisions of the Plan subject to Section 11(a)(iv) below.
 - (ii) If and to the extent that outstanding Awards under the Plan are not

assumed or replaced in accordance with Section 11(a)(i) above, then upon the Change in Control the following treatment (referred to as “Change-in-Control Treatment”) shall apply to such Awards: (A) outstanding Options and SARs shall immediately vest and become exercisable; (B) the restrictions and other conditions applicable to outstanding Restricted Shares, Restricted Stock Units and Stock Awards, including vesting requirements, shall immediately lapse; such Awards shall be free of all restrictions and fully vested; and, with respect to Restricted Stock Units, shall be payable immediately in accordance with their terms or, if later, as of the earliest permissible date under Code Section 409A; and (C) outstanding Performance Awards granted under the Plan shall immediately vest and shall become immediately payable in accordance with their terms as if 100% of the Performance Goals have been achieved.

- (iii) If and to the extent that outstanding Awards under the Plan are not assumed or replaced in accordance with Section 11(a)(i) above, then in connection with the application of the Change-in-Control Treatment set forth in Section 11(a)(ii) above, the Board may, in its sole discretion, provide for cancellation of such outstanding Awards at the time of the Change in Control in which case a payment of cash, property or a combination thereof shall be made to each such Participant upon the consummation of the Change in Control that is determined by the Board in its sole discretion and that is at least equal to the excess (if any) of the value of the consideration that would be received in such Change in Control by the holders of PepsiCo’s securities relating to such Awards over the exercise or purchase price (if any) for such Awards (except that, in the case of an Option or SAR, such payment shall be limited as necessary to prevent the Option or SAR from being subject to Code Section 409A).
- (iv) If and to the extent that (A) outstanding Awards are assumed or replaced in accordance with Section 11(a)(i) above and (B) a Participant’s employment with, or performance of services for, the Company is terminated by the Company for any reasons other than Cause or by such Participant for Good Reason, in each case, within the two-year period commencing on the Change in Control, then, as of the date of such Participant’s termination, the Change-in-Control Treatment set forth in Section 11(a)(ii) above shall apply to all assumed or replaced Awards of such Participant then outstanding.
- (v) Outstanding Options or SARs that are assumed or replaced in accordance with Section 11(a)(i) may be exercised by the Participant in accordance with the applicable terms and conditions of such

Award as set forth in the applicable award agreement or elsewhere; provided, however, that Options or SARs that become exercisable in accordance with Section 11(a)(iv) may be exercised until the expiration of the original full term of such Option or SAR notwithstanding the other original terms and conditions of such Award.

(b) *Definitions.*

- (i) For purposes of this Section 11, “Change in Control” means the occurrence of any of the following events:
 - (A) acquisition of 20% or more of the outstanding voting securities of PepsiCo by another entity or group; excluding, however, the following (1) any acquisition by PepsiCo or (2) any acquisition by an employee benefit plan or related trust sponsored or maintained by PepsiCo;
 - (B) during any consecutive two-year period, persons who constitute the Board at the beginning of the period cease to constitute at least 50% of the Board (unless the election of each new Board member was approved by a majority of directors who began the two-year period);
 - (C) (1) with respect to Awards granted prior to September 11, 2008, PepsiCo shareholders approve a merger or consolidation of PepsiCo with another company, and PepsiCo is not the surviving company; or, if after such transaction, the other entity owns, directly or indirectly, 50% or more of the outstanding voting securities of PepsiCo and (2) with respect to Awards granted on or after September 11, 2008, consummation of a merger or consolidation of the Company with any other corporation, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting shares of the surviving entity) more than 50% of the combined voting power of the voting securities of the Company or such surviving entity outstanding immediately after such merger or consolidation;
 - (D) PepsiCo shareholders approve a plan of complete liquidation of PepsiCo or the sale or disposition of all or substantially all of PepsiCo’s assets; or
 - (E) any other event, circumstance, offer or proposal occurs or is made, which is intended to effect a change in the control of PepsiCo, and which results in the occurrence of one or more of the events set forth in clauses (A) through (D) of this Section 11(b)(i).

- (ii) For purposes of this Section 11, “Cause” means with respect to any Participant, unless otherwise provided in the applicable award agreement, (A) the Participant’s willful misconduct that materially injures the Company; (B) the Participant’s conviction of a felony or a plea of nolo contendere by Participant with respect to a felony; or (C) the Participant’s continued failure to substantially perform his or her duties with the Company (other than by reason of the Participant’s disability) after written demand by the Company that identifies the manner in which the Company believes that the Participant has not performed his or her duties. A termination for Cause must be communicated to the Participant by written notice that specifies the event or events claimed to provide a basis for termination for Cause.
- (iii) For purposes of this Section 11, “Good Reason” means with respect to any Participant, unless otherwise provided in the applicable award agreement, without the Participant’s written consent, (A) the Company’s requiring a material change in the Participant’s principal place of employment as it existed immediately prior to the Change in Control, except for reasonably required travel on the Company’s business that is not materially greater than such travel requirements prior to the Change in Control (for this purpose, a change of 35 or fewer miles shall not be considered a material change in the Participant’s principal place of employment); (B) a material reduction in the Participant’s compensation (within the meaning of Treasury Regulation § 1.409A-1(n)(2)(ii)(A)(2)) as in effect immediately prior to the Change in Control; or (C) a material reduction in the Participant’s job responsibilities, authority or duties with the Company as in effect immediately prior to the Change in Control. A termination for Good Reason must be communicated by the Participant to the Company by written notice that specifies the event or events claimed to provide a basis for termination for Good Reason; provided that the Participant’s written notice must be tendered within ninety (90) days of the occurrence of such event or events and provided further that the Company shall have failed to remedy such act or omission within thirty (30) days following its receipt of such notice. A Participant’s continued employment shall not constitute consent to, or a waiver of rights with respect to, any act or failure to act constituting Good Reason hereunder if the Participant actually terminates employment within fourteen (14) days after the Company’s failure to timely remedy or, if earlier, prior to the second anniversary of the Change in Control.

12. Miscellaneous Provisions.

- (a) *Misconduct.* Except as otherwise provided in agreements covering Awards hereunder, a Participant shall forfeit all rights in his or her outstanding Awards under the Plan, and all such outstanding Awards shall automatically terminate and lapse, if the Committee determines that such Participant has (i) used for profit or disclosed to unauthorized persons, confidential information or trade secrets of the Company, (ii) breached any contract with or violated any fiduciary obligation to the Company, including without limitation, a violation of any Company code of conduct, (iii) engaged in unlawful trading in the securities of PepsiCo or of another company based on information gained as a result of that Participant's employment or other relationship with the Company, or (iv) committed a felony or other serious crime.
- (b) *Rights as Shareholder.* Except as otherwise provided herein, a Participant shall have no rights as a holder of Common Stock with respect to Awards hereunder, unless and until the shares of Common Stock have been registered to the Participant as the owner.
- (c) *No Loans.* No loans from the Company to Participants shall be permitted in connection with the Plan.
- (d) *Assignment or Transfer.* Except as otherwise provided under the Plan, no Award under the Plan or any rights or interests therein shall be transferable other than by will or the laws of descent and distribution. The Committee may, in its discretion, provide that an Award (other than an ISO) is transferable without the payment of any consideration to a Participant's family member, whether directly or by means of a trust or otherwise, subject to such terms and conditions as the Committee may impose. For this purpose, "family member" has the meaning given to such term in the General Instructions to the Form S-8 registration statement under the Securities Act of 1933. All Awards under the Plan shall be exercisable, during the Participant's lifetime, only by the Participant or a person who is a permitted transferee pursuant to this Section 12(d). Once awarded, the shares of Common Stock (other than Restricted Shares) received by Participants may be freely transferred, assigned, pledged or otherwise subjected to lien, subject to: (i) the transfer restrictions in Sections 7(e)(ii) and 8(c)(i) above; and (ii) the restrictions imposed by the Securities Act of 1933, Section 16 of the Exchange Act and PepsiCo's Insider Trading Policy, each as amended from time to time.
- (e) *Withholding Taxes.* PepsiCo shall have the right to deduct from all Awards paid in cash to a Participant any taxes required by law to be withheld with respect to such Awards. All statutory minimum applicable withholding taxes arising with respect to Awards paid in shares of Common Stock to a Participant shall be satisfied by PepsiCo retaining shares of Common

Stock having a Fair Market Value on the date the tax is to be determined that is equal to the amount of such statutory minimum applicable withholding tax (rounded, if necessary, to the next highest whole number of shares of Common Stock); provided, however, that, subject to any restrictions or limitations that the Committee deems appropriate, a Participant may elect to satisfy such statutory minimum applicable withholding tax through cash or cash proceeds.

- (f) *Currency and Other Restrictions.* The obligations of the Company to make delivery of Awards in cash or Common Stock shall be subject to currency or other restrictions imposed by any governmental authority or regulatory body having jurisdiction over such Awards.
- (g) *No Rights to Awards.* Neither the Plan nor any action taken hereunder shall be construed as giving any person any right to be retained in the employ or service of the Company, and the Plan shall not interfere with or limit in any way the right of the Company to terminate any person's employment or service at any time. Except as set forth herein, no employee or other person shall have any claim or right to be granted an Award under the Plan. By accepting an Award, the Participant acknowledges and agrees that (i) the Award will be exclusively governed by the terms of the Plan, including the right reserved by the Company to amend or cancel the Plan at any time without the Company incurring liability to the Participant (except, to the extent the terms of the Award so provide, for Awards already granted under the Plan), (ii) Awards are not a constituent part of salary and the Participant is not entitled, under the terms and conditions of employment, or by accepting or being granted Awards under the Plan to require Awards to be granted to him or her in the future under the Plan or any other plan, (iii) the value of Awards received under the Plan shall be excluded from the calculation of termination indemnities or other severance payments or benefits, and (iv) the Participant shall seek all necessary approval under, make all required notifications under, and comply with all laws, rules and regulations applicable to the ownership of Options and shares of Common Stock and the exercise of Options, including, without limitation, currency and exchange laws, rules and regulations.
- (h) *Beneficiary Designation.* To the extent allowed by the Committee, each Participant under the Plan may, from time to time, name any beneficiary or beneficiaries (who may be named on a contingent or successive basis) to whom any benefit under the Plan is to be paid in case of his or her death before he or she receives any or all of such benefit. Unless the Committee determines otherwise, each such designation shall revoke all prior designations by the same Participant, shall be in a form prescribed by the Committee, and shall be effective only when filed by the Participant in writing with the Company during the Participant's lifetime. In the absence of any such designation, benefits remaining unpaid at the Participant's death shall be paid to the Participant's estate.

- (i) *Costs and Expenses.* The cost and expenses of administering the Plan shall be borne by PepsiCo and not charged to any Award or to any Participant.
- (j) *Fractional Shares.* Fractional shares of Common Stock shall not be issued or transferred under an Award, but the Committee may direct that cash be paid in lieu of fractional shares or may round off fraction shares, in its discretion.
- (k) *Funding of Plan.* The Plan shall be unfunded and any benefits under the Plan shall represent an unsecured promise to pay by the Company. PepsiCo shall not be required to establish or fund any special or separate account or to make any other segregation of assets to assure the payment of any Award under the Plan and the existence of any such account or other segregation of assets shall be consistent with the “unfunded” status of the Plan.
- (l) *Indemnification.* Provisions for the indemnification of officers and directors of the Company in connection with the administration of the Plan shall be as set forth in PepsiCo’s Certificate of Incorporation and Bylaws as in effect from time to time.
- (m) *Successors.* All obligations of PepsiCo under the Plan with respect to Awards granted hereunder shall be binding on any successor to PepsiCo, whether the existence of such successor is the result of a direct or indirect purchase, merger, consolidation, or otherwise, of all or substantially all of the business and/or assets of PepsiCo.
- (n) *Compliance with Code Section 409A.* The Plan is intended to satisfy the requirements of Code Section 409A and any regulations or guidance that may be adopted thereunder from time to time, including any transition relief available under applicable guidance related to Code Section 409A. Accordingly, to ensure the exemption from Code Section 409A of potentially exempt Awards and the compliance with Code Section 409A of other Awards, any payment that under the terms of the Plan or an agreement is to be made as soon as practicable relative to a date shall be made not later than 60 days after such date, and the Participant may not determine the time of payment. Pursuant to Section 13(b), the Plan may be amended or interpreted by the Committee as it determines necessary or appropriate in accordance with Code Section 409A and to avoid a plan failure under Code Section 409A(a)(1).

13. Effective Date, Governing Law, Amendments and Termination.

- (a) *Effective Date.* The Plan was approved by the Board on February 2, 2007 and shall become effective on the date it is approved by PepsiCo's shareholders.
- (b) *Amendments.* The Committee or the Board may at any time terminate or from time to time amend the Plan in whole or in part, but no such action shall adversely affect any rights or obligations with respect to any Awards granted prior to the date of such termination or amendment without the consent of the affected Participant except to the extent that the Committee reasonably determines that such termination or amendment is necessary or appropriate to comply with applicable law (including the provisions of Code Section 409A and the regulations thereunder pertaining to the deferral of compensation) or the rules and regulations of any stock exchange on which Common Stock is listed or quoted. Notwithstanding the foregoing, unless PepsiCo's shareholders shall have first approved the amendment, no amendment of the Plan shall be effective if the amendment would (i) increase the maximum number of shares of Common Stock that may be delivered under the Plan or to any one individual (except to the extent such amendment is made pursuant to Section 10 hereof), (ii) extend the maximum period during which Awards may be granted under the Plan, (iii) add to the types of awards that can be made under the Plan, (iv) change the Performance Measures pursuant to which Performance Awards are earned, (v) modify the requirements as to eligibility for participation in the Plan, (vi) decrease the grant or exercise price of any Option or SAR to less than the Fair Market Value on the date of grant; or (vii) require shareholder approval pursuant to the Plan or applicable law or the rules of the principal securities exchange on which shares of Common Stock are traded in order to be effective.
- (c) *Governing Law.* All questions pertaining to the construction, interpretation, regulation, validity and effect of the provisions of the Plan shall be determined in accordance with the laws of the State of North Carolina without giving effect to conflict of laws principles.
- (d) *Termination.* No Awards shall be made under the Plan after the tenth anniversary of the date on which PepsiCo's shareholders approve the Plan.

PEPSICO, INC. AND SUBSIDIARIES
 Computation of Ratio of Earnings to Fixed Charges
 (in millions except ratio amounts, unaudited)

	36 Weeks Ended	
	9/6/08	9/8/07
Earnings:		
Income before income taxes	\$ 6,009	\$ 5,834
Unconsolidated affiliates interests, net	(321)	(320)
Amortization of capitalized interest	3	3
Interest expense ^(a)	205	153
Interest portion of rent expense ^(b)	74	71
Earnings available for fixed charges	<u>\$ 5,970</u>	<u>\$ 5,741</u>
Fixed Charges:		
Interest expense ^(a)	\$ 205	\$ 153
Capitalized interest	9	14
Interest portion of rent expense ^(b)	74	71
Total fixed charges	<u>\$ 288</u>	<u>\$ 238</u>
Ratio of Earnings to Fixed Charges ^(c)	<u>20.70</u>	<u>24.10</u>

(a) Excludes interest related to our reserves for income taxes as such interest is included in provision for income taxes.

(b) One-third of net rent expense is the portion deemed representative of the interest factor.

(c) Based on unrounded amounts.

Accountant's Acknowledgement

To the Board of Directors of PepsiCo, Inc.:

We hereby acknowledge our awareness of the use of our report dated October 15, 2008 included within the Quarterly Report on Form 10-Q of PepsiCo, Inc. for the twelve and thirty-six weeks ended September 6, 2008, and incorporated by reference in the following Registration Statements and in the related Prospectuses:

Description, Registration Statement Number

Form S-3

- PepsiCo SharePower Stock Option Plan for PCDC Employees, 33-42121
- \$32,500,000 Puerto Rico Industrial, Medical and Environmental Pollution Control Facilities Financing Authority Adjustable Rate Industrial Revenue Bonds, 33-53232
- Extension of the PepsiCo SharePower Stock Option Plan to Employees of Snack Ventures Europe, a joint venture between PepsiCo Foods International and General Mills, Inc., 33-50685
- \$4,587,000,000 Debt Securities and Warrants, 33-64243
- \$500,000,000 Capital Stock, 1 2/3 cents par value, 333-56302
- Automatic Shelf Registration Statement, 333-133735

Form S-4

- 330,000,000 Shares of Common Stock, 1 2/3 cents par value and 840,582 Shares of Convertible Stock, no par value, 333-53436
- \$1,000,000,000 4-5/8% Senior Notes guaranteed by PepsiCo, 333-102035

Form S-8

- The PepsiCo 401(k) Plan for Hourly Employees, 333-150868
- The PepsiCo 401(k) Plan for Salaried Employees, 333-150867
- PepsiCo, Inc. 2007 Long-Term Incentive Plan, 333-142811
- PepsiCo, Inc. 2003 Long-Term Incentive Plan, 333-109509
- PepsiCo SharePower Stock Option Plan, 33-35602, 33-29037, 33-42058, 33-51496, 33-54731, 33-66150 and 333-109513
- Director Stock Plan, 33-22970 and 333-110030
- 1979 Incentive Plan and the 1987 Incentive Plan, 33-19539
- 1994 Long-Term Incentive Plan, 33-54733
- PepsiCo, Inc. 1995 Stock Option Incentive Plan, 33-61731, 333-09363 and 333-109514
- 1979 Incentive Plan, 2-65410
- PepsiCo, Inc. Long Term Savings Program, 2-82645, 33-51514 and 33-60965
- PepsiCo 401(K) Plan, 333-89265
- Retirement Savings and Investment Plan for Union Employees of Tropicana Products, Inc. and Affiliates and the Retirement Savings and Investment Plan for Union Employees of Tropicana Products, Inc. and Affiliates (Teamster Local Union #173), 333-65992
- The Quaker Long Term Incentive Plan of 1990, The Quaker Long Term Incentive Plan of 1999 and The Quaker Oats Company Stock Option Plan for Outside Directors, 333-66632
- The Quaker 401(K) Plan for Salaried Employees and The Quaker 401(k) Plan for Hourly Employees, 333-66634
- The PepsiCo 401(k) Plan for Salaried Employees, 333-76196
- The PepsiCo 401(k) Plan for Hourly Employees, 333-76204
- The PepsiCo Share Award Plan, 333-87526

Pursuant to Rule 436 (c) under the Securities Act of 1933 (the "Act"), such report is not considered part of a registration statement prepared or certified by an independent registered public accounting firm, or a report prepared or certified by an independent registered public accounting firm within the meaning of Sections 7 and 11 of the Act.

/s/ KPMG LLP

New York, New York
October 15, 2008

CERTIFICATION

I, **Indra K. Nooyi**, certify that:

1. I have reviewed this quarterly report on Form 10-Q of PepsiCo, Inc. (PepsiCo);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of PepsiCo as of, and for, the periods presented in this report;
4. PepsiCo's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for PepsiCo and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to PepsiCo, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of PepsiCo's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in PepsiCo's internal control over financial reporting that occurred during PepsiCo's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, PepsiCo's internal control over financial reporting; and
5. PepsiCo's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to PepsiCo's auditors and the audit committee of PepsiCo's board of directors:
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect PepsiCo's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in PepsiCo's internal control over financial reporting.

Date: October 15, 2008

/s/ Indra K. Nooyi

Indra K. Nooyi
Chairman of the Board of Directors
and Chief Executive Officer

CERTIFICATION

I, **Richard Goodman**, certify that:

1. I have reviewed this quarterly report on Form 10-Q of PepsiCo, Inc. (PepsiCo);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of PepsiCo as of, and for, the periods presented in this report;
4. PepsiCo's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for PepsiCo and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to PepsiCo, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of PepsiCo's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in PepsiCo's internal control over financial reporting that occurred during PepsiCo's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, PepsiCo's internal control over financial reporting; and
5. PepsiCo's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to PepsiCo's auditors and the audit committee of PepsiCo's board of directors:
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect PepsiCo's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in PepsiCo's internal control over financial reporting.

Date: October 15, 2008

/s/ Richard Goodman

Richard Goodman

Chief Financial Officer

CERTIFICATION PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of PepsiCo, Inc. (the "Corporation") on Form 10-Q for the quarterly period ended September 6, 2008 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Indra K. Nooyi, Chairman of the Board of Directors and Chief Executive Officer of the Corporation, certify to my knowledge, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350), that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Corporation.

Date: October 15, 2008

/s/ Indra K. Nooyi

Indra K. Nooyi
Chairman of the Board of Directors
and Chief Executive Officer

CERTIFICATION PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of PepsiCo, Inc. (the "Corporation") on Form 10-Q for the quarterly period ended September 6, 2008 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Richard Goodman, Chief Financial Officer of the Corporation, certify to my knowledge, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350), that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Corporation.

Date: October 15, 2008

/s/ Richard Goodman

Richard Goodman

Chief Financial Officer