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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-K

(Mark One)

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

For the fiscal year ended December 25, 2010

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	**13-1584302**
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
700 Anderson Hill Road, Purchase, New York	**10577**
(Address of Principal Executive Offices)	(Zip Code)

Registrant's telephone number, including area code: 914-253-2000

Securities registered pursuant to Section 12(b) of the Securities Exchange Act of 1934:

Title of each class	**Name of each exchange on which registered**
Common Stock, par value 1-2/3 cents per share	New York and Chicago Stock Exchanges

Securities registered pursuant to Section 12(g) of the Securities Exchange Act of 1934: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes ☐ No ☒

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 has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

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 ☒

The aggregate market value of PepsiCo Common Stock held by nonaffiliates of PepsiCo (assuming for these purposes, but without conceding, that all executive officers and directors of PepsiCo are affiliates of PepsiCo) as of June 11, 2010, the last day of business of our most recently completed second fiscal quarter, was $101,306,369,191 (based on the closing sale price of PepsiCo's Common Stock on that date as reported on the New York Stock Exchange).

The number of shares of PepsiCo Common Stock outstanding as of February 11, 2011 was 1,586,503,366.

Documents of Which Portions Are Incorporated by Reference	Parts of Form 10-K into Which Portion of Documents Are Incorporated
Proxy Statement for PepsiCo's May 4, 2011 Annual Meeting of Shareholders	III

PepsiCo, Inc.

Form 10-K Annual Report
For the Fiscal Year Ended December 25, 2010

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PART I

Item 1. Business.

PepsiCo, Inc. was incorporated in Delaware in 1919 and was reincorporated in North Carolina in 1986. When used in this report, the terms “we,” “us,” “our,” “PepsiCo” and the “Company” mean PepsiCo, Inc. and its divisions and subsidiaries.

We are a leading global food, snack and beverage company. Our brands – which include Quaker Oats, Tropicana, Gatorade, Lay’s and Pepsi – are household names that stand for quality throughout the world. As a global company, we also have strong regional brands such as Walkers, Gamesa and Sabritas. Either independently or through contract manufacturers, we make, market and sell a variety of convenient, enjoyable and wholesome foods and beverages in over 200 countries. Our portfolio includes oat, rice and grain-based foods, as well as carbonated and non-carbonated beverages. Our largest operations are in North America (United States and Canada), Mexico, Russia and the United Kingdom.

We are united by our unique commitment to Performance with Purpose, which means delivering sustainable growth by investing in a healthier future for people and our planet. Our goal is to continue to build a balanced portfolio of enjoyable and wholesome foods and beverages, find innovative ways to reduce the use of energy, water and packaging and provide a great workplace for our associates. Additionally, we are committed to respecting, supporting and investing in the local communities where we operate by hiring local people, creating products designed for local tastes and partnering with local farmers, governments and community groups. We make this commitment because we are a responsible company, and a healthier future for all people and our planet means a more successful future for PepsiCo.

In recognition of our continuing sustainability efforts, we were again included on the Dow Jones Sustainability North America Index and the Dow Jones Sustainability World Index in September 2010. These indices are compiled annually.

Our Divisions

We are organized into four business units, as follows:

1. PepsiCo Americas Foods (PAF), which includes Frito-Lay North America (FLNA), Quaker Foods North America (QFNA) and all of our Latin American food and snack businesses (LAF), including our Sabritas and Gamesa businesses in Mexico;
2. PepsiCo Americas Beverages (PAB), which includes PepsiCo Beverages Americas and Pepsi Beverages Company;

3. PepsiCo Europe, which includes all beverage, food and snack businesses in Europe; and
4. PepsiCo Asia, Middle East and Africa (AMEA), which includes all beverage, food and snack businesses in AMEA.

Our four business units are comprised of six reportable segments (referred to as divisions), as follows:

- FLNA,
- QFNA,
- LAF,
- PAB,
- Europe, and
- AMEA.

See Note 1 to our consolidated financial statements for financial information about our divisions and geographic areas.

Frito-Lay North America

Either independently or through contract manufacturers, FLNA makes, markets, sells and distributes branded snack foods. These foods include Lay's potato chips, Doritos tortilla chips, Cheetos cheese flavored snacks, Tostitos tortilla chips, branded dips, Ruffles potato chips, Fritos corn chips, Quaker Chewy granola bars and SunChips multigrain snacks. FLNA branded products are sold to independent distributors and retailers. In addition, FLNA's joint venture with Strauss Group makes, markets, sells and distributes Sabra refrigerated dips and spreads. FLNA's net revenue was $13.4 billion, $13.2 billion and $12.5 billion in 2010, 2009 and 2008, respectively, and approximated 23%, 31% and 29% of our total net revenue in 2010, 2009 and 2008, respectively.

Quaker Foods North America

Either independently or through contract manufacturers, QFNA makes, markets and sells cereals, rice, pasta and other branded products. QFNA's products include Quaker oatmeal, Aunt Jemima mixes and syrups, Cap'n Crunch cereal, Quaker grits, Life cereal, Rice-A-Roni, Pasta Roni and Near East side dishes. These branded products are sold to independent distributors and retailers. QFNA's net revenue was $1.8 billion in 2010 and $1.9 billion in both 2009 and 2008 and approximated 3% of our total net revenue in 2010 and 4% of our total net revenue in both 2009 and 2008.

Latin America Foods

Either independently or through contract manufacturers, LAF makes, markets and sells a number of snack food brands including Doritos, Marias Gamesa, Cheetos, Ruffles, Emperador, Saladitas, Sabritas and Lay's, as well as many Quaker-brand cereals and snacks. These branded products are sold to independent distributors and retailers. LAF's net revenue was $6.3 billion, $5.7 billion and $5.9 billion in 2010, 2009 and 2008, respectively and approximated 11%, 13% and 14% of our total net revenue in 2010, 2009 and 2008, respectively.

PepsiCo Americas Beverages

Either independently or through contract manufacturers, PAB makes, markets, sells and distributes beverage concentrates, fountain syrups and finished goods, under various beverage brands including Pepsi, Mountain Dew, Gatorade, 7UP (outside the U.S.), Tropicana Pure Premium, Electropura, Sierra Mist, Epura and Mirinda. PAB also, either independently or through contract manufacturers, makes, markets and sells ready-to-drink tea, coffee and water products through joint ventures with Unilever (under the Lipton brand name) and Starbucks. In addition, PAB licenses the Aquafina water brand to its independent bottlers and markets this brand. Furthermore, PAB manufactures and distributes certain brands licensed from Dr Pepper Snapple Group, Inc. (DPSG), including Dr Pepper and Crush. PAB sells concentrate and finished goods for some of these brands to authorized bottlers, and some of these branded finished goods are sold directly by us to independent distributors and retailers. The bottlers sell our brands as finished goods to independent distributors and retailers. PAB's net revenue was $20.4 billion, $10.1 billion and $10.9 billion in 2010, 2009 and 2008, respectively, and approximated 35%, 23% and 25% of our total net revenue in 2010, 2009 and 2008, respectively.

See Note 15 for additional information about our acquisitions of The Pepsi Bottling Group, Inc. (PBG) and PepsiAmericas, Inc. (PAS) in 2010.

Europe

Either independently or through contract manufacturers, Europe makes, markets and sells a number of leading snack foods including Lay's, Walkers, Doritos, Cheetos and Ruffles, as well as many Quaker-brand cereals and snacks, through consolidated businesses as well as through noncontrolled affiliates. Europe also, either independently or through contract manufacturers, makes, markets and sells beverage concentrates, fountain syrups and finished goods under various beverage brands including Pepsi, 7UP and Tropicana. These branded products are sold to authorized bottlers, independent distributors and retailers. In certain markets, however, Europe operates its own bottling plants and distribution facilities. In addition, Europe licenses the Aquafina water brand to certain of its authorized bottlers. Europe also, either independently or through contract manufacturers, makes, markets and sells ready-to-drink tea products through an international joint venture with Unilever (under the Lipton brand name). Europe's net revenue was $9.3 billion, $6.7 billion and $6.9 billion in 2010, 2009 and 2008,

respectively and approximated 16% of our total net revenue in 2010, 2009 and 2008. See Note 15 for additional information about our acquisitions of PBG and PAS in 2010.

Also see "Acquisition of Wimm-Bill-Dann Foods OJSC" below and Note 15 for additional information about our acquisition of Wimm-Bill-Dann Foods OJSC.

Asia, Middle East & Africa

AMEA makes, markets and sells a number of leading snack food brands including Lay's, Chipsy, Kurkure, Doritos, Cheetos and Smith's, through consolidated businesses as well as through noncontrolled affiliates. Further, either independently or through contract manufacturers, AMEA makes, markets and sells many Quaker-brand cereals and snacks. AMEA also makes, markets and sells beverage concentrates, fountain syrups and finished goods, under various beverage brands including Pepsi, Mirinda, 7UP and Mountain Dew. These branded products are sold to authorized bottlers, independent distributors and retailers. However, in certain markets, AMEA operates its own bottling plants and distribution facilities. In addition, AMEA licenses the Aquafina water brand to certain of its authorized bottlers. AMEA also, either independently or through contract manufacturers, makes, markets and sells ready-to-drink tea products through an international joint venture with Unilever (under the Lipton brand name). AMEA's net revenue was $6.6 billion, $5.6 billion and $5.1 billion in 2010, 2009 and 2008, respectively and approximated 12%, 13% and 12% of our total net revenue in 2010, 2009 and 2008, respectively.

New Organizational Structure

Beginning in the first quarter of 2011, we realigned certain of our reportable segments to reflect changes in management responsibility. As a result, as of the beginning of our 2011 fiscal year, our Quaker snacks business in North America will be reported within our QFNA segment. Prior to this change, Quaker snacks in North America was reported as part of our FLNA segment. Additionally, as of the beginning of the first quarter of 2011, our South Africa snacks business will be reported within our Europe segment. Prior to this change, this business was reported as part of our AMEA segment. These changes did not impact our other existing reportable segments. Our historical segment reporting will be reclassified in 2011 to reflect the new organizational structure. The reportable segment amounts and discussions reflected in this Form 10-K reflect the management reporting that existed through the end of our 2010 fiscal year.

Acquisition of Wimm-Bill-Dann Foods OJSC

On February 3, 2011, we announced that we had completed the previously announced acquisition of ordinary shares, American Depositary Shares, and Global Depositary Shares of Wimm-Bill-Dann Foods OJSC, a company incorporated in the Russian Federation (WBD), which represent in the aggregate approximately 66% of WBD's outstanding ordinary shares, pursuant to the purchase agreement dated December 1, 2010 between PepsiCo and certain selling shareholders of WBD for approximately $3.8

billion. The acquisition increased PepsiCo's total ownership of WBD to approximately 77%. See Note 15 for additional information about our acquisition of WBD.

Our Distribution Network

Our products are brought to market through direct-store-delivery (DSD), customer warehouse and foodservice and vending distribution networks. The distribution system used depends on customer needs, product characteristics and local trade practices. These distribution systems are described under the heading "Our Distribution Network" contained in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations."

Ingredients and Other Supplies

The principal ingredients we use in our food and beverage businesses are apple and pineapple juice and other juice concentrates, aspartame, corn, corn sweeteners, flavorings, flour, grapefruits and other fruits, oats, oranges, potatoes, rice, seasonings, sucralose, sugar, vegetable and essential oils and wheat. Our key packaging materials include plastic resins, including polyethylene terephthalate (PET) and polypropylene resins used for plastic beverage bottles and film packaging used for snack foods, aluminum used for cans, glass bottles, closures, cardboard and paperboard cartons. Fuel and natural gas are also important commodities due to their use in our plants and in the trucks delivering our products. These ingredients, raw materials and commodities are purchased mainly in the open market. We employ specialists to secure adequate supplies of many of these items and have not experienced any significant continuous shortages. The prices we pay for such items are subject to fluctuation. When prices increase, we may or may not pass on such increases to our customers. See Note 10 to our consolidated financial statements for additional information on how we manage our exposure to commodity costs.

Our Brands

We own numerous valuable trademarks which are essential to our worldwide businesses, including Alegro, Amp Energy, Aquafina, Aunt Jemima, Cap'n Crunch, Cheetos, Chester's, Chipsy, Cracker Jack, Diet Pepsi, Doritos, Duyvis, Emperador, Frito-Lay, Fritos, Fruktovy Sad, Frustyle, Gamesa, Gatorade, G2, G Series, Grandma's, Izze, Kurkure, Lay's, Life, Manzanita Sol, Marias Gamesa, Matutano, Mirinda, Miss Vickie's, Mother's, Mountain Dew, Mug, Munchies, Naked, Near East, Paso de los Toros, Pasta Roni, Pepsi, Pepsi Max, Pepsi One, Propel, Quaker, Quaker Chewy, Quakes, Red Rock Deli, Rice-A-Roni, Rold Gold, Ruffles, Sabritas, Saladitas, Sakata, Sandora, 7UP and Diet 7UP (outside the United States), Santitas, Sierra Mist, Simba, Smartfood, Smith's, Snack a Jacks, SoBe, SoBe Lifewater, Sonric's, Stacy's, SunChips, Tonus, Tostitos, Trop 50, Tropicana, Tropicana Pure Premium, Tropicana Twister, V Water, Walkers and Ya. We also hold long-term licenses to use valuable trademarks in connection with our products, including Dole and Ocean Spray. Joint ventures in which we participate either own or have the right to use certain trademarks, such as Lipton, Starbucks and Sabra. Trademarks remain valid so long as they are used properly for identification purposes,

and we emphasize correct use of our trademarks. We have authorized, through licensing arrangements, the use of many of our trademarks in such contexts as snack food joint ventures and beverage bottling appointments. In addition, we license the use of our trademarks on promotional items for the primary purpose of enhancing brand awareness.

We either own or have licenses to use a number of patents which relate to some of our products, their packaging, the processes for their production and the design and operation of various equipment used in our businesses. Some of these patents are licensed to others.

Seasonality

Our beverage and food divisions are subject to seasonal variations. Our beverage sales are higher during the warmer months and certain food sales are higher in the cooler months. Weekly beverage and snack sales are generally highest in the third quarter due to seasonal and holiday-related patterns, and generally lowest in the first quarter. However, taken as a whole, seasonality does not have a material impact on our business.

Our Customers

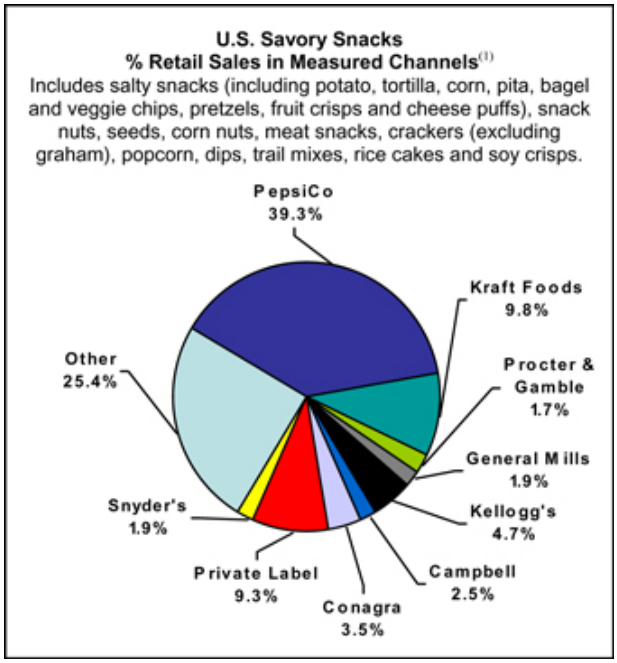
Our primary customers include wholesale distributors, grocery stores, convenience stores, mass merchandisers, membership stores, authorized independent bottlers and foodservice distributors, including hotels and restaurants. We normally grant our independent bottlers exclusive contracts to sell and manufacture certain beverage products bearing our trademarks within a specific geographic area. These arrangements provide us with the right to charge our independent bottlers for concentrate, finished goods and Aquafina royalties and specify the manufacturing process required for product quality.

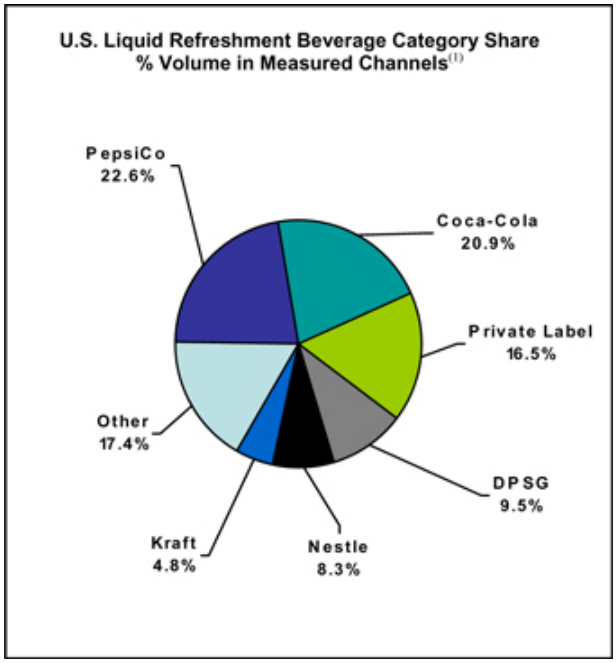
Retail consolidation and the current economic environment continue to increase the importance of major customers. In 2010, sales to Wal-Mart Stores, Inc. (Wal-Mart), including Sam's Club (Sam's), represented approximately 12% of our total net revenue. Our top five retail customers represented approximately 31% of our 2010 North American net revenue, with Wal-Mart (including Sam's) representing approximately 18%. These percentages include concentrate sales to our independent bottlers (including concentrate sales to PBG and PAS prior to the February 26, 2010 acquisition date) which were used in finished goods sold by them to these retailers. See "Our Customers" and "Our Related Party Bottlers" contained in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" and Note 8 to our consolidated financial statements for more information on our customers, including our independent bottlers and Note 15 to our consolidated financial statements for additional information about acquisitions of PBG and PAS in 2010.

Our Competition

Our businesses operate in highly competitive markets. We compete against global, regional, local and private label manufacturers on the basis of price, quality, product variety and distribution. In U.S. measured channels, our chief beverage competitor, The Coca-Cola Company, has a larger share of CSD (carbonated soft drinks) consumption,

while we have a larger share of liquid refreshment beverages consumption. In addition, The Coca-Cola Company has a significant CSD share advantage in many markets outside the United States. Further, our snack brands hold significant leadership positions in the snack industry worldwide. Our snack brands face local, regional and private label competitors, as well as national and global snack competitors, and compete on the basis of price, quality, product variety and distribution. Success in this competitive environment is dependent on effective promotion of existing products, the introduction of new products and the effectiveness of our advertising campaigns, marketing programs and product packaging. We believe that the strength of our brands, innovation and marketing, coupled with the quality of our products and flexibility of our distribution network, allow us to compete effectively.





(1) The categories and category share information in the charts above are as of December 2010 and are defined by the following source of the information: Information Resources, Inc. The above charts exclude data from certain customers such as Wal-Mart that do not report data to this service.

Research and Development

We engage in a variety of research and development activities and continue to invest to accelerate growth in these activities. These activities principally involve the development of new products and improvement in the quality of existing products. In 2010, we created our Global Nutrition Group, led by our Chief Scientific Officer, charged with collaborating with each of our divisions to grow our nutrition portfolio by focusing on four target platforms: fruits and vegetables, grains, dairy and functional nutrition. We also expanded our portfolio of products made with all-natural ingredients, increased the amount of whole grains, fruits, vegetables, nuts, seeds and low-fat dairy in certain of our products and took steps to reduce the average amount of sodium, saturated fat and added sugar per serving in certain of our products. We entered into a long-term collaboration agreement with Senomyx, Inc., a leading company focused on proprietary technologies, to discover and develop sweet enhancers and natural high-potency sweeteners with the intent to bring to the marketplace lower-calorie, great tasting PepsiCo beverages. We invested in agricultural development and the development and implementation of new technologies to both enhance the quality and value of current and proposed product lines and to minimize our impact on the environment, including by building facilities that conserve energy and raw materials and reduce waste and by reviewing our packaging process to continue to reduce total packaging volume, recycle containers, use renewable resources and remove environmentally sensitive materials. Consumer research is excluded from research and development costs and included in other marketing costs. Research and development costs were $488 million in 2010, $414 million in 2009 and

$388 million in 2008 and are reported within selling, general and administrative expenses.

Regulatory Environment and Environmental Compliance

The conduct of our businesses, and the production, distribution, sale, advertising, labeling, safety, transportation and use of many of our products, are subject to various laws and regulations administered by federal, state and local governmental agencies in the United States, as well as to foreign laws and regulations administered by government entities and agencies in markets where we operate. It is our policy to abide by the laws and regulations around the world that apply to our businesses.

In the United States, we are required to comply with federal laws, such as the Food, Drug and Cosmetic Act, the Occupational Safety and Health Act, the Clean Air Act, the Clean Water Act, the Resource Conservation and Recovery Act, the Federal Motor Carrier Safety Act, The Foreign Corrupt Practices Act, laws governing equal employment opportunity, customs and foreign trade laws and regulations, laws regulating the sales of products in schools, and various other federal statutes and regulations. We are also subject to various state and local statutes and regulations, including California Proposition 65 which requires that a specific warning appear on any product that contains a component listed by the State of California as having been found to cause cancer or birth defects. Many food and beverage producers who sell products in California, including PepsiCo, may be required to provide warning labels on their products. See also “Item 1A. Risk Factors – Changes in the legal and regulatory environment could limit our business activities, increase our operating costs, reduce demand for our products or result in litigation.” Outside the United States, we are subject to numerous similar and other laws and regulations, including anti-corruption laws and regulations. In addition, in many jurisdictions, compliance with competition laws is of special importance to us due to our competitive position in those jurisdictions. We rely on legal and operational compliance programs, as well as local in-house and outside counsel, to guide our businesses in complying with applicable laws and regulations of the countries in which we do business.

Legislation has been enacted in certain U.S. states and in certain of the countries in which our products are sold that requires collection and recycling of containers or that prohibits the sale of our beverages in certain non-refillable containers unless a deposit or other fee is charged. It is possible that similar or more restrictive legal requirements may be proposed or enacted in the future. In addition, proposals have been introduced in certain jurisdictions in which we operate which would impose special taxes on products we sell. For example, various federal, state and local government officials have raised the possibility of taxing the sale of certain “sugared” beverages, including non-diet soft drinks, fruit drinks, teas and flavored waters, to help pay for the cost of certain government programs.

The cost of compliance with U.S. and foreign laws does not have a material financial impact on our operations.

We are also subject to national and local environmental laws in the United States and in foreign countries in which we do business, including laws related to water consumption and treatment, wastewater and air emissions, handling and disposal of waters, and, in the United States, the Comprehensive Environmental Response, Compensation and Liability Act, the Resource Conservation and Recovery Act and other federal and state laws regarding handling, release and disposal of wastes at on-site and off-site locations. We are committed to meeting all applicable environmental compliance requirements. We and our subsidiaries are subject to environmental remediation obligations in the normal course of business, as well as remediation and related indemnification obligations in connection with certain historical activities and contractual obligations of businesses acquired by our subsidiaries. While neither the results of these proceedings nor any indemnification obligations or other liabilities of our subsidiaries in connection therewith can be predicted with certainty, environmental compliance costs have not had, and are not expected to have, a material impact on our capital expenditures, earnings or competitive position. See also “Item 1A. Risk Factors – Changes in the legal and regulatory environment could limit our business activities, increase our operating costs, reduce demand for our products or result in litigation.”

Employees

As of December 25, 2010, we employed approximately 294,000 people worldwide, including approximately 108,000 people within the United States. Our employment levels are subject to seasonal variations. We or our subsidiaries are a party to numerous collective bargaining agreements. We expect that we will be able to renegotiate these collective bargaining agreements on satisfactory terms when they expire. We believe that relations with our employees are generally good.

Available Information

We are required to file annual, quarterly and current reports, proxy statements and other information with the U.S. Securities and Exchange Commission (SEC). The public may read and copy any materials that we file with the SEC at the SEC’s Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. Information on the operation of the Public Reference Room may be obtained by calling the SEC at 1-800-SEC-0330. In addition, the SEC maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC at http://www.sec.gov.

Our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, proxy statements and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act, are also available free of charge on our Internet site at http://www.pepsico.com as soon as reasonably practicable after such reports are electronically filed with or furnished to the SEC. The information on our website is not, and shall not be deemed to be, a part hereof or incorporated into this or any of our other filings with the SEC.

Item 1A. Risk Factors.

Forward-Looking and Cautionary Statements

This Annual Report on Form 10-K contains statements reflecting our views about our future performance that constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 (the "Reform Act"). Statements that constitute forward-looking statements within the meaning of the Reform Act are generally identified through the inclusion of words such as "believe," "expect," "intend," "estimate," "project," "anticipate," "will" and variations of such words and other similar expressions. All statements addressing our future operating performance, and statements addressing events and developments that we expect or anticipate will occur in the future, are forward-looking statements within the meaning of the Reform Act. These forward-looking statements are based on currently available information, operating plans and projections about future events and trends. They inherently involve risks and uncertainties that could cause actual results to differ materially from those predicted in any such forward-looking statements. Investors are cautioned not to place undue reliance on any such forward-looking statements, which speak only as of the date they are made. We undertake no obligation to update any forward-looking statement, whether as a result of new information, future events or otherwise. The discussion of risks below and elsewhere in this report is by no means all inclusive but is designed to highlight what we believe are important factors to consider when evaluating our future performance.

Demand for our products may be adversely affected by changes in consumer preferences and tastes or if we are unable to innovate or market our products effectively.

We are a consumer products company operating in highly competitive markets and rely on continued demand for our products. To generate revenues and profits, we must sell products that appeal to our customers and to consumers. Any significant changes in consumer preferences or any inability on our part to anticipate or react to such changes could result in reduced demand for our products and erosion of our competitive and financial position. Our success depends on our ability to respond to consumer trends, including concerns of consumers regarding health and wellness, obesity, product attributes and ingredients, and to expand into adjacent categories. For example, if we are unable to grow our core salty snack brands while expanding into adjacent categories like crackers, bread bites and baked snacks, our growth rate may be adversely affected. In addition, changes in product category consumption or consumer demographics could result in reduced demand for our products. Consumer preferences may shift due to a variety of factors, including the aging of the general population, changes in social trends, changes in travel, vacation or leisure activity patterns, weather, seasonal consumption cycles, negative publicity resulting from regulatory action or litigation against companies in our industry, a downturn in economic conditions or taxes specifically targeting the consumption of our products. Any of these changes may reduce consumers' willingness to purchase our products. See also "Any damage to our reputation could have an adverse effect on our business, financial condition and results of operations.", "Changes in the legal and regulatory environment could limit our business activities, increase our

operating costs, reduce demand for our products or result in litigation.", "Unfavorable economic conditions in the countries in which we operate may have an adverse impact on our business results or financial condition." and "Our financial performance could suffer if we are unable to compete effectively."

Our continued success is also dependent on our product innovation, including maintaining a robust pipeline of new products and improving the quality of existing products, and the effectiveness of our advertising campaigns, marketing programs and product packaging. Although we devote significant resources to meet this goal, including the development of our Global Nutrition Group, there can be no assurance as to our continued ability to develop and launch successful new products or variants of existing products, to grow our nutrition business or to effectively execute advertising campaigns and marketing programs. In addition, both the launch and ongoing success of new products and advertising campaigns are inherently uncertain, especially as to their appeal to consumers. Our failure to successfully launch new products could decrease demand for our existing products by negatively affecting consumer perception of existing brands, as well as result in inventory write-offs and other costs.

Any damage to our reputation could have an adverse effect on our business, financial condition and results of operations.

Maintaining a good reputation globally is critical to selling our branded products. Product contamination or tampering or the failure to maintain high standards for product quality, safety and integrity, including with respect to raw materials obtained from suppliers, may reduce demand for our products or cause production and delivery disruptions. If any of our products becomes unfit for consumption, misbranded or causes injury, we may have to engage in a product recall and/or be subject to liability. A widespread product recall or a significant product liability judgment could cause our products to be unavailable for a period of time, which could further reduce consumer demand and brand equity. Our reputation could also be adversely impacted by any of the following, or by adverse publicity (whether or not valid) relating thereto: the failure to maintain high ethical, social and environmental standards for all of our operations and activities; the failure to achieve our human, environmental and talent sustainability goals, including our goals with respect to sodium, saturated fat and sugar reduction and the development of our nutrition business; or our environmental impact, including use of agricultural materials, packaging, energy use and waste management, or our responses to any of the foregoing. In addition, water is a limited resource in many parts of the world. Our reputation could be damaged if we do not act responsibly with respect to water use. Failure to comply with local laws and regulations, to maintain an effective system of internal controls or to provide accurate and timely financial statement information could also hurt our reputation. Damage to our reputation or loss of consumer confidence in our products for any of these or other reasons could result in decreased demand for our products and could have a material adverse effect on our business, financial condition and results of operations, as well as require additional resources to rebuild our reputation.

Our financial performance could be adversely affected if we are unable to grow our business in developing and emerging markets or as a result of unstable political conditions, civil unrest or other developments and risks in the markets where we operate.

Our operations outside of the United States contribute significantly to our revenue and profitability, and we believe that our businesses in developing and emerging markets, particularly China, present an important future growth opportunity for us. However, there can be no assurance that our existing products, variants of our existing products or new products that we develop will be accepted or successful in any particular developing or emerging market, due to local competition, cultural differences or otherwise. If we are unable to expand our businesses in emerging and developing markets as a result of economic and political conditions, increased competition, an inability to acquire or form strategic business alliances or to make necessary infrastructure investments or for any other reason, our financial performance could be adversely affected. Unstable political conditions, civil unrest or other developments and risks in the markets where we operate, including in the Middle East and Egypt, could also have an adverse impact on our business results or financial condition. Factors that could adversely affect our business results in these markets include: import and export restrictions; foreign ownership restrictions; nationalization of our assets; regulations on the repatriation of funds which, from time to time, result in significant cash balances in countries such as Venezuela; and currency hyperinflation or devaluation. In addition, disruption in these markets due to political instability or civil unrest could result in a decline in consumer purchasing power, thereby reducing demand for our products. See also “Demand for our products may be adversely affected by changes in consumer preferences and tastes or if we are unable to innovate or market our products effectively.” and “Our financial performance could suffer if we are unable to compete effectively.”

Trade consolidation or the loss of any key customer could adversely affect our financial performance.

We must maintain mutually beneficial relationships with our key customers, including Wal-Mart, as well as other retailers, to effectively compete. There is a greater concentration of our customer base around the world, generally due to the continued consolidation of retail trade and the loss of any of our key customers, including Wal-Mart, could have an adverse effect on our financial performance. In addition, as retail ownership becomes more concentrated, retailers demand lower pricing and increased promotional programs. Further, as larger retailers increase utilization of their own distribution networks and private label brands, the competitive advantages we derive from our go-to-market systems and brand equity may be eroded. Failure to appropriately respond to these trends or to offer effective sales incentives and marketing programs to our customers could reduce our ability to secure adequate shelf space at our retailers and adversely affect our financial performance.

Changes in the legal and regulatory environment could limit our business activities, increase our operating costs, reduce demand for our products or result in litigation.

The conduct of our businesses, and the production, distribution, sale, advertising, labeling, safety, transportation and use of many of our products, are subject to various laws and regulations administered by federal, state and local governmental agencies in the United States, as well as to foreign laws and regulations administered by government entities and agencies in markets in which we operate. These laws and regulations and interpretations thereof may change, sometimes dramatically, as a result of political, economic or social events. Such regulatory environment changes may include changes in: food and drug laws; laws related to advertising and deceptive marketing practices; accounting standards; taxation requirements, including taxes specifically targeting the consumption of our products; competition laws; privacy laws; and environmental laws, including laws relating to the regulation of water rights and treatment. Changes in laws, regulations or governmental policy and the related interpretations may alter the environment in which we do business and, therefore, may impact our results or increase our costs or liabilities.

Governmental entities or agencies in jurisdictions where we operate may also impose new labeling, product or production requirements, or other restrictions. For example, studies are underway by various regulatory authorities and others to assess the effect on humans due to acrylamide in the diet. Acrylamide is a chemical compound naturally formed in a wide variety of foods when they are cooked (whether commercially or at home), including french fries, potato chips, cereal, bread and coffee. It is believed that acrylamide may cause cancer in laboratory animals when consumed in significant amounts. Studies are also underway by third parties to assess the health implications of carbonated soft drink consumption. If consumer concerns about acrylamide or carbonated soft drinks increase as a result of these studies, other new scientific evidence, or for any other reason, whether or not valid, demand for our products could decline and we could be subject to lawsuits or new regulations that could affect sales of our products, any of which could have an adverse effect on our business, financial condition or results of operations.

We are also subject to Proposition 65 in California, a law which requires that a specific warning appear on any product sold in California that contains a substance listed by that State as having been found to cause cancer or birth defects. If we were required to add warning labels to any of our products or place warnings in certain locations where our products are sold, sales of those products could suffer not only in those locations but elsewhere.

In many jurisdictions, compliance with competition laws is of special importance to us due to our competitive position in those jurisdictions. Regulatory authorities under whose laws we operate may also have enforcement powers that can subject us to actions such as product recall, seizure of products or other sanctions, which could have an adverse effect on our sales or damage our reputation.

In addition, we and our subsidiaries are party to a variety of legal and environmental remediation obligations arising in the normal course of business, as well as environmental remediation, product liability, toxic tort and related indemnification proceedings in connection with certain historical activities and contractual obligations of

businesses acquired by our subsidiaries. Due to regulatory complexities, uncertainties inherent in litigation and the risk of unidentified contaminants on current and former properties of ours and our subsidiaries, the potential exists for remediation, liability and indemnification costs to differ materially from the costs we have estimated. We cannot assure you that our costs in relation to these matters will not exceed our established liabilities or otherwise have an adverse effect on our results of operations. See also “Item 1. Business—Regulatory Environment and Environmental Compliance.”

If we are not able to build and sustain proper information technology infrastructure, successfully implement our ongoing business transformation initiative or outsource certain functions effectively, our business could suffer.

We depend on information technology as an enabler to improve the effectiveness of our operations and to interface with our customers, as well as to maintain financial accuracy and efficiency. If we do not allocate and effectively manage the resources necessary to build and sustain the proper technology infrastructure, we could be subject to transaction errors, processing inefficiencies, the loss of customers, business disruptions, the loss of or damage to intellectual property through security breach, or the loss of sensitive data through security breach or otherwise.

We have embarked on multi-year business transformation initiatives to migrate certain of our financial processing systems to an enterprise-wide systems solution. There can be no certainty that these initiatives will deliver the expected benefits. The failure to deliver our goals may impact our ability to (1) process transactions accurately and efficiently and (2) remain in step with the changing needs of the trade, which could result in the loss of customers. In addition, the failure to either deliver the application on time, or anticipate the necessary readiness and training needs, could lead to business disruption and loss of customers and revenue.

In addition, we have outsourced certain information technology support services and administrative functions, such as payroll processing and benefit plan administration, to third-party service providers and may outsource other functions in the future to achieve cost savings and efficiencies. If the service providers that we outsource these functions to do not perform effectively, we may not be able to achieve the expected cost savings and may have to incur additional costs to correct errors made by such service providers. Depending on the function involved, such errors may also lead to business disruption, processing inefficiencies, the loss of or damage to intellectual property through security breach, the loss of sensitive data through security breach or otherwise, or harm employee morale.

Our information systems could also be penetrated by outside parties intent on extracting information, corrupting information or disrupting business processes. Such unauthorized access could disrupt our business and could result in the loss of assets.

Unfavorable economic conditions in the countries in which we operate may have an adverse impact on our business results or financial condition.

Many of the countries in which we operate, including the United States, have experienced and continue to experience unfavorable

economic conditions. Our business or financial results may be adversely impacted by these unfavorable economic conditions, including: adverse changes in interest rates or tax rates; volatile commodity markets; contraction in the availability of credit in the marketplace, potentially impairing our ability to access the capital markets on terms commercially acceptable to us; the effects of government initiatives to manage economic conditions; reduced demand for our products resulting from a slow-down in the general global economy or a shift in consumer preferences for economic reasons or otherwise to regional, local or private label products or other economy products, or to less profitable channels; or a decrease in the fair value of pension assets that could increase future employee benefit costs and/or funding requirements of our pension plans. In addition, we cannot predict how current or worsening economic conditions will affect our critical customers, suppliers and distributors and any negative impact on our critical customers, suppliers or distributors may also have an adverse impact on our business results or financial condition.

Fluctuations in foreign exchange rates may have an adverse impact on our business results or financial condition.

We hold assets and incur liabilities, earn revenues and pay expenses in a variety of currencies other than the U.S. dollar. Because our consolidated financial statements are presented in U.S. dollars, the financial statements of our foreign subsidiaries are translated into U.S. dollars. In 2010, our operations outside of the U.S. generated a significant portion of our net revenue. Fluctuations in foreign exchange rates may therefore adversely impact our business results or financial condition. See also “Market Risks” contained in “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” and Note 1 to our consolidated financial statements.

Our financial performance could suffer if we are unable to compete effectively.

The food and beverage industries in which we operate are highly competitive. We compete with major international food and beverage companies that, like us, operate in multiple geographic areas, as well as regional, local and private label manufacturers and other value competitors. In many countries where we do business, including the United States, The Coca-Cola Company, is our primary beverage competitor. We compete on the basis of brand recognition, price, quality, product variety, distribution, marketing and promotional activity, convenience, service and the ability to identify and satisfy consumer preferences. If we are unable to compete effectively, we may be unable to gain or maintain share of sales or gross margins in the global market or in various local markets. This may have a material adverse impact on our revenues and profit margins. See also “Unfavorable economic conditions in the countries in which we operate may have an adverse impact on our business results or financial condition.”

Our operating results may be adversely affected by increased costs, disruption of supply or shortages of raw materials and other supplies.

We and our business partners use various raw materials and other supplies in our business, including apple and pineapple juice and other juice concentrates, aspartame, corn, corn sweeteners, flavorings, flour, grapefruits and other fruits, oats, oranges, potatoes, rice, seasonings, sucralose, sugar, vegetable and essential oils, and wheat. Our key packaging materials include plastic resins, including polyethylene terephthalate (PET) and polypropylene resin used for plastic beverage bottles and film packaging used for snack foods, aluminum used for cans, glass bottles, closures, cardboard and paperboard cartons. Fuel and natural gas are also important commodities due to their use in our plants and in the trucks delivering our products. Some of these raw materials and supplies are available from a limited number of suppliers. We are exposed to the market risks arising from adverse changes in commodity prices, affecting the cost of our raw materials and energy. The raw materials and energy which we use for the production of our products are largely commodities that are subject to price volatility and fluctuations in availability caused by changes in global supply and demand, weather conditions, agricultural uncertainty or governmental controls. We purchase these materials and energy mainly in the open market. If commodity price changes result in unexpected increases in raw materials and energy costs, we may not be able to increase our prices to offset these increased costs without suffering reduced volume, revenue and operating results. In addition, we use derivatives to hedge price risk associated with forecasted purchases of raw materials. Certain of these derivatives that do not qualify for hedge accounting treatment can result in increased volatility in our net earnings in any given period due to changes in the spot prices of the underlying commodities. See also “Unfavorable economic conditions in the countries in which we operate may have an adverse impact on our business results or financial condition.” and “Market Risks” contained in “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” and Note 1 to our consolidated financial statements.

Disruption of our supply chain could have an adverse impact on our business, financial condition and results of operations.

Our ability and that of our suppliers, business partners, including our independent bottlers, contract manufacturers, independent distributors and retailers, to make, move and sell products is critical to our success. Damage or disruption to our or their manufacturing or distribution capabilities due to adverse weather conditions, government action, natural disaster, fire, terrorism, the outbreak or escalation of armed hostilities, pandemic, strikes and other labor disputes or other reasons beyond our or their control, could impair our ability to manufacture or sell our products. Failure to take adequate steps to mitigate the likelihood or potential impact of such events, or to effectively manage such events if they occur, could adversely affect our business, financial condition and results of operations, as well as require additional resources to restore our supply chain.

Climate change, or legal, regulatory or market measures to address climate change, may negatively affect our business and operations.

There is growing concern that carbon dioxide and other greenhouse gases in the atmosphere may have an adverse impact on global temperatures, weather patterns and the frequency and severity of extreme weather and natural disasters. In the event that such climate change has a negative effect on agricultural productivity, we may be subject to decreased availability or less favorable pricing for certain commodities that are necessary for our products, such as sugar cane, corn, wheat, rice, oats, potatoes and various fruits. We may also be subjected to decreased availability or less favorable pricing for water as a result of such change, which could impact our manufacturing and distribution operations. In addition, natural disasters and extreme weather conditions may disrupt the productivity of our facilities or the operation of our supply chain. The increasing concern over climate change also may result in more regional, federal and/or global legal and regulatory requirements to reduce or mitigate the effects of greenhouse gases. In the event that such regulation is enacted and is more aggressive than the sustainability measures that we are currently undertaking to monitor our emissions and improve our energy efficiency, we may experience significant increases in our costs of operation and delivery. In particular, increasing regulation of fuel emissions could substantially increase the distribution and supply chain costs associated with our products. As a result, climate change could negatively affect our business and operations. See also “Disruption of our supply chain could have an adverse impact on our business, financial condition and results of operations.”

If we are unable to hire or retain key employees or a highly skilled and diverse workforce, it could have a negative impact on our business.

Our continued growth requires us to hire, retain and develop our leadership bench and a highly skilled and diverse workforce. We compete to hire new employees and then must train them and develop their skills and competencies. Any unplanned turnover or our failure to develop an adequate succession plan to backfill current leadership positions or to hire and retain a diverse workforce could deplete our institutional knowledge base and erode our competitive advantage. In addition, our operating results could be adversely affected by increased costs due to increased competition for employees, higher employee turnover or increased employee benefit costs.

A portion of our workforce belongs to unions. Failure to successfully renew collective bargaining agreements, or strikes or work stoppages could cause our business to suffer.

Many of our employees are covered by collective bargaining agreements. These agreements expire on various dates. Strikes or work stoppages and interruptions could occur if we are unable to renew these agreements on satisfactory terms, which could adversely impact our operating results. The terms and conditions of existing or renegotiated agreements could also increase our costs or otherwise affect our ability to fully implement future operational changes to enhance our efficiency.

Failure to successfully complete or integrate acquisitions and joint ventures into our existing operations could have an adverse impact on our business, financial condition and results of operations.

In 2010, we acquired The Pepsi Bottling Group, Inc. and PepsiAmericas, Inc., and we recently acquired approximately 77% of Wimm-Bill-Dann Foods OJSC (WBD). We also regularly evaluate opportunities for strategic growth through tuck-in acquisitions and joint ventures. Potential issues associated with these and other acquisitions and joint ventures could include, among other things, our ability to realize the full extent of the benefits or cost savings that we expect to realize as a result of the completion of the acquisition or the formation of the joint venture within the anticipated time frame, or at all; receipt of necessary consents, clearances and approvals in connection with the acquisition or joint venture; diversion of management's attention from base strategies and objectives; and, with respect to acquisitions, our ability to successfully combine our businesses with the business of the acquired company in a manner that permits cost savings to be realized, including integrating the manufacturing, distribution, sales and administrative support activities and information technology systems among our company and the acquired company, motivating, recruiting and retaining executives and key employees, conforming standards, controls, procedures and policies, business cultures and compensation structures among our company and the acquired company, consolidating and streamlining corporate and administrative infrastructures, consolidating sales and marketing operations, retaining existing customers and attracting new customers, identifying and eliminating redundant and underperforming operations and assets, coordinating geographically dispersed organizations, and managing tax costs or inefficiencies associated with integrating our operations following completion of the acquisitions. In addition, acquisitions outside of the United States, including the WBD acquisition, increase our exposure to risks associated with foreign operations, including fluctuations in foreign exchange rates and compliance with foreign laws and regulations. If an acquisition or joint venture is not successfully completed or integrated into our existing operations, our business, financial condition and results of operations could be adversely impacted.

Item 1B. Unresolved Staff Comments.

We have received no written comments regarding our periodic or current reports from the staff of the SEC that were issued 180 days or more preceding the end of our 2010 fiscal year and that remain unresolved.

Item 2. Properties.

Our most significant corporate properties include our corporate headquarters building in Purchase, New York and our data center in Plano, Texas, both of which are owned. Leases of plants in North America generally are on a long-term basis, expiring at various times, with options to renew for additional periods. Most international plants are owned or leased on a long-term basis. We believe that our properties are in good operating condition and are suitable for the purposes for which they are being used.

Frito-Lay North America

FLNA's most significant properties include its headquarters building and a research facility in Plano, Texas, both of which are owned. FLNA also owns or leases approximately 40 food manufacturing and processing plants and approximately 1,755 warehouses, distribution centers and offices. In addition, FLNA also utilizes approximately 55 plants and production processing facilities that are owned or leased by our contract manufacturers or co-packers. FLNA's joint venture with Strauss Group also utilizes four plant facilities, two warehouses and distribution centers and one office, all of which are owned or leased by the joint venture.

Quaker Foods North America

QFNA owns a plant in Cedar Rapids, Iowa, which is its most significant property. QFNA also owns or leases two plants and production processing facilities in North America. In addition, QFNA utilizes approximately 25 manufacturing plants, production processing facilities and distribution centers that are owned or leased by our contract manufacturers or co-packers.

Latin America Foods

LAF's most significant properties include four snack manufacturing plants in the Mexican cities of Guadalajara, Vallejo, Celaya and Ixtaczoquitlan and the Brazilian city of Itu, all of which are owned. LAF also owns or leases approximately 50 food manufacturing and processing plants and approximately 645 warehouses, distribution centers and offices. In addition, LAF also utilizes five properties owned by contract manufacturers or co-packers. LAF also utilizes one plant facility and six distribution centers which are co-owned or co-leased by a joint venture partner.

PepsiCo Americas Beverages

PAB's most significant properties include PBC's headquarters building in Somers, New York and the headquarters building PepsiCo Beverages Americas shares with QFNA in downtown Chicago, Illinois, both of which are leased, and its Tropicana facility in Bradenton, Florida, its concentrate plants in Cork, Ireland and its research and development facility in Valhalla, New York, all of which are owned. PAB also owns or leases approximately 115 bottling and production plants and production processing facilities and approximately 620 warehouses, distribution centers and offices. In addition, authorized bottlers in which we have an ownership interest own or lease approximately 15 bottling plants and 215 distribution centers. PAB also utilizes approximately 55 plants and production processing facilities and approximately 25 warehouses and distribution centers that are owned or leased by our contract manufacturers or co-packers. PAB also utilizes three plants that are co-owned by a joint venture partner.

Europe

Europe's most significant properties are its snack manufacturing and processing plant located in Leicester, United Kingdom which is leased, and its snack research and development facility in Leicester, United Kingdom, and its beverage plant in Lebedyan, Russia, both of which are owned. Europe also owns or leases approximately 65 plants and approximately 660 warehouses, distribution centers and offices. In addition, authorized bottlers in which we have an ownership interest own or lease two plants and five distribution centers. Europe also utilizes approximately 20 properties owned by contract manufacturers or co-packers. In addition, Europe utilizes one plant and production processing facility and three distribution centers that are co-owned by or co-leased with a joint venture partner.

Asia, Middle East & Africa

AMEA's most significant properties are its beverage plants located in Shenzhen, China, Sixth of October City, Egypt and Amman, Jordan and its snack manufacturing and processing plants located in Sixth of October City, Egypt and Tingalpa, Australia, each of which are owned. AMEA also owns or leases approximately 80 plants and approximately 1,175 warehouses, distribution centers and offices. In addition, authorized bottlers in which we have an ownership interest own or lease approximately 25 plants and 100 distribution centers. AMEA also utilizes approximately 40 properties owned by contract manufacturers or co-packers. In addition, AMEA also utilizes approximately 25 plants and production processing facilities and approximately 15 distribution centers that are co-owned by or co-leased with our joint venture partners.

Shared Properties

QFNA shares two production facilities and two warehouses and distribution centers with FLNA, 12 warehouses and distribution centers with both FLNA and PAB, and 11 offices with both FLNA and PAB, including a research and development laboratory in Barrington, Illinois. FLNA shares one production facility with PAB and one production facility with LAF. PAB, Europe and AMEA share two production facilities. Europe and AMEA share a research and development facility. PAB and LAF share four beverage plants. PAB and AMEA share a concentrate plant.

Item 3. Legal Proceedings.

On December 22, 2009, Wojewodzka Inspekcja Ochrony Srodowiska, the Polish environmental control authority, began an audit of a bottling plant of our subsidiary, Pepsi-Cola General Bottlers Poland SP, z.o.o. (PCGB), in Michrow, Poland and alleged that the plant was not in compliance in 2007 and 2008 with applicable regulations requiring the use of approved laboratories for the analysis of the plant's waste. The Wojewodzka Inspekcja Ochrony Srodowiska sought monetary sanctions of $1.2 million. PCGB appealed this decision and the appeal is pending. On January 6, 2011, Wojewodzka Inspekcja Ochrony Srodowiska began an audit alleging non-compliance in 2009 and PCGB expects it may

seek monetary sanctions of $900,000.

In addition, we and our subsidiaries are party to a variety of legal proceedings arising in the normal course of business. While the results of these 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. See also "Item 1. Business—Regulatory Environment and Environmental Compliance."

Item 4. Removed and Reserved.

Executive Officers of the Registrant

The following is a list of names, ages and backgrounds of our current executive officers:

Zein Abdalla, 52, became Chief Executive Officer of PepsiCo Europe in November 2009. Mr. Abdalla joined PepsiCo in 1995 and has held a variety of senior positions. He has served as General Manager of Tropicana Europe and Franchise Vice President for Pakistan and the Gulf region. From 2005 to 2008 he led PepsiCo's continental Europe operations. In September 2008 he went on to lead the complete portfolio of PepsiCo businesses in Europe. Prior to joining PepsiCo, Mr. Abdalla worked for Mars Incorporated in engineering and manufacturing roles, as well as in sales, marketing, human resources and general management.

Saad Abdul-Latif, 57, was appointed to the role of Chief Executive Officer of PepsiCo Asia, Middle East and Africa (AMEA) in November 2009. Mr. Abdul-Latif began his career with PepsiCo in 1982 where he held a wide range of international roles in PepsiCo's food and beverage businesses. In 1998, he was appointed General Manager for PepsiCo's beverage business in the MENAPAK Business Unit. In 2001, his region was expanded to include Africa and Central Asia. In 2004, the snacks business in his region was included under his leadership, forming the consolidated Middle East and Africa (MEA) Region. In September 2008, his responsibilities were extended to Asia, forming the new AMEA Division of PepsiCo International where he acted as President of AMEA.

Peter A. Bridgman, 58, has been PepsiCo's Senior Vice President and Controller since August 2000. Mr. Bridgman began his career with PepsiCo at Pepsi-Cola International in 1985 and became Chief Financial Officer for Central Europe in 1990. He became Senior Vice President and Controller for Pepsi-Cola North America in 1992 and Senior Vice President and Controller for The Pepsi Bottling Group, Inc. in 1999.

Albert P. Carey, 59, was appointed President and Chief Executive Officer of Frito-Lay North America in June 2006. Mr. Carey began his career with Frito-Lay in 1981 where he spent 20 years in a variety of roles. He served as President, PepsiCo Sales from February 2003 until June 2006. Prior to that, he served as Chief Operating Officer,

PepsiCo Beverages & Foods North America from June 2002 to February 2003 and as PepsiCo's Senior Vice President, Sales and Retailer Strategies from August 1998 to June 2002.

John C. Compton, 49, has been Chief Executive Officer of PepsiCo Americas Foods since November 2007. Mr. Compton began his career at PepsiCo in 1983 as a Frito-Lay Production Supervisor in the Pulaski, Tennessee manufacturing plant. He has spent 26 years at PepsiCo in various Sales, Marketing, Operations and General Management assignments. From March 2005 until September 2006, he was President and Chief Executive Officer of Quaker, Tropicana, Gatorade, and from September 2006 until November 2007, he was Chief Executive Officer of PepsiCo North America. Mr. Compton served as Vice Chairman and President of the North American Salty Snacks Division of Frito-Lay from March 2003 until March 2005. Prior to that, he served as Chief Marketing Officer of Frito-Lay's North American Salty Snacks Division from August 2001 until March 2003.

Massimo Fasanella d'Amore, 55, has been Chief Executive Officer of PepsiCo Beverages Americas since February 2010. Mr. d'Amore was Chief Executive Officer of PepsiCo Americas Beverages from 2007 to February 2010 and was Executive Vice President, Commercial for PepsiCo International from 2005 to 2007. Prior to that, he served as President, Latin America Region for PepsiCo Beverages International from February 2002 until November 2005 and as PepsiCo's Senior Vice President of Corporate Strategy and Development from August 2000 until February 2002. Mr. d'Amore began his career with the Company in 1995 as Vice President, Marketing for Pepsi-Cola International and was promoted to Senior Vice President and Chief Marketing Officer of Pepsi-Cola International in 1998. Before joining PepsiCo, he was with Procter & Gamble for 15 years in various international operations, marketing and general management positions.

Eric J. Foss, 52, has been Chief Executive Officer of Pepsi Beverages Company since February 2010. Mr. Foss was Chief Executive Officer of The Pepsi Bottling Group, Inc. from July 2006 until February 2010. Mr. Foss served as PBG's Chief Operating Officer from September 2005 to July 2006. He was named President, PBG North America in 2001 after serving as Executive Vice President and General Manager of PBG North America since 2000. He joined PBG as Senior Vice President, U.S. Sales and Field Marketing in 1999 when PBG was spun off from PepsiCo in an initial public offering. Mr. Foss joined Pepsi-Cola Company in 1982 and held a variety of positions with increasing responsibility in the areas of sales, marketing and general management in the field and at headquarters. In 1990, Mr. Foss was named Vice President, Retail Strategy for Pepsi-Cola North America (PCNA). From 1994 to 1996, he served as General Manager of PCNA's Great West Business Unit. In 1996, he was named General Manager of Pepsi-Cola's Central Europe business.

Richard Goodman, 62, has been PepsiCo's Executive Vice President, Operations since March 2010. From 2006 until 2010, Mr. Goodman was PepsiCo's Chief Financial Officer and from 2003 until October 2006 Mr. Goodman was Senior Vice President and Chief Financial Officer of PepsiCo International. Prior to that, he served as Senior Vice

President and Chief Financial Officer of PepsiCo Beverages International from 2001 to 2003 and as Vice President and General Auditor of PepsiCo from 2000 to 2001. Mr. Goodman joined PepsiCo in 1992 as Vice President of Corporate Strategic Planning, International and held a number of senior financial positions with PepsiCo and its affiliates until 1997 when he left PepsiCo to pursue other opportunities. Before joining PepsiCo, Mr. Goodman was with W.R. Grace & Co. in a variety of global chief financial officer positions.

Hugh F. Johnston, 49, was appointed Chief Financial Officer in March 2010. He previously held the position of Executive Vice President, Global Operations since November 2009 and the position of President of Pepsi-Cola North America since November 2007. He was formerly PepsiCo's Executive Vice President, Operations, a position he held from October 2006 until November 2007. From April 2005 until October 2006, Mr. Johnston was PepsiCo's Senior Vice President, Transformation. Prior to that, he served as Senior Vice President and Chief Financial Officer of PepsiCo Beverages and Foods from November 2002 through March 2005, and as PepsiCo's Senior Vice President of Mergers and Acquisitions from March 2002 until November 2002. Mr. Johnston joined PepsiCo in 1987 as a Business Planner and held various finance positions until 1999 when he left to join Merck & Co., Inc. as Vice President, Retail, a position which he held until he rejoined PepsiCo in 2002. Prior to joining PepsiCo in 1987, Mr. Johnston was with General Electric Company in a variety of finance positions.

Dr. Mehmood Khan, 52, has been Chief Executive Officer of PepsiCo's Global Nutrition Group since November 2010 and PepsiCo's Chief Scientific Officer since 2008. Prior to joining PepsiCo, Dr. Khan served for five years at Takeda Pharmaceuticals in various leadership roles including President of Research and Development and Chief Medical Officer. Dr. Khan also served at the Mayo Clinic until 2003 as the director of the Diabetes, Endocrinology and Nutrition Clinical Unit and as Consultant Physician in Endocrinology.

Indra K. Nooyi, 55, has been PepsiCo's Chief Executive Officer since October 2006 and assumed the role of Chairman of PepsiCo's Board of Directors on May 2, 2007. She was elected to PepsiCo's Board of Directors and became President and Chief Financial Officer in May 2001, after serving as Senior Vice President and Chief Financial Officer since February 2000. Ms. Nooyi also served as PepsiCo's Senior Vice President, Corporate Strategy and Development from 1996 until February 2000, and as PepsiCo's Senior Vice President, Strategic Planning from 1994 until 1996. Prior to joining PepsiCo, Ms. Nooyi spent four years as Senior Vice President of Strategy, Planning and Strategic Marketing for Asea Brown Boveri, Inc. She was also Vice President and Director of Corporate Strategy and Planning at Motorola, Inc.

Larry D. Thompson, 65, became PepsiCo's Senior Vice President, Government Affairs, General Counsel and Secretary in November 2004. Prior to joining PepsiCo, Mr. Thompson served as a Senior Fellow with the Brookings Institution in Washington, D.C. and served as Deputy Attorney General in the U.S. Department of Justice. In 2002, he was named to lead the Department of Justice's National Security Coordination Council and was also named by President Bush to head the Corporate Fraud Task Force. In April

2000, Mr. Thompson was selected by Congress to chair the bipartisan Judicial Review Commission on Foreign Asset Control. Prior to his government career, he was a partner in the law firm of King & Spalding, a position he held from 1986 to 2001.

Cynthia M. Trudell, 57, has been PepsiCo's Senior Vice President, Chief Personnel Officer since February 2007. Ms. Trudell served as a director of PepsiCo from January 2000 until her appointment to her current position. She was formerly Vice President of Brunswick Corporation and President of Sea Ray Group from 2001 until 2006. From 1999 until 2001, Ms. Trudell served as General Motors' Vice President, and Chairman and President of Saturn Corporation, a wholly owned subsidiary of GM. Ms. Trudell began her career with the Ford Motor Co. as a chemical process engineer. In 1981, she joined GM and held various engineering and manufacturing supervisory positions. In 1995, she became plant manager at GM's Wilmington Assembly Center in Delaware. In 1996, she became President of IBC Vehicles in Luton, England, a joint venture between General Motors and Isuzu.

Executive officers are elected by our Board of Directors, and their terms of office continue until the next annual meeting of the Board or until their successors are elected and have qualified. There are no family relationships among our executive officers.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Stock Trading Symbol – PEP

Stock Exchange Listings – The New York Stock Exchange is the principal market for our common stock, which is also listed on the Chicago and Swiss Stock Exchanges.

Stock Prices – The composite quarterly high, low and closing prices for PepsiCo common stock for each fiscal quarter of 2010 and 2009 are contained in our Selected Financial Data included on page 127.

Shareholders – At February 11, 2011, there were approximately 165,000 shareholders of record of our common stock.

Dividends – Dividends are usually declared in late January or early February, May, July and November and paid at the end of March, June and September and the beginning of January. The dividend record dates for these payments are, subject to approval of the Board of Directors, expected to be March 4, June 3, September 2 and December 2, 2011. We have paid consecutive quarterly cash dividends since 1965. Information with respect to the quarterly dividends declared in 2010 and 2009 is contained in our Selected Financial Data.

For information on securities authorized for issuance under our equity compensation plans, see "Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters."

A summary of our common stock repurchases (in millions, except average price per share) during the fourth quarter of 2010 under the $15.0 billion repurchase program authorized by our Board of Directors and publicly announced on March 15, 2010 and expiring on June 30, 2013, is set forth in the table below. All such shares of common stock were repurchased pursuant to open market transactions, other than 5,478,800 shares which were repurchased from the trust holding assets of PepsiCo's U.S. qualified pension plans at market value.

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
9/4/10				$ 14,097
9/5/10 – 10/2/10	—	$ —	—	—
				14,097
10/3/10 – 10/30/10	5.3	$ 65.48	5.3	(346)
				13,751
10/31/10 – 11/27/10	3.3	$ 65.24	3.3	(215)
				13,536
11/28/10 – 12/25/10	—	$ —	—	—
Total	8.6	$ 65.39	8.6	$ 13,536

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 fourth 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
9/4/10				
9/5/10 – 10/2/10	2,100	$ 329.71	N/A	N/A
10/3/10 – 10/30/10	600	$ 325.14	N/A	N/A
10/31/10 – 11/27/10	3,400	$ 322.64	N/A	N/A
11/28/10 – 12/25/10	700	$ 325.49	N/A	N/A
Total	6,800	$ 325.34	N/A	N/A

Item 6. Selected Financial Data.

Selected Financial Data is included on page 127.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Our discussion and analysis is an integral part of our consolidated financial statements and is provided as an addition to, and should be read in connection with, our consolidated financial statements and the accompanying notes. Definitions of key terms can be found in the glossary beginning on page 131. Tabular dollars are presented in millions, except per share amounts. All per share amounts reflect common per share amounts, assume dilution unless noted, and are based on unrounded amounts. Percentage changes are based on unrounded amounts.

OUR BUSINESS

Executive Overview

We are a leading global food, snack and beverage company. Our brands – which include Quaker Oats, Tropicana, Gatorade, Lay's and Pepsi – are household names that stand for quality throughout the world. As a global company, we also have strong regional brands such as Walkers, Gamesa and Sabritas. Either independently or through contract manufacturers, we make, market and sell a variety of convenient, enjoyable and wholesome foods and beverages in over 200 countries. Our portfolio includes oat, rice and grain-based foods, as well as carbonated and non-carbonated beverages. Our largest operations are in North America (United States and Canada), Mexico, Russia and the United Kingdom. Additional information concerning our divisions and geographic areas is presented in Note 1.

We are united by our unique commitment to Performance with Purpose, which means delivering sustainable growth by investing in a healthier future for people and our planet. Our goal is to continue to build a balanced portfolio of enjoyable and wholesome foods and beverages, find innovative ways to reduce the use of energy, water and packaging and provide a great workplace for our associates. Additionally, we are committed to respecting, supporting and investing in the local communities where we operate by hiring local people, creating products designed for local tastes and partnering with local farmers, governments and community groups. We make this commitment because we are a responsible company and a healthier future for all people and our planet means a more successful future for PepsiCo.

In recognition of our continuing sustainability efforts, we were again included on the Dow Jones Sustainability North America Index and the Dow Jones Sustainability World Index in September 2010. These indices are compiled annually.

Our management monitors a variety of key indicators to evaluate our business results and financial conditions. These indicators include market share, volume, net revenue, operating profit, management operating cash flow, earnings per share and return on invested capital.

Strategies to Drive Our Growth into the Future

We remain focused on growing our business with the objectives of improving our financial results and increasing returns for our shareholders. We continue to focus on delivering strong financial performance in both the near term and the long term, while making global investments in key regions and targeted product categories to drive sustainable growth. We have identified six key challenges and related strategic business imperatives that we believe will enable us to drive growth into the future:

Build and extend our macro snack portfolio

Our first imperative is to build and extend our macro snack portfolio. Building and extending our profitable macro snacks business is important to our future. PepsiCo is the largest player in the macro snack category, and we believe there is still room for growth. Our goal in the macro snacks business is to grow our core salty snack brands that are loved and respected around the world, while expanding into adjacent categories like crackers, bread bites and baked snacks. We will work to continue to grow our portfolio from Fun-for-You to Better-for-You products—while adding many Good-for-You products that are designed to meet growing global demand for wholesome and convenient nutrition. We will also strive to create new flavors in tune with local tastes, which reflect local culture and traditions. We believe that by doing so, we will position ourselves to gain share, while continuing to grow the top- and bottom-line in our macro snack business.

Sustainably and profitably grow our beverage business worldwide

Our second imperative is to sustainably and profitably grow our beverage business worldwide. The U.S. liquid refreshment beverage category and challenging economic conditions facing consumers continue to place pressure on our beverage business worldwide. In the face of this pressure, we continue to take action to ensure sustainable profitable growth in our beverage business worldwide. In 2010, we revitalized both the Gatorade brand and the no-calorie carbonated category by promoting Pepsi Max. Our focus in 2011 will be on taking our North American beverage business and growing it sustainably for the future, while continuing to invest in emerging and developing markets—including the vital China and India markets.

Unleash the power of the Power of One to provide better value for our customers

Our third imperative is to unleash the power of the Power of One to provide better value for customers. We must maintain mutually beneficial relationships with our customers to effectively compete. We are a leader in two extraordinary consumer categories that have special relevance to our customers across the globe. Our snacks and beverages are both high-velocity categories; both generate retail traffic; both are profitable; and both deliver strong cash flow. Studies show that 85 percent of the time, when a person eats a snack, he or she also reaches for a beverage. To realize the value of Power of One in 2010, we

successfully completed our bottling acquisitions, which enabled us to better service our customers. We also continued, with a critical mass of SAP implementations, to standardize processes, improve organizational alignment and benchmark performance. In 2011, we are re-focusing our efforts with a systematic approach to unlock the Power of One across the entire value chain. We believe the opportunities in the U.S., in particular, are vast. We will work to make Power of One changes at every level: from the way our products reach our customers; to how our products are displayed; to the channels through which our products are marketed and advertised.

Build and expand our nutrition business

Our fourth imperative is to build and expand our nutrition business and our global nutrition initiatives, to rapidly grow our Good-for-You portfolio of products—both organically and through strategic tuck-in acquisitions. Consumer tastes and preferences are constantly changing and our success depends on our ability to respond to consumer trends, including responding to consumers' desire for healthier choices. Our basic belief is that companies succeed when society succeeds, and what is good for the world should be good for business. This includes encouraging people to live healthier lives by offering a portfolio of both enjoyable and wholesome foods and beverages. With the acquisition of Wimm-Bill-Dann Foods OJSC (WBD), PepsiCo's annual revenues from nutritious and functional foods are expected to rise from $10 billion to nearly $13 billion. We also are expanding our portfolio of products made with all-natural ingredients, increasing the amount of whole grains, fruits, vegetables, nuts, seeds and low-fat dairy in certain of our products and taking steps to reduce the average amount of sodium, saturated fat and added sugar per serving in certain of our products.

Cherish our PepsiCo associates

Our fifth imperative is to cherish our PepsiCo associates. Our continued growth requires us to hire, retain and develop our leadership bench. We are fortunate to employ, worldwide, a truly remarkable set of associates. The market becomes more competitive every day and innovation is the key to success. It is people who hold that key and to be a good employer is one of the most important strategic decisions a company has to make.

Achieve excellent performance

Our sixth and final imperative is the sum total of the other five. Our continued success requires that we do everything we can to position ourselves to achieve excellent performance in each of the areas mentioned above. By focusing on the five key challenges and related strategic business imperatives discussed above, we believe we can achieve this goal.

Our Operations

We are organized into four business units, as follows:

1) PepsiCo Americas Foods (PAF), which includes Frito-Lay North America (FLNA), Quaker Foods North America (QFNA) and all of our Latin American food and snack businesses (LAF), including our Sabritas and Gamesa businesses in Mexico;
2) PepsiCo Americas Beverages (PAB), which includes PepsiCo Beverages Americas and Pepsi Beverages Company;
3) PepsiCo Europe, which includes all beverage, food and snack businesses in Europe; and
4) PepsiCo Asia, Middle East and Africa (AMEA), which includes all beverage, food and snack businesses in AMEA.

Our four business units are comprised of six reportable segments (referred to as divisions), as follows:

- FLNA,
- QFNA,
- LAF,
- PAB,
- Europe, and
- AMEA.

Frito-Lay North America

Either independently or through contract manufacturers, FLNA makes, markets, sells and distributes branded snack foods. These foods include Lay's potato chips, Doritos tortilla chips, Cheetos cheese flavored snacks, Tostitos tortilla chips, branded dips, Ruffles potato chips, Fritos corn chips, Quaker Chewy granola bars and SunChips multigrain snacks. FLNA branded products are sold to independent distributors and retailers. In addition, FLNA's joint venture with Strauss Group makes, markets, sells and distributes Sabra refrigerated dips and spreads.

Quaker Foods North America

Either independently or through contract manufacturers, QFNA makes, markets and sells cereals, rice, pasta and other branded products. QFNA's products include Quaker oatmeal, Aunt Jemima mixes and syrups, Cap'n Crunch cereal, Quaker grits, Life cereal, Rice-A-Roni, Pasta Roni and Near East side dishes. These branded products are sold to independent distributors and retailers.

Latin America Foods

Either independently or through contract manufacturers, LAF makes, markets and sells a number of snack food brands including Doritos, Marias Gamesa, Cheetos, Ruffles, Emperador, Saladitas, Sabritas and Lay's, as well as many Quaker-brand cereals and snacks. These branded products are sold to independent distributors and retailers.

PepsiCo Americas Beverages

Either independently or through contract manufacturers, PAB makes, markets, sells and distributes beverage concentrates, fountain syrups and finished goods, under various beverage brands including Pepsi, Mountain Dew, Gatorade, 7UP (outside the U.S.), Tropicana Pure Premium, Electropura, Sierra Mist, Epura and Mirinda. PAB also, either independently or through contract manufacturers, makes, markets and sells ready-to-drink tea, coffee and water products through joint ventures with Unilever (under the Lipton brand name) and Starbucks. In addition, PAB licenses the Aquafina water brand to its independent bottlers and markets this brand. Furthermore, PAB manufactures and distributes certain brands licensed from Dr Pepper Snapple Group, Inc. (DPSG), including Dr Pepper and Crush. PAB sells concentrate and finished goods for some of these brands to authorized bottlers, and some of these branded finished goods are sold directly by us to independent distributors and retailers. The bottlers sell our brands as finished goods to independent distributors and retailers. PAB's volume reflects sales to its independent distributors and retailers, as well as the sales of beverages bearing our trademarks that bottlers have reported as sold to independent distributors and retailers. BCS and CSE are not necessarily equal during any given period due to seasonality, timing of product launches, product mix, bottler inventory practices and other factors. However, the difference between BCS and CSE measures has been greatly reduced since our acquisitions of our anchor bottlers, PBG and PAS, on February 26, 2010, as we now consolidate these bottlers and thus eliminate the impact of differences between BCS and CSE for a substantial majority of PAB's total volume. While our revenues are not entirely based on BCS volume, as there continue to be independent bottlers in the supply chain, we believe that BCS is a valuable measure as it quantifies the sell-through of our products at the consumer level.

See Note 15 for additional information about our acquisitions of PBG and PAS in 2010.

Europe

Either independently or through contract manufacturers, Europe makes, markets and sells a number of leading snack foods including Lay's, Walkers, Doritos, Cheetos and Ruffles, as well as many Quaker-brand cereals and snacks, through consolidated businesses as well as through noncontrolled affiliates. Europe also, either independently or through contract manufacturers, makes, markets and sells beverage concentrates, fountain syrups and finished goods under various beverage brands including Pepsi, 7UP and Tropicana. These branded products are sold to authorized bottlers, independent distributors and retailers. In certain markets, however, Europe operates its own bottling plants and distribution facilities. In addition, Europe licenses the Aquafina water brand to certain of

its authorized bottlers. Europe also, either independently or through contract manufacturers, makes, markets and sells ready-to-drink tea products through an international joint venture with Unilever (under the Lipton brand name).

Europe reports two measures of volume. Snacks volume is reported on a system-wide basis, which includes our own sales and the sales by our noncontrolled affiliates of snacks bearing Company-owned or licensed trademarks. Beverage volume reflects Company-owned or authorized bottler sales of beverages bearing Company-owned or licensed trademarks to independent distributors and retailers (see PepsiCo Americas Beverages above).

See "Acquisition of Wimm-Bill-Dann Foods OJSC" in "Business" in Item 1. and Note 15 for additional information about our acquisitions of PBG and PAS in 2010 and our acquisition of WBD.

Asia, Middle East & Africa

AMEA makes, markets and sells a number of leading snack food brands including Lay's, Chipsy, Kurkure, Doritos, Cheetos and Smith's, through consolidated businesses as well as through noncontrolled affiliates. Further, either independently or through contract manufacturers, AMEA makes, markets and sells many Quaker-brand cereals and snacks. AMEA also makes, markets and sells beverage concentrates, fountain syrups and finished goods, under various beverage brands including Pepsi, Mirinda, 7UP and Mountain Dew. These branded products are sold to authorized bottlers, independent distributors and retailers. However, in certain markets, AMEA operates its own bottling plants and distribution facilities. In addition, AMEA licenses the Aquafina water brand to certain of its authorized bottlers. AMEA also, either independently or through contract manufacturers, makes, markets and sells ready-to-drink tea products through an international joint venture with Unilever (under the Lipton brand name). AMEA reports two measures of volume (see Europe above).

New Organizational Structure

Beginning in the first quarter of 2011, we realigned certain of our reportable segments to reflect changes in management responsibility. As a result, as of the beginning of our 2011 fiscal year, our Quaker snacks business in North America will be reported within our QFNA segment. Prior to this change, Quaker snacks in North America was reported as part of our FLNA segment. Additionally, as of the beginning of the first quarter of 2011, our South Africa snacks business will be reported within our Europe segment. Prior to this change, this business was reported as part of our AMEA segment. These changes did not impact our other existing reportable segments. Our historical segment reporting will be reclassified in 2011 to reflect the new organizational structure. The reportable segment amounts and discussions reflected in this Form 10-K reflect the management reporting that existed through the end of our 2010 fiscal year.

Our Customers

Our primary customers include wholesale distributors, grocery stores, convenience stores, mass merchandisers, membership stores, authorized independent bottlers and foodservice distributors, including hotels and restaurants. We normally grant our independent bottlers exclusive contracts to sell and manufacture certain beverage products bearing our trademarks within a specific geographic area. These arrangements provide us with the right to charge our independent bottlers for concentrate, finished goods and Aquafina royalties and specify the manufacturing process required for product quality.

Since we do not sell directly to the consumer, we rely on and provide financial incentives to our customers to assist in the distribution and promotion of our products. For our independent distributors and retailers, these incentives include volume-based rebates, product placement fees, promotions and displays. For our independent bottlers, these incentives are referred to as bottler funding and are negotiated annually with each bottler to support a variety of trade and consumer programs, such as consumer incentives, advertising support, new product support, and vending and cooler equipment placement. Consumer incentives include coupons, pricing discounts and promotions, and other promotional offers. Advertising support is directed at advertising programs and supporting independent bottler media. New product support includes targeted consumer and retailer incentives and direct marketplace support, such as point-of-purchase materials, product placement fees, media and advertising. Vending and cooler equipment placement programs support the acquisition and placement of vending machines and cooler equipment. The nature and type of programs vary annually.

Retail consolidation and the current economic environment continue to increase the importance of major customers. In 2010, sales to Wal-Mart (including Sam's) represented approximately 12% of our total net revenue. Our top five retail customers represented approximately 31% of our 2010 North American net revenue, with Wal-Mart (including Sam's) representing approximately 18%. These percentages include concentrate sales to our independent bottlers (including concentrate sales to PBG and PAS prior to the February 26, 2010 acquisition date) which were used in finished goods sold by them to these retailers.

See Note 15 for additional information about our acquisitions of PBG and PAS in 2010.

Our Related Party Bottlers

Prior to our acquisitions of PBG and PAS on February 26, 2010, we had noncontrolling interests in these bottlers. Because our ownership was less than 50%, and since we did not control these bottlers, we did not consolidate their results. Instead, we included our share of their net income based on our percentage of economic ownership in our income statement as bottling equity income. On February 26, 2010, in connection with our acquisitions of PBG and PAS, we began to consolidate the results of these bottlers. Our share of the net income of Pepsi Bottling Ventures LLC (PBV) is reflected in bottling equity income. Our share of income or loss from other noncontrolled affiliates is recorded as a component of selling, general and administrative expenses. See Note 8 for

additional information on these related parties and related party commitments and guarantees.

Our Distribution Network

Our products are brought to market through DSD, customer warehouse and foodservice and vending distribution networks. The distribution system used depends on customer needs, product characteristics and local trade practices.

Direct-Store-Delivery

We, our independent bottlers and our distributors operate DSD systems that deliver snacks and beverages directly to retail stores where the products are merchandised by our employees or our bottlers. DSD enables us to merchandise with maximum visibility and appeal. DSD is especially well-suited to products that are restocked often and respond to in-store promotion and merchandising.

Customer Warehouse

Some of our products are delivered from our manufacturing plants and warehouses to customer warehouses and retail stores. These less costly systems generally work best for products that are less fragile and perishable, have lower turnover, and are less likely to be impulse purchases.

Foodservice and Vending

Our foodservice and vending sales force distributes snacks, foods and beverages to third-party foodservice and vending distributors and operators. Our foodservice and vending sales force also distributes certain beverages through our independent bottlers. This distribution system supplies our products to restaurants, businesses, schools, stadiums and similar locations.

Our Competition

Our businesses operate in highly competitive markets. We compete against global, regional, local and private label manufacturers on the basis of price, quality, product variety and distribution. In U.S. measured channels, our chief beverage competitor, The Coca-Cola Company, has a larger share of CSD consumption, while we have a larger share of liquid refreshment beverages consumption. In addition, The Coca-Cola Company has a significant CSD share advantage in many markets outside the United States. Further, our snack brands hold significant leadership positions in the snack industry worldwide. Our snack brands face local, regional and private label competitors, as well as national and global snack competitors, and compete on the basis of price, quality, product variety and distribution. Success in this competitive environment is dependent on effective promotion of existing products, the introduction of new products and the effectiveness of our advertising campaigns, marketing programs and product packaging. We believe that the strength of our brands, innovation and marketing,

coupled with the quality of our products and flexibility of our distribution network, allow us to compete effectively.

Other Relationships

Certain members of our Board of Directors also serve on the boards of certain vendors and customers. Those Board members do not participate in our vendor selection and negotiations nor in our customer negotiations. Our transactions with these vendors and customers are in the normal course of business and are consistent with terms negotiated with other vendors and customers. In addition, certain of our employees serve on the boards of PBV and other affiliated companies and do not receive incremental compensation for their Board services.

Our Business Risks

We are subject to risks in the normal course of business. See “Risk Factors” in Item 1A. and “Executive Overview” above and “Market Risks” below for more information about these risks.

Risk Management Framework

The achievement of our strategic and operating objectives will necessarily involve taking risks. Our risk management process is intended to ensure that risks are taken knowingly and purposefully. As such, we leverage an integrated risk management framework to identify, assess, prioritize, manage, monitor and communicate risks across the Company. This framework includes:

- The PepsiCo Risk Committee (PRC), comprised of a cross-functional, geographically diverse, senior management group which meets regularly to identify, assess, prioritize and address strategic and reputational risks;
- Division Risk Committees (DRCs), comprised of cross-functional senior management teams which meet regularly to identify, assess, prioritize and address division-specific operating risks;
- PepsiCo’s Risk Management Office, which manages the overall risk management process, provides ongoing guidance, tools and analytical support to the PRC and the DRCs, identifies and assesses potential risks and facilitates ongoing communication between the parties, as well as to PepsiCo’s Audit Committee and Board of Directors;
- PepsiCo Corporate Audit, which evaluates the ongoing effectiveness of our key internal controls through periodic audit and review procedures; and
- PepsiCo’s Compliance Department, which leads and coordinates our compliance policies and practices.

Market Risks

We are exposed to market risks arising from adverse changes in:

- commodity prices, affecting the cost of our raw materials and energy;
- foreign exchange rates; and
- interest rates.

In the normal course of business, we manage these risks through a variety of strategies, including productivity initiatives, global purchasing programs and hedging strategies. Ongoing productivity initiatives involve the identification and effective implementation of meaningful cost-saving opportunities or efficiencies. Our global purchasing programs include fixed-price purchase orders and pricing agreements. See Note 9 for further information on our non-cancelable purchasing commitments. Our hedging strategies include the use of derivatives. Certain derivatives are designated as either cash flow or fair value hedges and qualify for hedge accounting treatment, while others do not qualify and are marked to market through earnings. Cash flows from derivatives used to manage commodity, foreign exchange or interest risks are classified as operating activities. We do not use derivative instruments for trading or speculative purposes. We perform assessments of our counterparty credit risk regularly, including a review of credit ratings, credit default swap rates and potential nonperformance of the counterparty. Based on our most recent assessment of our counterparty credit risk, we consider this risk to be low. In addition, we enter into derivative contracts with a variety of financial institutions that we believe are creditworthy in order to reduce our concentration of credit risk and generally settle with these financial institutions on a net basis.

The fair value of our derivatives fluctuates based on market rates and prices. The sensitivity of our derivatives to these market fluctuations is discussed below. See Note 10 for further discussion of these derivatives and our hedging policies. See “Our Critical Accounting Policies” for a discussion of the exposure of our pension plan assets and pension and retiree medical liabilities to risks related to market fluctuations.

Inflationary, deflationary and recessionary conditions impacting these market risks also impact the demand for and pricing of our products. See “Risk Factors” in Item 1A. for further discussion.

Commodity Prices

We expect to be able to reduce the impact of volatility in our raw material and energy costs through our hedging strategies and ongoing sourcing initiatives.

Our open commodity derivative contracts that qualify for hedge accounting had a face value of $590 million as of December 25, 2010 and $151 million as of December 26, 2009. These contracts resulted in net unrealized gains of $46 million as of December 25, 2010 and net unrealized losses of $29 million as of December 26, 2009. At the end of 2010, the potential change in fair value of commodity derivative instruments, assuming a

10% decrease in the underlying commodity price, would have decreased our net unrealized gains in 2010 by $64 million.

Our open commodity derivative contracts that do not qualify for hedge accounting had a face value of $266 million as of December 25, 2010 and $231 million as of December 26, 2009. These contracts resulted in net gains of $26 million in 2010 and net losses of $57 million in 2009. At the end of 2010, the potential change in fair value of commodity derivative instruments, assuming a 10% decrease in the underlying commodity price, would have decreased our net gains in 2010 by $29 million.

Foreign Exchange

Financial statements of foreign subsidiaries are translated into U.S. dollars using period-end exchange rates for assets and liabilities and weighted-average exchange rates for revenues and expenses. Adjustments resulting from translating net assets are reported as a separate component of accumulated other comprehensive loss within shareholders' equity under the caption currency translation adjustment.

Our operations outside of the U.S. generate over 45% of our net revenue, with Mexico, Canada, Russia and the United Kingdom comprising approximately 20% of our net revenue. As a result, we are exposed to foreign currency risks. During 2010, favorable foreign currency contributed 1 percentage point to net revenue growth, primarily due to appreciation of the Mexican peso, Canadian dollar and Brazilian real, partially offset by depreciation of the Venezuelan bolivar. Currency declines against the U.S. dollar which are not offset could adversely impact our future results.

In addition, we continue to use the official exchange rate to translate the financial statements of our snack and beverage businesses in Venezuela. We use the official rate as we currently intend to remit dividends solely through the government-operated Foreign Exchange Administration Board (CADIVI). As of the beginning of our 2010 fiscal year, the results of our Venezuelan businesses were reported under hyperinflationary accounting. This determination was made based upon Venezuela's National Consumer Price Index (NCPI) which indicated cumulative inflation in Venezuela in excess of 100% for the three-year period ended November 30, 2009. Consequently, the functional currency of our Venezuelan entities was changed from the bolivar fuerte (bolivar) to the U.S. dollar. Effective January 11, 2010, the Venezuelan government devalued the bolivar by resetting the official exchange rate from 2.15 bolivars per dollar to 4.3 bolivars per dollar; however, certain activities were permitted to access an exchange rate of 2.6 bolivars per dollar. Effective June 2010, the Central Bank of Venezuela began accepting and approving applications, under certain conditions, for non-CADIVI exchange transactions at the weighted-average implicit exchange rate obtained from the Transaction System for Foreign Currency Denominated Securities (SITME). As of December 25, 2010, this rate was 5.3 bolivars per dollar. We continue to use all available options, including CADIVI, SITME and bond auctions, to obtain U.S. dollars to meet our operational needs. In 2010, the majority of our transactions were remeasured at the 4.3 exchange rate, and as a result of the change to hyperinflationary accounting and the devaluation of the bolivar, we recorded a one-time net charge of $120

million in the first quarter of 2010. In 2010, our operations in Venezuela comprised 4% of our cash and cash equivalents balance and generated less than 1% of our net revenue. As of January 1, 2011, the Venezuelan government unified the country's two official exchange rates (4.3 and 2.6 bolivars per dollar) by eliminating the 2.6 bolivars per dollar rate, which was previously permitted for certain activities. This change did not, nor is expected to, have a material impact on our financial statements.

Exchange rate gains or losses related to foreign currency transactions are recognized as transaction gains or losses in our income statement as incurred. We may enter into derivatives, primarily forward contracts with terms of no more than two years, to manage our exposure to foreign currency transaction risk. Our foreign currency derivatives had a total face value of $1.7 billion as of December 25, 2010 and $1.2 billion as of December 26, 2009. The contracts that qualify for hedge accounting resulted in net unrealized losses of $15 million as of December 25, 2010 and $20 million as of December 26, 2009. At the end of 2010, we estimate that an unfavorable 10% change in the exchange rates would have increased our net unrealized losses by $119 million. The contracts that do not qualify for hedge accounting resulted in net losses of $6 million in 2010 and a net gain of $1 million in 2009. All losses and gains were offset by changes in the underlying hedged items, resulting in no net material impact on earnings.

Interest Rates

We centrally manage our debt and investment portfolios considering investment opportunities and risks, tax consequences and overall financing strategies. We use various interest rate derivative instruments including, but not limited to, interest rate swaps, cross currency interest rate swaps, Treasury locks and swap locks to manage our overall interest expense and foreign exchange risk. These instruments effectively change the interest rate and currency of specific debt issuances. Certain of our fixed rate indebtedness has been swapped to floating rates. The notional amount, interest payment and maturity date of the interest rate and cross currency swaps match the principal, interest payment and maturity date of the related debt. Our Treasury locks and swap locks are entered into to protect against unfavorable interest rate changes relating to forecasted debt transactions.

Assuming year-end 2010 variable rate debt and investment levels, a 1-percentage-point increase in interest rates would have increased net interest expense by $43 million in 2010.

OUR CRITICAL ACCOUNTING POLICIES

An appreciation of our critical accounting policies is necessary to understand our financial results. These policies may require management to make difficult and subjective judgments regarding uncertainties, and as a result, such estimates may significantly impact our financial results. The precision of these estimates and the likelihood of future changes depend on a number of underlying variables and a range of possible outcomes. Other than our accounting for pension plans, our critical accounting policies do not involve the choice between alternative methods of accounting. We applied our critical accounting policies and estimation methods consistently in all

material respects, and for all periods presented, and have discussed these policies with our Audit Committee.

Our critical accounting policies arise in conjunction with the following:

- revenue recognition;
- goodwill and other intangible assets;
- income tax expense and accruals; and
- pension and retiree medical plans.

Revenue Recognition

Our products are sold for cash or on credit terms. Our credit terms, which are established in accordance with local and industry practices, typically require payment within 30 days of delivery in the U.S., and generally within 30 to 90 days internationally, and may allow discounts for early payment. We recognize revenue upon shipment or delivery to our customers based on written sales terms that do not allow for a right of return. However, our policy for DSD and certain chilled products is to remove and replace damaged and out-of-date products from store shelves to ensure that consumers receive the product quality and freshness they expect. Similarly, our policy for certain warehouse-distributed products is to replace damaged and out-of-date products. Based on our experience with this practice, we have reserved for anticipated damaged and out-of-date products.

Our policy is to provide customers with product when needed. In fact, our commitment to freshness and product dating serves to regulate the quantity of product shipped or delivered. In addition, DSD products are placed on the shelf by our employees with customer shelf space and storerooms limiting the quantity of product. For product delivered through our other distribution networks, we monitor customer inventory levels.

As discussed in “Our Customers,” we offer sales incentives and discounts through various programs to customers and consumers. Sales incentives and discounts are accounted for as a reduction of revenue and totaled $29.1 billion in 2010, $12.9 billion in 2009 and $12.5 billion in 2008. Sales incentives include payments to customers for performing merchandising activities on our behalf, such as payments for in-store displays, payments to gain distribution of new products, payments for shelf space and discounts to promote lower retail prices. A number of our sales incentives, such as bottler funding to independent bottlers and customer volume rebates, are based on annual targets, and accruals are established during the year for the expected payout. These accruals are based on contract terms and our 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. The terms of most of our incentive arrangements do not exceed a year, and therefore do not require highly uncertain long-term estimates. For interim reporting, we estimate total annual sales incentives for most of our programs and record a pro rata share in proportion to revenue. Certain arrangements, such as fountain pouring rights, may extend beyond one year. Payments made to obtain these rights are recognized over

the shorter of the economic or contractual life, as a reduction of revenue, and the remaining balances of $296 million, as of both December 25, 2010 and December 26, 2009, are included in current assets and other assets on our balance sheet.

We estimate and reserve for our bad debt exposure based on our experience with past due accounts and collectibility, the aging of accounts receivable and our analysis of customer data. Bad debt expense is classified within selling, general and administrative expenses in our income statement.

Goodwill and Other Intangible Assets

We sell products under a number of brand names, many of which were developed by us. The brand development costs are expensed as incurred. We also purchase brands in acquisitions. Upon acquisition, the purchase price is first allocated to identifiable assets and liabilities, including brands, based on estimated fair value, with any remaining purchase price recorded as goodwill. Determining fair value requires significant estimates and assumptions based on an evaluation of a number of factors, such as marketplace participants, product life cycles, market share, consumer awareness, brand history and future expansion expectations, amount and timing of future cash flows and the discount rate applied to the cash flows.

We believe that a brand has an indefinite life if it has a history of strong revenue and cash flow performance, and we have the intent and ability to support the brand with marketplace spending for the foreseeable future. If these perpetual brand criteria are not met, brands are amortized over their expected useful lives, which generally range from five to 40 years. Determining the expected life of a brand requires management judgment and is based on an evaluation of a number of factors, including market share, consumer awareness, brand history and future expansion expectations, as well as the macroeconomic environment of the countries in which the brand is sold.

Perpetual brands and goodwill, including the goodwill that is part of our noncontrolled bottling investment balances, are not amortized. Perpetual brands and goodwill are assessed for impairment at least annually. If the carrying amount of a perpetual brand exceeds its fair value, as determined by its discounted cash flows, an impairment loss is recognized in an amount equal to that excess. Goodwill is evaluated using a two-step impairment test at the reporting unit level. A reporting unit can be a division or business within a division. The first step compares the book value of a reporting unit, including goodwill, with its fair value, as determined by its discounted cash flows. If the book value of a reporting unit exceeds its fair value, we complete the second step to determine the amount of goodwill impairment loss that we should record. In the second step, we determine an implied fair value of the reporting unit’s goodwill by allocating the fair value of the reporting unit to all of the assets and liabilities other than goodwill (including any unrecognized intangible assets). The amount of impairment loss is equal to the excess of the book value of the goodwill over the implied fair value of that goodwill.

Amortizable brands are only evaluated for impairment upon a significant change in the operating or macroeconomic environment. If an evaluation of the undiscounted future

cash flows indicates impairment, the asset is written down to its estimated fair value, which is based on its discounted future cash flows.

In connection with our acquisitions of PBG and PAS, we reacquired certain franchise rights which provided PBG and PAS with the exclusive and perpetual rights to manufacture and/or distribute beverages for sale in specified territories. In determining the useful life of these reacquired franchise rights, we considered many factors including the existing perpetual bottling arrangements, the indefinite period expected for the reacquired rights to contribute to our future cash flows, as well as the lack of any factors that would limit the useful life of the reacquired rights to us, including legal, regulatory, contractual, competitive, economic or other factors. Therefore, certain reacquired franchise rights, as well as perpetual brands and goodwill, will not be amortized, but instead will be tested for impairment at least annually. Certain reacquired and acquired franchise rights are amortizable over the remaining contractual period of the contract in which the right was granted.

On December 7, 2009, we reached an agreement with DPSG to manufacture and distribute Dr Pepper and certain other DPSG products in the territories where they were previously sold by PBG and PAS. Under the terms of the agreement, we made an upfront payment of $900 million to DPSG on February 26, 2010. Based upon the terms of the agreement with DPSG, the amount of the upfront payment has been capitalized and will not be amortized, but instead will be tested for impairment at least annually.

Significant management judgment is necessary to evaluate the impact of operating and macroeconomic changes and to estimate future cash flows. Assumptions used in our impairment evaluations, such as forecasted growth rates and our cost of capital, are based on the best available market information and are consistent with our internal forecasts and operating plans. These assumptions could be adversely impacted by certain of the risks discussed in “Risk Factors” in Item 1A. and “Our Business Risks.”

We did not recognize any impairment charges for perpetual brands or goodwill in the years presented. In addition, as of December 25, 2010, we did not have any reporting units that were at risk of failing the first step of the goodwill impairment test. As of December 25, 2010, we had $26.4 billion of perpetual brands and goodwill, of which approximately 65% related to the goodwill and other nonamortizable intangible assets from the acquisitions of PBG and PAS.

Income Tax Expense and Accruals

Our annual tax rate is based on our income, statutory tax rates and tax planning opportunities available to us in the various jurisdictions in which we operate. Significant judgment is required in determining our annual tax rate and in evaluating our tax positions. We establish reserves when, despite our belief that our tax return positions are fully supportable, we believe that certain positions are subject to challenge and that we may not succeed. We adjust these reserves, as well as the related interest, in light of changing facts and circumstances, such as the progress of a tax audit.

An estimated effective tax rate for a year is applied to our quarterly operating results. In the event there is a significant or unusual item recognized in our quarterly operating results, the tax attributable to that item is separately calculated and recorded at the same time as that item. We consider the tax adjustments from the resolution of prior year tax matters to be among such items.

Tax law requires items to be included in our tax returns at different times than the items are reflected in our financial statements. As a result, our annual tax rate reflected in our financial statements is different than that reported in our tax returns (our cash tax rate). Some of these differences are permanent, such as expenses that are not deductible in our tax return, and some differences reverse over time, such as depreciation expense. These temporary differences create deferred tax assets and liabilities. Deferred tax assets generally represent items that can be used as a tax deduction or credit in our tax returns in future years for which we have already recorded the tax benefit in our income statement. We establish valuation allowances for our deferred tax assets if, based on the available evidence, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax liabilities generally represent tax expense recognized in our financial statements for which payment has been deferred, or expense for which we have already taken a deduction in our tax return but have not yet recognized as expense in our financial statements.

In 2010, our annual tax rate was 23.0% compared to 26.0% in 2009, as discussed in “Other Consolidated Results.” The tax rate in 2010 decreased 3.0 percentage points primarily reflecting the impact of our acquisitions of PBG and PAS, which includes the reversal of deferred taxes attributable to our previously held equity interests in PBG and PAS, as well as the favorable resolution of certain tax matters in 2010.

Pension and Retiree Medical Plans

Our pension plans cover full-time employees in the U.S. and certain international employees. Benefits are determined based on either years of service or a combination of years of service and earnings. U.S. and Canada retirees are also eligible for medical and life insurance benefits (retiree medical) if they meet age and service requirements. Generally, our share of retiree medical costs is capped at specified dollar amounts which vary based upon years of service, with retirees contributing the remainder of the cost.

See Note 7 for information about certain changes to our U.S. pension and retiree medical plans and changes in connection with our acquisitions of PBG and PAS.

Our Assumptions

The determination of pension and retiree medical plan obligations and related expenses requires the use of assumptions to estimate the amount of benefits that employees earn while working, as well as the present value of those benefits. Annual pension and retiree medical expense amounts are principally based on four components: (1) the value of benefits earned by employees for working during the year (service cost), (2) increase in

the liability due to the passage of time (interest cost), and (3) other gains and losses as discussed below, reduced by (4) the expected return on plan assets for our funded plans.

Significant assumptions used to measure our annual pension and retiree medical expense include:

- the interest rate used to determine the present value of liabilities (discount rate);
- certain employee-related factors, such as turnover, retirement age and mortality;
- the expected return on assets in our funded plans;
- for pension expense, the rate of salary increases for plans where benefits are based on earnings; and
- for retiree medical expense, health care cost trend rates.

Our assumptions reflect our historical experience and management's best judgment regarding future expectations. Due to the significant management judgment involved, our assumptions could have a material impact on the measurement of our pension and retiree medical benefit expenses and obligations.

At each measurement date, the discount rates are based on interest rates for high-quality, long-term corporate debt securities with maturities comparable to those of our liabilities. Our U.S. discount rate is determined using the Mercer Pension Discount Yield Curve (Mercer Yield Curve). The Mercer Yield Curve uses a portfolio of high-quality bonds rated Aa or higher by Moody's. The Mercer Yield Curve includes bonds that closely match the timing and amount of our expected benefit payments.

The expected return on pension plan assets is based on our pension plan investment strategy, our expectations for long-term rates of return by asset class, taking into account volatilities and correlation among asset classes and our historical experience. We also review current levels of interest rates and inflation to assess the reasonableness of the long-term rates. We evaluate our expected return assumptions annually to ensure that they are reasonable. Our pension plan investment strategy includes the use of actively-managed securities and is reviewed annually based upon plan liabilities, an evaluation of market conditions, tolerance for risk and cash requirements for benefit payments. Our investment objective is to ensure that funds are available to meet the plans' benefit obligations when they become due. Our overall investment strategy is to prudently invest plan assets in a well-diversified portfolio of equity and high-quality debt securities to achieve our long-term return expectations. Our investment policy also permits the use of derivative instruments which are primarily used to reduce risk. Our expected long-term rate of return on U.S. plan assets is 7.8%. Our target investment allocation is 40% for U.S. equity allocations, 20% for international equity allocations and 40% for fixed income allocations. Actual investment allocations may vary from our target investment allocations due to prevailing market conditions. We regularly review our actual investment allocations and periodically rebalance our investments to our target allocations. To calculate the expected return on pension plan assets, we use a market-related valuation method that recognizes investment gains or losses (the difference between the expected and actual return based on the market-related value of assets) for securities included in our equity allocations over a five-year period. This has the effect of

reducing year-to-year volatility. For all other asset categories, the actual fair value is used for the market-related value of assets.

The difference between the actual return on plan assets and the expected return on plan assets is added to, or subtracted from, other gains and losses resulting from actual experience differing from our assumptions and from changes in our assumptions determined at each measurement date. If this net accumulated gain or loss exceeds 10% of the greater of the market-related value of plan assets or plan liabilities, a portion of the net gain or loss is included in expense for the following year based upon the average remaining service period of active plan participants, which is approximately 11 years for pension expense and approximately 8 years for retiree medical expense. The cost or benefit of plan changes that increase or decrease benefits for prior employee service (prior service cost/(credit)) is included in earnings on a straight-line basis over the average remaining service period of active plan participants.

The health care trend rate used to determine our retiree medical plan's liability and expense is reviewed annually. Our review is based on our claim experience, information provided by our health plans and actuaries, and our knowledge of the health care industry. Our review of the trend rate considers factors such as demographics, plan design, new medical technologies and changes in medical carriers.

Weighted-average assumptions for pension and retiree medical expense are as follows:

	2011	2010	2009
Pension			
Expense discount rate	5.6%	6.0%	6.2%
Expected rate of return on plan assets	7.6%	7.6%	7.6%
Expected rate of salary increases	4.1%	4.4%	4.4%
Retiree medical			
Expense discount rate	5.2%	5.8%	6.2%
Expected rate of return on plan assets	7.8%		
Current health care cost trend rate	7.0%	7.5%	8.0%

Based on our assumptions, we expect our pension and retiree medical expenses to increase in 2011, as a result of assumption changes, an increase in experience loss amortization, plan changes and normal growth, partially offset by expected asset returns on contributions. The most significant assumption changes result from the use of lower discount rates.

Sensitivity of Assumptions

A decrease in the discount rate or in the expected rate of return assumptions would increase pension expense. The estimated impact of a 25-basis-point decrease in the discount rate on 2011 pension expense is an increase of approximately $55 million. The estimated impact on 2011 pension expense of a 25-basis-point decrease in the expected rate of return is an increase of approximately $28 million.

See Note 7 regarding the sensitivity of our retiree medical cost assumptions.

Funding

We make contributions to pension trusts maintained to provide plan benefits for certain pension plans. These contributions are made in accordance with applicable tax regulations that provide for current tax deductions for our contributions and taxation to the employee only upon receipt of plan benefits. Generally, we do not fund our pension plans when our contributions would not be currently tax deductible. As our retiree medical plans are not subject to regulatory funding requirements, we generally fund these plans on a pay-as-you-go basis, although we periodically review available options to make additional contributions toward these benefits.

Our pension contributions for 2010 were $1.5 billion, of which $1.3 billion was discretionary. Our U.S. retiree medical contributions for 2010 were $270 million, of which $170 million was discretionary.

In 2011, we expect to make pension contributions of approximately $160 million, with up to approximately $15 million expected to be discretionary. Our cash payments for retiree medical benefits are estimated to be approximately $145 million in 2011. Our pension and retiree medical contributions are subject to change as a result of many factors, such as changes in interest rates, deviations between actual and expected asset returns and changes in tax or other benefit laws. For estimated future benefit payments, including our pay-as-you-go payments as well as those from trusts, see Note 7.

OUR FINANCIAL RESULTS

Items Affecting Comparability

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

	2010	2009	2008
Operating profit			
Mark-to-market net impact (gain/(loss))	**$ 91**	$ 274	$ (346)
Restructuring and impairment charges	**—**	$ (36)	$ (543)
Merger and integration charges	**$ (769)**	$ (50)	—
Inventory fair value adjustments	**$ (398)**	—	—
Venezuela currency devaluation	**$ (120)**	—	—
Asset write-off	**$ (145)**	—	—
Foundation contribution	**$ (100)**	—	—
Bottling equity income			
PepsiCo share of PBG restructuring and impairment charges	**—**	—	$ (138)
Gain on previously held equity interests	**$ 735**	—	—
Merger and integration charges	**$ (9)**	$ (11)	—
Interest expense			
Merger and integration charges	**$ (30)**	—	—
Debt repurchase	**$ (178)**	—	—
Net income attributable to PepsiCo			
Mark-to-market net impact (gain/(loss))	**$ 58**	$ 173	$ (223)
Restructuring and impairment charges	**—**	$ (29)	$ (408)
PepsiCo share of PBG restructuring and impairment charges	**—**	—	$ (114)
Gain on previously held equity interests	**$ 958**	—	—
Merger and integration charges	**$ (648)**	$ (44)	—
Inventory fair value adjustments	**$ (333)**	—	—
Venezuela currency devaluation	**$ (120)**	—	—
Asset write-off	**$ (92)**	—	—
Foundation contribution	**$ (64)**	—	—
Debt repurchase	**$ (114)**	—	—
Net income attributable to PepsiCo per common share – diluted			
Mark-to-market net impact (gain/(loss))	**$ 0.04**	$ 0.11	$(0.14)
Restructuring and impairment charges	**—**	$(0.02)	$(0.25)
PepsiCo share of PBG restructuring and impairment charges	**—**	—	$(0.07)
Gain on previously held equity interests	**$ 0.60**	—	—
Merger and integration charges	**$(0.40)**	$(0.03)	—
Inventory fair value adjustments	**$(0.21)**	—	—
Venezuela currency devaluation	**$(0.07)**	—	—
Asset write-off	**$(0.06)**	—	—
Foundation contribution	**$(0.04)**	—	—
Debt repurchase	**$(0.07)**	—	—

Mark-to-Market Net Impact

We centrally manage commodity derivatives on behalf of our divisions. These commodity derivatives include energy, fruit, aluminum and other raw materials. 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. Therefore, the divisions realize the economic effects of the derivative without experiencing any resulting mark-to-market volatility, which remains in corporate unallocated expenses.

In 2010, we recognized $91 million ($58 million after-tax or $0.04 per share) of mark-to-market net gains on commodity hedges in corporate unallocated expenses.

In 2009, we recognized $274 million ($173 million after-tax or $0.11 per share) of mark-to-market net gains on commodity hedges in corporate unallocated expenses.

In 2008, we recognized $346 million ($223 million after-tax or $0.14 per share) of mark-to-market net losses on commodity hedges in corporate unallocated expenses.

Restructuring and Impairment Charges

In 2009, we incurred charges of $36 million ($29 million after-tax or $0.02 per share) in conjunction with our Productivity for Growth program that began in 2008. The program includes actions in all divisions of the business, including the closure of six plants that we believe will increase cost competitiveness across the supply chain, upgrade and streamline our product portfolio, and simplify the organization for more effective and timely decision-making. These initiatives were completed in the second quarter of 2009.

In 2008, we incurred charges of $543 million ($408 million after-tax or $0.25 per share) in conjunction with our Productivity for Growth program.

Gain on Previously Held Equity Interests

In 2010, in connection with our acquisitions of PBG and PAS, we recorded a gain on our previously held equity interests of $958 million ($0.60 per share), comprising $735 million which is non-taxable and recorded in bottling equity income and $223 million related to the reversal of deferred tax liabilities associated with these previously held equity interests.

Merger and Integration Charges

In 2010, we incurred merger and integration charges of $799 million related to our acquisitions of PBG and PAS, as well as advisory fees in connection with our acquisition of WBD. $467 million of these charges were recorded in the PAB segment, $111 million recorded in the Europe segment, $191 million recorded in corporate unallocated expenses

and $30 million recorded in interest expense. The merger and integration charges related to our acquisitions of PBG and PAS are being incurred to help create a more fully integrated supply chain and go-to-market business model, to improve the effectiveness and efficiency of the distribution of our brands and to enhance our revenue growth. These charges also include closing costs, one-time financing costs and advisory fees related to our acquisitions of PBG and PAS. In addition, we recorded $9 million of merger-related charges, representing our share of the respective merger costs of PBG and PAS, in bottling equity income. In total, the above charges had an after-tax impact of $648 million or $0.40 per share.

In 2009, we incurred $50 million of merger-related charges, as well as an additional $11 million of merger-related charges, representing our share of the respective merger costs of PBG and PAS, recorded in bottling equity income. In total, these charges had an after-tax impact of $44 million or $0.03 per share.

Inventory Fair Value Adjustments

In 2010, we recorded $398 million ($333 million after-tax or $0.21 per share) of incremental costs related to fair value adjustments to the acquired inventory and other related hedging contracts included in PBG's and PAS's balance sheets at the acquisition date. Substantially all of these costs were recorded in cost of sales.

Venezuela Currency Devaluation

As of the beginning of our 2010 fiscal year, we recorded a one-time $120 million net charge related to our change to hyperinflationary accounting for our Venezuelan businesses and the related devaluation of the bolivar. $129 million of this net charge was recorded in corporate unallocated expenses, with the balance (income of $9 million) recorded in our PAB segment. In total, this net charge had an after-tax impact of $120 million or $0.07 per share.

Asset Write-Off

In 2010, we recorded a $145 million charge ($92 million after-tax or $0.06 per share) related to a change in scope of one release in our ongoing migration to SAP software. This change was driven, in part, by a review of our North America systems strategy following our acquisitions of PBG and PAS. This change does not impact our overall commitment to continue our implementation of SAP across our global operations over the next few years.

Foundation Contribution

In 2010, we made a $100 million ($64 million after-tax or $0.04 per share) contribution to The PepsiCo Foundation, Inc., in order to fund charitable and social programs over the next several years. This contribution was recorded in corporate unallocated expenses.

Debt Repurchase

In 2010, we paid $672 million in a cash tender offer to repurchase $500 million (aggregate principal amount) of our 7.90% senior unsecured notes maturing in 2018. As a result of this debt repurchase, we recorded a $178 million charge to interest expense ($114 million after-tax or $0.07 per share), primarily representing the premium paid in the tender offer.

PepsiCo Share of PBG's Restructuring and Impairment Charges

In 2008, PBG implemented a restructuring initiative across all of its geographic segments. In addition, PBG recognized an asset impairment charge related to its business in Mexico. Consequently, a non-cash charge of $138 million was included in bottling equity income ($114 million after-tax or $0.07 per share) as part of recording our share of PBG's financial results.

Non-GAAP Measures

Certain measures contained in this Form 10-K are financial measures that are adjusted for items affecting comparability (see "Items Affecting Comparability" for a detailed list and description of each of these items), as well as, in certain instances, adjusted for foreign currency. These measures are not in accordance with Generally Accepted Accounting Principles (GAAP). Items adjusted for currency assume foreign currency exchange rates used for translation based on the rates in effect for the comparable prior-year period. We believe investors should consider these non-GAAP measures in evaluating our results as they are more indicative of our ongoing performance and with how management evaluates our operational results and trends. These measures are not, and should not be viewed as, a substitute for U.S. GAAP reporting measures. See "Management Operating Cash Flow."

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 nonconsolidated equity investees.

Servings

Since our divisions each use different measures of physical unit volume (i.e., kilos, gallons, pounds and case sales), a common servings metric is necessary to reflect our consolidated physical unit volume. Our divisions' physical volume measures are converted into servings based on U.S. Food and Drug Administration guidelines for single-serving sizes of our products.

In 2010, total servings increased 7% compared to 2009, as servings for snacks increased 2% while servings for beverages increased 9%. In 2009, total servings increased slightly compared to 2008, as servings for snacks increased 1% while servings for beverages decreased 1%.

Total Net Revenue and Operating Profit

				Change	
	2010	2009	2008	**2010**	2009
Total net revenue	**$57,838**	$43,232	$43,251	**34%**	—
Operating profit					
FLNA	**$ 3,549**	$ 3,258	$ 2,959	**9%**	10%
QFNA	**568**	628	582	**(10)%**	8%
LAF	**1,004**	904	897	**11%**	1%
PAB	**2,776**	2,172	2,026	**28%**	7%
Europe	**1,020**	932	910	**9%**	2%
AMEA	**742**	716	592	**4%**	21%
Corporate Unallocated					
Mark-to-market net (gains/(losses))	**91**	274	(346)	**(67)%**	n/m
Merger and integration charges	**(191)**	(49)	—	**284%**	n/m
Restructuring and impairment charges	**—**	—	(10)	**—**	n/m
Venezuela currency devaluation	**(129)**	—	—	**n/m**	—
Asset write-off	**(145)**	—	—	**n/m**	—
Foundation contribution	**(100)**	—	—	**n/m**	—
Other	**(853)**	(791)	(651)	**8%**	21%
Total operating profit	**$ 8,332**	$ 8,044	$ 6,959	**4%**	16%
Total operating profit margin	**14.4%**	18.6%	16.1%	**(4.2)**	2.5

n/m represents year-over-year changes that are not meaningful.

2010

Total operating profit increased 4% and operating margin decreased 4.2 percentage points. Operating profit performance was impacted by items affecting comparability (see “Items Affecting Comparability”) which reduced operating profit by 21 percentage points and contributed 2.9 percentage points to the total operating margin decline. Operating profit performance also reflects the incremental operating results from our acquisitions of PBG and PAS.

2009

Total operating profit increased 16% and operating margin increased 2.5 percentage points. These increases were driven by the net favorable mark-to-market impact of our commodity hedges and lower restructuring and impairment charges related to our Productivity for Growth program, collectively contributing 17 percentage points to operating profit growth, partially offset by 1 percentage point from costs associated with our acquisitions of PBG and PAS. Foreign currency reduced operating profit growth by 6 percentage points, and acquisitions contributed 2 percentage points to the operating profit growth.

Other corporate unallocated expenses increased 21%, primarily reflecting deferred compensation losses, compared to gains in 2008. The deferred compensation losses are offset (as an increase to interest income) by gains on investments used to economically hedge these costs.

Other Consolidated Results

				Change	
	2010	2009	2008	**2010**	2009
Bottling equity income	**$ 735**	$ 365	$ 374	**$ 370**	$ (9)
Interest expense, net	**$ (835)**	$ (330)	$ (288)	**$(505)**	$ (42)
Annual tax rate	**23.0%**	26.0%	26.7%		
Net income attributable to PepsiCo	**$6,320**	$5,946	$5,142	**6%**	16%
Net income attributable to PepsiCo per common share – diluted	**$ 3.91**	$ 3.77	$ 3.21	**4%**	17%
Mark-to-market net (gains)/losses	**(0.04)**	(0.11)	0.14		
Restructuring and impairment charges	**—**	0.02	0.25		
PepsiCo share of PBG's restructuring and impairment charges	**—**	—	0.07		
Gain on previously held equity interests	**(0.60)**	—	—		
Merger and integration charges	**0.40**	0.03	—		
Inventory fair value adjustments	**0.21**	—	—		
Venezuela currency devaluation	**0.07**	—	—		
Asset write-off	**0.06**	—	—		
Foundation contribution	**0.04**	—	—		
Debt repurchase	**0.07**	—	—		
Net income attributable to PepsiCo per common share – diluted, excluding above items*	**$ 4.13****	$ 3.71	$ 3.68**	**12%**	1%
Impact of foreign currency translation				**1**	5
Growth in net income attributable to PepsiCo per common share – diluted, excluding above items, on a constant currency basis*				**12%****	6%

* See "Non-GAAP Measures"

** Does not sum due to rounding

As discussed in “Our Customers,” prior to our acquisitions of PBG and PAS on February 26, 2010, we had noncontrolling interests in each of these bottlers and consequently included our share of their net income in bottling equity income. Upon consummation of the acquisitions in the first quarter of 2010, we began to consolidate the results of these bottlers and recorded a $735 million gain in bottling equity income associated with revaluing our previously held equity interests in PBG and PAS to fair value. Our share of the net income of PBV is reflected in bottling equity income.

2010

Bottling equity income increased $370 million, primarily reflecting the gain on our previously held equity interests in connection with our acquisitions of PBG and PAS, partially offset by the consolidation of the related financial results of the acquired bottlers.

Net interest expense increased $505 million, primarily reflecting higher average debt balances, interest expense incurred in connection with our cash tender offer to repurchase debt, and bridge and term financing costs in connection with our acquisitions of PBG and PAS. These increases were partially offset by lower average rates on our debt balances.

The reported tax rate decreased 3.0 percentage points compared to the prior year, primarily reflecting the impact of our acquisitions of PBG and PAS, which includes the reversal of deferred taxes attributable to our previously held equity interests in PBG and PAS, as well as the favorable resolution of certain tax matters in 2010.

Net income attributable to PepsiCo increased 6% and net income attributable to PepsiCo per common share increased 4%. Items affecting comparability (see “Items Affecting Comparability”) decreased net income attributable to PepsiCo and net income attributable to PepsiCo per common share by 8 percentage points.

2009

Bottling equity income decreased $9 million, primarily reflecting pre-tax gains on our sales of PBG and PAS stock in 2008, mostly offset by a 2008 non-cash charge of $138 million related to our share of PBG’s 2008 restructuring and impairment charges.

Net interest expense increased $42 million, primarily reflecting lower average rates on our investment balances and higher average debt balances. This increase was partially offset by gains in the market value of investments used to economically hedge a portion of our deferred compensation costs.

The tax rate decreased 0.7 percentage points compared to 2008, primarily due to the favorable resolution of certain foreign tax matters and lower taxes on foreign results in 2009.

Net income attributable to PepsiCo increased 16% and net income attributable to PepsiCo per common share increased 17%. The favorable net mark-to-market impact of our commodity hedges and lower restructuring and impairment charges in 2009 were partially offset by the merger costs related to our acquisitions of PBG and PAS; these items affecting comparability (see "Items Affecting Comparability") increased net income attributable to PepsiCo by 16 percentage points and net income attributable to PepsiCo per common share by 17 percentage points. Net income attributable to PepsiCo per common share was also favorably impacted by share repurchases in 2008.

Results of Operations – Division Review

The results and discussions below are based on how our Chief Executive Officer monitors the performance of our divisions. See "Items Affecting Comparability" for a discussion of items to consider when evaluating our results and related information regarding non-GAAP measures.

	FLNA	QFNA	LAF	PAB	Europe	AMEA	Total
Net Revenue, 2010	**$13,397**	**$1,832**	**$6,315**	**$20,401**	**$ 9,254**	**$ 6,639**	**$57,838**
Net Revenue, 2009	$13,224	$1,884	$5,703	$10,116	$ 6,727	$ 5,578	$43,232
% Impact of:							
Volume[a]	— %	(1)%	3%	*	*	12%	*
Effective net pricing[b]	—	(3)	6	*	*	3	*
Foreign exchange	1	1	1	—	(2)	4	1
Acquisitions	—	—	—	*	*	1	*
% Change[c]	*1%*	*(3)%*	*11%*	*102%*	*38%*	*19%*	*34%*

	FLNA	QFNA	LAF	PAB	Europe	AMEA	Total
Net Revenue, 2009	$13,224	$1,884	$5,703	$10,116	$ 6,727	$ 5,578	$43,232
Net Revenue, 2008	$12,507	$1,902	$5,895	$10,937	$ 6,891	$ 5,119	$43,251
% Impact of:							
Volume[a]	1%	— %	(2)%	(7)%	(3)%	7%	(1)%
Effective net pricing[b]	5.5	—	12	—	5	4	5
Foreign exchange	(1)	(1)	(14)	(1)	(12)	(3)	(5)
Acquisitions	—	—	—	—	8	1	1.5
% Change[c]	*6%*	*(1)%*	*(3)%*	*(8)%*	*(2)%*	*9%*	*— %*

(a) Excludes the impact of acquisitions. In certain instances, volume growth varies from the amounts disclosed in the following divisional discussions due to nonconsolidated joint venture volume, and, for our beverage businesses, temporary timing differences between BCS and CSE. Our net revenue excludes nonconsolidated 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.

* It is impractical to separately determine and quantify the impact of our acquisitions of PBG and PAS from changes in our pre-existing beverage business since we now manage these businesses as an integrated system.

Frito-Lay North America

				% Change	
	2010	2009	2008	**2010**	2009
Net revenue	**$13,397**	$13,224	$12,507	**1**	6
Impact of foreign currency translation				**(1)**	1
Net revenue growth, on a constant currency basis*				**0.5****	6**
Operating profit	**$ 3,549**	$ 3,258	$ 2,959	**9**	10
Restructuring and impairment charges	**—**	2	108		
Operating profit, excluding above item*	**$ 3,549**	$ 3,260	$ 3,067	**9**	6
Impact of foreign currency translation				**(1)**	0.5
Operating profit growth excluding above item, on a constant currency basis*				**8**	7**

* See “Non-GAAP Measures”
** Does not sum due to rounding

2010

Pound volume decreased 1%, primarily due to the overlap of the 2009 “20% More Free” promotion, as well as a double-digit decline in SunChips, partially offset by mid-single-digit growth in trademark Lay’s. Net revenue grew 1%, primarily reflecting mid-single-digit revenue growth in trademark Lay’s, double-digit revenue growth in variety packs and high-single-digit revenue growth in trademark Ruffles. These gains were partially offset by a double-digit revenue decline in SunChips and a mid-single-digit revenue decline in Tostitos. Foreign currency contributed 1 percentage point to the net revenue growth.

Operating profit grew 9%, reflecting lower commodity costs, primarily cooking oil.

2009

Net revenue grew 6% and pound volume increased 1%. The volume growth reflects high-single-digit growth in dips, double-digit growth from our Sabra joint venture and low-single-digit growth in trademark Lay’s. These volume gains were partially offset by high-single-digit declines in trademark Ruffles. Net revenue growth also benefited from effective net pricing. Foreign currency reduced net revenue growth by almost 1 percentage point.

Operating profit grew 10%, primarily reflecting the net revenue growth, partially offset by higher commodity costs, primarily cooking oil and potatoes. Lower restructuring and impairment charges in 2009 related to our Productivity for Growth program increased operating profit growth by nearly 4 percentage points.

Quaker Foods North America

				% Change	
	2010	2009	2008	**2010**	2009
Net revenue	**$1,832**	$1,884	$1,902	**(3)**	(1)
Impact of foreign currency translation				**(1)**	1
Net revenue growth, on a constant currency basis*				**(4)**	—
Operating profit	**$ 568**	$ 628	$ 582	**(10)**	8
Restructuring and impairment charges	**—**	1	31		
Operating profit, excluding above item*	**$ 568**	$ 629	$ 613	**(10)**	3
Impact of foreign currency translation				**(1)**	—
Operating profit growth excluding above item, on a constant currency basis*				**(10)****	3

* See “Non-GAAP Measures”
** Does not sum due to rounding

2010

Net revenue declined 3% and volume declined 1%. The volume decline primarily reflects low-single-digit declines in Oatmeal and ready-to-eat cereals. Unfavorable mix and net pricing also contributed to the net revenue decline. Favorable foreign currency positively contributed 1 percentage point to the net revenue performance.

Operating profit declined 10%, primarily reflecting the net revenue performance, as well as insurance settlement recoveries recorded in the prior year related to the Cedar Rapids flood, which negatively impacted operating profit performance by 3 percentage points.

2009

Net revenue declined 1% and volume was flat. Low-single-digit volume declines in Oatmeal and high-single-digit declines in trademark Roni were offset by high-single-digit growth in ready-to-eat cereals. Favorable net pricing, driven by price increases taken in 2008, was offset by unfavorable mix. Unfavorable foreign currency reduced net revenue growth by 1 percentage point.

Operating profit increased 8%, primarily reflecting the absence of 2008 restructuring and impairment charges related to our Productivity for Growth program, which increased operating profit growth by 5 percentage points. Lower advertising and marketing, and selling and distribution expenses, also contributed to the operating profit growth.

Latin America Foods

				% Change	
	2010	2009	2008	**2010**	2009
Net revenue	**$6,315**	$5,703	$5,895	**11**	(3)
Impact of foreign currency translation				**(1)**	14
Net revenue growth, on a constant currency basis*				**10**	10**
Operating profit	**$1,004**	$ 904	$ 897	**11**	1
Restructuring and impairment charges	**—**	3	40		
Operating profit excluding above item*	**$1,004**	$ 907	$ 937	**11**	(3)
Impact of foreign currency translation				**—**	17
Operating profit growth excluding above item, on a constant currency basis*				**11**	13**

* See “Non-GAAP Measures”
** Does not sum due to rounding

2010

Volume increased 4%, reflecting mid-single-digit increases at Sabritas in Mexico and Brazil. Additionally, Gamesa in Mexico grew at a low-single-digit rate.

Net revenue increased 11%, primarily reflecting favorable effective net pricing and the volume growth. Net revenue growth reflected 1 percentage point of favorable foreign currency, which was net of a 6-percentage-point unfavorable impact from Venezuela.

Operating profit grew 11%, primarily reflecting the net revenue growth. Unfavorable foreign currency reduced operating profit growth slightly, as an 8-percentage-point unfavorable impact from Venezuela was offset by favorable foreign currency in other markets.

2009

Volume declined 2%, largely reflecting pricing actions to cover commodity inflation. A mid-single-digit decline at Sabritas in Mexico and a low-single-digit decline at Gamesa in Mexico were partially offset by mid-single-digit growth in Brazil.

Net revenue declined 3%, primarily reflecting an unfavorable foreign currency impact of 14 percentage points. Favorable effective net pricing was partially offset by the volume declines.

Operating profit grew 1%, reflecting favorable effective net pricing, partially offset by the higher commodity costs. Unfavorable foreign currency reduced operating profit by 17 percentage points. Operating profit growth benefited from lower restructuring and impairment charges in 2009 related to our Productivity for Growth program.

PepsiCo Americas Beverages

				% Change	
	2010	2009	2008	**2010**	2009
Net revenue	**$20,401**	$10,116	$10,937	**102**	(8)
Impact of foreign currency translation				**—**	1
Net revenue growth, on a constant currency basis*				**102**	(6)**
Operating profit	**$ 2,776**	$ 2,172	$ 2,026	**28**	7
Restructuring and impairment charges	**—**	16	289		
Merger and integration costs	**467**	—	—		
Inventory fair value adjustments	**358**	—	—		
Venezuela currency devaluation	**(9)**	—	—		
Operating profit, excluding above items*	**$ 3,592**	$ 2,188	$ 2,315	**64**	(5.5)
Impact of foreign currency translation				**4**	3
Operating profit, excluding above items, on a constant currency basis*				**68**	(3)**

* See “Non-GAAP Measures”
** Does not sum due to rounding

2010

Volume increased 10%, primarily reflecting volume from incremental brands related to our acquisition of PBG’s operations in Mexico, which contributed over 6 percentage points to volume growth, as well as incremental volume related to our DPSG manufacturing and distribution agreement, entered into in connection with our acquisitions of PBG and PAS, which contributed over 5 percentage points to volume growth. North America volumes, excluding the impact of the incremental DPSG volume, declined 1%, driven by a 3% decline in CSD volume, partially offset by a 1% increase in non-carbonated beverage volume. The non-carbonated beverage volume growth primarily reflected a mid-single-digit increase in Gatorade sports drinks and a high-single-digit increase in Lipton ready-to-drink teas, mostly offset by mid-single-digit declines in our base Aquafina water and Tropicana businesses.

Net revenue increased 102%, primarily reflecting the incremental finished goods revenue related to our acquisitions of PBG and PAS.

Reported operating profit increased 28%, primarily reflecting the incremental operating results from our acquisitions of PBG and PAS, partially offset by the items affecting comparability in the above table (see “Items Affecting Comparability”). Excluding the items affecting comparability, operating profit increased 64%. Unfavorable foreign currency reduced operating profit performance by 4 percentage points, driven primarily by a 6-percentage-point unfavorable impact from Venezuela.

2009

BCS volume declined 6%, reflecting continued softness in the North America liquid refreshment beverage category.

In North America, non-carbonated beverage volume declined 11%, primarily driven by double-digit declines in Gatorade sports drinks and in our base Aquafina water business. CSD volumes declined 5%.

Net revenue declined 8%, primarily reflecting the volume declines. Unfavorable foreign currency contributed over 1 percentage point to the net revenue decline.

Operating profit increased 7%, primarily reflecting lower restructuring and impairment charges in 2009 related to our Productivity for Growth program. Excluding restructuring and impairment charges, operating profit declined 5.5%, primarily reflecting the net revenue performance. Operating profit was also negatively impacted by unfavorable foreign currency which reduced operating profit growth by almost 3 percentage points.

Europe

				% Change	
	2010	2009	2008	**2010**	2009
Net revenue	**$9,254**	$6,727	$6,891	**38**	(2)
Impact of foreign currency translation				**2**	12
Net revenue growth, on a constant currency basis*				**40**	10
Operating profit	**$1,020**	$ 932	$ 910	**9**	2
Restructuring and impairment charges	**—**	1	50		
Merger and integration costs	**111**	1	—		
Inventory fair value adjustments	**40**	—	—		
Operating profit, excluding above items*	**$1,171**	$ 934	$ 960	**25**	(3)
Impact of foreign currency translation				**1**	17
Operating profit growth excluding above items, on a constant currency basis*				**26**	13**

* See “Non-GAAP Measures”
** Does not sum due to rounding

2010

Snacks volume increased 2%, reflecting a double-digit increase in France, high-single-digit growth in Quaker in the United Kingdom and mid-single-digit increases in Russia and Turkey. These gains were partially offset by a double-digit decline in Romania and a low-single-digit decline in Spain. Additionally, Walkers in the United Kingdom experienced low-single-digit growth.

Beverage volume increased 10%, reflecting double-digit increases in Russia and Turkey, high-single-digit growth in Poland and France and a mid-single-digit increase in the United Kingdom. These gains were partially offset by a double-digit decline in Romania. Additionally, incremental brands related to our acquisitions of PBG and PAS contributed 5 percentage points to the beverage volume growth.

Net revenue grew 38%, primarily reflecting the incremental finished goods revenue related to our acquisitions of PBG and PAS. Unfavorable foreign currency reduced net revenue growth by 2 percentage points.

Operating profit grew 9%, primarily reflecting incremental operating results from our acquisitions of PBG and PAS. Operating profit growth was also adversely impacted by the items affecting comparability in the above table (see “Items Affecting Comparability”). Excluding these items, operating profit increased 25%. Unfavorable foreign currency reduced operating profit growth by 1 percentage point.

2009

Snacks volume declined 1%, reflecting continued macroeconomic challenges and planned weight outs in response to higher input costs. High-single-digit declines in Spain and Turkey and a double-digit decline in Poland were partially offset by low-single-digit growth in Russia. Additionally, Walkers in the United Kingdom declined at a low-single-digit rate. Our acquisition in the fourth quarter of 2008 of a snacks company in Serbia positively contributed 2 percentage points to the volume performance.

Beverage volume grew 3.5%, primarily reflecting our acquisition of Lebedyansky in Russia in the fourth quarter of 2008 which contributed 8 percentage points to volume growth. A high-single-digit increase in Germany and mid-single-digit increases in the United Kingdom and Poland were more than offset by double-digit declines in Russia and the Ukraine.

Net revenue declined 2%, primarily reflecting adverse foreign currency which contributed 12 percentage points to the decline, partially offset by acquisitions which positively contributed 8 percentage points to net revenue performance. Favorable effective net pricing positively contributed to the net revenue performance.

Operating profit grew 2%, primarily reflecting the favorable effective net pricing and lower restructuring and impairment costs in 2009 related to our Productivity for Growth program. Acquisitions positively contributed 5 percentage points to the operating profit growth and adverse foreign currency reduced operating profit growth by 17 percentage points.

Asia, Middle East & Africa

				% Change	
	2010	2009	2008	**2010**	2009
Net revenue	**$6,639**	$5,578	$5,119	**19**	9
Impact of foreign currency translation				**(4)**	3
Net revenue growth, on a constant currency basis*				**15**	12
Operating profit	**$ 742**	$ 716	$ 592	**4**	21
Restructuring and impairment charges	**—**	13	15		
Operating profit, excluding above items*	**$ 742**	$ 729	$ 607	**2**	20
Impact of foreign currency translation				**(4)**	3
Operating profit growth excluding above items, on a constant currency basis*				**(2)**	23

* See “Non-GAAP Measures”

2010

Snacks volume grew 15%, reflecting broad-based increases driven by double-digit growth in India, the Middle East and China, partially offset by a low-single-digit decline in Australia. Acquisitions contributed 2 percentage points to the snacks volume growth.

Beverage volume grew 7%, driven by double-digit growth in India and China, partially offset by a low-single-digit decline in the Middle East. Acquisitions had a nominal impact on the beverage volume growth rate.

Net revenue grew 19%, reflecting the volume growth and favorable effective net pricing. Foreign currency contributed nearly 4 percentage points to the net revenue growth. The net impact of acquisitions and divestitures contributed 1 percentage point to the net revenue growth.

Operating profit grew 4%, driven primarily by the net revenue growth, partially offset by higher commodity costs and increased investments in strategic markets. The net impact of acquisitions and divestitures reduced operating profit growth by 10 percentage points, primarily as a result of a one-time gain in the prior year associated with the contribution of our snacks business in Japan to form a joint venture with Calbee Foods Company (Calbee). Favorable foreign currency contributed 4 percentage points to the operating profit growth and the absence of restructuring and impairment charges in the current year contributed 2 percentage points.

2009

Snacks volume grew 9%, reflecting broad-based increases driven by double-digit growth in India and the Middle East, partially offset by a low-single-digit decline in China. Additionally, South Africa grew volume at a low-single-digit rate and Australia grew volume slightly. The net impact of acquisitions and divestitures contributed 2 percentage points to the snacks volume growth.

Beverage volume grew 8%, reflecting broad-based increases driven by double-digit growth in India and high-single-digit growth in Pakistan. Additionally, the Middle East grew at a mid-single-digit rate and China grew at a low-single-digit rate. Acquisitions had a nominal impact on the beverage volume growth rate.

Net revenue grew 9%, reflecting volume growth and favorable effective net pricing. Foreign currency reduced net revenue growth by over 3 percentage points. The net impact of acquisitions and divestitures contributed 1 percentage point to the net revenue growth.

Operating profit grew 21%, driven primarily by the net revenue growth. The net impact of acquisitions and divestitures contributed 11 percentage points to the operating profit growth and included a one-time gain associated with the contribution of our snacks business in Japan to form a joint venture with Calbee. Foreign currency reduced operating profit growth by 3 percentage points.

Our Liquidity and Capital Resources

We believe that our cash generating capability and financial condition, together with our revolving credit facilities and other available methods of debt financing (including long-term debt financing which, depending upon market conditions, we may use to replace a portion of our commercial paper borrowings), will be adequate to meet our operating, investing and financing needs. However, there can be no assurance that volatility 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. See Note 9 for a description of our credit facilities. See “Unfavorable economic conditions in the countries in which we operate may have an adverse impact on our business results or financial condition.” in “Risk Factors” in Item 1A.

In addition, currency restrictions enacted by the government in Venezuela have impacted our ability to pay dividends outside of the country from our snack and beverage operations in Venezuela. As of December 25, 2010, our operations in Venezuela comprised 4% of our cash and cash equivalents balance.

Furthermore, our cash provided from operating activities is somewhat impacted by seasonality. Working capital needs are impacted by weekly sales, which are generally highest in the third quarter due to seasonal and holiday-related sales patterns, and generally lowest in the first quarter. On a continuing basis, we consider various transactions to increase shareholder value and enhance our business results, including acquisitions, divestitures, joint ventures and share repurchases. These transactions may result in future cash proceeds or payments.

Operating Activities

During 2010, net cash provided by operating activities was $8.4 billion, compared to net cash provided of $6.8 billion in the prior year. The increase over the prior year primarily reflects the incremental operating results from our acquisitions of PBG and PAS, as well as favorable working capital comparisons to the prior year. Also see "Management Operating Cash Flow" below for certain other items impacting net cash provided by operating activities.

In 2009, our operations provided $6.8 billion of cash, compared to $7.0 billion in 2008, reflecting a $1.0 billion ($0.6 billion after-tax) discretionary pension contribution to our U.S. pension plans, $196 million of restructuring payments related to our Productivity for Growth program and $49 million of merger cost payments related to our acquisitions of PBG and PAS. Operating cash flow also reflected net favorable working capital comparisons to 2008.

Investing Activities

During 2010, net cash used for investing activities was $7.7 billion, primarily reflecting $3.2 billion for net capital spending, $2.8 billion of net cash paid in connection with our acquisitions of PBG and PAS, and $0.9 billion of cash paid in connection with our manufacturing and distribution agreement with DPSG. We also paid $0.5 billion to acquire WBD American Depositary Shares in the open market.

In 2009, net cash used for investing activities was $2.4 billion, primarily reflecting $2.1 billion for capital spending and $0.5 billion for acquisitions.

Subsequent to year-end 2010, we paid $0.2 billion to acquire WBD American Depositary Shares in the open market. We also spent approximately $3.8 billion to acquire approximately 66% of WBD's outstanding ordinary shares, increasing our total ownership of WBD to approximately 77%. In addition to these transactions, we expect to incur an additional $1.4 billion of investing cash outflows in connection with our intended purchase of the remaining outstanding WBD shares, funded primarily through existing international cash. See "Acquisition of Wimm-Bill-Dann Foods OJSC" in Item 1. and Note 15.

We anticipate net capital spending in 2011 of about $3.7 billion, which includes about $150 million of capital spending related to the integration of PBG and PAS, as well as capital spending related to our acquisition of WBD.

Financing Activities

During 2010, net cash provided by financing activities was $1.4 billion, primarily reflecting proceeds from issuances of long-term debt of $6.5 billion, mostly in connection with our acquisitions of PBG and PAS, and net proceeds from short-term borrowings of $2.5 billion. These increases were largely offset by the return of operating cash flow to our shareholders through share repurchases and dividend payments of $8.0 billion.

In 2009, net cash used for financing activities was $2.5 billion, primarily reflecting the return of operating cash flow to our shareholders through dividend payments of $2.7 billion. Net proceeds from issuances of long-term debt of $0.8 billion and stock option proceeds of $0.4 billion were mostly offset by net repayments of short-term borrowings of $1.0 billion.

We annually review our capital structure with our Board, including our dividend policy and share repurchase activity. In the first quarter of 2010, our Board of Directors approved a 7% dividend increase from $1.80 to $1.92 per share and authorized the repurchase of up to $15.0 billion of PepsiCo common stock through June 30, 2013. This authorization was in addition to our $8.0 billion repurchase program authorized by our Board of Directors, publicly announced on May 2, 2007 and which expired on June 30, 2010. We anticipate share repurchases of approximately $2.5 billion in 2011.

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. Therefore, this measure is not, and should not be viewed as, a substitute for U.S. GAAP cash flow measures. 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. Additionally, we consider certain items (included in the table below), in evaluating management operating cash flow. We believe investors should consider these items in evaluating our management operating cash flow results.

The table below reconciles net cash provided by operating activities, as reflected in our cash flow statement, to our management operating cash flow excluding the impact of the items below.

	2010	2009	2008
Net cash provided by operating activities	**$ 8,448**	$ 6,796	$ 6,999
Capital spending	**(3,253)**	(2,128)	(2,446)
Sales of property, plant and equipment	**81**	58	98
Management operating cash flow	**5,276**	4,726	4,651
Discretionary pension and retiree medical contributions (after-tax)	**983**	640	—
Payments related to 2009 restructuring charges (after-tax)	**20**	168	180
Merger and integration payments (after-tax)	**299**	49	—
Foundation contribution (after-tax)	**64**	—	—
Debt repurchase (after-tax)	**112**	—	—
Capital investments related to the PBG/PAS integration	**138**	—	—
Management operating cash flow excluding above items	**$ 6,892**	$ 5,583	$ 4,831

In 2010, management operating cash flow was used primarily to repurchase shares and pay dividends. In 2009, management operating cash flow was used primarily to pay dividends. In 2008, management operating cash flow was used primarily to repurchase shares and pay dividends. We expect to continue to return management operating cash flow to our shareholders through dividends and share repurchases while maintaining short-term credit ratings that ensure appropriate financial flexibility and ready access to global and capital credit markets at favorable interest rates. However, see “Risk Factors” in Item 1A. and “Our Business Risks” for certain factors that may impact our operating cash flows.

Credit Ratings

Our objective is to maintain credit ratings that provide us with ready access to global capital and credit markets at favorable interest rates. On February 24, 2010, Moody's Investors Service (Moody's) lowered the corporate credit rating of PepsiCo and its supported subsidiaries and the rating of PepsiCo's senior unsecured long-term debt to Aa3 from Aa2. Moody's rating for PepsiCo's short-term indebtedness was confirmed at Prime-1 and the outlook is stable. On March 17, 2010, Standard & Poor's Ratings Services (S&P) lowered PepsiCo's corporate credit rating to A from A+ and lowered the rating of PepsiCo's senior unsecured long-term debt to A- from A+. S&P's rating for PepsiCo's short-term indebtedness was confirmed at A-1 and the outlook is stable. Any downgrade of our credit ratings by either Moody's or S&P, including any downgrade to below investment grade, could increase our future borrowing costs or impair our ability to access capital markets on terms commercially acceptable to us or at all. See "Our Business Risks" and Note 9.

Credit Facilities and Long-Term Contractual Commitments

See Note 9 for a description of our credit facilities and long-term contractual commitments.

Off-Balance-Sheet Arrangements

It is not our business practice to enter into off-balance-sheet arrangements, other than in the normal course of business. Additionally, we do not enter into off-balance-sheet transactions specifically structured to provide income or tax benefits or to avoid recognizing or disclosing assets or liabilities. See Note 9 for a description of our off-balance-sheet arrangements.

Consolidated Statement of Income
PepsiCo, Inc. and Subsidiaries
Fiscal years ended December 25, 2010, December 26, 2009 and December 27, 2008
(in millions except per share amounts)

	2010	2009	2008
Net Revenue	**$57,838**	$43,232	$43,251
Cost of sales	**26,575**	20,099	20,351
Selling, general and administrative expenses	**22,814**	15,026	15,877
Amortization of intangible assets	**117**	63	64
Operating Profit	**8,332**	8,044	6,959
Bottling equity income	**735**	365	374
Interest expense	**(903)**	(397)	(329)
Interest income	**68**	67	41
Income before income taxes	**8,232**	8,079	7,045
Provision for income taxes	**1,894**	2,100	1,879
Net income	**6,338**	5,979	5,166
Less: Net income attributable to noncontrolling interests	**18**	33	24
Net Income Attributable to PepsiCo	**$ 6,320**	$ 5,946	$ 5,142
Net Income Attributable to PepsiCo per Common Share			
Basic	**$ 3.97**	$ 3.81	$ 3.26
Diluted	**$ 3.91**	$ 3.77	$ 3.21
Cash dividends declared per common share	**$ 1.89**	$ 1.775	$ 1.65

See accompanying notes to consolidated financial statements.

Consolidated Statement of Cash Flows
PepsiCo, Inc. and Subsidiaries
Fiscal years ended December 25, 2010, December 26, 2009 and December 27, 2008
(in millions)

	2010	2009	2008
Operating Activities			
Net income	**$ 6,338**	$ 5,979	$ 5,166
Depreciation and amortization	**2,327**	1,635	1,543
Stock-based compensation expense	**299**	227	238
Restructuring and impairment charges	**—**	36	543
Cash payments for restructuring charges	**(31)**	(196)	(180)
Merger and integration costs	**808**	50	—
Cash payments for merger and integration costs	**(385)**	(49)	—
Gain on previously held equity interests in PBG and PAS	**(958)**	—	—
Asset write-off	**145**	—	—
Non-cash foreign exchange loss related to Venezuela devaluation	**120**	—	—
Excess tax benefits from share-based payment arrangements	**(107)**	(42)	(107)
Pension and retiree medical plan contributions	**(1,734)**	(1,299)	(219)
Pension and retiree medical plan expenses	**453**	423	459
Bottling equity income, net of dividends	**42**	(235)	(202)
Deferred income taxes and other tax charges and credits	**500**	284	573
Change in accounts and notes receivable	**(268)**	188	(549)
Change in inventories	**276**	17	(345)
Change in prepaid expenses and other current assets	**144**	(127)	(68)
Change in accounts payable and other current liabilities	**488**	(133)	718
Change in income taxes payable	**123**	319	(180)
Other, net	**(132)**	(281)	(391)
Net Cash Provided by Operating Activities	**8,448**	6,796	6,999
Investing Activities			
Capital spending	**(3,253)**	(2,128)	(2,446)
Sales of property, plant and equipment	**81**	58	98
Acquisitions of PBG and PAS, net of cash and cash equivalents acquired	**(2,833)**	—	—
Acquisition of manufacturing and distribution rights from DPSG	**(900)**	—	—
Investment in WBD	(463)	—	—
Other acquisitions and investments in noncontrolled affiliates	**(83)**	(500)	(1,925)
Divestitures	**12**	99	6
Cash restricted for pending acquisitions	**—**	15	(40)
Cash proceeds from sale of PBG and PAS stock	**—**	—	358
Short-term investments, by original maturity			
More than three months – purchases	**(12)**	(29)	(156)
More than three months – maturities	**29**	71	62
Three months or less, net	**(229)**	13	1,376
Other investing, net	**(17)**	—	—
Net Cash Used for Investing Activities	**(7,668)**	(2,401)	(2,667)

(Continued on following page)

Consolidated Statement of Cash Flows (continued)
PepsiCo, Inc. and Subsidiaries
Fiscal years ended December 25, 2010, December 26, 2009 and December 27, 2008
(in millions)

	2010	2009	2008
Financing Activities			
Proceeds from issuances of long-term debt	**$ 6,451**	$ 1,057	$ 3,719
Payments of long-term debt	**(59)**	(226)	(649)
Debt repurchase	**(500)**	—	—
Short-term borrowings, by original maturity			
More than three months – proceeds	**227**	26	89
More than three months – payments	**(96)**	(81)	(269)
Three months or less, net	**2,351**	(963)	625
Cash dividends paid	**(2,978)**	(2,732)	(2,541)
Share repurchases – common	**(4,978)**	—	(4,720)
Share repurchases – preferred	**(5)**	(7)	(6)
Proceeds from exercises of stock options	**1,038**	413	620
Excess tax benefits from share-based payment arrangements	**107**	42	107
Acquisition of non-controlling interest in Lebedyansky from PBG	**(159)**	—	—
Other financing	**(13)**	(26)	—
Net Cash Provided by/(Used for) Financing Activities	**1,386**	(2,497)	(3,025)
Effect of exchange rate changes on cash and cash equivalents	**(166)**	(19)	(153)
Net Increase in Cash and Cash Equivalents	**2,000**	1,879	1,154
Cash and Cash Equivalents, Beginning of Year	**3,943**	2,064	910
Cash and Cash Equivalents, End of Year	**$ 5,943**	$ 3,943	$ 2,064
Non-cash activity:			
Issuance of common stock and equity awards in connection with our acquisitions of PBG and PAS, as reflected in investing and financing activities	**$ 4,451**	—	—

See accompanying notes to consolidated financial statements.

Consolidated Balance Sheet
PepsiCo, Inc. and Subsidiaries
December 25, 2010 and December 26, 2009
(in millions except per share amounts)

	2010	2009
ASSETS		
Current Assets		
Cash and cash equivalents	**$ 5,943**	$ 3,943
Short-term investments	**426**	192
Accounts and notes receivable, net	**6,323**	4,624
Inventories	**3,372**	2,618
Prepaid expenses and other current assets	**1,505**	1,194
Total Current Assets	**17,569**	12,571
Property, Plant and Equipment, net	**19,058**	12,671
Amortizable Intangible Assets, net	**2,025**	841
Goodwill	**14,661**	6,534
Other nonamortizable intangible assets	**11,783**	1,782
Nonamortizable Intangible Assets	**26,444**	8,316
Investments in Noncontrolled Affiliates	**1,368**	4,484
Other Assets	**1,689**	965
Total Assets	**$ 68,153**	$ 39,848
LIABILITIES AND EQUITY		
Current Liabilities		
Short-term obligations	**$ 4,898**	$ 464
Accounts payable and other current liabilities	**10,923**	8,127
Income taxes payable	**71**	165
Total Current Liabilities	**15,892**	8,756
Long-Term Debt Obligations	**19,999**	7,400
Other Liabilities	**6,729**	5,591
Deferred Income Taxes	**4,057**	659
Total Liabilities	**46,677**	22,406
Commitments and Contingencies		
Preferred Stock, no par value	**41**	41
Repurchased Preferred Stock	**(150)**	(145)
PepsiCo Common Shareholders' Equity		
Common stock, par value $1^2/_3$¢ per share (authorized 3,600 shares, issued 1,865 and 1,782 shares, respectively)	**31**	30
Capital in excess of par value	**4,527**	250
Retained earnings	**37,090**	33,805
Accumulated other comprehensive loss	**(3,630)**	(3,794)
Repurchased common stock, at cost (284 and 217 shares, respectively)	**(16,745)**	(13,383)
Total PepsiCo Common Shareholders' Equity	**21,273**	16,908
Noncontrolling interests	**312**	638
Total Equity	**21,476**	17,442
Total Liabilities and Equity	**$ 68,153**	$ 39,848

See accompanying notes to consolidated financial statements.

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Consolidated Statement of Equity
PepsiCo, Inc. and Subsidiaries
Fiscal years ended December 25, 2010, December 26, 2009 and December 27, 2008
(in millions)

	2010		2009		2008	
	Shares	**Amount**	Shares	Amount	Shares	Amount
Preferred Stock	**0.8**	**$ 41**	0.8	$ 41	0.8	$ 41
Repurchased Preferred Stock						
Balance, beginning of year	**(0.6)**	**(145)**	(0.5)	(138)	(0.5)	(132)
Redemptions	**(—)**	**(5)**	(0.1)	(7)	(—)	(6)
Balance, end of year	**(0.6)**	**(150)**	(0.6)	(145)	(0.5)	(138)
Common Stock						
Balance, beginning of year	**1,782**	**30**	1,782	30	1,782	30
Shares issued in connection with our acquisitions of PBG and PAS	**83**	**1**	—	—	—	—
Balance, end of year	**1,865**	**31**	1,782	30	1,782	30
Capital in Excess of Par Value						
Balance, beginning of year		**250**		351		450
Stock-based compensation expense		**299**		227		238
Stock option exercises/RSUs converted[a]		**(500)**		(292)		(280)
Withholding tax on RSUs converted		**(68)**		(36)		(57)
Equity issued in connection with our acquisitions of PBG and PAS		**4,451**		—		—
Other		**95**		—		—
Balance, end of year		**4,527**		250		351
Retained Earnings						
Balance, beginning of year		**33,805**		30,638		28,184
Measurement date change		**—**		—		(89)
Adjusted balance, beginning of year		**33,805**		30,638		28,095
Net income attributable to PepsiCo		**6,320**		5,946		5,142
Cash dividends declared – common		**(3,028)**		(2,768)		(2,589)
Cash dividends declared – preferred		**(1)**		(2)		(2)
Cash dividends declared – RSUs		**(12)**		(9)		(8)
Other		**6**		—		—
Balance, end of year		**37,090**		33,805		30,638
Accumulated Other Comprehensive Loss						
Balance, beginning of year		**(3,794)**		(4,694)		(952)
Measurement date change		**—**		—		51
Adjusted balance, beginning of year		**(3,794)**		(4,694)		(901)
Currency translation adjustment		**312**		800		(2,484)
Cash flow hedges, net of tax:						
Net derivative (losses)/gains		**(111)**		(55)		16
Reclassification of net losses to net income		**53**		28		5
Pension and retiree medical, net of tax:						
Net pension and retiree medical (losses)/gains		**(280)**		21		(1,376)
Reclassification of net losses to net income		**166**		86		73
Unrealized gains/(losses) on securities, net of tax		**23**		20		(21)
Other		**1**		—		(6)
Balance, end of year		**(3,630)**		(3,794)		(4,694)
Repurchased Common Stock						
Balance, beginning of year	**(217)**	**(13,383)**	(229)	(14,122)	(177)	(10,387)
Share repurchases	**(76)**	**(4,978)**	—	—	(68)	(4,720)
Stock option exercises	**24**	**1,487**	11	649	15	883
Other	**(15)**	**129**	1	90	1	102
Balance, end of year	**(284)**	**(16,745)**	(217)	(13,383)	(229)	(14,122)
Total Common Shareholders' Equity		**21,273**		16,908		12,203
Noncontrolling Interests						
Balance, beginning of year		**638**		476		62
Net income attributable to noncontrolling interests		**18**		33		24
(Distributions to)/contributions from noncontrolling interests, net		**(332)**		150		450

Currency translation adjustment	**(13)**	(12)	(48)
Other, net	**1**	(9)	(12)
Balance, end of year	**312**	638	476
Total Equity	**$ 21,476**	$ 17,442	$ 12,582

(a) Includes total tax benefits of $75 million in 2010, $31 million in 2009 and $95 million in 2008.

(Continued on following page)

Consolidated Statement of Equity (continued)
PepsiCo, Inc. and Subsidiaries
Fiscal years ended December 25, 2010, December 26, 2009 and December 27, 2008
(in millions)

	2010	2009	2008
Comprehensive Income			
Net income	**$6,338**	$5,979	$ 5,166
Other Comprehensive Income/(Loss)			
Currency translation adjustment	**299**	788	(2,532)
Cash flow hedges, net of tax	**(58)**	(27)	21
Pension and retiree medical, net of tax:			
Net prior service credit/(cost)	**22**	(3)	55
Net (losses)/gains	**(136)**	110	(1,358)
Unrealized gains/(losses) on securities, net of tax	**23**	20	(21)
Other	**1**	—	(6)
	151	888	(3,841)
Comprehensive Income	**6,489**	6,867	1,325
Comprehensive (income)/loss attributable to noncontrolling interests	**(5)**	(21)	24
Comprehensive Income Attributable to PepsiCo	**$6,484**	$6,846	$ 1,349

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Note 1 — Basis of Presentation and Our Divisions

Basis of Presentation

Our financial statements include the consolidated accounts of PepsiCo, Inc. and the affiliates that we control. In addition, we include our share of the results of certain other affiliates based on our economic ownership interest. We do not control these other affiliates, as our ownership in these other affiliates is generally less than 50%. Intercompany balances and transactions are eliminated. Our fiscal year ends on the last Saturday of each December, resulting in an additional week of results every five or six years.

On February 26, 2010, we completed our acquisitions of The Pepsi Bottling Group, Inc. (PBG) and PepsiAmericas, Inc. (PAS). The results of the acquired companies in the U.S. and Canada are reflected in our consolidated results as of the acquisition date, and the international results of the acquired companies have been reported as of the beginning of our second quarter of 2010, consistent with our monthly international reporting calendar. The results of the acquired companies in the U.S., Canada and Mexico are reported within our PAB segment, and the results of the acquired companies in Europe, including Russia, are reported within our Europe segment. Prior to our acquisitions of PBG and PAS, we recorded our share of equity income or loss from the acquired companies in bottling equity income in our income statement. Our share of the net income of PBV is reflected in bottling equity income and our share of income or loss from other noncontrolled affiliates is reflected as a component of selling, general and administrative expenses. Additionally, in the first quarter of 2010, in connection with our acquisitions of PBG and PAS, we recorded a gain on our previously held equity interests of $958 million, comprising $735 million which is non-taxable and recorded in bottling equity income and $223 million related to the reversal of deferred tax liabilities associated with these previously held equity interests. See Notes 8 and 15 and for additional unaudited information on items affecting the comparability of our consolidated results, see “Items Affecting Comparability” in Management’s Discussion and Analysis of Financial Condition and Results of Operations.

As of the beginning of our 2010 fiscal year, the results of our Venezuelan businesses are reported under hyperinflationary accounting. See “Our Business Risks” and “Items Affecting Comparability” in Management’s Discussion and Analysis of Financial Condition and Results of Operations.

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.

The preparation of our consolidated financial statements in conformity with generally accepted accounting principles requires us to make estimates and assumptions that affect reported amounts of assets, liabilities, revenues, expenses and disclosure of contingent

assets and liabilities. Estimates are used in determining, among other items, sales incentives accruals, tax reserves, stock-based compensation, pension and retiree medical accruals, useful lives for intangible assets, and future cash flows associated with impairment testing for perpetual brands, goodwill and other long-lived assets. We evaluate our estimates on an ongoing basis using our historical experience, as well as other factors we believe appropriate under the circumstances, such as current economic conditions, and adjust or revise our estimates as circumstances change. As future events and their effect cannot be determined with precision, actual results could differ significantly from these estimates.

While the majority of our results are reported on a weekly calendar basis, most of our international operations report on a monthly calendar basis. The following chart details our quarterly reporting schedule:

Quarter	U.S. and Canada	International
First Quarter	12 weeks	January, February
Second Quarter	12 weeks	March, April and May
Third Quarter	12 weeks	June, July and August
Fourth Quarter	16 weeks	September, October, November and December

See “Our Divisions” below and for additional unaudited information on items affecting the comparability of our consolidated results, see “Items Affecting Comparability” in Management’s Discussion and Analysis of Financial Condition and Results of Operations.

Tabular dollars are in millions, except per share amounts. All per share amounts reflect common per share amounts, assume dilution unless noted, and are based on unrounded amounts. Certain reclassifications were made to prior years’ amounts to conform to the 2010 presentation.

Our Divisions

We manufacture or use contract manufacturers, market and sell a variety of salty, convenient, sweet and grain-based snacks, carbonated and non-carbonated beverages, and foods in over 200 countries with our largest operations in North America (United States and Canada), Mexico, Russia and the United Kingdom. Division results are based on how our Chief Executive Officer assesses the performance of and allocates resources to our divisions. For additional unaudited information on our divisions, see “Our Operations” in Management’s Discussion and Analysis of Financial Condition and Results of Operations. The accounting policies for the divisions are the same as those described in Note 2, except for the following allocation methodologies:

- stock-based compensation expense;
- pension and retiree medical expense; and
- derivatives.

Stock-Based Compensation Expense

Our divisions are held accountable for stock-based compensation expense and, therefore, this expense is allocated to our divisions as an incremental employee compensation cost. The allocation of stock-based compensation expense in 2010 was approximately 17% to FLNA, 2% to QFNA, 5% to LAF, 32% to PAB, 11% to Europe, 8% to AMEA and 25% to corporate unallocated expenses. We had similar allocations of stock-based compensation expense to our divisions in 2009 and 2008. The expense allocated to our divisions excludes any impact of changes in our assumptions during the year which reflect market conditions over which division management has no control. Therefore, any variances between allocated expense and our actual expense are recognized in corporate unallocated expenses.

Pension and Retiree Medical Expense

Pension and retiree medical service costs measured at a fixed discount rate, as well as amortization of costs related to certain pension plan amendments and gains and losses due to demographics, including salary experience, are reflected in division results for North American employees. Division results also include interest costs, measured at a fixed discount rate, for retiree medical plans. Interest costs for the pension plans, pension asset returns and the impact of pension funding, and gains and losses other than those due to demographics, are all reflected in corporate unallocated expenses. In addition, corporate unallocated expenses include the difference between the service costs measured at a fixed discount rate (included in division results as noted above) and the total service costs determined using the plans' discount rates as disclosed in Note 7.

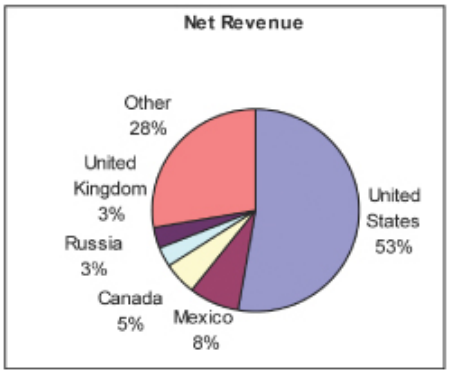
Derivatives

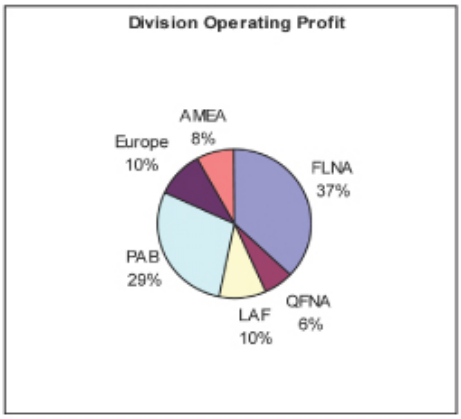
We centrally manage commodity derivatives on behalf of our divisions. These commodity derivatives include energy, fruit and other raw materials. Certain of these commodity derivatives do not qualify for hedge accounting treatment and are marked to market with the resulting gains and losses recognized in corporate unallocated expenses. These gains and losses are subsequently reflected in division results when the divisions take delivery of the underlying commodity. Therefore, the divisions realize the economic effects of the derivative without experiencing any resulting mark-to-market volatility, which remains in corporate unallocated expenses. These derivatives hedge underlying commodity price risk and were not entered into for speculative purposes.

	2010	2009	2008	2010	2009	2008
	Net Revenue			*Operating Profit[a]*		
FLNA	**$13,397**	$13,224	$12,507	**$3,549**	$3,258	$2,959
QFNA	**1,832**	1,884	1,902	**568**	628	582
LAF	**6,315**	5,703	5,895	**1,004**	904	897
PAB [b]	**20,401**	10,116	10,937	**2,776**	2,172	2,026
Europe [b]	**9,254**	6,727	6,891	**1,020**	932	910
AMEA	**6,639**	5,578	5,119	**742**	716	592
Total division	**57,838**	43,232	43,251	**9,659**	8,610	7,966
Corporate Unallocated						
Net impact of mark-to-market on commodity hedges	**—**	—	—	**91**	274	(346)
Merger and integration costs	**—**	—	—	**(191)**	(49)	—
Restructuring and impairment charges	**—**	—	—	**—**	—	(10)
Venezuela currency devaluation	**—**	—	—	**(129)**	—	—
Asset write-off	**—**	—	—	**(145)**	—	—
Foundation contribution	**—**	—	—	**(100)**	—	—
Other	**—**	—	—	**(853)**	(791)	(651)
	$57,838	$43,232	$43,251	**$8,332**	$8,044	$6,959

(a) For information on the impact of restructuring, impairment and integration charges on our divisions, see Note 3.

(b) Changes in 2010 relate primarily to our acquisitions of PBG and PAS.





Corporate

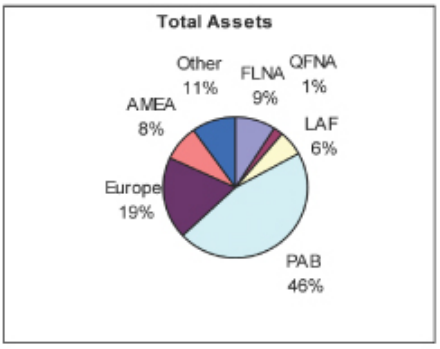
Corporate includes costs of our corporate headquarters, centrally managed initiatives, such as our ongoing business transformation initiative and research and development projects, unallocated insurance and benefit programs, foreign exchange transaction gains and losses, certain commodity derivative gains and losses and certain other items.

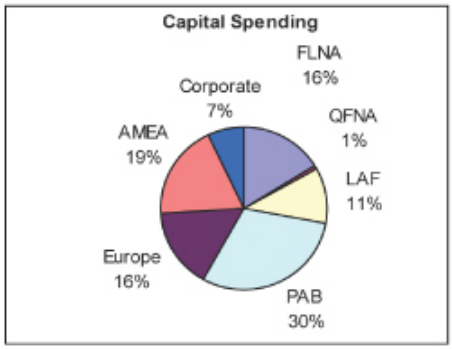
Other Division Information

	2010	2009	2008	**2010**	2009	2008
		Total Assets			***Capital Spending***	
FLNA	**$ 6,284**	$ 6,337	$ 6,284	**$ 526**	$ 490	$ 553
QFNA	**960**	997	1,035	**37**	33	43
LAF	**4,053**	3,575	3,023	**370**	310	351
PAB [a]	**31,622**	7,670	7,673	**973**	182	344
Europe [a]	**12,853**	9,321	8,840	**503**	357	401
AMEA	**5,748**	4,937	3,756	**624**	585	479
Total division	**61,520**	32,837	30,611	**3,033**	1,957	2,171
Corporate [b]	**6,394**	3,933	2,729	**220**	171	275
Investments in bottling affiliates [a]	**239**	3,078	2,654	**—**	—	—
	$68,153	$39,848	$35,994	**$3,253**	$2,128	$2,446

(a) Changes in total assets in 2010 relate primarily to our acquisitions of PBG and PAS.

(b) Corporate assets consist principally of cash and cash equivalents, short-term investments, derivative instruments and property, plant and equipment.





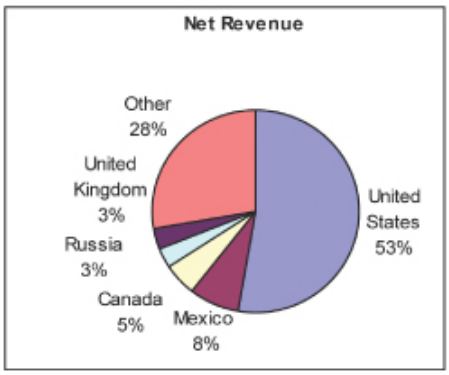
	2010	2009	2008	2010	2009	2008
	Amortization of Intangible Assets			*Depreciation and Other Amortization*		
FLNA	**$ 7**	$ 7	$ 9	**$ 462**	$ 440	$ 441
QFNA	**—**	—	—	**38**	36	34
LAF	**6**	5	6	**213**	189	194
PAB [a]	**56**	18	16	**749**	345	334
Europe [a]	**35**	22	23	**343**	227	210
AMEA	**13**	11	10	**306**	248	213
Total division	**117**	63	64	**2,111**	1,485	1,426
Corporate	**—**	—	—	**99**	87	53
	$ 117	$ 63	$ 64	**$ 2,210**	$ 1,572	$ 1,479

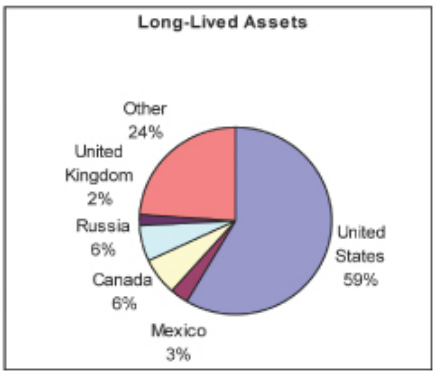
	2010	2009	2008	2010	2009	2008
	Net Revenue[b]			*Long-Lived Assets[c]*		
U.S. [a]	**$30,618**	$22,446	$22,525	**$28,631**	$12,496	$12,095
Mexico [a]	**4,531**	3,210	3,714	**1,671**	1,044	904
Canada [a]	**3,081**	1,996	2,107	**3,133**	688	556
Russia [a]	**1,890**	1,006	585	**2,744**	2,094	577
United Kingdom	**1,888**	1,826	2,099	**1,019**	1,358	1,509
All other countries	**15,830**	12,748	12,221	**11,697**	8,632	6,889
	$57,838	$43,232	$43,251	**$48,895**	$26,312	$22,530

(a) Increases in 2010 relate primarily to our acquisitions of PBG and PAS.

(b) Represents net revenue from businesses operating in these countries.

(c) Long-lived assets represent property, plant and equipment, nonamortizable intangible assets, amortizable intangible assets and investments in noncontrolled affiliates. These assets are reported in the country where they are primarily used.





Note 2 — Our Significant Accounting Policies

Revenue Recognition

We recognize revenue upon shipment or delivery to our customers based on written sales terms that do not allow for a right of return. However, our policy for DSD and certain chilled products is to remove and replace damaged and out-of-date products from store shelves to ensure that our consumers receive the product quality and freshness that they expect. Similarly, our policy for certain warehouse-distributed products is to replace damaged and out-of-date products. Based on our experience with this practice, we have reserved for anticipated damaged and out-of-date products. For additional unaudited information on our revenue recognition and related policies, including our policy on bad debts, see "Our Critical Accounting Policies" in Management's Discussion and Analysis of Financial Condition and Results of Operations. We are exposed to concentration of credit risk by our customers, including Wal-Mart. In 2010, Wal-Mart (including Sam's) represented approximately 12% of our total net revenue, including concentrate sales to our bottlers (including concentrate sales to PBG and PAS prior to the February 26, 2010 acquisition date) which are used in finished goods sold by them to Wal-Mart. We have not experienced credit issues with these customers.

Sales Incentives and Other Marketplace Spending

We offer sales incentives and discounts through various programs to our customers and consumers. Sales incentives and discounts are accounted for as a reduction of revenue and totaled $29.1 billion in 2010, $12.9 billion in 2009 and $12.5 billion in 2008. While most of these incentive arrangements have terms of no more than one year, certain arrangements, such as fountain pouring rights, may extend beyond one year. Costs incurred to obtain these arrangements are recognized over the shorter of the economic or contractual life, as a reduction of revenue, and the remaining balances of $296 million, as of both December 25, 2010 and December 26, 2009, are included in current assets and other assets on our balance sheet. For additional unaudited information on our sales incentives, see "Our Critical Accounting Policies" in Management's Discussion and Analysis of Financial Condition and Results of Operations.

Other marketplace spending, which includes the costs of advertising and other marketing activities, totaled $3.4 billion in 2010, $2.8 billion in 2009 and $2.9 billion in 2008 and is reported as selling, general and administrative expenses. Included in these amounts were advertising expenses of $1.9 billion in 2010 and $1.7 billion in both 2009 and 2008. Deferred advertising costs are not expensed until the year first used and consist of:

- media and personal service prepayments;
- promotional materials in inventory; and
- production costs of future media advertising.

Deferred advertising costs of $158 million and $143 million at year-end 2010 and 2009, respectively, are classified as prepaid expenses on our balance sheet.

Distribution Costs

Distribution costs, including the costs of shipping and handling activities, are reported as selling, general and administrative expenses. Shipping and handling expenses were $7.7 billion in 2010 and $5.6 billion in both 2009 and 2008.

Cash Equivalents

Cash equivalents are investments with original maturities of three months or less which we do not intend to rollover beyond three months.

Software Costs

We capitalize certain computer software and software development costs incurred in connection with developing or obtaining computer software for internal use when both the preliminary project stage is completed and it is probable that the software will be used as intended. Capitalized software costs include only (i) external direct costs of materials and services utilized in developing or obtaining computer software, (ii) compensation and related benefits for employees who are directly associated with the software project and (iii) interest costs incurred while developing internal-use computer software. Capitalized software costs are included in property, plant and equipment on our balance sheet and amortized on a straight-line basis when placed into service over the estimated useful lives of the software, which approximate five to ten years. Software amortization totaled $137 million in 2010, $119 million in 2009 and $58 million in 2008. Net capitalized software and development costs were $1.1 billion as of both December 25, 2010 and December 26, 2009.

Commitments and Contingencies

We are subject to various claims and contingencies related to lawsuits, certain taxes and environmental matters, as well as commitments under contractual and other commercial obligations. We recognize liabilities for contingencies and commitments when a loss is probable and estimable. For additional information on our commitments, see Note 9.

Research and Development

We engage in a variety of research and development activities. These activities principally involve the development of new products, improvement in the quality of existing products, improvement and modernization of production processes, and the development and implementation of new technologies to enhance the quality and value of both current and proposed product lines. Consumer research is excluded from research and development costs and included in other marketing costs. Research and development costs were $488 million in 2010, $414 million in 2009 and $388 million in 2008 and are reported within selling, general and administrative expenses.

Other Significant Accounting Policies

Our other significant accounting policies are disclosed as follows:

- *Property, Plant and Equipment and Intangible Assets* – Note 4, and for additional unaudited information on goodwill and other intangible assets, see "Our Critical Accounting Policies" in Management's Discussion and Analysis of Financial Condition and Results of Operations.
- *Income Taxes* – Note 5, and for additional unaudited information, see "Our Critical Accounting Policies" in Management's Discussion and Analysis of Financial Condition and Results of Operations.
- *Stock-Based Compensation* – Note 6.
- *Pension, Retiree Medical and Savings Plans* – Note 7, and for additional unaudited information, see "Our Critical Accounting Policies" in Management's Discussion and Analysis of Financial Condition and Results of Operations.
- *Financial Instruments* – Note 10, and for additional unaudited information, see "Our Business Risks" in Management's Discussion and Analysis of Financial Condition and Results of Operations.

Recent Accounting Pronouncements

In December 2007, the Financial Accounting Standards Board (FASB) amended its guidance on accounting for business combinations to improve, simplify and converge internationally the accounting for business combinations. The new accounting guidance continues the movement toward the greater use of fair value in financial reporting and increased transparency through expanded disclosures. We adopted the provisions of the new guidance as of the beginning of our 2009 fiscal year. The new accounting guidance changes how business acquisitions are accounted for and will impact financial statements both on the acquisition date and in subsequent periods. Additionally, under the new guidance, transaction costs are expensed rather than capitalized. Future adjustments made to valuation allowances on deferred taxes and acquired tax contingencies associated with acquisitions that closed prior to the beginning of our 2009 fiscal year apply the new provisions and will be evaluated based on the outcome of these matters.

In June 2009, the FASB amended its accounting guidance on the consolidation of variable interest entities (VIE). Among other things, the new guidance requires a qualitative rather than a quantitative assessment to determine the primary beneficiary of a VIE based on whether the entity (1) has the power to direct matters that most significantly impact the activities of the VIE and (2) has the obligation to absorb losses or the right to receive benefits of the VIE that could potentially be significant to the VIE. In addition, the amended guidance requires an ongoing reconsideration of the primary beneficiary. The provisions of this new guidance were effective as of the beginning of our 2010 fiscal year, and the adoption did not have a material impact on our financial statements.

In the second quarter of 2010, the Patient Protection and Affordable Care Act (PPACA) was signed into law. The PPACA changes the tax treatment related to an existing retiree

drug subsidy (RDS) available to sponsors of retiree health benefit plans that provide a benefit that is at least actuarially equivalent to the benefits under Medicare Part D. As a result of the PPACA, RDS payments will effectively become taxable in tax years beginning in 2013, by requiring the amount of the subsidy received to be offset against our deduction for health care expenses. The provisions of the PPACA required us to record the effect of this tax law change beginning in our second quarter of 2010, and consequently we recorded a one-time related tax charge of $41 million in the second quarter of 2010. We continue to evaluate the longer-term impacts of this new legislation.

Note 3 – Restructuring, Impairment and Integration Charges

In 2010, we incurred merger and integration charges of $799 million related to our acquisitions of PBG and PAS, as well as advisory fees in connection with our acquisition of WBD. $467 million of these charges were recorded in the PAB segment, $111 million recorded in the Europe segment, $191 million recorded in corporate unallocated expenses and $30 million recorded in interest expense. All of these charges, other than the interest expense portion, were recorded in selling, general and administrative expenses. The merger and integration charges related to our acquisitions of PBG and PAS are being incurred to help create a more fully integrated supply chain and go-to-market business model, to improve the effectiveness and efficiency of the distribution of our brands and to enhance our revenue growth. These charges also include closing costs, one-time financing costs and advisory fees related to our acquisitions of PBG and PAS. In addition, we recorded $9 million of merger–related charges, representing our share of the respective merger costs of PBG and PAS, in bottling equity income. Substantially all cash payments related to the above charges are expected to be paid by the end of 2011. In total, these charges had an after-tax impact of $648 million or $0.40 per share.

In 2009, we incurred $50 million of charges related to the merger of PBG and PAS, of which substantially all was paid in 2009. In 2009, we also incurred charges of $36 million ($29 million after-tax or $0.02 per share) in conjunction with our Productivity for Growth program that began in 2008. The program includes actions in all divisions of the business, including the closure of six plants that we believe will increase cost competitiveness across the supply chain, upgrade and streamline our product portfolio, and simplify the organization for more effective and timely decision-making. These charges were recorded in selling, general and administrative expenses. These initiatives were completed in the second quarter of 2009 and substantially all cash payments related to these charges were paid by the end of 2010.

In 2008, we incurred charges of $543 million ($408 million after-tax or $0.25 per share) in conjunction with our Productivity for Growth program. Approximately $455 million of the charge was recorded in selling, general and administrative expenses, with the remainder recorded in cost of sales.

A summary of our merger and integration activity in 2010 is as follows:

	Severance and Other Employee Costs[a]	Asset Impairment	Other Costs	Total
2010 merger and integration charges	$ 396	$ 132	$ 280	$ 808
Cash payments	(114)	—	(271)	(385)
Non-cash charges	(103)	(132)	16	(219)
Liability as of December 25, 2010	$ 179	$ —	$ 25	$ 204

(a) Primarily reflects termination costs for approximately 2,370 employees.

A summary of our restructuring and impairment charges in 2009 is as follows:

	Severance and Other Employee Costs[a]	Other Costs	Total
FLNA	$ —	$ 2	$ 2
QFNA	—	1	1
LAF	3	—	3
PAB	6	10	16
Europe	1	—	1
AMEA	7	6	13
	$ 17	$ 19	$ 36

(a) Primarily reflects termination costs for approximately 410 employees.

A summary of our restructuring and impairment charges in 2008 is as follows:

	Severance and Other Employee Costs	Asset Impairments	Other Costs	Total
FLNA	$ 48	$ 38	$ 22	$108
QFNA	14	3	14	31
LAF	30	8	2	40
PAB	68	92	129	289
Europe	39	6	5	50
AMEA	11	2	2	15
Corporate	2	—	8	10
	$ 212	$ 149	$ 182	$543

Severance and other employee costs primarily reflect termination costs for approximately 3,500 employees. Asset impairments relate to the closure of six plants and changes to our beverage product portfolio. Other costs include contract exit costs and third-party incremental costs associated with upgrading our product portfolio and our supply chain.

A summary of our Productivity for Growth program activity is as follows:

	Severance and Other Employee Costs	Asset Impairments	Other Costs	Total
2008 restructuring and impairment charges	$ 212	$ 149	$ 182	$ 543
Cash payments	(50)	—	(109)	(159)
Non-cash charge	(27)	(149)	(9)	(185)
Currency translation	(1)	—	—	(1)
Liability as of December 27, 2008	134	—	64	198
2009 restructuring and impairment charges	17	12	7	36
Cash payments	(128)	—	(68)	(196)
Currency translation	(14)	(12)	25	(1)
Liability as of December 26, 2009	9	—	28	37
Cash payments	(6)	—	(25)	(31)
Non-cash charge	(2)	—	(1)	(3)
Currency translation	—	—	(1)	(1)
Liability as of December 25, 2010	$ 1	$ —	$ 1	$ 2

Note 4 — Property, Plant and Equipment and Intangible Assets

	Average Useful Life	2010	2009	2008
Property, plant and equipment, net				
Land and improvements	10 – 34yrs.	**$ 1,976**	$ 1,208	
Buildings and improvements	15 – 44	**7,054**	5,080	
Machinery and equipment, including fleet and software	5 – 15	**22,091**	17,183	
Construction in progress		**1,920**	1,441	
		33,041	24,912	
Accumulated depreciation		**(13,983)**	(12,241)	
		$ 19,058	$ 12,671	
Depreciation expense		**$ 2,124**	$ 1,500	$1,422
Amortizable intangible assets, net				
Acquired franchise rights	56 – 60	**$ 949**	$ —	
Reacquired franchise rights	1 – 14	**110**	—	
Brands	5 – 40	**1,463**	1,465	
Other identifiable intangibles	10 – 24	**747**	505	
		3,269	1,970	
Accumulated amortization		**(1,244)**	(1,129)	
		$ 2,025	$ 841	
Amortization expense		**$ 117**	$ 63	$ 64

Property, plant and equipment is recorded at historical cost. Depreciation and amortization are recognized on a straight-line basis over an asset's estimated useful life. Land is not depreciated and construction in progress is not depreciated until ready for service. Amortization of intangible assets for each of the next five years, based on existing intangible assets as of December 25, 2010 and using average 2010 foreign exchange rates, is expected to be $121 million in 2011, $114 million in 2012, $106 million in 2013, $89 million in 2014 and $81 million in 2015.

Depreciable and amortizable assets are only evaluated for impairment upon a significant change in the operating or macroeconomic environment. In these circumstances, if an evaluation of the undiscounted cash flows indicates impairment, the asset is written down to its estimated fair value, which is based on discounted future cash flows. Useful lives are periodically evaluated to determine whether events or circumstances have occurred which indicate the need for revision. For additional unaudited information on our policies for amortizable brands, see "Our Critical Accounting Policies" in Management's Discussion and Analysis of Financial Condition and Results of Operations.

Nonamortizable Intangible Assets

Perpetual brands and goodwill are assessed for impairment at least annually. If the carrying amount of a perpetual brand exceeds its fair value, as determined by its discounted cash flows, an impairment loss is recognized in an amount equal to that excess. No impairment charges resulted from these impairment evaluations. The change in the book value of nonamortizable intangible assets is as follows:

	Balance, Beginning 2009	Acquisitions	Translation and Other	Balance, End of 2009	Acquisitions	Translation and Other	**Balance, End of 2010**
FLNA							
Goodwill	$ 277	$ 6	$ 23	$ 306	$ —	$ 7	**$ 313**
Brands	—	26	4	30	—	1	**31**
	277	32	27	336	—	8	**344**
QFNA							
Goodwill	175	—	—	175	—	—	**175**
LAF							
Goodwill	424	17	38	479	—	18	**497**
Brands	127	1	8	136	—	7	**143**
	551	18	46	615	—	25	**640**
PAB [(a)]							
Goodwill	2,355	62	14	2,431	7,476	39	**9,946**
Reacquired franchise rights	—	—	—	—	7,229	54	**7,283**
Acquired franchise rights	—	—	—	—	660	905[(b)]	**1,565**
Brands	59	48	5	112	66	4	**182**
Other	—	—	—	—	10	—	**10**
	2,414	110	19	2,543	15,441	1,002	**18,986**
Europe [(a)]							
Goodwill	1,469	1,291	(136)	2,624	583	(168)	**3,039**
Reacquired franchise rights	—	—	—	—	810	(17)	**793**
Acquired franchise rights	—	—	—	—	232	(5)	**227**
Brands	844	572	(38)	1,378	88	(86)	**1,380**
	2,313	1,863	(174)	4,002	1,713	(276)	**5,439**
AMEA							
Goodwill	424	4	91	519	116	56	**691**
Brands	98	—	28	126	26	17	**169**
	522	4	119	645	142	73	**860**
Total goodwill	5,124	1,380	30	6,534	8,175	(48)	**14,661**
Total reacquired franchise rights	—	—	—	—	8,039	37	**8,076**
Total acquired franchise rights	—	—	—	—	892	900	**1,792**
Total brands	1,128	647	7	1,782	180	(57)	**1,905**
Total other	—	—	—	—	10	—	**10**
	$ 6,252	$ 2,027	$ 37	$ 8,316	$ 17,296	$ 832	**$ 26,444**

(a) Net increases in 2010 relate primarily to our acquisitions of PBG and PAS.

(b) Includes $900 million related to our upfront payment to DPSG to manufacture and distribute Dr Pepper and certain other DPSG products.

Note 5 — Income Taxes

		2010	2009	2008
Income before income taxes				
U.S.		**$4,008**	$4,209	$3,274
Foreign		**4,224**	3,870	3,771
		$8,232	$8,079	$7,045
Provision for income taxes				
Current:	U.S. Federal	**$ 932**	$1,238	$ 815
	Foreign	**728**	473	732
	State	**137**	124	87
		1,797	1,835	1,634
Deferred:	U.S. Federal	**78**	223	313
	Foreign	**18**	21	(69)
	State	**1**	21	1
		97	265	245
		$1,894	$2,100	$1,879
Tax rate reconciliation				
U.S. Federal statutory tax rate		**35.0%**	35.0%	35.0%
State income tax, net of U.S. Federal tax benefit		**1.1**	1.2	0.8
Lower taxes on foreign results		**(9.4)**	(7.9)	(8.0)
Acquisitions of PBG and PAS		**(3.1)**	—	—
Other, net		**(0.6)**	(2.3)	(1.1)
Annual tax rate		**23.0%**	26.0%	26.7%
Deferred tax liabilities				
Investments in noncontrolled affiliates		**$ 74**	$1,120	
Debt guarantee of wholly owned subsidiary		**828**	—	
Property, plant and equipment		**1,984**	1,056	
Intangible assets other than nondeductible goodwill		**3,726**	417	
Other		**647**	68	
Gross deferred tax liabilities		**7,259**	2,661	
Deferred tax assets				
Net carryforwards		**1,264**	624	
Stock-based compensation		**455**	410	
Retiree medical benefits		**579**	508	
Other employee-related benefits		**527**	442	
Pension benefits		**291**	179	
Deductible state tax and interest benefits		**320**	256	
Long-term debt obligations acquired		**291**	—	
Other		**904**	560	
Gross deferred tax assets		**4,631**	2,979	
Valuation allowances		**(875)**	(586)	
Deferred tax assets, net		**3,756**	2,393	
Net deferred tax liabilities		**$3,503**	$ 268	

	2010	2009	2008
Deferred taxes included within:			
Assets:			
Prepaid expenses and other current assets	**$ 554**	$391	
Other assets	**—**	—	
Liabilities:			
Deferred income taxes	**$4,057**	$659	
Analysis of valuation allowances			
Balance, beginning of year	**$ 586**	$657	$695
Provision/(Benefit)	**75**	(78)	(5)
Other additions/(deductions)	**214**	7	(33)
Balance, end of year	**$ 875**	$586	$657

For additional unaudited information on our income tax policies, including our reserves for income taxes, see “Our Critical Accounting Policies” in Management’s Discussion and Analysis of Financial Condition and Results of Operations.

Reserves

A number of years may elapse before a particular matter, for which we have established a reserve, is audited and finally resolved. The number of years with open tax audits varies depending on the tax jurisdiction. Our major taxing jurisdictions and the related open tax audits are as follows:

- U.S. – continue to dispute one matter related to tax years 1998 through 2002. During 2010, all but three issues were resolved for tax years 2003 through 2005. These three issues are currently under review by the IRS Appeals Division. Our U.S. tax returns for the years 2006 through 2007 are currently under audit;
- Mexico – audits have been substantially completed for all taxable years through 2005;
- United Kingdom – audits have been completed for all taxable years prior to 2008; and
- Canada – domestic audits have been substantially completed for all taxable years through 2007. International audits have been completed for all taxable years through 2003.

While it is often difficult to predict the final outcome or the timing of resolution of any particular tax matter, we believe that our reserves reflect the probable outcome of known tax contingencies. We adjust these reserves, as well as the related interest, in light of changing facts and circumstances. Settlement of any particular issue would usually require the use of cash. Favorable resolution would be recognized as a reduction to our annual tax rate in the year of resolution. For further unaudited information on the impact of the resolution of open tax issues, see “Other Consolidated Results.”

As of December 25, 2010, the total gross amount of reserves for income taxes, reported in other liabilities, was $2,023 million. Any prospective adjustments to these reserves will be recorded as an increase or decrease to our provision for income taxes and would impact our effective tax rate. In addition, we accrue interest related to reserves for income taxes in our provision for income taxes and any associated penalties are recorded in selling, general and administrative expenses. The gross amount of interest accrued, reported in other liabilities, was $570 million as of December 25, 2010, of which $135 million was recognized in 2010. The gross amount of interest accrued was $461 million as of December 26, 2009, of which $30 million was recognized in 2009.

A rollforward of our reserves for all federal, state and foreign tax jurisdictions, is as follows:

	2010	2009
Balance, beginning of year	**$1,731**	$1,711
Additions for tax positions related to the current year	**204**	238
Additions for tax positions from prior years	**517**	79
Reductions for tax positions from prior years	**(391)**	(236)
Settlement payments	**(30)**	(64)
Statute of limitations expiration	**(7)**	(4)
Translation and other	**(2)**	7
Balance, end of year	**$2,022**[(a)]	$1,731

(a) Includes amounts related to our acquisitions of PBG and PAS.

Carryforwards and Allowances

Operating loss carryforwards totaling $9.1 billion at year-end 2010 are being carried forward in a number of foreign and state jurisdictions where we are permitted to use tax operating losses from prior periods to reduce future taxable income. These operating losses will expire as follows: $0.4 billion in 2011, $6.5 billion between 2012 and 2030 and $2.2 billion may be carried forward indefinitely. We establish valuation allowances for our deferred tax assets if, based on the available evidence, it is more likely than not that some portion or all of the deferred tax assets will not be realized.

Undistributed International Earnings

As of December 25, 2010, we had approximately $26.6 billion of undistributed international earnings. We intend to continue to reinvest earnings outside the U.S. for the foreseeable future and, therefore, have not recognized any U.S. tax expense on these earnings.

Note 6 — Stock-Based Compensation

Our stock-based compensation program is designed to attract and retain employees while also aligning employees' interests with the interests of our shareholders. Stock options and restricted stock units (RSU) are granted to employees under the shareholder-approved 2007 Long-Term Incentive Plan (LTIP), the only stock-based plan under which we currently grant stock options and RSUs. Stock-based compensation expense was $352 million in 2010, $227 million in 2009 and $238 million in 2008. In 2010, $299 million was recorded as stock-based compensation expense and $53 million was included in merger and integration charges. $86 million of the $352 million recorded in 2010 was related to the unvested acquisition-related grants described below. Income tax benefits related to stock-based compensation expense and recognized in earnings were $89 million in 2010, $67 million in 2009 and $71 million in 2008. At year-end 2010, 154 million shares were available for future stock-based compensation grants.

In connection with our acquisition of PBG, we issued 13.4 million stock options and 2.7 million RSUs at weighted-average grant prices of $42.89 and $62.30, respectively, to replace previously held PBG equity awards. In connection with our acquisition of PAS, we issued 0.4 million stock options at a weighted-average grant price of $31.72 to replace previously held PAS equity awards. Our equity issuances included 8.3 million stock options and 0.6 million RSUs which were vested at the acquisition date and were included in the purchase price. The remaining 5.5 million stock options and 2.1 million RSUs issued are unvested and are being amortized over their remaining vesting period, up to 3 years.

As a result of our annual benefits review in 2010, the Company approved certain changes to our benefits programs to remain market competitive relative to other leading global companies. These changes included ending the Company's broad-based SharePower stock option program. Consequently, beginning in 2011, no new awards will be granted under the SharePower program. Outstanding SharePower awards from 2010 and earlier will continue to vest and be exercisable according to the terms and conditions of the program. See Note 7 for additional information regarding other related changes.

Method of Accounting and Our Assumptions

We account for our employee stock options under the fair value method of accounting using a Black-Scholes valuation model to measure stock option expense at the date of grant. All stock option grants have an exercise price equal to the fair market value of our common stock on the date of grant and generally have a 10-year term. We do not backdate, reprice or grant stock-based compensation awards retroactively. Repricing of awards would require shareholder approval under the LTIP.

The fair value of stock option grants is amortized to expense over the vesting period, generally three years. Executives who are awarded long-term incentives based on their performance are generally offered the choice of stock options or RSUs. Executives who elect RSUs receive one RSU for every four stock options that would have otherwise been granted. Senior officers do not have a choice and are granted 50% stock options and 50% performance-based RSUs. Vesting of RSU awards for senior officers is contingent upon the achievement of pre-established performance targets approved by the Compensation Committee of the Board of Directors. RSU expense is based on the fair value

of PepsiCo stock on the date of grant and is amortized over the vesting period, generally three years. Each RSU is settled in a share of our stock after the vesting period.

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

	2010	2009	2008
Expected life	**5 yrs.**	6 yrs.	6 yrs.
Risk free interest rate	**2.3%**	2.8%	3.0%
Expected volatility	**17%**	17%	16%
Expected dividend yield	**2.8%**	3.0%	1.9%

The expected life is the period over which our employee groups are expected to hold their options. It is based on our historical experience with similar grants. The risk free interest rate is based on the expected U.S. Treasury rate over the expected life. Volatility reflects movements in our stock price over the most recent historical period equivalent to the expected life. Dividend yield is estimated over the expected life based on our stated dividend policy and forecasts of net income, share repurchases and stock price.

A summary of our stock-based compensation activity for the year ended December 25, 2010 is presented below:

Our Stock Option Activity

	Options[a]	Average Price[b]	Average Life (years)[c]	Aggregate Intrinsic Value[d]
Outstanding at December 26, 2009	106,011	$ 51.68		
Granted	26,858	54.09		
Exercised	(23,940)	43.47		
Forfeited/expired	(2,726)	55.85		
Outstanding at December 25, 2010	106,203	$ 54.03	5.19	$1,281,596
Exercisable at December 25, 2010	67,304	$ 50.26	3.44	$1,040,510

(a) Options are in thousands and include options previously granted under PBG, PAS and Quaker plans. No additional options or shares may be granted under the PBG, PAS and Quaker plans.

(b) Weighted-average exercise price.

(c) Weighted-average contractual life remaining.

(d) In thousands.

Our RSU Activity

	RSUs[a]	Average Intrinsic Value[b]	Average Life (years)[c]	Aggregate Intrinsic Value[d]
Outstanding at December 26, 2009	6,092	$ 60.98		
Granted	8,326	65.01		
Converted	(3,183)	63.58		
Forfeited/expired	(573)	62.50		
Outstanding at December 25, 2010	10,662	$ 63.27	1.69	$ 700,397

(a) RSUs are in thousands and include RSUs previously granted under a PBG plan. No additional RSUs or shares may be granted under the PBG plan.

(b) Weighted-average intrinsic value at grant date.

(c) Weighted-average contractual life remaining.

(d) In thousands.

Other Stock-Based Compensation Data

	2010	2009	2008
Stock Options			
Weighted-average fair value of options granted	**$ 13.93**	$ 7.02	$ 11.24
Total intrinsic value of options exercised[a]	**$502,354**	$194,545	$410,152
RSUs			
Total number of RSUs granted[a]	**8,326**	2,653	2,135
Weighted-average intrinsic value of RSUs granted	**$ 65.01**	$ 53.22	$ 68.73
Total intrinsic value of RSUs converted[a]	**$202,717**	$124,193	$180,563

(a) In thousands.

As of December 25, 2010, there was $423 million of total unrecognized compensation cost related to nonvested share-based compensation grants. This unrecognized compensation is expected to be recognized over a weighted-average period of 2 years.

Note 7 — Pension, Retiree Medical and Savings Plans

Our pension plans cover full-time employees in the U.S. and certain international employees. Benefits are determined based on either years of service or a combination of years of service and earnings. U.S. and Canada retirees are also eligible for medical and life insurance benefits (retiree medical) if they meet age and service requirements. Generally, our share of retiree medical costs is capped at specified dollar amounts, which vary based upon years of service, with retirees contributing the remainder of the costs.

Gains and losses resulting from actual experience differing from our assumptions, including the difference between the actual return on plan assets and the expected return on plan assets, and from changes in our assumptions are also determined at each measurement date. If this net accumulated gain or loss exceeds 10% of the greater of the market-related value of plan assets or plan liabilities, a portion of the net gain or loss is included in expense for the following year based upon the average remaining service period of active plan participants, which is approximately 11 years for pension expense and approximately 8 years for retiree medical expense. The cost or benefit of plan changes that increase or decrease benefits for prior employee service (prior service cost/(credit)) is included in earnings on a straight-line basis over the average remaining service period of active plan participants.

In connection with our acquisitions of PBG and PAS, we assumed sponsorship of pension and retiree medical plans that provide benefits to U.S. and certain international employees. Subsequently, during the third quarter of 2010, we merged the pension plan assets of the legacy PBG and PAS U.S. pension plans with those of PepsiCo into one master trust.

During 2010, the Compensation Committee of PepsiCo's Board of Directors approved certain changes to the U.S. pension and retiree medical plans, effective January 1, 2011. Pension plan design changes include implementing a new employer contribution to the 401(k) savings plan for all future salaried new hires of the Company, as salaried new hires are no longer eligible to participate in the defined benefit pension plan, as well as implementing a new defined benefit pension formula for certain hourly new hires of the Company. Pension plan design changes also include implementing a new employer contribution to the 401(k) savings plan for certain legacy PBG and PAS salaried employees (as such employees are also not eligible to participate in the defined benefit pension plan), as well as implementing a new defined benefit pension formula for certain legacy PBG and PAS hourly employees. The retiree medical plan design change includes phasing out Company subsidies of retiree medical benefits.

As a result of these changes, we remeasured our pension and retiree medical expenses and liabilities in the third quarter of 2010, which resulted in a one-time pre-tax curtailment gain of $62 million included in retiree medical expense.

The provisions of both the PPACA and the Health Care and Education Reconciliation Act are reflected in our retiree medical expenses and liabilities and were not material to our financial statements.

Selected financial information for our pension and retiree medical plans is as follows:

	Pension				Retiree Medical	
	2010	2009	**2010**	2009	**2010**	2009
	U.S.		**International**			
Change in projected benefit liability						
Liability at beginning of year	**$6,606**	$ 6,217	**$1,709**	$1,270	**$ 1,359**	$ 1,370
Acquisitions	**2,161**	—	**90**	—	**396**	—
Service cost	**299**	238	**81**	54	**54**	44
Interest cost	**506**	373	**106**	82	**93**	82
Plan amendments	**28**	—	**—**	—	**(132)**	—
Participant contributions	**—**	—	**3**	10	**—**	—
Experience loss/(gain)	**583**	70	**213**	221	**95**	(63)
Benefit payments	**(375)**	(296)	**(69)**	(50)	**(100)**	(80)
Settlement/curtailment gain	**(2)**	—	**(3)**	(8)	**—**	—
Special termination benefits	**45**	—	**3**	—	**3**	—
Foreign currency adjustment	**—**	—	**(18)**	130	**2**	6
Other	**—**	4	**27**	—	**—**	—
Liability at end of year	**$9,851**	$ 6,606	**$2,142**	$1,709	**$ 1,770**	$ 1,359
Change in fair value of plan assets						
Fair value at beginning of year	**$5,420**	$ 3,974	**$1,561**	$1,165	**$ 13**	$ —
Acquisitions	**1,633**	—	**52**	—	**—**	—
Actual return on plan assets	**943**	697	**164**	159	**7**	2
Employer contributions/funding	**1,249**	1,041	**215**	167	**270**	91
Participant contributions	**—**	—	**3**	10	**—**	—
Benefit payments	**(375)**	(296)	**(69)**	(50)	**(100)**	(80)
Settlement	**—**	—	**(2)**	(8)	**—**	—
Foreign currency adjustment	**—**	—	**(28)**	118	**—**	—
Other	**—**	4	**—**	—	**—**	—
Fair value at end of year	**$8,870**	$ 5,420	**$1,896**	$1,561	**$ 190**	$ 13
Funded status	**$ (981)**	$(1,186)	**$ (246)**	$ (148)	**$(1,580)**	$(1,346)

	Pension				Retiree Medical	
	2010	2009	**2010**	2009	**2010**	2009
	U.S.		**International**			
Amounts recognized						
Other assets	**$ 47**	$ —	**$ 66**	$ 50	**$ —**	$ —
Other current liabilities	**(54)**	(36)	**(10)**	(1)	**(145)**	(105)
Other liabilities	**(974)**	(1,150)	**(302)**	(197)	**(1,435)**	(1,241)
Net amount recognized	**$ (981)**	$(1,186)	**$ (246)**	$ (148)	**$(1,580)**	$(1,346)
Amounts included in accumulated other comprehensive loss (pre-tax)						
Net loss	**$2,726**	$ 2,563	**$ 767**	$ 625	**$ 270**	$ 190
Prior service cost/(credit)	**117**	101	**17**	20	**(150)**	(102)
Total	**$2,843**	$ 2,664	**$ 784**	$ 645	**$ 120**	$ 88
Components of the increase/(decrease) in net loss						
Change in discount rate	**$ 556**	$ 47	**$ 213**	$ 97	**$ 101**	$ 11
Employee-related assumption changes	**4**	—	**(4)**	70	**8**	(38)
Liability-related experience different from assumptions	**43**	23	**5**	51	**(22)**	(36)
Actual asset return different from expected return	**(300)**	(235)	**(41)**	(54)	**(6)**	(2)
Amortization of losses	**(119)**	(111)	**(24)**	(9)	**(9)**	(11)
Other, including foreign currency adjustments	**(21)**	13	**(7)**	49	**8**	—
Total	**$ 163**	$ (263)	**$ 142**	$ 204	**$ 80**	$ (76)
Liability at end of year for service to date	**$9,163**	$ 5,784	**$1,743**	$1,414		

The components of benefit expense are as follows:

	Pension						Retiree Medical		
	2010	2009	2008	**2010**	2009	2008	**2010**	2009	2008
	U.S.			**International**					
Components of benefit expense									
Service cost	**$ 299**	$ 238	$ 244	**$ 81**	$ 54	$ 61	**$ 54**	$ 44	$ 45
Interest cost	**506**	373	371	**106**	82	88	**93**	82	82
Expected return on plan assets	**(643)**	(462)	(416)	**(123)**	(105)	(112)	**(1)**	—	—
Amortization of prior service cost/(credit)	**12**	12	19	**2**	2	3	**(22)**	(17)	(13)
Amortization of net loss	**119**	110	55	**24**	9	19	**9**	11	7
	293	271	273	**90**	42	59	**133**	120	121
Settlement/curtailment (gain)/loss	**(2)**	(13)	3	**1**	3	3	**(62)**	—	—
Special termination benefits	**45**	—	31	**3**	—	2	**3**	—	3
Total	**$ 336**	$ 258	$ 307	**$ 94**	$ 45	$ 64	**$ 74**	$120	$124

The estimated amounts to be amortized from accumulated other comprehensive loss into benefit expense in 2011 for our pension and retiree medical plans are as follows:

	Pension		Retiree Medical
	U.S.	International	
Net loss	$144	$ 39	$ 12
Prior service cost/(credit)	15	2	(28)
Total	$159	$ 41	$ (16)

The following table provides the weighted-average assumptions used to determine projected benefit liability and benefit expense for our pension and retiree medical plans:

	Pension						Retiree Medical		
	2010	2009	2008	**2010**	2009	2008	**2010**	2009	2008
	U.S.			International					
Weighted-average assumptions									
Liability discount rate	**5.7%**	6.1%	6.2%	**5.5%**	5.9%	6.3%	**5.2%**	6.1%	6.2%
Expense discount rate	**6.0%**	6.2%	6.5%	**6.0%**	6.3%	5.6%	**5.8%**	6.2%	6.5%
Expected return on plan assets	**7.8%**	7.8%	7.8%	**7.1%**	7.1%	7.2%	**7.8%**		
Liability rate of salary increases	**4.1%**	4.4%	4.4%	**4.1%**	4.1%	4.1%			
Expense rate of salary increases	**4.4%**	4.4%	4.6%	**4.1%**	4.2%	3.9%			

The following table provides selected information about plans with liability for service to date and total benefit liability in excess of plan assets:

	Pension				Retiree Medical	
	2010	2009	**2010**	2009	**2010**	2009
	U.S.		International			
Selected information for plans with liability for service to date in excess of plan assets						
Liability for service to date	**$ (525)**	$(2,695)	**$ (610)**	$ (342)		
Fair value of plan assets	**$ —**	$ 2,220	**$ 474**	$ 309		
Selected information for plans with projected benefit liability in excess of plan assets						
Benefit liability	**$(5,806)**	$(6,603)	**$(1,949)**	$(1,566)	**$(1,770)**	$(1,359)
Fair value of plan assets	**$ 4,778**	$ 5,417	**$ 1,638**	$ 1,368	**$ 190**	$ 13

Of the total projected pension benefit liability at year-end 2010, $747 million relates to plans that we do not fund because the funding of such plans does not receive favorable tax treatment.

Future Benefit Payments and Funding

Our estimated future benefit payments are as follows:

	2011	2012	2013	2014	2015	2016-20
Pension	$480	$500	$520	$560	$595	$ 3,770
Retiree medical[(a)]	$155	$155	$160	$165	$170	$ 875

(a) Expected future benefit payments for our retiree medical plans do not reflect any estimated subsidies expected to be received under the 2003 Medicare Act. Subsidies are expected to be approximately $11 million for each of the years from 2011 through 2015 and approximately $90 million in total for 2016 through 2020.

These future benefits to beneficiaries include payments from both funded and unfunded pension plans.

In 2011, we expect to make pension contributions of approximately $160 million, with up to approximately $15 million expected to be discretionary. Our net cash payments for retiree medical are estimated to be approximately $145 million in 2011.

Plan Assets

Pension

Our pension plan investment strategy includes the use of actively-managed securities and is reviewed annually based upon plan liabilities, an evaluation of market conditions, tolerance for risk and cash requirements for benefit payments. Our investment objective is to ensure that funds are available to meet the plans' benefit obligations when they become due. Our overall investment strategy is to prudently invest plan assets in a well-diversified portfolio of equity and high-quality debt securities to achieve our long-term return expectations. Our investment policy also permits the use of derivative instruments which are primarily used to reduce risk. Our expected long-term rate of return on U.S. plan assets is 7.8%. Our target investment allocation is 40% for U.S. equity allocations, 20% for international equity allocations and 40% for fixed income allocations. Actual investment allocations may vary from our target investment allocations due to prevailing market conditions. We regularly review our actual investment allocations and periodically rebalance our investments to our target allocations. In an effort to enhance diversification, the pension plan divested its holdings of PepsiCo stock in the fourth quarter of 2010.

The expected return on pension plan assets is based on our pension plan investment strategy, our expectations for long-term rates of return by asset class, taking into account volatilities and correlation among asset classes, and our historical experience. We also review current levels of interest rates and inflation to assess the reasonableness of the long-term rates. We evaluate our expected return assumptions annually to ensure that they are reasonable. To calculate the expected return on pension plan assets, we use a market-related valuation method that recognizes investment gains or losses (the difference between the expected and actual return based on the market-related value of assets) for securities included in our equity strategies over a five-year period. This has the effect of reducing year-to-year volatility. For all other asset categories, the actual fair value is used for the market-related value of assets.

Retiree Medical

In 2010, we made nondiscretionary contributions of $100 million to fund the payment of U.S. retiree medical claims. During the fourth quarter of 2010, we made a discretionary contribution of $170 million to fund future U.S. retiree medical plan benefits. This contribution was invested consistent with the allocation of existing assets in the U.S. pension plan.

Fair Value

The guidance on fair value measurements defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. The fair value framework requires the categorization of assets and liabilities into three levels based upon the assumptions (inputs) used to price the assets. Level 1 provides the most reliable measure of fair value, whereas Level 3 generally requires significant management judgment.

Plan assets measured at fair value as of fiscal year-end 2010 and 2009 are categorized consistently by level in both years, and are as follows:

	2010*				2009
	Total	Level 1	Level 2	Level 3	Total
U.S. plan assets					
Equity securities:					
PepsiCo common stock[a]	**$ —**	$ —	$ —	$ —	$ 332
U.S. common stock[a]	**304**	304	—	—	229
U.S. commingled funds[b]	**3,426**	—	3,426	—	1,387
International common stock[a]	**834**	834	—	—	700
International commingled fund[c]	**992**	—	992	—	114
Preferred stock[d]	**4**	—	4	—	4
Fixed income securities:					
Government securities[d]	**950**	—	950	—	741
Corporate bonds[d]	**2,374**	—	2,374	—	1,214
Mortgage-backed securities[d]	**20**	—	20	—	201
Other:					
Contracts with insurance companies[f]	**28**	—	—	28	9
Cash and cash equivalents	**81**	81	—	—	457
Sub-total U.S. plan assets	**9,013**	$ 1,219	$ 7,766	$ 28	5,388
Dividends and interest receivable	**47**				32
Total U.S. plan assets	**$9,060**				$5,420
International plan assets					
Equity securities:					
U.S. commingled funds[b]	**$ 193**	$ —	$ 193	$ —	$ 180
International commingled funds[c]	**779**	—	779	—	661
Fixed income securities:					
Government securities[d]	**184**	—	184	—	139
Corporate bonds[d]	**152**	—	152	—	128
Fixed income commingled funds[e]	**393**	—	393	—	363
Other:					
Contracts with insurance companies[f]	**28**	—	—	28	29
Currency commingled funds[g]	**42**	—	42	—	44
Cash and cash equivalents	**120**	120	—	—	17
Sub-total international plan assets	**1,891**	$ 120	$ 1,743	$ 28	1,561
Dividends and interest receivable	**5**				—
Total international plan assets	**$1,896**				$1,561

(a) Based on quoted market prices in active markets.

(b) Based on the fair value of the investments owned by these funds that track various U.S. large, mid-cap and small company indices. Includes one large-cap fund that represents 32% and 25%, respectively, of total U.S. plan assets for 2010 and 2009.

(c) Based on the fair value of the investments owned by these funds that track various non-U.S. equity indices.

(d) Based on quoted bid prices for comparable securities in the marketplace and broker/dealer quotes that are not observable. Corporate bonds of U.S.-based companies represent 22% and 18%, respectively, of total U.S. plan assets for 2010 and 2009.

(e) Based on the fair value of the investments owned by these funds that track various government and corporate bond indices.

(f) Based on the fair value of the contracts as determined by the insurance companies using inputs that are not observable.

(g) Based on the fair value of the investments owned by these funds. Includes managed hedge funds that invest primarily in derivatives to reduce currency exposure.

* 2010 amounts include $190 million of retiree medical plan assets that are restricted for purposes of providing health benefits for U.S. retirees and their beneficiaries.

Retiree Medical Cost Trend Rates

An average increase of 7% in the cost of covered retiree medical benefits is assumed for 2011. This average increase is then projected to decline gradually to 5% in 2020 and thereafter. These assumed health care cost trend rates have an impact on the retiree medical plan expense and liability. However, the cap on our share of retiree medical costs limits the impact. In addition, beginning January 1, 2011, the Company will start phasing out company subsidies of retiree medical benefits. A 1-percentage-point change in the assumed health care trend rate would have the following effects:

	1% Increase	1% Decrease
2010 service and interest cost components	$ 5	$ (4)
2010 benefit liability	$ 42	$ (50)

Savings Plan

Our U.S. employees are eligible to participate in 401(k) savings plans, which are voluntary defined contribution plans. The plans are designed to help employees accumulate additional savings for retirement, and we make company matching contributions on a portion of eligible pay based on years of service. In 2010, in connection with our acquisitions of PBG and PAS, we also made company retirement contributions for certain employees on a portion of eligible pay based on years of service. In 2010 and 2009, our total contributions were $135 million and $72 million, respectively.

Beginning January 1, 2011, a new employer contribution to the 401(k) savings plan will become effective for certain eligible legacy PBG and PAS salaried employees as well as all future eligible salaried new hires of PepsiCo who are not eligible to participate in the defined benefit pension plan as a result of plan design changes approved during 2010.

For additional unaudited information on our pension and retiree medical plans and related accounting policies and assumptions, see “Our Critical Accounting Policies” in Management’s Discussion and Analysis.

Note 8 — Noncontrolled Bottling Affiliates

On February 26, 2010, we completed our acquisitions of PBG and PAS, at which time we gained control over their operations and began to consolidate their results. See Note 1. Prior to these acquisitions, PBG and PAS represented our most significant noncontrolled bottling affiliates. Sales to PBG in 2010 (prior to the acquisition date) represented less than 1% of our total net revenue in 2010, 6% of our total net revenue in 2009 and 7% of our total net revenue in 2008.

See Note 15 for additional information regarding our acquisitions of PBG and PAS.

The Pepsi Bottling Group

In addition to approximately 32% of PBG's outstanding common stock that we owned at year-end 2009, we owned 100% of PBG's class B common stock and approximately 7% of the equity of Bottling Group, LLC, PBG's principal operating subsidiary.

PBG's summarized financial information is as follows:

	2009	2008
Current assets	$ 3,412	
Noncurrent assets	10,158	
Total assets	$13,570	
Current liabilities	$ 1,965	
Noncurrent liabilities	7,896	
Total liabilities	$ 9,861	
Our investment	$ 1,775	
Net revenue	$13,219	$13,796
Gross profit	$ 5,840	$ 6,210
Operating income	$ 1,048	$ 649
Net income attributable to PBG	$ 612	$ 162

Our investment in PBG, which included the related goodwill, was $463 million higher than our ownership interest in their net assets less noncontrolling interests at year-end 2009.

During 2008, together with PBG, we jointly acquired Russia's leading branded juice company, Lebedyansky. See Note 14 for further information on this acquisition.

PepsiAmericas

At year-end 2009, we owned approximately 43% of the outstanding common stock of PAS.

PAS's summarized financial information is as follows:

	2009	2008
Current assets	$ 952	
Noncurrent assets	4,141	
Total assets	$5,093	
Current liabilities	$ 669	
Noncurrent liabilities	2,493	
Total liabilities	$3,162	
Our investment	$1,071	
Net revenue	$4,421	$4,937
Gross profit	$1,767	$1,982
Operating income	$ 381	$ 473
Net income attributable to PAS	$ 181	$ 226

Our investment in PAS, which included the related goodwill, was $322 million higher than our ownership interest in their net assets less noncontrolling interests at year-end 2009.

Related Party Transactions

Our significant related party transactions are with our noncontrolled bottling affiliates, including PBG and PAS prior to our acquisitions on February 26, 2010. All such amounts are settled on terms consistent with other trade receivables and payables. The transactions primarily consist of (1) selling concentrate to these affiliates, which they use in the production of CSDs and non-carbonated beverages, (2) selling certain finished goods to these affiliates, (3) receiving royalties for the use of our trademarks for certain products and (4) paying these affiliates to act as our manufacturing and distribution agent for product associated with our national account fountain customers. Sales of concentrate and finished goods are reported net of bottler funding. For further unaudited information on these bottlers, see "Our Customers" in Management's Discussion and Analysis of Financial Condition and Results of Operations. These transactions with our bottling affiliates are reflected in our consolidated financial statements as follows:

	2010[(a)]	2009	2008
Net revenue	**$ 993**	$3,922	$4,049
Cost of sales	**$ 116**	$ 634	$ 660
Selling, general and administrative expenses	**$ 6**	$ 24	$ 30
Accounts and notes receivable	**$ 27**	$ 254	$ 248
Accounts payable and other liabilities	**$ 42**	$ 285	$ 198

(a) Includes transactions with PBG and PAS in 2010 prior to the date of acquisition. 2010 balance sheet information for PBG and PAS is not applicable as we consolidated their balance sheets at the date of acquisition.

We also coordinate, on an aggregate basis, the contract negotiations of sweeteners and other raw material requirements, including aluminum cans and plastic bottles and closures for certain of our independent bottlers. Once we have negotiated the contracts, the bottlers order and take delivery directly from the supplier and pay the suppliers directly. Consequently, these transactions are not reflected in our consolidated financial statements. As the contracting party, we could be liable to these suppliers in the event of any nonpayment by our bottlers, but we consider this exposure to be remote.

In addition, our joint ventures with Unilever (under the Lipton brand name) and Starbucks sell finished goods (ready-to-drink teas, coffees and water products) to our noncontrolled bottling affiliates. Consistent with accounting for equity method investments, our joint venture revenue is not included in our consolidated net revenue and therefore is not included in the above table.

In 2010, we repurchased $357 million (5.5 million shares) of PepsiCo stock from the Master Trust which holds assets of PepsiCo's U.S. qualified pension plans at market value. See Note 7.

Note 9 — Debt Obligations and Commitments

	2010	2009
Short-term debt obligations		
Current maturities of long-term debt	**$ 113**	$ 102
Commercial paper (0.2%)	**2,632**	—
Notes due 2011 (4.4%)	**1,513**	—
Other borrowings (5.3% and 6.7%)	**640**	362
	$ 4,898	$ 464
Long-term debt obligations		
Notes due 2012 (3.1% and 1.9%)	**$ 2,437**	$1,079
Notes due 2013 (3.0% and 3.7%)	**2,110**	999
Notes due 2014 (5.3% and 4.0%)	**2,888**	1,026
Notes due 2015 (2.6%)	**1,617**	—
Notes due 2016-2040 (4.9% and 5.4%)	**10,828**	4,056
Zero coupon notes, due 2011-2012 (13.3%)	**136**	192
Other, due 2011-2019 (4.8% and 8.4%)	**96**	150
	20,112	7,502
Less: current maturities of long-term debt obligations	**(113)**	(102)
	$19,999	$7,400

The interest rates in the above table reflect weighted-average rates at year-end.

In the first quarter of 2010, we issued $1.25 billion of floating rate notes maturing in 2011 which bear interest at a rate equal to the three-month London Inter-Bank Offered Rate (LIBOR) plus 3 basis points, $1.0 billion of 3.10% senior notes maturing in 2015, $1.0 billion of 4.50% senior notes maturing in 2020 and $1.0 billion of 5.50% senior notes maturing in 2040. A portion of the net proceeds from the issuance of these notes was used to finance our acquisitions of PBG and PAS and the remainder was used for general corporate purposes.

On February 26, 2010, in connection with the transactions contemplated by the PBG merger agreement, Pepsi-Cola Metropolitan Bottling Company, Inc. (Metro) assumed the due and punctual payment of the principal of (and premium, if any) and interest on PBG's 7.00% senior notes due March 1, 2029 ($1 billion principal amount of which are outstanding). These notes are guaranteed by Bottling Group, LLC and PepsiCo.

On February 26, 2010, in connection with the transactions contemplated by the PAS merger agreement, Metro assumed the due and punctual payment of the principal of (and premium, if any) and interest on PAS's 7.625% notes due 2015 ($9 million principal amount of which are outstanding), 7.29% notes due 2026 ($100 million principal amount of which are outstanding), 7.44% notes due 2026 ($25 million principal amount of which are outstanding), 4.50% notes due 2013 ($150 million principal amount of which are outstanding), 5.625% notes due 2011 ($250 million principal amount of which are outstanding), 5.75% notes due 2012 ($300 million principal amount of which are outstanding), 4.375% notes due 2014 ($350 million principal amount of which are outstanding), 4.875% notes due 2015 ($300 million principal amount of which are outstanding), 5.00% notes due 2017 ($250 million principal amount of which are outstanding) and 5.50% notes

due 2035 ($250 million principal amount of which are outstanding). These notes are guaranteed by PepsiCo.

On February 26, 2010, as a result of the transactions contemplated by the PBG merger agreement, Bottling Group, LLC became a wholly owned subsidiary of Metro. Bottling Group, LLC's 4.625% senior notes due 2012 ($1 billion principal amount of which are outstanding), 4.125% senior notes due 2015 ($250 million principal amount of which are outstanding), 5.00% senior notes due 2013 ($400 million principal amount of which are outstanding), 5.50% senior notes due 2016 ($800 million principal amount of which are outstanding), 6.95% senior notes due 2014 ($1.3 billion principal amount of which are outstanding) and 5.125% senior notes due 2019 ($750 million principal amount of which are outstanding) are guaranteed by PepsiCo.

As of December 25, 2010, the long-term debt acquired from our anchor bottlers (including debt previously issued by PBG, Bottling Group, LLC and PAS) in connection with our acquisitions of PBG and PAS has a total face value of approximately $7,484 million (fair value of $8,472 million) with a weighted-average stated interest rate of 5.7%. This acquired debt has a remaining weighted-average maturity of 6.6 years. See Note 15.

In the third quarter of 2010, we entered into a $2,575 million 364-day unsecured revolving credit agreement which expires in June 2011. We may request renewal of this facility for an additional 364-day period or convert any amounts outstanding into a term loan for a period of up to one year, which would mature no later than June 2012. This agreement replaced our $1,975 million 364-day unsecured revolving credit agreement and a $540 million amended PAS credit facility and is in addition to our existing $2,000 million unsecured revolving credit agreement and the $1,080 million amended PBG credit facility, both of which expire in 2012. Funds borrowed under these agreements may be used for general corporate purposes, including but not limited to repayment of our outstanding commercial paper, working capital, capital investments and/or acquisitions. Borrowings under the amended PBG credit facility are guaranteed by PepsiCo. Our lines of credit remain unused as of December 25, 2010.

In the fourth quarter of 2010, we paid $672 million in a cash tender offer to repurchase $500 million (aggregate principal amount) of our 7.90% senior unsecured notes maturing in 2018. As a result of this debt repurchase, we recorded a $178 million charge to interest expense, primarily representing the premium paid in the tender offer.

In the fourth quarter of 2010, we issued $500 million of 0.875% senior unsecured notes maturing in 2013, $1.0 billion of 3.125% senior unsecured notes maturing in 2020 and $750 million of 4.875% senior unsecured notes maturing in 2040. A portion of the net proceeds from the issuance of these notes was used to finance the debt repurchase and the remainder was used for general corporate purposes.

In addition, as of December 25, 2010, $657 million of our debt related to borrowings from various lines of credit that are maintained for our international divisions. These lines of credit are subject to normal banking terms and conditions and are fully committed at least to the extent of our borrowings.

Long-Term Contractual Commitments[a]

	Payments Due by Period				
	Total	2011	2012 – 2013	2014 – 2015	2016 and beyond
Long-term debt obligations[b]	$19,337	$ —	$4,569	$4,322	$10,446
Interest on debt obligations[c]	7,746	809	1,480	1,075	4,382
Operating leases	1,676	390	543	320	423
Purchasing commitments	2,433	765	1,159	481	28
Marketing commitments	824	294	268	151	111
	$32,016	$2,258	$8,019	$6,349	$15,390

(a) Reflects non-cancelable commitments as of December 25, 2010 based on year-end foreign exchange rates and excludes any reserves for uncertain tax positions as we are unable to reasonably predict the ultimate amount or timing of settlement.

(b) Excludes $662 million related to the fair value step-up of debt acquired in connection with our acquisitions of PBG and PAS, as well as $113 million related to current maturities of long-term debt.

(c) Interest payments on floating-rate debt are estimated using interest rates effective as of December 25, 2010.

Most long-term contractual commitments, except for our long-term debt obligations, are not recorded on our balance sheet. Non-cancelable operating leases primarily represent building leases. Non-cancelable purchasing commitments are primarily for packaging materials, oranges and orange juice. Non-cancelable marketing commitments are primarily for sports marketing. Bottler funding to independent bottlers is not reflected in our long-term contractual commitments as it is negotiated on an annual basis. Accrued liabilities for pension and retiree medical plans are not reflected in our long-term contractual commitments because they do not represent expected future cash outflows. See Note 7 for additional information regarding our pension and retiree medical obligations.

Off-Balance-Sheet Arrangements

It is not our business practice to enter into off-balance-sheet arrangements, other than in the normal course of business. See Note 8 regarding contracts related to certain of our bottlers.

See “Our Liquidity and Capital Resources” in Management’s Discussion and Analysis of Financial Condition and Results of Operations for further unaudited information on our borrowings.

Note 10 — Financial Instruments

We are exposed to market risks arising from adverse changes in:

- commodity prices, affecting the cost of our raw materials and energy,
- foreign exchange risks, and
- interest rates.

In the normal course of business, we manage these risks through a variety of strategies, including the use of derivatives. Certain derivatives are designated as either cash flow or fair value hedges and qualify for hedge accounting treatment, while others do not qualify and are marked to market

through earnings. Cash flows from derivatives used to manage commodity, foreign exchange or interest risks are classified as operating activities. See “Our Business Risks” in Management’s Discussion and Analysis of Financial Condition and Results of Operations for further unaudited information on our business risks.

For cash flow hedges, changes in fair value are deferred in accumulated other comprehensive loss within common shareholders’ equity until the underlying hedged item is recognized in net income. For fair value hedges, changes in fair value are recognized immediately in earnings, consistent with the underlying hedged item. Hedging transactions are limited to an underlying exposure. As a result, any change in the value of our derivative instruments would be substantially offset by an opposite change in the value of the underlying hedged items. Hedging ineffectiveness and a net earnings impact occur when the change in the value of the hedge does not offset the change in the value of the underlying hedged item. Ineffectiveness of our hedges is not material. If the derivative instrument is terminated, we continue to defer the related gain or loss and then include it as a component of the cost of the underlying hedged item. Upon determination that the underlying hedged item will not be part of an actual transaction, we recognize the related gain or loss in net income immediately.

We also use derivatives that do not qualify for hedge accounting treatment. We account for such derivatives at market value with the resulting gains and losses reflected in our income statement. We do not use derivative instruments for trading or speculative purposes. We perform assessments of our counterparty credit risk regularly, including a review of credit ratings, credit default swap rates and potential nonperformance of the counterparty. Based on our most recent assessment of our counterparty credit risk, we consider this risk to be low. In addition, we enter into derivative contracts with a variety of financial institutions that we believe are creditworthy in order to reduce our concentration of credit risk and generally settle with these financial institutions on a net basis.

Commodity Prices

We are subject to commodity price risk because our ability to recover increased costs through higher pricing may be limited in the competitive environment in which we operate. This risk is managed through the use of fixed-price purchase orders, pricing agreements, geographic diversity and derivatives. We use derivatives, with terms of no more than three years, to economically hedge price fluctuations related to a portion of our anticipated commodity purchases, primarily for natural gas, diesel fuel and aluminum. For those derivatives that qualify for hedge accounting, any ineffectiveness is recorded immediately in corporate unallocated expenses. We classify both the earnings and cash flow impact from these derivatives consistent with the underlying hedged item. During the next 12 months, we expect to reclassify net gains of $12 million related to these hedges from accumulated other comprehensive loss into net income. Derivatives used to hedge commodity price risk that do not qualify for hedge accounting are marked to market each period and reflected in our income statement.

Our open commodity derivative contracts that qualify for hedge accounting had a face value of $590 million as of December 25, 2010 and $151 million as of December 26, 2009. These contracts resulted in net unrealized gains of $46 million as of December 25, 2010 and net unrealized losses of $29 million as of December 26, 2009.

Our open commodity derivative contracts that do not qualify for hedge accounting had a face value of $266 million as of December 25, 2010 and $231 million as of December 26, 2009. These contracts resulted in net gains of $26 million in 2010 and net losses of $57 million in 2009.

Foreign Exchange

Financial statements of foreign subsidiaries are translated into U.S. dollars using period-end exchange rates for assets and liabilities and weighted-average exchange rates for revenues and expenses. Adjustments resulting from translating net assets are reported as a separate component of accumulated other comprehensive loss within common shareholders' equity as currency translation adjustment.

Our operations outside of the U.S. generate over 45% of our net revenue, with Mexico, Canada, Russia and the United Kingdom comprising approximately 20% of our net revenue. As a result, we are exposed to foreign currency risks. We also enter into derivatives, primarily forward contracts with terms of no more than two years, to manage our exposure to foreign currency transaction risk. Exchange rate gains or losses related to foreign currency transactions are recognized as transaction gains or losses in our income statement as incurred.

Our foreign currency derivatives had a total face value of $1.7 billion as of December 25, 2010 and $1.2 billion as of December 26, 2009. The contracts that qualify for hedge accounting resulted in net unrealized losses of $15 million as of December 25, 2010 and $20 million as of December 26, 2009. During the next 12 months, we expect to reclassify net losses of $14 million related to these hedges from accumulated other comprehensive loss into net income. The contracts that do not qualify for hedge accounting resulted in net losses of $6 million in 2010 and a net gain of $1 million in 2009. All losses and gains were offset by changes in the underlying hedged items, resulting in no net material impact on earnings.

Interest Rates

We centrally manage our debt and investment portfolios considering investment opportunities and risks, tax consequences and overall financing strategies. We use various interest rate derivative instruments including, but not limited to, interest rate swaps, cross currency interest rate swaps, Treasury locks and swap locks to manage our overall interest expense and foreign exchange risk. These instruments effectively change the interest rate and currency of specific debt issuances. Certain of our fixed rate indebtedness has been swapped to floating rates. The notional amount, interest payment and maturity date of the interest rate and cross currency swaps match the principal, interest payment and maturity date of the related debt. Our Treasury locks and swap locks are entered into to protect against unfavorable interest rate changes relating to forecasted debt transactions.

The notional amounts of the interest rate derivative instruments outstanding as of December 25, 2010 and December 26, 2009 were $9.23 billion and $5.75 billion, respectively. For those interest rate derivative instruments that qualify for cash flow hedge accounting, any ineffectiveness is recorded immediately. We classify both the earnings and cash flow impact from these interest rate derivative instruments consistent with the underlying hedged item. During the next 12 months, we expect to reclassify net losses of $13 million related to these hedges from accumulated other comprehensive loss into net income.

As of December 25, 2010, approximately 43% of total debt (including indebtedness acquired in our acquisitions of PBG and PAS), after the impact of the related interest rate derivative instruments, was exposed to variable rates compared to 57% as of December 26, 2009.

Fair Value Measurements

The fair values of our financial assets and liabilities as of December 25, 2010 and December 26, 2009 are categorized as follows:

	2010		2009	
	Assets[a]	**Liabilities[a]**	Assets[a]	Liabilities[a]
Available-for-sale securities[b]	**$ 636**	**$ —**	$ 71	$ —
Short-term investments – index funds[c]	**$ 167**	**$ —**	$ 120	$ —
Deferred compensation[d]	**$ —**	**$ 559**	$ —	$ 461
Derivatives designated as hedging instruments:				
Forward exchange contracts[e]	**$ 8**	**$ 23**	$ 11	$ 31
Interest rate derivatives[f]	**284**	**12**	177	43
Commodity contracts – other[g]	**70**	**2**	8	5
Commodity contracts – futures[h]	**1**	**23**	—	32
	$ 363	**$ 60**	$ 196	$ 111
Derivatives not designated as hedging instruments:				
Forward exchange contracts[e]	**$ 1**	**$ 7**	$ 4	$ 2
Interest rate derivatives[f]	**6**	**45**	—	—
Commodity contracts – other[g]	**28**	**1**	7	60
Commodity contracts – futures[h]	**—**	**1**	—	3
Prepaid forward contracts[i]	**48**	**—**	46	—
	$ 83	**$ 54**	$ 57	$ 65
Total derivatives at fair value	**$ 446**	**$ 114**	$ 253	$ 176
Total	**$ 1,249**	**$ 673**	$ 444	$ 637

a) Financial assets are classified on our balance sheet within other assets, with the exception of short-term investments. Financial liabilities are classified on our balance sheet within other current liabilities and other liabilities. Unless specifically indicated, all financial assets and liabilities are categorized as Level 2 assets or liabilities.

b) Based on the price of common stock. Categorized as a Level 1 asset.

c) Based on price changes in index funds used to manage a portion of market risk arising from our deferred compensation liability. Categorized as a Level 1 asset.

d) Based on the fair value of investments corresponding to employees' investment elections. At December 25, 2010 and December 26, 2009, $170 million and $121 million, respectively, are categorized as Level 1 liabilities. The remaining balances are categorized as Level 2 liabilities.

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

f) Based on LIBOR and recently reported transactions in the marketplace.

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

h) Based on average prices on futures exchanges. Categorized as a Level 1 asset or liability.

i) Based primarily on the price of our common stock.

The effective portion of the pre-tax (gains)/losses on our derivative instruments are categorized in the tables below.

	Fair Value/Non-designated Hedges		Cash Flow Hedges			
	Losses/(Gains) Recognized in Income Statement[a]		Losses/(Gains) Recognized in Accumulated Other Comprehensive Loss		Losses/(Gains) Reclassified from Accumulated Other Comprehensive Loss into Income Statement[b]	
	2010	2009	**2010**	2009	**2010**	2009
Forward exchange contracts	**$ 6**	$ (29)	**$ 26**	$ 75	**$ 40**	$ (64)
Interest rate derivatives	**(104)**	206	**75**	32	**7**	—
Prepaid forward contracts	**(4)**	(5)	**—**	—	**—**	—
Commodity contracts	**(30)**	(274)	**(32)**	(1)	**28**	90
Total	**$ (132)**	$ (102)	**$ 69**	$ 106	**$ 75**	$ 26

(a) Interest rate gains/losses are included in interest expense in our income statement. All other gains/losses are included in corporate unallocated expenses.

(b) Interest rate losses are included in interest expense in our income statement. All other gains/losses are included in cost of sales in our income statement.

The carrying amounts of our cash and cash equivalents and short-term investments approximate fair value due to the short-term maturity. Short-term investments consist principally of short-term time deposits and index funds used to manage a portion of market risk arising from our deferred compensation liability. The fair value of our debt obligations as of December 25, 2010 and December 26, 2009 was $25.9 billion and $8.6 billion, respectively, based upon prices of similar instruments in the marketplace.

The above table excludes guarantees. See Note 9 for additional information on our guarantees.

Note 11 — Net Income Attributable to PepsiCo per Common Share

Basic net income attributable to PepsiCo per common share is net income available for PepsiCo common shareholders divided by the weighted average of common shares outstanding during the period. Diluted net income attributable to PepsiCo per common share is calculated using the weighted average of common shares outstanding adjusted to include the effect that would occur if in-the-money employee stock options were exercised and RSUs and preferred shares were converted into common shares. Options to purchase 24.4 million shares in 2010, 39.0 million shares in 2009 and 9.8 million shares in 2008 were not included in the calculation of diluted earnings per common share because these options were out-of-the-money. Out-of-the-money options had average exercise prices of $67.26 in 2010, $61.52 in 2009 and $67.59 in 2008.

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

	2010		2009		2008	
	Income	**Shares[a]**	Income	Shares[a]	Income	Shares[a]
Net income attributable to PepsiCo	**$ 6,320**		$ 5,946		$ 5,142	
Preferred shares:						
Dividends	**(1)**		(1)		(2)	
Redemption premium	**(5)**		(5)		(6)	
Net income available for PepsiCo common shareholders	**$ 6,314**	**1,590**	$ 5,940	1,558	$ 5,134	1,573
Basic net income attributable to PepsiCo per common share	**$ 3.97**		$ 3.81		$ 3.26	
Net income available for PepsiCo common shareholders	**$ 6,314**	**1,590**	$ 5,940	1,558	$ 5,134	1,573
Dilutive securities:						
Stock options and RSUs	**—**	**23**	—	17	—	27
ESOP convertible preferred stock	**6**	**1**	6	2	8	2
Diluted	**$ 6,320**	**1,614**	$ 5,946	1,577	$ 5,142	1,602
Diluted net income attributable to PepsiCo per common share	**$ 3.91**		$ 3.77		$ 3.21	

(a) Weighted-average common shares outstanding (in millions).

Note 12 — Preferred Stock

As of December 25, 2010 and December 26, 2009, there were 3 million shares of convertible preferred stock authorized. The preferred stock was issued for an ESOP established by Quaker and these shares are redeemable for common stock by the ESOP participants. The preferred stock accrues dividends at an annual rate of $5.46 per share. At year-end 2010 and 2009, there were 803,953 preferred shares issued and 227,653 and 243,553 shares outstanding, respectively. The outstanding preferred shares had a fair value of $74 million as of December 25, 2010 and $73 million as of December 26, 2009. Each share is convertible at the option of the holder into 4.9625 shares of common stock. The preferred shares may be called by us upon written notice at $78 per share plus accrued and unpaid dividends. Quaker made the final award to its ESOP plan in June 2001.

	2010		2009		2008	
	Shares[a]	**Amount**	Shares[a]	Amount	Shares[a]	Amount
Preferred stock	**0.8**	**$ 41**	0.8	$ 41	0.8	$ 41
Repurchased preferred stock						
Balance, beginning of year	**0.6**	**$ 145**	0.5	$ 138	0.5	$ 132
Redemptions	**—**	**5**	0.1	7	—	6
Balance, end of year	**0.6**	**$ 150**	0.6	$ 145	0.5	$ 138

(a) In millions.

Note 13 — Accumulated Other Comprehensive Loss Attributable to PepsiCo

Comprehensive income is a measure of income which includes both net income and other comprehensive income or loss. Other comprehensive income or loss results from items deferred from recognition into our income statement. Accumulated other comprehensive loss is separately presented on our balance sheet as part of common shareholders' equity. Other comprehensive income/(loss) attributable to PepsiCo was $164 million in 2010, $900 million in 2009 and $(3,793) million in 2008. The accumulated balances for each component of other comprehensive loss attributable to PepsiCo were as follows:

	2010	2009	2008
Currency translation adjustment	**$(1,159)**	$(1,471)	$(2,271)
Cash flow hedges, net of tax[a]	**(100)**	(42)	(14)
Unamortized pension and retiree medical, net of tax[b]	**(2,442)**	(2,328)	(2,435)
Unrealized gain on securities, net of tax	**70**	47	28
Other	**1**	—	(2)
Accumulated other comprehensive loss attributable to PepsiCo	**$(3,630)**	$(3,794)	$(4,694)

(a) Includes $23 million after-tax gain in 2009 and $17 million after-tax loss in 2008 for our share of our equity investees' accumulated derivative activity.

(b) Net of taxes of $1,322 million in 2010, $1,211 million in 2009 and $1,288 million in 2008. Includes $51 million decrease to the opening balance of accumulated other comprehensive loss attributable to PepsiCo in 2008 due to a change in measurement date for our pension and retiree medical plans.

Note 14 — Supplemental Financial Information

	2010	2009	2008
Accounts receivable			
Trade receivables	**$ 5,514**	$4,026	
Other receivables	**953**	688	
	6,467	4,714	
Allowance, beginning of year	**90**	70	$ 69
Net amounts charged to expense	**12**	40	21
Deductions [a]	**(37)**	(21)	(16)
Other [b]	**79**	1	(4)
Allowance, end of year	**144**	90	$ 70
Net receivables	**$ 6,323**	$4,624	
Inventories [c]			
Raw materials	**$ 1,654**	$1,274	
Work-in-process	**128**	165	
Finished goods	**1,590**	1,179	
	$ 3,372	$2,618	

(a) Includes accounts written off.

(b) Includes adjustments related to our acquisitions of PBG and PAS, currency translation effects and other adjustments.

(c) Inventories are valued at the lower of cost or market. Cost is determined using the average, first-in, first-out (FIFO) or last-in, first-out (LIFO) methods. Approximately 8% in 2010 and 10% in 2009 of the inventory cost was computed using the LIFO method. The differences between LIFO and FIFO methods of valuing these inventories were not material.

	2010	2009
Other assets		
Noncurrent notes and accounts receivable	**$ 165**	$ 118
Deferred marketplace spending	**203**	182
Unallocated purchase price for recent acquisitions	**—**	143
Pension plans	**121**	64
Other investments [a]	**653**	89
Other	**547**	369
	$ 1,689	$ 965
Accounts payable and other current liabilities		
Accounts payable	**$ 3,865**	$2,881
Accrued marketplace spending	**1,841**	1,656
Accrued compensation and benefits	**1,779**	1,291
Dividends payable	**766**	706
Other current liabilities	**2,672**	1,593
	$10,923	$8,127

(a) In 2010, includes our investment in WBD of $549 million. This investment is accounted for as an available-for-sale security with any unrealized gains or losses recorded in other comprehensive income.

	2010	2009	2008
Other supplemental information			
Rent expense	**$ 526**	$ 412	$ 357
Interest paid	**$ 1,043**	$ 456	$ 359
Income taxes paid, net of refunds	**$ 1,495**	$1,498	$ 1,477
Acquisitions[a]			
Fair value of assets acquired	**$27,665**	$ 851	$ 2,907
Cash paid, net of cash acquired	**(3,044)**	(466)	(1,925)
Equity issued	**(4,451)**	—	—
Previously held equity interests in PBG and PAS	**(4,293)**	—	—
Liabilities and noncontrolling interests assumed	**$15,877**	$ 385	$ 982

(a) In 2010, amounts primarily reflect our acquisitions of PBG and PAS. During 2008, together with PBG, we jointly acquired Lebedyansky, for a total purchase price of $1.8 billion.

Note 15 — Acquisitions

PBG and PAS

On August 3, 2009, we entered into a Merger Agreement (the PBG Merger Agreement) with PBG and Metro pursuant to which PBG merged with and into Metro, with Metro continuing as the surviving corporation and a wholly owned subsidiary of PepsiCo. Also on August 3, 2009, we entered into a Merger Agreement (the PAS Merger Agreement and together with the PBG Merger Agreement, the Merger Agreements) with PAS and Metro pursuant to which PAS merged with and into Metro, with Metro continuing as the surviving corporation and a wholly owned subsidiary of PepsiCo. On February 26, 2010, we acquired PBG and PAS to create a more fully integrated supply chain and go-to-market business model, improving the effectiveness and efficiency of the distribution of our brands and enhancing our revenue growth. The total purchase price was approximately $12.6 billion, which included $8.3 billion of cash and equity and the fair value of our previously held equity interests in PBG and PAS of $4.3 billion.

Under the terms of the PBG Merger Agreement, each outstanding share of common stock of PBG not held by Metro, PepsiCo or a subsidiary of PepsiCo or held by PBG as treasury stock (each, a “PBG Share”) was canceled and converted into the right to receive, at the holder’s election, either 0.6432 shares of common stock of PepsiCo (the “PBG Per Share Stock Consideration”) or $36.50 in cash, without interest (the “PBG Cash Election Price”), subject to proration provisions which provide that an aggregate 50% of such outstanding PBG Shares were converted into the right to receive common stock of PepsiCo and an aggregate 50% of such outstanding PBG Shares were converted into the right to receive cash and each PBG Share and share of Class B common stock of PBG held by Metro, PepsiCo or a subsidiary of PepsiCo was canceled or converted to the right to receive 0.6432 shares of common stock of PepsiCo. Under the terms of the PAS Merger Agreement, each outstanding share of common stock of PAS not held by Metro, PepsiCo or a subsidiary of PepsiCo or held by PAS as treasury stock (each, a “PAS Share”) was canceled and converted into the right to receive, at the holder’s election, either 0.5022 shares of common stock of PepsiCo (the “PAS Per Share Stock Consideration”) or $28.50 in cash, without interest (the “PAS Cash Election Price”), subject to proration provisions which provide that an aggregate 50% of such outstanding PAS Shares were converted into the

right to receive common stock of PepsiCo and an aggregate 50% of such outstanding PAS Shares were converted into the right to receive cash and each PAS Share held by Metro, PepsiCo or a subsidiary of PepsiCo was canceled or converted into the right to receive 0.5022 shares of common stock of PepsiCo.

Under the terms of the applicable Merger Agreement, each PBG or PAS stock option was converted into an adjusted PepsiCo stock option to acquire a number of shares of PepsiCo common stock, determined by multiplying the number of shares of PBG or PAS common stock subject to the PBG or PAS stock option by an exchange ratio (the "Closing Exchange Ratio") equal to the closing price of a share of PBG or PAS common stock on the business day immediately before the acquisition date divided by the closing price of a share of PepsiCo common stock on the business day immediately before the acquisition date. The exercise price per share of PepsiCo common stock subject to the adjusted PepsiCo stock option is equal to the per share exercise price of PBG or PAS stock option divided by the Closing Exchange Ratio.

Under the terms of the PBG Merger Agreement, each PBG restricted stock unit (RSU) was adjusted so that its holder is entitled to receive, upon settlement, a number of shares of PepsiCo common stock equal to the number of shares of PBG common stock subject to the PBG RSU multiplied by the PBG Per Share Stock Consideration. PBG performance-based RSUs were converted into PepsiCo RSUs based on 100% target achievement, and, following conversion, remain subject to continued service of the holder. Each PBG RSU held by a non-employee director was vested and canceled at the acquisition date, and, in exchange for cancellation of the PBG RSU, the holder received the PBG Per Share Stock Consideration for each share of PBG common stock subject to the PBG RSU.

Under the terms of the PAS Merger Agreement, each cash-settled PAS RSU was canceled in exchange for a cash payment equal to the closing price of a share of PAS common stock on the business day immediately before the closing of the PAS merger for each share of PAS common stock subject to each PAS RSU. Each PAS restricted share was converted into either the PAS Per Share Stock Consideration or the PAS Cash Election Price, at the election of the holder, with the same proration procedures applicable to PAS stockholders described above.

Pursuant to the terms of PBG's executive retention arrangements, PBG equity awards granted to certain executives prior to the PBG merger vest immediately upon a qualifying termination of the executive's employment except for certain PBG executives whose equity awards vested immediately at the effective time of the PBG merger pursuant to the terms of PepsiCo's executive retention agreements. Each PAS equity award granted prior to the PAS merger vested immediately at the effective time of the PAS merger pursuant to the original terms of the awards.

Prior to the acquisitions, we had equity investments in PBG and PAS. In addition to approximately 32% of PBG's outstanding common stock that we owned at year-end 2009, we owned 100% of PBG's class B common stock and approximately 7% of the equity of Bottling Group, LLC, PBG's principal operating subsidiary. At year-end 2009, we owned approximately 43% of the outstanding common stock of PAS.

The guidance on accounting for business combinations requires that an acquirer remeasure its previously held equity interest in an acquiree at its acquisition date fair value and recognize the resulting gain or loss in earnings. Thus, in connection with our acquisitions of PBG and PAS, the carrying amounts of our previously held equity interests in PBG and PAS were revalued to

fair value at the acquisition date, resulting in a gain in the first quarter of 2010 of $958 million, comprising $735 million which is non-taxable and recorded in bottling equity income and $223 million related to the reversal of deferred tax liabilities associated with these previously held equity interests.

As discussed in Note 9, in January 2010, we issued $4.25 billion of fixed and floating rate notes. A portion of the net proceeds from the issuance of these notes was used to finance our acquisitions of PBG and PAS.

Our actual stock price on February 25, 2010 (the last trading day prior to the closing of the acquisitions) was used to determine the value of stock, stock options and RSUs issued as consideration in connection with our acquisitions of PBG and PAS and thus to calculate the actual purchase price.

The table below represents the computation of the purchase price excluding assumed debt and the fair value of our previously held equity interests in PBG and PAS as of the acquisition date:

	Total Number of Shares/Awards Issued	Total Fair Value
Payment in cash, for the remaining (not owned by PepsiCo and its subsidiaries) outstanding shares of PBG and PAS common stock and equity awards vested at consummation of merger	—	$ 3,813
Payment to PBG and PAS of shares of PepsiCo common stock for the remaining (not owned by PepsiCo and its subsidiaries) outstanding shares of PBG and PAS common stock and equity awards vested at consummation of merger	67	4,175
Issuance of PepsiCo equity awards (vested and unvested) to replace existing PBG and PAS equity awards	16	276
Total purchase price	83	$ 8,264

The following table summarizes the fair value of identifiable assets acquired and liabilities assumed in the acquisitions of PBG and PAS and the resulting goodwill as of the acquisition date:

	Acquisition Date Fair Value
Inventory	$ 1,006
Property, plant and equipment	5,574
Amortizable intangible assets	1,298
Nonamortizable intangible assets, primarily reacquired franchise rights	9,036
Other current assets and current liabilities[a]	751
Other noncurrent assets	281
Debt obligations	(8,814)
Pension and retiree medical benefits	(962)
Other noncurrent liabilities	(744)
Deferred income taxes	(3,246)
Total identifiable net assets	4,180
Goodwill	8,059
Subtotal	12,239
Fair value of acquisition of noncontrolling interest	317
Total purchase price	$ 12,556

(a) Includes cash and cash equivalents, accounts receivable, prepaid expenses and other current assets, accounts payable and other current liabilities.

Goodwill is calculated as the excess of the purchase price paid over the net assets recognized. The goodwill recorded as part of the acquisitions of PBG and PAS primarily reflects the value of adding PBG and PAS to PepsiCo to create a more fully integrated supply chain and go-to-market business model, as well as any intangible assets that do not qualify for separate recognition. Goodwill is not amortizable nor deductible for tax purposes. Substantially all of the goodwill is recorded in our PAB segment.

In connection with our acquisitions of PBG and PAS, we reacquired certain franchise rights which had previously provided PBG and PAS with the exclusive and perpetual rights to manufacture and/or distribute beverages for sale in specified territories. Reacquired franchise rights totaling $8.0 billion were assigned a perpetual life and are, therefore, not amortizable. Amortizable acquired franchise rights of $0.9 billion have weighted-average estimated useful lives of 56 years. Other amortizable intangible assets, primarily customer relationships, have weighted-average estimated useful lives of 20 years.

Under the guidance on accounting for business combinations, merger and integration costs are not included as components of consideration transferred but are accounted for as expenses in the period in which the costs are incurred. See Note 3 for details on the expenses incurred during 2010.

The following table presents unaudited consolidated pro forma financial information as if the closing of our acquisitions of PBG and PAS had occurred on December 27, 2009 for purposes of the financial information presented for the year ended December 25, 2010; and as if the closing

of our acquisitions of PBG and PAS had occurred on December 28, 2008 for purposes of the financial information presented for the year ended December 26, 2009.

	2010	2009
Net Revenue	**$59,582**	$57,471
Net Income Attributable to PepsiCo	**$ 5,856**	$ 6,752
Net Income Attributable to PepsiCo per Common Share – Diluted	**$ 3.60**	$ 4.09

The unaudited consolidated pro forma financial information was prepared in accordance with the acquisition method of accounting under existing standards, and the regulations of the U.S. Securities and Exchange Commission, and is not necessarily indicative of the results of operations that would have occurred if our acquisitions of PBG and PAS had been completed on the dates indicated, nor is it indicative of the future operating results of PepsiCo.

The historical unaudited consolidated financial information has been adjusted to give effect to pro forma events that are (1) directly attributable to the acquisitions, (2) factually supportable, and (3) expected to have a continuing impact on the combined results of PepsiCo, PBG and PAS.

The unaudited pro forma results have been adjusted with respect to certain aspects of our acquisitions of PBG and PAS to reflect:

- the consummation of the acquisitions;
- consolidation of PBG and PAS which are now owned 100% by PepsiCo and the corresponding gain resulting from the remeasurement of our previously held equity interests in PBG and PAS;
- the elimination of related party transactions between PepsiCo and PBG, and PepsiCo and PAS;
- changes in assets and liabilities to record their acquisition date fair values and changes in certain expenses resulting therefrom; and
- additional indebtedness, including, but not limited to, debt issuance costs and interest expense, incurred in connection with the acquisitions.

The unaudited pro forma results do not reflect future events that may occur after the acquisitions, including, but not limited to, the anticipated realization of ongoing savings from operating synergies in subsequent periods. They also do not give effect to certain one-time charges we expect to incur in connection with the acquisitions, including, but not limited to, charges that are expected to achieve ongoing cost savings and synergies.

WBD

On February 3, 2011, we announced that we had completed the previously announced acquisition of ordinary shares, American Depositary Shares and Global Depositary Shares of WBD, a company incorporated in the Russian Federation, which represent in the aggregate approximately 66% of WBD's outstanding ordinary shares, pursuant to the purchase agreement dated December 1, 2010 between PepsiCo and certain selling shareholders of WBD for approximately $3.8 billion. The acquisition increased PepsiCo's total ownership of WBD to approximately 77%.

PepsiCo expects to make an offer in Russia (Russian Offer) on or before March 11, 2011 to acquire all of the remaining ordinary shares, in accordance with the mandatory tender offer rules of the Russian Federation. The price to be paid in the Russian Offer will be 3,883.70 Russian rubles per ordinary share. This price is $132, which is the price per share PepsiCo paid to the selling shareholders pursuant to the purchase agreement, converted to Russian rubles at the Central Bank of Russia exchange rate established for February 3, 2011. Concurrently with the Russian Offer, we expect to make an offer (U.S. Offer) to all holders of American Depositary Shares at a price per American Depositary Share equal to 970.925 Russian rubles (which is one-fourth of 3,883.70 Russian rubles since each American Depositary Share represents one-fourth of an ordinary share), without interest and less any fees, conversion expenses and applicable taxes. This amount will be converted to U.S. dollars at the spot market rate on or about the date that PepsiCo pays for the American Depositary Shares tendered in the U.S. Offer.

Management's Responsibility for Financial Reporting

To Our Shareholders:

At PepsiCo, our actions – the actions of all our associates – are governed by our Worldwide Code of Conduct. This Code is clearly aligned with our stated values – a commitment to sustained growth, through empowered people, operating with responsibility and building trust. Both the Code and our core values enable us to operate with integrity – both within the letter and the spirit of the law. Our Code of Conduct is reinforced consistently at all levels and in all countries. We have maintained strong governance policies and practices for many years.

The management of PepsiCo is responsible for the objectivity and integrity of our consolidated financial statements. The Audit Committee of the Board of Directors has engaged independent registered public accounting firm, KPMG LLP, to audit our consolidated financial statements, and they have expressed an unqualified opinion.

We are committed to providing timely, accurate and understandable information to investors. Our commitment encompasses the following:

Maintaining strong controls over financial reporting. Our system of internal control is based on the control criteria framework of the Committee of Sponsoring Organizations of the Treadway Commission published in their report titled *Internal Control – Integrated Framework*. The system is designed to provide reasonable assurance that transactions are executed as authorized and accurately recorded; that assets are safeguarded; and that accounting records are sufficiently reliable to permit the preparation of financial statements that conform in all material respects with accounting principles generally accepted in the U.S. We maintain disclosure controls and procedures designed to ensure that information required to be disclosed in reports under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the specified time periods. We monitor these internal controls through self-assessments and an ongoing program of internal audits. Our internal controls are reinforced through our Worldwide Code of Conduct, which sets forth our commitment to conduct business with integrity, and within both the letter and the spirit of the law.

Exerting rigorous oversight of the business. We continuously review our business results and strategies. This encompasses financial discipline in our strategic and daily business decisions. Our Executive Committee is actively involved – from understanding strategies and alternatives to reviewing key initiatives and financial performance. The intent is to ensure we remain objective in our assessments, constructively challenge our approach to potential business opportunities and issues, and monitor results and controls.

Engaging strong and effective Corporate Governance from our Board of Directors. We have an active, capable and diligent Board that meets the required standards for independence, and we welcome the Board's oversight as a representative of our shareholders. Our Audit Committee is comprised of independent directors with the financial literacy, knowledge and experience to provide appropriate oversight. We review our critical accounting policies, financial reporting and internal control matters with them and encourage their direct communication with KPMG LLP, with our General Auditor, and with our General Counsel. We also have a Compliance Department to coordinate our compliance policies and practices.

Providing investors with financial results that are complete, transparent and understandable. The consolidated financial statements and financial information included in this report are the responsibility of management. This includes preparing the financial statements in accordance with accounting principles generally accepted in the U.S., which require estimates based on management's best judgment.

PepsiCo has a strong history of doing what's right. We realize that great companies are built on trust, strong ethical standards and principles. Our financial results are delivered from that culture of accountability, and we take responsibility for the quality and accuracy of our financial reporting.

February 18, 2011

/S/ PETER A. BRIDGMAN
Peter A. Bridgman
Senior Vice President and Controller

/S/ HUGH F. JOHNSTON
Hugh F. Johnston
Chief Financial Officer

/S/ INDRA K. NOOYI
Indra K. Nooyi
Chairman of the Board of Directors and Chief Executive Officer

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders
PepsiCo, Inc.:

We have audited the accompanying Consolidated Balance Sheets of PepsiCo, Inc. and subsidiaries ("PepsiCo, Inc." or "the Company") as of December 25, 2010 and December 26, 2009, and the related Consolidated Statements of Income, Cash Flows and Equity for each of the fiscal years in the three-year period ended December 25, 2010. We also have audited PepsiCo, Inc.'s internal control over financial reporting as of December 25, 2010, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). PepsiCo, Inc.'s management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express an opinion on these consolidated financial statements and an opinion on the Company's internal control over financial reporting based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the consolidated financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of PepsiCo, Inc. as of December 25, 2010 and December 26, 2009, and the results of its operations and its cash flows for each of the fiscal years in the three-year period ended December 25, 2010, in conformity with U.S. generally accepted accounting principles. Also in our opinion, PepsiCo, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 25, 2010, based on criteria established in *Internal Control – Integrated Framework* issued by COSO.

/s/ KPMG LLP
New York, New York
February 18, 2011

Selected Financial Data
(in millions except per share amounts, unaudited)

Quarterly	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Net revenue				
2010	$ 9,368	$14,801	$15,514	$18,155
2009	$ 8,263	$10,592	$11,080	$13,297
Gross profit				
2010	$ 4,905	$ 8,056	$ 8,506	$ 9,796
2009	$ 4,519	$ 5,711	$ 5,899	$ 7,004
Mark-to-market net impact [a]				
2010	$ (46)	$ 4	$ (16)	$ (33)
2009	$ (62)	$ (100)	$ (29)	$ (83)
Merger and integration charges [b]				
2010	$ 321	$ 155	$ 69	$ 263
2009	—	—	$ 9	$ 52
Gain on previously held equity interests [c]				
2010	$ (958)	—	—	—
Inventory fair value adjustments [d]				
2010	$ 281	$ 76	$ 17	$ 24
Venezuela currency devaluation [e]				
2010	$ 120	—	—	—
Asset write-off [f]				
2010	$ 145	—	—	—
Foundation contribution [g]				
2010	$ 100	—	—	—
Debt repurchase [h]				
2010	—	—	—	$ 178
Restructuring and impairment charges [i]				
2009	$ 25	$ 11	—	—
Net income attributable to PepsiCo				
2010	$ 1,430	$ 1,603	$ 1,922	$ 1,365
2009	$ 1,135	$ 1,660	$ 1,717	$ 1,434
Net income attributable to PepsiCo per common share – basic				
2010	$ 0.90	$ 1.00	$ 1.21	$ 0.86
2009	$ 0.73	$ 1.06	$ 1.10	$ 0.92
Net income attributable to PepsiCo per common share – diluted				
2010	$ 0.89	$ 0.98	$ 1.19	$ 0.85
2009	$ 0.72	$ 1.06	$ 1.09	$ 0.90
Cash dividends declared per common share				
2010	$ 0.45	$ 0.48	$ 0.48	$ 0.48
2009	$ 0.425	$ 0.45	$ 0.45	$ 0.45
2010 stock price per share [j]				
High	$ 66.98	$ 67.61	$ 66.83	$ 68.11
Low	$ 58.75	$ 61.04	$ 60.32	$ 63.43
Close	$ 66.56	$ 63.56	$ 65.57	$ 65.69
2009 stock price per share [j]				
High	$ 56.93	$ 56.95	$ 59.64	$ 64.48
Low	$ 43.78	$ 47.50	$ 52.11	$ 57.33
Close	$ 50.02	$ 53.65	$ 57.54	$ 60.96

(a) In 2010, we recognized $91 million ($58 million after-tax or $0.04 per share) of mark-to-market net gains on commodity hedges in corporate unallocated expenses. In 2009, we recognized $274 million ($173 million after-tax or $0.11 per share) of mark-to-market net gains on commodity hedges in corporate unallocated expenses.

(b) In 2010, we incurred merger and integration charges of $799 million related to our acquisitions of PBG and PAS, as well as advisory fees in connection with our acquisition of WBD. In addition, we recorded $9 million of merger-related charges, representing our share of the respective merger costs of PBG and PAS. In total, these charges had an after-tax impact of $648 million or $0.40 per share. In 2009, we recognized $50 million of merger-related charges, as well as an additional $11 million of costs in bottling equity income representing our share of the respective merger costs of PBG and PAS. In total, these costs had an after-tax impact of $44 million or $0.03 per share. See Note 3.

(c) In 2010, in connection with our acquisitions of PBG and PAS, we recorded a gain on our previously held equity interests of $958 million ($0.60 per share), comprising $735 million which is non-taxable and recorded in bottling equity income and $223 million related to the reversal of deferred tax liabilities associated with these previously held equity interests. See Note 15.

(d) In 2010, we recorded $398 million ($333 million after-tax or $0.21 per share) of incremental costs related to fair value adjustments to the acquired inventory and other related hedging contracts included in PBG's and PAS's balance sheets at the acquisition date.

(e) In 2010, we recorded a one-time $120 million net charge ($120 million after-tax or $0.07 per share) related to our change to hyperinflationary accounting for our Venezuelan businesses and the related devaluation of the bolivar.

(f) In 2010, we recorded a $145 million charge ($92 million after-tax or $0.06 per share) related to a change in scope of one release in our ongoing migration to SAP software.

(g) In 2010, we made a $100 million ($64 million after-tax or $0.04 per share) contribution to The PepsiCo Foundation Inc., in order to fund charitable and social programs over the next several years.

(h) In 2010, we paid $672 million in a cash tender offer to repurchase $500 million (aggregate principal amount) of our 7.90% senior unsecured notes maturing in 2018. As a result of this debt repurchase, we recorded a $178 million charge to interest expense ($114 million after-tax or $0.07 per share), primarily representing the premium paid in the tender offer.

(i) Restructuring and impairment charges in 2009 were $36 million ($29 million after-tax or $0.02 per share). See Note 3.

(j) Represents the composite high and low sales price and quarterly closing prices for one share of PepsiCo common stock.

Five-Year Summary
(unaudited)

	2010	2009	2008
Net revenue	**$57,838**	$43,232	$43,251
Net income attributable to PepsiCo	**$ 6,320**	$ 5,946	$ 5,142
Net income attributable to PepsiCo per common share – basic	**$ 3.97**	$ 3.81	$ 3.26
Net income attributable to PepsiCo per common share – diluted	**$ 3.91**	$ 3.77	$ 3.21
Cash dividends declared per common share	**$ 1.89**	$ 1.775	$ 1.65
Total assets	**$68,153**	$39,848	$35,994
Long-term debt	**$19,999**	$ 7,400	$ 7,858
Return on invested capital[a]	**19.3%**	27.2%	25.5%

	2007	2006
Net revenue	$39,474	$35,137
Net income attributable to PepsiCo	$ 5,658	$ 5,642
Net income attributable to PepsiCo per common share – basic	$ 3.48	$ 3.42
Net income attributable to PepsiCo per common share – diluted	$ 3.41	$ 3.34
Cash dividends declared per common share	$ 1.425	$ 1.16
Total assets	$34,628	$29,930
Long-term debt	$ 4,203	$ 2,550
Return on invested capital[a]	28.9%	30.4%

(a) Return on invested capital is defined as adjusted net income attributable to PepsiCo divided by the sum of average common shareholders' equity and average total debt. Adjusted net income attributable to PepsiCo is defined as net income attributable to PepsiCo plus net interest expense after-tax. Net interest expense after-tax was $534 million in 2010, $211 million in 2009, $184 million in 2008, $63 million in 2007 and $72 million in 2006.

- Includes restructuring and impairment charges of:

	2009	2008	2007	2006
Pre-tax	$ 36	$ 543	$ 102	$ 67
After-tax	$ 29	$ 408	$ 70	$ 43
Per share	$ 0.02	$ 0.25	$0.04	$ 0.03

- Includes mark-to-market net (income)/expense of:

	2010	2009	2008	2007	2006
Pre-tax	**$ (91)**	$ (274)	$ 346	$ (19)	$ 18
After-tax	**$ (58)**	$ (173)	$ 223	$ (12)	$ 12
Per share	**$(0.04)**	$(0.11)	$0.14	$(0.01)	$0.01

- In 2010, we incurred merger and integration charges of $799 million related to our acquisitions of PBG and PAS, as well as advisory fees in connection with our acquisition of WBD. In addition, we recorded $9 million of merger-related charges, representing our share of the respective merger costs of PBG and PAS. In total, these costs had an after-tax impact of $648 million or $0.40 per share.
- In 2010, in connection with our acquisitions of PBG and PAS, we recorded a gain on our previously held equity interests of $958 million ($0.60 per share), comprising $735 million which is non-taxable and recorded in bottling equity income and $223 million related to the reversal of deferred tax liabilities associated with these previously held equity interests.
- In 2010, we recorded $398 million ($333 million after-tax or $0.21 per share) of incremental costs related to fair value adjustments to the acquired inventory and other related hedging contracts included in PBG's and PAS's balance sheets at the acquisition date.
- In 2010, we recorded a one-time $120 million net charge ($120 million after-tax or $0.07 per share) related to our change to hyperinflationary accounting for our Venezuelan businesses and the related devaluation of the bolivar.
- In 2010, we recorded a $145 million charge ($92 million after-tax or $0.06 per share) related to a change in scope of one release in our ongoing migration to SAP software.

- In 2010, we made a $100 million ($64 million after-tax or $0.04 per share) contribution to The PepsiCo Foundation Inc., in order to fund charitable and social programs over the next several years.
- In 2010, we paid $672 million in a cash tender offer to repurchase $500 million (aggregate principal amount) of our 7.90% senior unsecured notes maturing in 2018. As a result of this debt repurchase, we recorded a $178 million charge to interest expense ($114 million after-tax or $0.07 per share), primarily representing the premium paid in the tender offer.
- In 2009, we recognized $50 million of merger-related charges related to our acquisitions of PBG and PAS, as well as an additional $11 million of costs in bottling equity income representing our share of the respective merger costs of PBG and PAS. In total, these costs had an after-tax impact of $44 million or $0.03 per share.
- In 2008, we recognized $138 million ($114 million after-tax or $0.07 per share) of our share of PBG's restructuring and impairment charges.
- In 2007, we recognized $129 million ($0.08 per share) of non-cash tax benefits related to the favorable resolution of certain foreign tax matters. In 2006, we recognized non-cash tax benefits of $602 million ($0.36 per share) primarily in connection with the IRS's examination of our consolidated income tax returns for the years 1998 through 2002.
- On December 30, 2006, we adopted guidance from the FASB on accounting for pension and other postretirement benefits which reduced total assets by $2,016 million, total common shareholders' equity by $1,643 million and total liabilities by $373 million.

GLOSSARY

Acquisitions: reflect all mergers and acquisitions activity, including the impact of acquisitions, divestitures and changes in ownership or control in consolidated subsidiaries and nonconsolidated equity investees.

Bottlers: customers to whom we have granted exclusive contracts to sell and manufacture certain beverage products bearing our trademarks within a specific geographical area.

Bottler Case Sales (BCS): measure of physical beverage volume shipped to retailers and independent distributors from both PepsiCo and our independent bottlers.

Bottler funding: financial incentives we give to our independent bottlers to assist in the distribution and promotion of our beverage products.

Concentrate Shipments and Equivalents (CSE): measure of our physical beverage volume shipments to independent bottlers, retailers and independent distributors. This measure is reported on our fiscal year basis.

Constant currency: financial results assuming constant foreign currency exchange rates used for translation based on the rates in effect for the comparable prior-year period.

Consumers: people who eat and drink our products.

CSD: carbonated soft drinks.

Customers: authorized independent bottlers, distributors and retailers.

Derivatives: financial instruments, such as futures, swaps, Treasury locks, options and forward contracts, that we use to manage our risk arising from changes in commodity prices, interest rates, foreign exchange rates and stock prices.

Direct-Store-Delivery (DSD): delivery system used by us and our independent bottlers to deliver snacks and beverages directly to retail stores where our products are merchandised.

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.

Hedge accounting: treatment for qualifying hedges that allows fluctuations in a hedging instrument’s fair value to offset corresponding fluctuations in the hedged item in the same reporting period. Hedge accounting is allowed only in cases where the hedging relationship between the hedging instruments and hedged items is highly effective, and only prospectively from the date a hedging relationship is formally documented.

Management operating cash flow: net cash provided by operating activities less capital spending plus sales of property, plant and equipment. It is our primary measure used to monitor cash flow performance.

Mark-to-market net gain or loss or impact: the change in market value for commodity contracts, that we purchase to mitigate the volatility in costs of energy and raw materials that we consume. The market value is determined based on average prices on national exchanges and recently reported transactions in the marketplace.

Marketplace spending: sales incentives offered through various programs to our customers and consumers (trade spending), as well as advertising and other marketing activities.

Servings: common metric reflecting our consolidated physical unit volume. Our divisions' physical unit measures are converted into servings based on U.S. Food and Drug Administration guidelines for single-serving sizes of our products.

Transaction gains and losses: the impact on our consolidated financial statements of exchange rate changes arising from specific transactions.

Translation adjustment: the impact of converting our foreign affiliates' financial statements into U.S. dollars for the purpose of consolidating our financial statements.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Included in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations – Our Business Risks."

Item 8. Financial Statements and Supplementary Data

See "Item 15. Exhibits and Financial Statement Schedules."

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure

Not applicable.

Item 9A. Controls and Procedures

(a) Disclosure 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 SEC 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.

(b) Management's Annual Report on Internal Control over Financial Reporting. Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) of the Exchange Act. Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based upon the framework in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on that evaluation, our management concluded that our internal control over financial reporting is effective as of December 25, 2010.

Attestation Report of the Registered Public Accounting Firm. KPMG LLP, an independent registered public accounting firm, has audited the consolidated financial statements included in this Annual Report on Form 10-K and, as part of their audit, has issued their report, included herein, on the effectiveness of our internal control over financial reporting.

(c) Changes in Internal Control over Financial Reporting. During our fourth fiscal quarter of 2010, we continued migrating certain of our financial processing systems to an enterprise-wide systems solution. These systems implementations are part of our ongoing global business transformation initiative, and we plan to continue implementing such systems throughout other parts of our businesses over the course of the next few years. In connection with these implementations 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 fourth fiscal quarter of 2010 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information

Not applicable.

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

The name, age and background of each of our directors nominated for election are contained under the caption “Election of Directors” in our Proxy Statement for our 2011 Annual Meeting of Shareholders and are incorporated herein by reference. Pursuant to Item 401(b) of Regulation S-K, information about our executive officers is reported under the caption “Executive Officers of the Registrant” in Part I of this report.

Information on the beneficial ownership reporting for our directors and executive officers is contained under the caption “Section 16(a) Beneficial Ownership Reporting Compliance” in our Proxy Statement for our 2011 Annual Meeting of Shareholders and is incorporated herein by reference.

We have a written code of conduct that applies to all of our employees, including our directors, Chairman of the Board and Chief Executive Officer, Chief Financial Officer and Controller. Our Worldwide Code of Conduct is distributed to all employees, is available on our website at http://www.pepsico.com and is included as Exhibit 14 to this Annual Report on Form 10-K. A copy of our Worldwide Code of Conduct may be obtained free of charge by writing to Investor Relations, PepsiCo, Inc., 700 Anderson Hill Road, Purchase, New York 10577. Any amendment to our Worldwide Code of Conduct and any waiver applicable to our executive officers or senior financial officers will be posted on our website within the time period required by the SEC and New York Stock Exchange.

Our business and affairs are overseen by our Board of Directors pursuant to the North Carolina Business Corporation Act and our By-Laws. The Board of Directors has three separately designated standing committees: Audit, Compensation and Nominating and Corporate Governance. The charters of these committees are available free of charge on our website at http://www.pepsico.com. The names of each of our Audit Committee members are contained in our Proxy Statement for our 2011 Annual Meeting of Shareholders under the caption “Committees of the Board of Directors” and is incorporated herein by reference. Information on our Audit Committee and Audit Committee financial expertise and financial literacy is contained in our Proxy Statement for our 2011 Annual Meeting of Shareholders under the captions “The Audit Committee” and “Financial Expertise and Financial Literacy” and is incorporated herein by reference. The names of each of our Nominating and Corporate Governance Committee members are contained in our Proxy Statement for our 2011 Annual Meeting of Shareholders under the caption “Committees of the Board of Directors” and are incorporated herein by reference. Information on our Nominating and Corporate Governance

Committee and director nomination process can be found in our Proxy Statement for our 2011 Annual Meeting of Shareholders under the captions “The Nominating and Corporate Governance Committee” and “Process for Selection and Nomination of Directors; Consideration of Director Diversity” and is incorporated herein by reference.

Item 11. Executive Compensation.

Information on compensation of our directors and executive officers and Compensation Committee interlocks is contained in our Proxy Statement for our 2011 Annual Meeting of Shareholders under the captions “2010 Director Compensation,” “Executive Compensation,” and “Compensation Committee Interlocks and Insider Participation,” respectively, and is incorporated herein by reference.

The names of each of our Compensation Committee members are contained in our Proxy Statement for our 2011 Annual Meeting of Shareholders under the caption “Committees of the Board of Directors” and are incorporated herein by reference. Information on our Compensation Committee can be found under the caption “The Compensation Committee” in our Proxy Statement for our 2011 Annual Meeting of Shareholders and is incorporated by reference herein.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

Information with respect to securities authorized for issuance under equity compensation plans can be found under the caption “Securities Authorized for Issuance Under Equity Compensation Plans” in our Proxy Statement for our 2011 Annual Meeting of Shareholders and is incorporated herein by reference.

Information on the number of shares of PepsiCo Common Stock beneficially owned by each director and named executive officer and by all directors and executive officers as a group is contained under the caption “Ownership of PepsiCo Common Stock by Directors and Executive Officers” in our Proxy Statement for our 2011 Annual Meeting of Shareholders and is incorporated herein by reference. As far as we know, no person beneficially owns more than 5% of the outstanding shares of PepsiCo Common or Convertible Preferred Stock.

Item 13. Certain Relationships and Related Transactions, and Director Independence.

Transactions with Related Persons. Information with respect to transactions with related persons, if any, is contained under the caption “Review and Approval of Transactions with Related Persons” in our Proxy Statement for our 2011 Annual Meeting of Shareholders and is incorporated herein by reference.

Review, Approval or Ratification of Transactions with Related Persons. Information with respect to the review, approval or ratification of transactions with related persons is contained under the caption “Review and Approval of Transactions with Related Persons” in our Proxy Statement for our 2011 Annual Meeting of Shareholders and is incorporated herein by reference.

Promoters and Certain Control Persons. Not applicable.

Director Independence. The name of each director that is independent is contained under the caption "Director Independence" in our Proxy Statement for our 2011 Annual Meeting of Shareholders and is incorporated herein by reference.

Item 14. Principal Accounting Fees and Services.

Information on our Audit Committee's pre-approval policy for audit services, and information on our principal accountant fees and services is contained in our Proxy Statement for our 2011 Annual Meeting of Shareholders under the captions "Audit Committee Report" and "Audit and Non-Audit Fees," and is incorporated herein by reference.

PART IV

Item 15. Exhibits and Financial Statement Schedules.

(a)1. Financial Statements

The following consolidated financial statements of PepsiCo, Inc. and its affiliates are included herein by reference to the pages indicated on the index appearing in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations":

Consolidated Statement of Income – Fiscal years ended December 25, 2010, December 26, 2009 and December 27, 2008.

Consolidated Statement of Cash Flows – Fiscal years ended December 25, 2010, December 26, 2009 and December 27, 2008.

Consolidated Balance Sheet – December 25, 2010 and December 26, 2009.

Consolidated Statement of Equity – Fiscal years ended December 25, 2010, December 26, 2009 and December 27, 2008.

Notes to Consolidated Financial Statements, and

Report of Independent Registered Public Accounting Firm.

(a)2. Financial Statement Schedules

These schedules are omitted because they are not required or because the information is set forth in the financial statements or the notes thereto.

(a)3. Exhibits

See Index to Exhibits.

Table of Contents

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, PepsiCo has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: February 18, 2011

PepsiCo, Inc.

By: /s/ Indra K. Nooyi
Indra K. Nooyi
Chairman of the Board of Directors and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of PepsiCo and in the capacities and on the date indicated.

SIGNATURE	TITLE	DATE
/s/ Indra K. Nooyi Indra K. Nooyi	Chairman of the Board of Directors and Chief Executive Officer	February 18, 2011
/s/ Hugh F. Johnston Hugh F. Johnston	Chief Financial Officer	February 18, 2011
/s/ Peter A. Bridgman Peter A. Bridgman	Senior Vice President and Controller (Principal Accounting Officer)	February 18, 2011
/s/ Shona L. Brown Shona L. Brown	Director	February 18, 2011
/s/ Ian M. Cook Ian M. Cook	Director	February 18, 2011
/s/ Dina Dublon Dina Dublon	Director	February 18, 2011

/s/ Victor J. Dzau Victor J. Dzau	Director	February 18, 2011
/s/ Ray L. Hunt Ray L. Hunt	Director	February 18, 2011
/s/ Alberto Ibargüen Alberto Ibargüen	Director	February 18, 2011
/s/ Arthur C. Martinez Arthur C. Martinez	Director	February 18, 2011
/s/ Sharon Percy Rockefeller Sharon Percy Rockefeller	Director	February 18, 2011
/s/ James J. Schiro James J. Schiro	Director	February 18, 2011
/s/ Lloyd G. Trotter Lloyd G. Trotter	Director	February 18, 2011
/s/ Daniel Vasella Daniel Vasella	Director	February 18, 2011

INDEX TO EXHIBITS
ITEM 15(a)(3)

The following is a list of the exhibits filed as part of this Form 10-K. The documents incorporated by reference are located in the SEC's Public Reference Room in Washington, D.C. in the SEC's file no. 1-1183.

EXHIBIT

2.1	Agreement and Plan of Merger dated as of August 3, 2009, among PepsiCo, Inc., The Pepsi Bottling Group, Inc. and Pepsi-Cola Metropolitan Bottling Company, Inc. (the schedules have been omitted pursuant to Item 601(b)(2) of Regulation S-K), which is incorporated herein by reference to Exhibit 2.1 to PepsiCo's Current Report on Form 8-K dated August 3, 2009.
2.2	Agreement and Plan of Merger dated as of August 3, 2009, among PepsiCo, Inc., PepsiAmericas, Inc. and Pepsi-Cola Metropolitan Bottling Company, Inc. (the schedules have been omitted pursuant to Item 601(b)(2) of Regulation S-K), which is incorporated herein by reference to Exhibit 2.2 to PepsiCo's Current Report on Form 8-K dated August 3, 2009.
2.3	Purchase Agreement dated as of December 1, 2010 among PepsiCo, Inc., Pepsi-Cola (Bermuda) Limited, Gavril A. Yushvaev, David Iakobachvili, Mikhail V. Dubinin, Sergei A. Plastinin, Alexander S. Orlov, Mikhail I. Vishnaykov, Aladaro Limited, Tony D. Maher, Dmitry Ivanov, Wimm Bill Dann Finance Cyprus Ltd. and Wimm-Bill-Dann Finance Co. Ltd. (the schedules have been omitted pursuant to Item 601(b)(2) of Regulation S-K), which is incorporated herein by reference to Exhibit 2.1 to PepsiCo's Current Report on Form 8-K dated December 2, 2010.
3.1	Amended and Restated Articles of Incorporation of PepsiCo, Inc., which are incorporated herein by reference to Exhibit 4.1 to PepsiCo, Inc.'s Registration Statement on Form S-8 (Registration No. 333-66632).
3.2	By-Laws of PepsiCo, Inc., as amended on September 24, 2010, which are incorporated herein by reference to Exhibit 3.2 to PepsiCo's Current Report on Form 8-K dated September 28, 2010.
4.1	PepsiCo, Inc. agrees to furnish to the SEC, upon request, a copy of any instrument defining the rights of holders of long-term debt of PepsiCo, Inc. and all of its subsidiaries for which consolidated or unconsolidated financial statements are required to be filed with the Securities and Exchange Commission.
4.2	Indenture dated May 21, 2007 between PepsiCo, Inc. and The Bank of New York, as trustee, which is incorporated herein by reference to Exhibit 4.1 to PepsiCo's Current Report on Form 8-K dated May 25, 2007.
4.3	Form of 5.15% Senior Note due 2012, which is incorporated herein by reference to

	Exhibit 4.2 to PepsiCo's Current Report on Form 8-K dated May 25, 2007.
4.4	Form of 4.65% Senior Note due 2013, which is incorporated herein by reference to Exhibit 4.2 to PepsiCo's Current Report on Form 8-K dated December 3, 2007.
4.5	Form of 5.00% Senior Note due 2018, which is incorporated herein by reference to Exhibit 4.2 to PepsiCo's Current Report on Form 8-K dated May 21, 2008.
4.6	Form of 7.90% Senior Note due 2018, which is incorporated herein by reference to Exhibit 4.1 to PepsiCo's Current Report on Form 8-K dated October 24, 2008.
4.7	Form of 3.75% Senior Note due 2014, which is incorporated herein by reference to Exhibit 4.1 to PepsiCo's Current Report on Form 8-K dated February 25, 2009.
4.8	Form of Floating Rate Note due 2011, which is incorporated herein by reference to Exhibit 4.1 to PepsiCo's Current Report on Form 8-K dated January 11, 2010.
4.9	Form of 3.10% Senior Note due 2015, which is incorporated herein by reference to Exhibit 4.2 to PepsiCo's Current Report on Form 8-K dated January 11, 2010.
4.10	Form of 4.50% Senior Note due 2020, which is incorporated herein by reference to Exhibit 4.3 to PepsiCo's Current Report on Form 8-K dated January 11, 2010.
4.11	Form of 5.50% Senior Note due 2040, which is incorporated herein by reference to Exhibit 4.4 to PepsiCo's Current Report on Form 8-K dated January 11, 2010.
4.12	Form of 0.875% Senior Note due 2013, which is incorporated herein by reference to Exhibit 4.1 to PepsiCo's Current Report on Form 8-K dated October 19, 2010.
4.13	Form of 3.125% Senior Note due 2020, which is incorporated herein by reference to Exhibit 4.2 to PepsiCo's Current Report on Form 8-K dated October 19, 2010.
4.14	Form of 4.875% Senior Note due 2040, which is incorporated herein by reference to Exhibit 4.3 to PepsiCo's Current Report on Form 8-K dated October 19, 2010.
4.15	Board of Directors Resolutions Authorizing PepsiCo's Officers to Establish the Terms of its Senior Notes Issued on January 14, 2010 and October 26, 2010, which is incorporated herein by reference to Exhibit 4.1 to PepsiCo's Quarterly Report on Form 10-Q for the 24 weeks ended June 12, 2010.
4.16	Indenture dated as of October 24, 2008 among PepsiCo, Bottling Group, LLC and The Bank of New York Mellon, as Trustee, which is incorporated herein by reference to Exhibit 4.2 to PepsiCo's Current Report on Form 8-K dated October 24, 2008.
4.17	Form of PepsiCo Guarantee of 6.95% Senior Note due 2014 of Bottling Group, LLC, which is incorporated herein by reference to Exhibit 4.4 to PepsiCo's Current Report on Form 8-K dated October 24, 2008.
4.18	First Supplemental Indenture, dated as of February 26, 2010, among Pepsi-Cola

	Metropolitan Bottling Company, Inc., The Pepsi Bottling Group, Inc., Bottling Group, LLC and The Bank of New York Mellon to the Indenture dated March 8, 1999 between The Pepsi Bottling Group, Inc., Bottling Group, LLC and The Chase Manhattan Bank, which is incorporated by reference to Exhibit 4.1 to PepsiCo, Inc.'s Current Report on Form 8-K dated February 26, 2010.
4.19	Indenture, dated as of March 8, 1999, by and among The Pepsi Bottling Group, Inc., as obligor, Bottling Group, LLC, as guarantor, and The Chase Manhattan Bank, as trustee, relating to $1,000,000,000 7% Series B Senior Notes due 2029, which is incorporated herein by reference to Exhibit 10.14 to The Pepsi Bottling Group, Inc.'s Registration Statement on Form S-1 (Registration No. 333-70291).
4.20	Second Supplemental Indenture, dated as of February 26, 2010, among Pepsi-Cola Metropolitan Bottling Company, Inc., PepsiAmericas, Inc. and The Bank New York Mellon Trust Company, N.A. to the Indenture dated as of January 15, 1993 between Whitman Corporation and The First National Bank of Chicago, as trustee, which is incorporated herein by reference to Exhibit 4.2 to PepsiCo, Inc.'s Current Report on Form 8-K dated February 26, 2010.
4.21	First Supplemental Indenture, dated as of May 20, 1999, including the Indenture dated as of January 15, 1993, between Whitman Corporation and The First National Bank of Chicago, as trustee, which is incorporated herein by reference to Exhibit 4.3 to Post-Effective Amendment No. 1 to PepsiAmericas, Inc.'s Registration Statement on Form S-8 (Registration No. 333-64292) filed on December 29, 2005.

4.22	Form of PepsiAmericas, Inc. 7.625% Notes due 2015, which is incorporated by reference to Exhibit 4.6 to PepsiCo, Inc.'s Quarterly Report on Form 10-Q for the quarterly period ended March 20, 2010.
4.23	Form of PepsiAmericas, Inc. 7.29% Notes due 2026, which is incorporated by reference to Exhibit 4.7 to PepsiCo, Inc.'s Quarterly Report on Form 10-Q for the quarterly period ended March 20, 2010.
4.24	Form of PepsiAmericas, Inc. 7.44% Notes due 2026, which is incorporated by reference to Exhibit 4.8 to PepsiCo, Inc.'s Quarterly Report on Form 10-Q for the quarterly period ended March 20, 2010.
4.25	Form of PepsiAmericas, Inc. 4.50% Notes due 2013, which is incorporated by reference to Exhibit 4.9 to PepsiCo, Inc.'s Quarterly Report on Form 10-Q for the quarterly period ended March 20, 2010.
4.26	First Supplemental Indenture, dated as of February 26, 2010, among Pepsi-Cola

	Metropolitan Bottling Company, Inc., PepsiAmericas, Inc. and Wells Fargo Bank, National Association to the Indenture dated as of August 15, 2003 between PepsiAmericas, Inc. and Wells Fargo Bank Minnesota, National Association, as trustee, which is incorporated by reference to Exhibit 4.3 to PepsiCo, Inc.'s Current Report on Form 8-K dated February 26, 2010.
4.27	Indenture dated as of August 15, 2003 between PepsiAmericas, Inc. and Wells Fargo Bank Minnesota, National Association, as trustee, which is incorporated herein by reference to Exhibit 4 to PepsiAmericas, Inc.'s Registration Statement on Form S-3 (Registration No. 333-108164) filed on August 22, 2003.
4.28	Form of PepsiAmericas, Inc. 5.625% Notes due 2011, which is incorporated herein by reference to Exhibit 4.1 to PepsiAmericas, Inc.'s Current Report on Form 8-K dated May 23, 2006.
4.29	Form of PepsiAmericas, Inc. 5.75% Notes due 2012, which is incorporated herein by reference to Exhibit 4.1 to PepsiAmericas, Inc.'s Current Report on Form 8-K dated July 11, 2007.
4.30	Form of PepsiAmericas, Inc. 4.375% Notes due 2014, which is incorporated herein by reference to Exhibit 4.1 to PepsiAmericas, Inc.'s Current Report on Form 8-K dated February 9, 2009.
4.31	Form of PepsiAmericas, Inc. 4.875% Notes due 2015, which is incorporated by reference to Exhibit 4.15 to PepsiCo, Inc.'s Quarterly Report on Form 10-Q for the quarterly period ended March 20, 2010.
4.32	Form of PepsiAmericas, Inc. 5.00% Notes due 2017, which is incorporated by reference to Exhibit 4.16 to PepsiCo, Inc.'s Quarterly Report on Form 10-Q for the quarterly period ended March 20, 2010.
4.33	Form of PepsiAmericas, Inc. 5.50% Notes due 2035, which is incorporated by reference to Exhibit 4.17 to PepsiCo, Inc.'s Quarterly Report on Form 10-Q for the quarterly period ended March 20, 2010.
4.34	Indenture dated as of November 15, 2002 among Bottling Group, LLC, as obligor, PepsiCo, Inc., as guarantor, and JPMorgan Chase Bank, as trustee, relating to $1,000,000,000 4 5/8% Senior Notes due November 15, 2012, which is incorporated herein by reference to Exhibit 4.8 to The Pepsi Bottling Group, Inc.'s Annual Report on Form 10-K for the year ended December 28, 2002.
4.35	Indenture, dated as of June 10, 2003 by and between Bottling Group, LLC, as obligor, and JPMorgan Chase Bank, as trustee, relating to $250,000,000 4 1/8% Senior Notes due June 15, 2015, which is incorporated herein by reference to Exhibit 4.1 to Bottling Group, LLC's registration statement on Form S-4 (Registration No. 333-106285).
4.36	Indenture, dated as of October 1, 2003, by and between Bottling Group, LLC, as obligor, and JPMorgan Chase Bank, as trustee, which is incorporated herein by reference to Exhibit 4.1 to Bottling Group, LLC's Current Report on

	Form 8-K dated October 2, 2003.
4.37	Form of Bottling Group, LLC 5.00% Senior Notes due November 15, 2013, which is incorporated herein by reference to Exhibit 4.1 to Bottling Group, LLC's Current Report on Form 8-K dated November 12, 2003.
4.38	Indenture, dated as of March 30, 2006, by and between Bottling Group, LLC, as obligor, and JPMorgan Chase Bank, N.A., as trustee, which is incorporated herein by reference to Exhibit 4.1 to The Pepsi Bottling Group, Inc.'s Quarterly Report on Form 10-Q for the quarter ended March 25, 2006.
4.39	Form of Bottling Group, LLC 5.50% Senior Notes due April 1, 2016, which is incorporated herein by reference to Exhibit 4.2 to The Pepsi Bottling Group, Inc.'s Quarterly Report on Form 10-Q for the quarter ended March 25, 2006.
4.40	Form of Bottling Group, LLC 6.95% Senior Notes due March 15, 2014, which is incorporated herein by reference to Exhibit 4.2 to Bottling Group, LLC's Current Report on Form 8-K dated October 21, 2008.
4.41	Form of Bottling Group, LLC 5.125% Senior Notes due January 15, 2019, which is incorporated herein by reference to Exhibit 4.1 to Bottling Group, LLC's Current Report on Form 8-K dated January 14, 2009.
4.42	Form of PepsiCo Guarantee of Pepsi-Cola Metropolitan Bottling Company, Inc.'s 7.00% Notes due 2029, 7.625% Notes due 2015, 7.29% Notes due 2026, 7.44% Notes due 2026, 4.50% Notes due 2013, 5.625% Notes due 2011, 5.75% Notes due 2012, 4.375% Notes due 2014, 4.875% Notes due 2015, 5.00% Notes due 2017, 5.50% Notes due 2035 and Bottling Group, LLC's 5.00% Notes due 2013, 4.125% Notes due 2015, 5.50% Notes due 2016 and 5.125% Notes due 2019, which is incorporated herein by reference to Exhibit 4.1 to PepsiCo's Current Report on Form 8-K dated October 5, 2010.
10.1	PepsiCo, Inc. 1994 Long-Term Incentive Plan, as amended and restated effective October 1, 1999, which is incorporated herein by reference to Exhibit 10.6 to PepsiCo's Annual Report on Form 10-K for the fiscal year ended December 25, 1999.*
10.2	PepsiCo Executive Income Deferral Program (Plan Document for the Pre-409A Program), amended and restated effective July 1, 1997, which is incorporated herein by reference to Exhibit 10.1 to PepsiCo's Quarterly Report on Form 10-Q for the fiscal quarter ended September 6, 2008.*
10.3	PepsiCo SharePower Stock Option Plan, as amended and restated effective August 3, 2001, which is incorporated herein by reference to Exhibit 10.13 to PepsiCo's Annual Report on Form 10-K for the fiscal year ended December 28, 2002.*
10.4	PepsiCo, Inc. 1995 Stock Option Incentive Plan (as amended and restated effective

	August 2, 2001), which is incorporated herein by reference to Exhibit 10.14 to PepsiCo's Annual Report on Form 10-K for the fiscal year ended December 28, 2002.*
10.5	The Quaker Long-Term Incentive Plan of 1990, which is incorporated herein by reference to Exhibit 10.16 to PepsiCo's Annual Report on Form 10-K for the fiscal year ended December 28, 2002.*
10.6	The Quaker Long-Term Incentive Plan of 1999, which is incorporated herein by reference to Exhibit 10.17 to PepsiCo's Annual Report on Form 10-K for the fiscal year ended December 28, 2002.*
10.7	PepsiCo, Inc. 2003 Long-Term Incentive Plan, as amended and restated effective September 12, 2008, which is incorporated herein by reference to Exhibit 10.4 to PepsiCo's Quarterly Report on Form 10-Q for the fiscal quarter ended September 6, 2008.*
10.8	PepsiCo, Inc. Executive Incentive Compensation Plan, which is incorporated herein by reference to Exhibit B to PepsiCo's Proxy Statement for its 2009 Annual Meeting of Shareholders.*
10.9	Form of Regular Performance-Based Long-Term Incentive Award Agreement, which is incorporated herein by reference to Exhibit 99.1 to PepsiCo's Current Report on Form 8-K dated as of January 28, 2005.*
10.10	Form of Regular Long-Term Incentive Award Agreement, which is incorporated herein by reference to Exhibit 99.2 to PepsiCo's Current Report on Form 8-K dated as of January 28, 2005.*
10.11	Form of Special Long-Term Incentive Award Agreement (Restricted Stock Units Terms and Conditions), which is incorporated herein by reference to Exhibit 99.3 to PepsiCo's Current Report on Form 8-K dated as of January 28, 2005.*
10.12	Form of Special Long-Term Incentive Award Agreement (Stock Option Agreement), which is incorporated herein by reference to Exhibit 99.4 to PepsiCo's Current Report on Form 8-K dated as of January 28, 2005.*
10.13	Form of Non-Employee Director Restricted Stock Unit Agreement, which is incorporated herein by reference to Exhibit 99.5 to PepsiCo's Current Report on Form 8-K dated as of January 28, 2005.*
10.14	Form of Non-Employee Director Stock Option Agreement, which is incorporated herein by reference to Exhibit 99.6 to PepsiCo's Current Report on Form 8-K dated as of January 28, 2005.*
10.15	Form of PepsiCo, Inc. Director Indemnification Agreement, which is incorporated

herein by reference to Exhibit 10.20 to PepsiCo's Annual Report on Form 10-K for the fiscal year ended December 25, 2004.*

10.16 Severance Plan for Executive Employees of PepsiCo, Inc. and Affiliates, which is incorporated herein by reference to Exhibit 10.5 to PepsiCo's Quarterly Report on Form 10-Q for the fiscal quarter ended September 6, 2008.*

10.17 Form of Annual Long-Term Incentive Award Agreement, which is incorporated herein by reference to Exhibit 99.1 to PepsiCo's Current Report on Form 8-K dated as of February 2, 2006.*

10.18 Form of Performance-Based Long-Term Incentive Award Agreement, which is incorporated herein by reference to Exhibit 99.2 to PepsiCo's Current Report on Form 8-K dated as of February 2, 2006.*

10.19 Form of Pro Rata Performance-Based Long-Term Incentive Award Agreement, which is incorporated herein by reference to Exhibit 99.3 to PepsiCo's Current Report on Form 8-K dated as of February 2, 2006.*

10.20 Form of Restricted Stock Unit Retention Award Agreement, which is incorporated herein by reference to Exhibit 99.5 to PepsiCo's Current Report on Form 8-K dated as of February 2, 2006.*

10.21 Form of Stock Option Retention Award Agreement, which is incorporated herein by reference to Exhibit 99.4 to PepsiCo's Current Report on Form 8-K dated as of February 2, 2006.*

10.22 PepsiCo Executive Income Deferral Program (Plan Document for the 409A Program), amended and restated effective as of January 1, 2005, which is incorporated herein by reference to Exhibit 10.2 to PepsiCo's Quarterly Report on Form 10-Q for the fiscal quarter ended September 6, 2008.*

10.23 PepsiCo Director Deferral Program, effective as of January 1, 2005, which is incorporated herein by reference to Exhibit 10.3 to PepsiCo's Quarterly Report on Form 10-Q for the fiscal quarter ended September 6, 2008.*

10.24 Amendments to the PepsiCo, Inc. 2003 Long-Term Incentive Plans, the PepsiCo, Inc. 1994 Long-Term Incentive Plan, the PepsiCo, Inc. 1995 Stock Option Incentive Plan, the PepsiCo SharePower Stock Option Plan, the PepsiCo, Inc. 1987 Incentive Plan effective as of December 31, 2005, which are incorporated herein by reference to Exhibit 10.31 to PepsiCo's Annual Report on Form 10-K for the fiscal year ended December 31, 2005.*

10.25 Amendments to the PepsiCo, Inc. 2003 Long-Term Incentive Plan, the PepsiCo SharePower Stock Option Plan, the PepsiCo, Inc. 1995 Stock Option Incentive Plan, the Quaker Long-Term Incentive Plan of 1999, the Quaker Long-Term Incentive Plan of 1990 and the PepsiCo, Inc. Director Stock Plan, effective as of November 17, 2006, which are incorporated herein by reference to Exhibit 10.31 to PepsiCo's Annual Report on Form 10-K for the fiscal year ended December 30, 2006.*

10.26	Form of Non-Employee Director Long-Term Incentive Award Agreement, which is incorporated herein by reference to Exhibit 10.2 to PepsiCo's Quarterly Report on Form 10-Q for the fiscal quarter ended September 9, 2006.*
10.27	US $1,500,000,000 Five Year Credit Agreement, dated as of May 22, 2006, which is incorporated herein by reference to Exhibit 10.1 of PepsiCo's Quarterly Report on Form 10-Q for the fiscal quarter ended June 17, 2006.
10.28	Form of Annual Long-Term Incentive Award Agreement, which is incorporated herein by reference to Exhibit 10.2 to PepsiCo's Current Report on Form 8-K dated as of February 7, 2007.*
10.29	Form of Performance-Based Long-Term Incentive Award Agreement, which is incorporated herein by reference to Exhibit 10.3 to PepsiCo's Current Report on Form 8-K dated as of February 7, 2007.*
10.30	Amendment to the PepsiCo, Inc. 1994 Long-Term Incentive Plan, the PepsiCo, Inc. 1995 Stock Option Incentive Plan, the PepsiCo SharePower Stock Option Plan and the PepsiCo, Inc. 1987 Incentive Plan, effective as of February 2, 2007, which is incorporated herein by reference to Exhibit 10.41 to PepsiCo's Annual Report on Form 10-K for the fiscal year ended December 30, 2006.*
10.31	Form of Pro Rata Long-Term Incentive Award Agreement, which is incorporated herein by reference to Exhibit 10.2 to PepsiCo's Current Report on Form 8-K dated as of May 8, 2007.*
10.32	Form of Stock Option Retention Award Agreement, which is incorporated herein by reference to Exhibit 10.3 to PepsiCo's Current Report on Form 8-K dated as of May 8, 2007.*
10.33	Form of Restricted Stock Unit Retention Award Agreement, which is incorporated herein by reference to Exhibit 10.4 to PepsiCo's Current Report on Form 8-K dated as of May 8, 2007.*
10.34	Letter Agreement effective May 2, 2007 extending Five-Year Credit Agreement dated as of May 22, 2006 among PepsiCo, Inc., as Borrower, the Lenders named therein, and Citibank, N.A., as Administrative Agent, to May 22, 2012, which is incorporated herein by reference to Exhibit 10.1 to PepsiCo's Quarterly Report on Form 10-Q for the fiscal quarter ended June 16, 2007.
10.35	Amendment effective August 1, 2007 to Five-Year Credit Agreement dated as of May 22, 2006 among PepsiCo, Inc., as Borrower, the Lenders named therein, and Citibank, N.A., as Administrative Agent, which is incorporated herein by reference to Exhibit 10.1 to PepsiCo's Current Report on Form 8-K dated as of August 2, 2007.
10.36	PepsiCo, Inc. 2007 Long-Term Incentive Plan, as amended and restated March 12, 2010, which is incorporated herein by reference to Exhibit 10.1 to PepsiCo's Current Report on Form 8-K dated May 11, 2010.*

10.37	Form of Annual Long-Term Incentive Award Agreement, which is incorporated by reference to Exhibit 10.1 to PepsiCo's Current Report on Form 8-K dated as of February 7, 2008.*
10.38	Form of Performance-Based Long-Term Incentive Award Agreement, which is incorporated herein by reference to Exhibit 10.2 to PepsiCo's Current Report on Form 8-K dated as of February 7, 2008.*
10.39	Form of Annual Long-Term Incentive Award Agreement, which is incorporated herein by reference to Exhibit 10.1 to PepsiCo's Current Report on Form 8-K dated as of February 11, 2009.*
10.40	Form of Performance-Based Long-Term Incentive Award Agreement, which is incorporated herein by reference to Exhibit 10.2 to PepsiCo's Current Report on Form 8-K dated as of February 11, 2009.*
10.41	Form of Pro Rata Long-Term Incentive Award Agreement, which is incorporated herein by reference to Exhibit 10.3 to PepsiCo's Current Report on Form 8-K dated as of February 11, 2009.*
10.42	Form of Stock Option Retention Award Agreement, which is incorporated herein by reference to Exhibit 10.4 to PepsiCo's Current Report on Form 8-K dated as of February 11, 2009.*
10.43	Form of Restricted Stock Unit Retention Award Agreement which is incorporated herein by reference to Exhibit 10.5 to PepsiCo's Current Report on Form 8-K dated as of February 11, 2009.*
10.44	PepsiCo Pension Equalization Plan (Plan Document for the 409A Plan), amended and restated effective January 1, 2005, which is incorporated herein by reference to Exhibit 10.46 to PepsiCo's Annual Report on Form 10-K for the fiscal year ended December 27, 2008.*
10.45	Form of Aircraft Time Sharing Agreement, which is incorporated herein by reference to Exhibit 10 to PepsiCo's Quarterly Report on Form 10-Q for the fiscal quarter ended March 21, 2009.*
10.46	PepsiCo Pension Equalization Plan (Plan Document for the Pre-Section 409A Program), January 1, 2005 Restatement, As Amended Through December 31, 2008, which is incorporated herein by reference to Exhibit 10.1 to PepsiCo's Quarterly Report on Form 10-Q for the fiscal quarter ended June 13, 2009.*
10.47	PBG 2004 Long Term Incentive Plan, which is incorporated herein by reference to Exhibit 99.1 to PepsiCo, Inc.'s Registration Statement on Form S-8 as filed on February 26, 2010 (Registration No. 333-165107).*
10.48	PBG 2002 Long Term Incentive Plan, which is incorporated herein by reference to Exhibit 99.2 to PepsiCo, Inc.'s Registration Statement on Form S-8 as filed on February 26, 2010 (Registration No. 333-165107).*

10.49	PBG Long Term Incentive Plan, which is incorporated herein by reference to Exhibit 99.3 to PepsiCo, Inc.'s Registration Statement on Form S-8 as filed on February 26, 2010 (Registration No. 333-165107).*
10.50	The Pepsi Bottling Group, Inc. 1999 Long Term Incentive Plan, which is incorporated herein by reference to Exhibit 99.4 to PepsiCo, Inc.'s Registration Statement on Form S-8 as filed on February 26, 2010 (Registration No. 333-165107).*
10.51	PBG Directors' Stock Plan, which is incorporated herein by reference to Exhibit 99.5 to PepsiCo, Inc.'s Registration Statement on Form S-8 as filed on February 26, 2010 (Registration No. 333-165107).*
10.52	PBG Stock Incentive Plan, which is incorporated herein by reference to Exhibit 99.6 to PepsiCo, Inc.'s Registration Statement on Form S-8 as filed on February 26, 2010 (Registration No. 333-165107).*
10.53	Amendments to PBG 2002 Long Term Incentive Plan, PBG Long Term Incentive Plan, The Pepsi Bottling Group, Inc. 1999 Long Term Incentive Plan and PBG Stock Incentive Plan (effective February 8, 2007), which are incorporated herein by reference to Exhibit 99.7 to PepsiCo, Inc.'s Registration Statement on Form S-8 as filed on February 26, 2010 (Registration No. 333-165107).*
10.54	Amendments to PBG 2004 Long Term Incentive Plan, PBG 2002 Long Term Incentive Plan, The Pepsi Bottling Group, Inc. Long Term Incentive Plan, The Pepsi Bottling Group, Inc. 1999 Long Term Incentive Plan, PBG Directors' Stock Plan and PBG Stock Incentive Plan (effective February 19, 2010), which are incorporated herein by reference to Exhibit 99.8 to PepsiCo, Inc.'s Registration Statement on Form S-8 as filed on February 26, 2010 (Registration No. 333-165107).*
10.55	PepsiAmericas, Inc. 2000 Stock Incentive Plan (including Amendments No. 1, No. 2 and No. 3 thereto), which is incorporated herein by reference to Exhibit 99.9 to PepsiCo, Inc.'s Registration Statement on Form S-8 as filed on February 26, 2010 (Registration No. 333-165107).*
10.56	Amendment No. 4 to PepsiAmericas, Inc. 2000 Stock Incentive Plan (effective February 18, 2010), which is incorporated herein by reference to Exhibit 99.10 to PepsiCo, Inc.'s Registration Statement on Form S-8 as filed on February 26, 2010 (Registration No. 333-165107).*
10.57	Amendment to the PepsiCo Executive Income Deferral Program Document for the 409A Program, adopted February 18, 2010, which is incorporated by reference to Exhibit 10.11 to PepsiCo, Inc.'s Quarterly Report on Form 10-Q for the quarterly period ended March 20, 2010.*
10.58	Amendment to the PepsiCo Pension Equalization Plan Document for the 409A Program, adopted February 18, 2010, which is incorporated by reference to Exhibit 10.12 to PepsiCo, Inc.'s Quarterly Report on Form 10-Q for the

	quarterly period ended March 20, 2010.*
10.59	Specified Employee Amendments to Arrangements Subject to Section 409A of the Internal Revenue Code, adopted February 18, 2010 and March 29, 2010, which is incorporated by reference to Exhibit 10.13 to PepsiCo, Inc.'s Quarterly Report on Form 10-Q for the quarterly period ended March 20, 2010.*
10.60	Amendment No. 1, dated as of December 31, 2009, among The Pepsi Bottling Group, Inc., Bottling Group, LLC, Pepsi-Cola Metropolitan Bottling Company, Inc., PepsiCo, Inc., Citibank, N.A. and the lenders party thereto to the First Amended and Restated Credit Agreement dated as of October 19, 2007 among The Pepsi Bottling Group, Inc., Bottling Group, LLC, the lenders party thereto, Citibank, N.A., as Agent, and the other agents party thereto, which is incorporated herein by reference to Exhibit 3.2 to PepsiCo, Inc.'s Current Report on Form 8-K dated February 26, 2010.
10.61	Form of Performance-Based Long-Term Incentive Award Agreement, which is incorporated herein by reference to Exhibit 10.1 to PepsiCo, Inc.'s Current Report on Form 8-K dated April 16, 2010.*
10.62	Amendment to the PepsiCo Executive Income Deferral Program Document for the 409A Program, adopted June 28, 2010. which is incorporated by reference to Exhibit 10.1 to PepsiCo, Inc.'s Quarterly Report on Form 10-Q for the quarterly period ended September 4, 2010.*
10.63	Amendment to the PepsiCo Pension Equalization Plan, effective as of January 1, 2011.*
10.64	Retention Agreement, dated as of October 2, 2009, between PepsiCo, Inc. and Eric J. Foss.*
10.65	PBG Pension Equalization Plan (Plan Document for the 409A Program), as amended.*
10.66	PBG Pension Equalization Plan (Plan Document for the Pre-409A Program), as amended.*
10.67	PBG Executive Income Deferral Program (Plan Document for the 409A Program), as amended.*
10.68	PBG Executive Income Deferral Program (Plan Document for the Pre-409A Program), as amended.*
12	Computation of Ratio of Earnings to Fixed Charges.
14	Worldwide Code of Conduct.
21	Subsidiaries of PepsiCo, Inc.

23	Consent of KPMG LLP.
24	Power of Attorney executed by Indra K. Nooyi, Hugh F. Johnston, Peter A. Bridgman, Shona L. Brown, Ian M. Cook, Dina Dublon, Victor J. Dzau, Ray L. Hunt, Alberto Ibargüen, Arthur C. Martinez, Sharon Percy Rockefeller, James J. Schiro, Lloyd G. Trotter and Daniel Vasella.
31	Certification of our Chief Executive Officer and our Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32	Certification of our Chief Executive Officer and our Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101	The following materials from PepsiCo, Inc.'s Annual Report on Form 10-K for the fiscal year ended December 25, 2010 formatted in XBRL (eXtensible Business Reporting Language): (i) the Consolidated Statement of Income, (ii) the Consolidated Statement of Cash Flows, (iii) the Consolidated Balance Sheet, (iv) the Consolidated Statement of Equity and (v) Notes to the Consolidated Financial Statements.

* Management contracts and compensatory plans or arrangements required to be filed as exhibits pursuant to Item 15(a)(3) of this report.

Exhibit 10.63

AMENDMENT TO THE
PEPSICO PENSION EQUALIZATION PLAN

The PepsiCo Pension Equalization Plan documents for the 409A Program and Pre-409A Program are hereby amended as set forth below, effective as of January 1, 2011.

1. Section 3.2 of the document for the 409A Program is amended in its entirety to read as follows:

"3.2 Service: A Participant's entitlement to a Pension and to a Pre-Retirement Spouse's Pension for his Eligible Spouse shall be determined under Article IV based upon his period of Service. Subject to the last sentence of this Section 3.2, a Participant's period of Service shall be determined under Article III of the Salaried Plan. If a Participant's period of Service (as so determined) would extend beyond the Participant's Separation from Service date because of a leave of absence, the Plan Administrator may provide for determining the Participant's 409A Pension at Separation from Service by projecting the benefit the Participant would have if all such Service were taken into account under the Plan. Effective as of January 1, 2011, a Participant's period of Service shall be determined under Article III of the Salaried Plan, except that the provision, which disregards for certain purposes the pre-transfer Service of certain inpats who transfer to the United States, shall not apply."

2. Section 3.3 of the document for the 409A Program is amended in its entirety to read as follows:

"3.3 Credited Service: Subject to the next two sentences, the amount of a Participant's Pension and a Pre-Retirement Spouse's Pension shall be based upon the Participant's period of Credited Service, as determined under Article III of the Salaried Plan. If a Participant's period of Credited Service (as so determined) would extend beyond the Participant's Separation from Service date because of a leave of absence, the Plan Administrator may provide for determining the Participant's 409A Pension at Separation from Service by projecting the benefit the Participant would have if all such Service were taken into account under the Plan. Effective as of January 1, 2011, a Participant's period of Credited Service shall be based upon the Participant's Credited Service determined under Article III of the Salaried Plan, except that the provision, which disregards the pre-transfer Credited Service of certain inpats who transfer to the United States, shall not apply."

3. Section 4.7 is amended in its entirety to read as follows:

"4.7. Vesting. Subject to Section 8.7, a Participant shall be fully vested in, and have a nonforfeitable right to, his Accrued Benefit at the time he becomes fully vested in his accrued benefit under the Salaried Plan."

4. Section 5.1 is amended by adding the inserting the following language immediately before subsection (a):

"Subject to Section 8.7, a Participant's 409A Pension shall be determined as follows –"

5. A new Section 7.5 is added to the documents for the 409A Program and Pre-409A Program to read as follows:

"7.5 Limitations on Actions. Effective for claims and actions filed on or after January 1, 2011, any claim filed under Article VIII and any action filed in state or federal court by or on behalf of a former or current Employee, Participant, beneficiary or any other individual, person or entity (collectively, a "Petitioner") for the alleged wrongful denial of Plan benefits or for the alleged interference with or violation of ERISA-protected rights must be brought within two years of the date the Petitioner's cause of action first accrues. For purposes of this subsection, a cause of action with respect to a Petitioner's benefits under the Plan shall be deemed to accrue not later than the earliest of (i) when the Petitioner has received the calculation of the benefits that are the subject of the claim or legal action (ii) the date identified to the Petitioner by the Plan Administrator on which payments shall commence, or (iii) when the Petitioner has actual or constructive knowledge of the facts that are the basis of his claim. For purposes of this subsection, a cause of action with respect to the alleged interference with ERISA-protected rights shall be deemed to accrue when the claimant has actual or constructive knowledge of the acts that are alleged to interfere with ERISA-protected rights. Failure to bring any such claim or cause of action within this two-year time frame shall preclude a Petitioner, or any representative of the Petitioner, from filing the claim or cause of action. Correspondence or other communications following the mandatory appeals process described in Section 7.3 shall have no effect on this two-year time frame."

6. A new Section 7.6 is added to the documents for the 409A Program and Pre-409A Program to read as follows:

"7.6 Restriction on Venue. Any claim or action filed in court or any other tribunal in connection with the Plan by or on behalf of a Petitioner (as defined in Section 7.5 above) shall only be brought or filed in the United States District Court for the Southern District of New York, effective for claims or actions filed on or after January 1, 2011."

7. The following is inserted into the document for the 409A Program as new Section 8.7, and the existing Section 8.7 is renumbered as Section 8.8:

"8.7 Section 457A. To avoid the application of Code section 457A ("Section 457A") to a Participant's Pension, the following shall apply to a Participant who transfers to a work location outside of the United States to provide services to a member of the PepsiCo Organization that is neither a United States corporation nor a pass-through entity that is wholly owned by a United States corporation ("Covered Transfer"):

(a) The Participant shall automatically vest in his or her Pension as of the last business day before the Covered Transfer;

(b) From and after the Covered Transfer, any benefit accruals or other increases or enhancements to the Participant's Pension relating to –

(1) Service, or

(2) The attainment of a specified age while in the employment of the PepsiCo Organization ("age attainment"),

(collectively, "Benefit Enhancement") will not be credited to the Participant until the last day of the Plan Year in which the Participant renders the Service or has the age attainment that results in such Benefit Enhancement, and then only to the extent permissible under subsection (c) below at that time; and

(c) The Participant shall have no legal right to (and the Participant shall not receive) any Benefit Enhancement that relates to Service or age attainment from and after the Covered Transfer to the extent such Benefit Enhancement would constitute compensation that is includable in income under Section 457A.

Notwithstanding the foregoing, subsections (a) above shall not apply to a Participant who has a Covered Transfer if, prior to the Covered Transfer, the Company provides a written communication (either to the Participant individually, to a group of similar Participants, to Participants generally, or in any other way that causes the communication to apply to the Participant – *i.e.*, an "applicable communication") that these subsections do not apply to the Covered Transfer in question. Subsection (b) shall cease to apply as of the earlier of – (i) the date the Participant returns to service for a member of the PepsiCo Organization that is a United States corporation or a pass-through entity that is wholly owned by a United States corporation, or (ii) the effective date for such cessation that is stated in an applicable communication."

PEPSICO, INC.

By: /s/ Cynthia M. Trudell
Cynthia M. Trudell
Senior Vice President, Human Resources
Chief Personnel Officer

Date: December 16, 2010

APPROVED:

By: /s/ Stacy L. DeWalt
Stacy L. DeWalt
Employee Benefits Counsel
Law Department

Date: November 30, 2010

Exhibit 10.64

Execution Copy

RETENTION AGREEMENT (this "Agreement") dated as of October 2, 2009, between PepsiCo, Inc., a North Carolina corporation (the "Company"), and Eric J. Foss (the "Executive").

WHEREAS, on August 3, 2009, (i) the Company, The Pepsi Bottling Group, Inc., ("PBG"), and Pepsi-Cola Metropolitan Bottling Company, Inc., a wholly-owned subsidiary of the Company ("Metro") entered into an Agreement and Plan of Merger (the "PBG Merger Agreement"), pursuant to which PBG will be merged with and into Metro with Metro continuing as the surviving corporation and a wholly owned subsidiary of the Company (the "PBG Merger") and (ii) the Company, PepsiAmericas, Inc. ("PAS"), and Metro entered into an Agreement and Plan of Merger pursuant to which PAS will merge with and into Metro with Metro continuing as the surviving corporation and a wholly owned subsidiary of the Company (the "PAS Merger," together with the PBG Merger, the "Mergers"); and

WHEREAS the Company has determined that it is in the best interests of the Company and its shareholders to assure that the Company will have the dedication of the Executive following the PBG Merger with respect to PepsiCo North American Bottling Operations (as defined below);

NOW, THEREFORE, in consideration of the mutual agreements, provisions and covenants contained herein, and intending to be legally bound hereby, the parties hereto agree as follows:

SECTION 1. Definitions. For purposes of this Agreement, the following terms shall have the meanings set forth below:

(a) "Affiliate(s)" means, with respect to any specified Person, any other Person that, directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with, such specified Person.

(b) "Board" means the Board of the Directors of the Company or any committee thereof.

(c) "Cause" means the occurrence of any one of the following:

(i) the Executive's continued and willful failure, for at least 14 days following written notice from the Company, to perform substantially the Executive's employment duties, except as a result of incapacity due to physical or mental illness;

(ii) the Executive's gross negligence or willful misconduct in the performance of the Executive's employment duties that results in material harm to the Company;

(iii) the Executive's conviction of, or plea of guilty or nolo contendere to, any felony;

(iv) the Executive's commission of an act of deceit or fraud in connection with the performance of the Executive's employment duties intended to result in personal and unauthorized enrichment of the Executive at the Company's expense; or

(v) the Executive's material breach of a material obligation of the Executive to the Company which, if correctable, remains uncorrected for 30 days following written notice of such breach by the Company to the Executive.

For purposes of this provision, no act or failure to act on the part of the Executive shall be considered "willful" unless it is done, or omitted to be done, by the Executive in bad faith or without reasonable belief that the Executive's action or omission was in the best interests of the Company.

(d) "Code" means the Internal Revenue Code of 1986, as amended from time to time, and the regulations promulgated thereunder.

(e) "Disability" means the Executive's absence for a period of 180 consecutive business days as a result of incapacity due to a physical or mental condition, illness or injury which is determined to be total and permanent by a physician mutually acceptable to the Company and the Executive or the Executive's legal representative (such acceptance not to be unreasonably withheld) after such physician has completed an examination of the Executive; provided, however, that if an amount payable pursuant to this Agreement constitutes deferred compensation (within the meaning of Section 409A of the Code) and payment of such amount is intended to be triggered pursuant to Section 409A(a)(2)(A)(ii) of the Code by the Executive's disability, such term shall mean that the Executive is considered "disabled" within the meaning of Section 409A of the Code; provided further that Executive shall make himself available for such examination upon the reasonable request of the Company, and the Company shall be responsible for the cost of such examination.

(f) "Employment Period" means the period of the Executive's employment hereunder commencing on the Effective Date and, unless earlier terminated in accordance with Section 4, ending on the second anniversary thereof.

(g) "Exchange Act" means the Securities Exchange Act of 1934, as amended from time to time, or any successor statute thereto.

(h) "Excise Tax" means the excise tax imposed by Section 4999 of the Code, together with any interest or penalties imposed with respect to such tax.

(i) "Fiscal Year" means a fiscal year of the Company.

(j) "Payment" means any payment, right, benefit or distribution (or combination thereof) by the Company, any of its Affiliates or any trust established by the Company or its Affiliates, to or for the benefit of the Executive, whether paid, payable, distributed, distributable or provided pursuant to this Agreement or otherwise, including any

payment, benefit or other right that constitutes a "parachute payment" within the meaning of Section 280G of the Code.

(k) "PBG Equity Incentive Plans" means any equity-based or equity-related plans, practices, policies or programs of PBG or its Affiliates (not including the Company or any of its Subsidiaries prior to the Effective Date) in effect prior to the Effective Date, including the PBG 2004 Long-Term Incentive Plan, the PBG 2002 Long-Term Incentive Plan, the PBG 2000 Long-Term Incentive Plan, the Pepsi Bottling Group, Inc. 1999 Long-Term Incentive Plan, and the PBG Stock Incentive Plan, or any award agreements thereunder.

(l) "PepsiCo North American Bottling Operations" or "PNABO" means the unit of the Company comprising the bottling businesses of the Company or any Affiliates in Canada, Mexico and the United States that were conducted by PAS and PBG or any of their Affiliates (not including the Company or any of its Subsidiaries) in Canada, Mexico and the United States immediately prior to the PAS Merger and PBG Merger, respectively.

(m) "Person" means any individual, corporation, partnership, group, association or other entity.

(n) "Protection Period" means the period commencing on the Effective Date and ending on the second anniversary thereof.

(o) "Qualifying Termination" means any termination of the Executive's employment (i) by the Company, for any reason other than death or Disability, that is effective (or with respect to which the Executive is given written notice) during the Protection Period or (ii) by the Executive, for any reason, that is effective (or with respect to which the Executive has given written notice) during the Protection Period.

(p) "Subsidiary" means any entity in which the Company, directly or indirectly, possesses 50% or more of the total combined voting power of all classes of its stock.

(q) "Synergy(ies)" means the integration-driven cost savings achieved by PNABO and the Company in the United States and Canada as a result of the Mergers, which savings shall be determined by the Company in good faith and which savings shall exclude the costs incurred by the Company to achieve such savings.

(r) "Synergy Target (Year 1)" means the amount to be established by the Board and communicated to the Executive that represents the total Synergies target that the Board expects the Executive to achieve for the period from the Effective Date to the first anniversary of the Effective Date.

(s) "Synergy Target (Years 1 and 2 Combined)" means the amount to be established by the Board and communicated to the Executive that that represents the total Synergies target that the Board expects the Executive to achieve for the period from the Effective Date to the second anniversary of the Effective Date.

(t) "Termination Date" means the date (if any) on which the termination of the Executive's employment, in accordance with the terms of this Agreement, is effective.

SECTION 2. Effectiveness and Term. (a) This Agreement shall become effective as of the date on which the Effective Time (as defined in the PBG Merger Agreement) of the PBG Merger occurs (the "Effective Date"). In the event that the Effective Time shall not occur or the Executive ceases for any reason to be employed by PBG through the Effective Date, this Agreement shall be null and void ab initio and of no further force and effect. At the Effective Time, the Retention Agreement by and between PBG and the Executive, dated as of May 18, 2009, as the same may have been amended (the "Prior Retention Agreement") and any and all liabilities, rights and obligations of all parties thereunder shall automatically terminate in their entirety without the requirement of any action of any party to the Prior Retention Agreement and the Executive's rights to any payments or benefits thereunder shall automatically be waived and forfeited by the Executive. This Agreement shall remain in effect until the second anniversary of the Effective Date.

SECTION 3. Terms of Employment. (a) Position and Duties. (i) During the Employment Period, the Executive shall serve the Company as the chief executive officer of PNABO, with such duties and responsibilities as are consistent with such position, and shall report directly and exclusively to the Chief Executive Officer of the Company, provided that the Executive shall report to the Board from time to time as the Board may request. The Chief Executive Officer of the Company shall approve all the Executive's organization design decisions and the appointment of all executives who directly report to the Executive. Any changes to compensation and benefits arrangements covering any employees of PNABO shall be subject to approval by the Board or the appropriate officer of the Company. The Executive's responsibilities shall include active participation in all senior executive team meetings and functions of the Company, as directed by the Chief Executive Officer of the Company. The Executive shall also serve on a bottling operations advisory board that will be established to guide the integration activities for the PAS and PBG businesses through at least the first anniversary of the Effective Date and that will be headed by the Chief Executive Officer of the Company. This advisory committee will meet at least every eight weeks for at least two hours per meeting.

(ii) During the Employment Period, and excluding any periods of vacation and sick leave to which the Executive is entitled, the Executive agrees to devote substantially all of his business attention and time to the business and affairs of the Company and its affiliated companies and, to the extent necessary to discharge the duties and responsibilities assigned to the Executive hereunder, to use the Executive's reasonable best efforts to perform faithfully and efficiently such duties and responsibilities. Notwithstanding the foregoing, Executive may serve on corporate, civic, industry and charitable boards or committees and manage his personal investments and affairs; provided that such activities, either individually or collectively, do not materially interfere with the performance of his duties and responsibilities hereunder; and, provided, further, that the Executive's service on any corporate, civic, industry or charitable boards or committees other than those on which the Executive currently serves, which are set

forth on Exhibit A, shall be subject to the Company's prior approval pursuant to the policy applicable to senior executives of the Company.

(b) Compensation. As compensation for the Executive's services hereunder during the Employment Period, the Executive shall be eligible to receive the compensation set forth in this Section 3(b).

(i) Base Salary. During the Employment Period, the Executive shall receive an annual base salary ("Annual Base Salary") at a rate of not less than $1,000,000 payable in accordance with the Company's normal payroll policies.

(ii) Annual Bonus. In the event that the Effective Date occurs prior to the determination of the Executive's 2009 annual bonus, the 2009 annual bonus will be determined and paid in accordance with the terms of PBG's annual incentive plan in effect immediately prior to the Effective Date based on the attainment of the pre-existing performance goals as determined in the reasonable, good faith judgment of the Company. With respect to each Fiscal Year that concludes during the Employment Period commencing with the 2010 Fiscal Year, the Executive shall be eligible to earn a target annual bonus equal to 150% of the Executive's Annual Base Salary (the "Target Annual Bonus"). The actual annual bonus for any Fiscal Year commencing with the 2010 Fiscal Year, which could be higher or lower than the Target Annual Bonus, shall be based on attainment of performance goals established each year by the Company under the annual incentive compensation plan of the Company applicable to senior executives; provided, however, that, in the event that the Effective Date occurs after the Executive's 2010 annual bonus target and related performance goals have been established by PBG, the Company shall have the discretion to make adjustments to such performance goals or to establish new performance goals for the 2010 annual bonus and the total annual bonus target for 2010 (before and after the Effective Date) shall not exceed the Target Annual Bonus and, provided, further, that the 2010 annual bonus (including with respect to periods during 2010 before and after the Effective Date) shall not exceed 100% of the Target Annual Bonus if the Synergy Target (Year 1) has not been achieved.

(iii) Annual Equity Awards. For each Fiscal Year during the Employment Period, the Executive shall be eligible for an annual grant of equity compensation awards having a target aggregate value of not less than $2,100,000 (the "Annual Equity Awards"); provided that the Executive is actively employed on the grant date for such annual grant. Half the value of each Annual Equity Award shall be granted in the form of stock options and half the value of each Annual Equity Award shall be granted in the form of performance stock units (the value of each such award to be determined as of the grant date of the award in accordance with the Company's normal valuation method for equity compensation grants), and each Annual Equity Award shall otherwise be made on terms and conditions no less favorable than those provided to similarly situated executives of the Company. Notwithstanding the foregoing, the Annual Equity Award for the 2010 Fiscal Year (the "Initial Equity Award") shall vest on the second anniversary of the grant date; the performance stock units subject to the Initial Equity Award shall be settled as soon as practicable thereafter based on and subject to

achievement of the performance targets, as determined by the Board; and the stock options subject to the Initial Equity Award shall be exercisable from the second anniversary of the grant date for the remainder of the full ten (10)-year term, subject to the terms of the PepsiCo, Inc. 2007 Long-Term Incentive Plan or any successor plan. In the event that the Executive's employment is terminated by the Company without Cause prior to the second anniversary of the Effective Date or the Executive voluntarily resigns his employment on or after the first anniversary of the Effective Date but before the second anniversary of the Effective Date, a pro rata portion of the Initial Equity Award will vest in proportion to the Executive's active service from the Effective Date to the Termination Date over the period from the Effective Date to the second anniversary thereof, and the remaining portion of the Initial Equity Award shall be forfeited; provided, however, the vested performance stock units subject to the Initial Equity Award shall be settled as soon as practicable following the second anniversary of the grant date, net of applicable tax withholding, based on and subject to achievement of the applicable performance targets, as determined by the Board, and the vested stock options subject to the Initial Equity Award shall first be exercisable on the second anniversary of the grant date, in each case, regardless of any such earlier pro rata vesting and shall remain exercisable for the remainder of the full ten (10)-year term, subject to the terms of the PepsiCo, Inc. 2007 Long-Term Incentive Plan or any successor plan. For the avoidance of doubt, if the Executive voluntarily resigns prior to the first anniversary of the Effective Date or the Executive is terminated by the Company as a result of Cause, no pro rata vesting of the Initial Equity Award shall occur and the entire Initial Equity Award shall be forfeited. In the event of termination of employment as a result of death or Disability, the Annual Equity Awards shall vest, be exercisable or forfeited in accordance with the terms and conditions of the agreements evidencing the Awards; provided such treatment shall be no less favorable to the Executive (or his beneficiaries) than the treatment that would apply if the Executive's employment termination was due to his voluntary resignation instead of death or Disability.

(iv) Special Integration Equity Award. The Executive shall receive an award of performance stock units having a target aggregate value of $2,500,000 (the "Integration Equity Award"). The grant date for the Integration Equity Award shall be the first business day of the first calendar quarter that begins on or after the Effective Date and the number of performance stock units subject to the Integration Equity Award shall be determined by dividing the target aggregate value of the Integration Equity Award by the average of the high and low sale prices of a share of the Company's common stock on The New York Stock Exchange on the grant date (rounded up to the nearest quarter). A portion of the Special Integration Award shall vest on the first anniversary of the Effective Date and shall be settled, net of applicable tax withholding, as soon as practicable thereafter based on and subject to the level of achievement of the Synergy Target (Year 1) pursuant to the performance schedule communicated to the Executive by the Company, as determined by the Board, and a portion of the Integration Equity Award shall vest (on a cumulative basis) on the second anniversary of the Effective Date and be settled, net of applicable tax withholding and net of any portion of the Integration Equity Award that has previously been settled, as soon as practicable

thereafter based on and subject to the level of achievement of the Synergy Target (Years 1 and 2 Cumulative) pursuant to the performance schedule communicated to the Executive by the Company, as determined by the Board. The actual amount of the Integration Equity Award that vests on the first anniversary of the Effective Date may be higher or lower than 50% of the Integration Equity Award and the amount that vests on the second anniversary of the Effective Date may be lower (on a cumulative basis) than 100% of the Integration Equity Award, based on the level of achievement of the Synergy Target (Year 1) and Synergy Target (Years 1 and 2 Cumulative) as of such dates, respectively, as determined by the Board based on the performance schedule communicated to the Executive by the Company. In the event that either (I) the Executive is terminated by the Company without Cause prior to the second anniversary of the Effective Date or (II) the Executive voluntarily resigns his employment or his employment terminates due to death or Disability on or after the first anniversary of the Effective Date but before the second anniversary of the Effective Date, the portion of the Integration Equity Award that would otherwise vest and be settled in accordance with the foregoing based on the level of achievement of the Synergy Target (Year 1) (if the Terminate Date occurs prior to the first anniversary of the Effective Date by reason of termination by the Company without Cause) or the Synergy Target (Years 1 and 2 combined) (if the Termination Date occurs between the first and second anniversaries of the Effective Date) shall be prorated based on the proportion of the Executive's active service during the relevant performance year, and the remaining outstanding portion of the Integration Equity Award shall be forfeited. For the avoidance of doubt, if the Executive voluntarily resigns prior to the first anniversary of the Effective Date or the Executive is terminated by the Company as a result of Cause, no pro rata vesting of the Integration Equity Award shall occur and the entire Integration Equity Award shall be forfeited.

(v) Converted PBG Equity Awards. Upon the Effective Date, all outstanding equity-based, equity-related and other long-term incentive awards (including restricted stock units granted pursuant to the Strategic Leadership Awards (if any)) then held by the Executive that were granted pursuant to the PBG Equity Incentive Plans prior to the Effective Date (the "Converted Equity Awards") (A) shall be converted into equity-based awards of the Company in accordance with the terms of the PBG Merger Agreement, (B) to the extent subject to performance-based vesting criteria (including restricted stock units granted pursuant to the PBG Strategic Leadership Awards (if any)), shall be deemed to have been earned at the target performance level and (C) to the extent then unexercisable or unvested, shall automatically and immediately become fully vested, exercisable or settled, as applicable; provided that, in the event that any such award constitutes "deferred compensation" (within the meaning of Section 409A) and the exercise, payment or settlement of such award pursuant to this Section 3(b)(v) would result in the imposition of additional taxes or penalties under Section 409A, such award shall automatically and immediately cease to be forfeitable but shall not be exercisable, payable or settleable, as the case may be, until the earliest date on which such award would otherwise be exercisable, payable or settleable in accordance with its terms and without the imposition of such additional taxes or penalties, all as reasonably determined

in good faith by the Company. Except as set forth in this Section 3(b)(v), the terms and conditions of the Converted Equity Awards in effect immediately prior to the Effective Time shall remain in full force and effect.

(vi) Stock Ownership Requirement. During the Employment Period, the Executive shall at all times own a number of shares of the Company's common stock equal to six (6) times the Annual Base Salary, consistent with the stock ownership level applicable to similarly situated senior executives under the Company's stock ownership guidelines. The following equity interests shall count towards satisfying the foregoing ownership requirement: (I) shares of the Company's common stock held directly by the Executive or his immediate family members, (II) shares of the Company's common stock allocated to the Executive's account in the 401(k) plan of the Company or its Subsidiaries or (III) share equivalents credited to the Executive's account under the PBG Executive Income Deferral Program or its successor (the "EID Plan").

SECTION 4. Termination of Employment. (a) Qualifying Termination. In the event of a Qualifying Termination:

(i) Severance Pay. The Company shall pay the Executive an amount equal to (I) two (the "Multiple") times the sum of (A) the Executive's Annual Base Salary and (B) the Executive's Target Annual Bonus, in a single lump-sum cash payment payable within ten days after the date the release described in Section 4(a)(viii) becomes effective and irrevocable (the "Release Effective Date") (or such later date as may be required to comply with the provisions of Section 409A of the Code) plus (II) interest at the Default Rate on the amount determined under (I) for the period beginning on the Effective Date and ending on the date the cash payment pursuant to this Section 4(a)(i) is due; provided, however, that such cash payment is paid in lieu of, and the Executive hereby waives the right to receive, any other cash severance payment relating to salary or bonus continuation the Executive is otherwise eligible to receive upon termination of employment under any severance plan, practice, policy or program of PBG, any Affiliate of PBG, the Company or any Subsidiary or under any agreement between PBG or the Company and the Executive.

(ii) Prorated Annual Bonus. With respect to the annual bonus for which the Executive was eligible under the Company's annual incentive plan for the Fiscal Year in which the Termination Date occurs, the Company shall pay to the Executive an amount equal to the product of (A) the Executive's Target Annual Bonus and (B) a fraction, the numerator of which is the number of days elapsed in the Fiscal Year in which the Termination Date occurs through the Termination Date, and the denominator of which is 365, in a single lump-sum cash payment within ten business days after the Release Effective Date (or such later date as may be required to comply with the provisions of Section 409A of the Code).

(iii) Continued Welfare Benefits. During the 24-month period following the Termination Date, the Company shall permit the Executive to purchase continued medical, dental and vision coverage for the Executive and the Executive's

eligible spouse and dependents (if any) under the Company's insurance plans pursuant to the Consolidated Omnibus Reconciliation Act of 1985, as amended ("COBRA"). The Company shall reimburse the Executive for the Executive's purchase of such continued coverage at the rate of 160% of the Executive's cost of such continued coverage; provided, however that, in the event that the release described under Section 4(a)(viii) does not become effective prior to the 45th day after the Termination Date, the Company shall cease to have any obligation to provide any such reimbursements; and provided, further, however, that any continued coverage pursuant to this Section 4(a)(iii) shall cease upon the Executive's becoming eligible for comparable coverage from a subsequent employer. Any period of continued coverage pursuant to this Section 4(a)(iii) shall be recognized for purposes of satisfying the Company's obligations under COBRA.

(iv) Outplacement Counseling. During the number of years following the Termination Date equal to 50% of the Multiple, the Executive shall be entitled to reimbursement from the Company, upon the Executive's presentation to the Company of a written invoice from the applicable vendor requesting payment, for the cost of executive level outplacement services offered by a vendor selected by the Executive; provided that the amount of such reimbursements shall not exceed $50,000 per year.

(v) Early Retirement Benefits. In the event that, as of the Termination Date, the Executive has not attained an age of at least 55, the Executive shall be eligible to receive the Special Early Retirement Benefits set forth on Exhibit B hereto. In the event that, as of the Termination Date, the Executive has (A) been credited with 10 years of service under the Company's Salaried Employees Retirement Plan and (B) attained an age of at least 55, the Executive shall be eligible to receive early retirement benefits as provided for under the terms of the Company's benefit plans.

(vi) Accrued Rights. The Executive shall be entitled to (A) payments of any unpaid annual base salary or other amount earned or accrued through the Termination Date and for reimbursement of any unreimbursed business expenses incurred through the Termination Date, (B) the Executive's annual bonus (determined in accordance with the applicable Company bonus plan) for the year immediately prior to the year in which the Termination Date occurs in the event that the annual bonus for such prior year has not been paid to the Executive by the Termination Date, (C) any payments or benefits explicitly set forth in any other agreements, benefit plans, practices, policies and programs (including the Company's vacation policies) in which the Executive participates and (D) any other rights the Executive may have to welfare or fringe benefits (other than severance benefits) under any other agreement or arrangement between the Executive and the Company or any Subsidiary (the rights to such payments, the "Accrued Rights"). For the avoidance of doubt, the Executive shall not be permitted to defer or contribute any amounts under the EID Plan after the Termination Date; provided that the Executive's account balances under the EID Plan shall be paid to the Executive in accordance with the terms thereunder.

(vii) Release of Claims. Notwithstanding any provision of this Agreement to the contrary, the Company shall not be obligated to make any payments

described in Section 4(a)(i) through (v), unless, on or before the 45th day after the Termination Date, the Executive has executed and delivered a Separation Agreement and Release in the form of Exhibit C hereto and such release has become effective and irrevocable in accordance with its terms prior to such 45th day.

(b) Non-Qualifying Termination. In the event of any termination of the Executive's employment that is not a Qualifying Termination (a "Non-Qualifying Termination") and that occurs within the Protection Period, the Executive (and, in the case of the Executive's death, the Executive's estate) shall not be entitled to any additional payments or benefits from the Company under Section 4(a), other than the Accrued Rights and the payments and benefits pursuant to Section 4(a)(i), (ii) and (v). For the avoidance of doubt, the Executive shall not be entitled to any payments or benefits pursuant to Section 4(a) in the event of any termination (either a Qualifying Termination or a Non-Qualifying Termination) occurring after the Protection Period.

(c) Termination Procedures. The following procedures shall be applicable to any termination of the Executive's employment during the Protection Period:

(i) Termination for Cause. The Company shall provide prompt written notice to the Executive of the facts that the Company believes in good faith give rise to Cause. The termination of the Executive's employment for Cause shall not be effective unless and until there shall have been delivered to the Executive a copy of a resolution duly adopted by the affirmative vote of not less than a majority of the entire membership of the Board at a meeting of the Board called and held for such purpose (after the Executive is given a reasonable opportunity, together with counsel, to be heard before the Board), finding that, in the good faith opinion of the Board, the Executive is guilty of the conduct that constitutes Cause and specifying the particulars thereof in detail. Any termination for Cause shall be effective as of the date designated in such Board resolution.

(ii) Termination by the Company without Cause; Voluntary Termination by the Executive. The Executive's employment with the Company may be terminated by the Executive voluntarily or by the Company without Cause at any time and for any reason; provided, however, that the Executive shall be required to give the Company at least 30 days' advance written notice of any such termination by the Executive and the Company shall be required to give to the Executive at least 30 days' advance written notice of any such termination by the Company.

(iii) Death; Disability. The Executive's termination of employment as a result of the Executive's death shall be effective upon Executive's death. The Executive's termination of employment due to Disability shall be effective on the date that a final determination of Disability has been made.

SECTION 5. Parachute Payments. In the event that the aggregate amount of any Payments that could be considered "parachute payments" (as defined in Section 280G of the Code) (such payments, the "Parachute Payments") exceeds the greatest amount of Parachute

Payments that may be paid, provided or delivered to the Executive without giving rise to any liability for the Excise Tax, then the aggregate amount of Parachute Payments to which the Executive is entitled shall be reduced to an amount equal to the amount which produces the greatest after-tax benefit to the Executive after taking into account any Excise Tax to be payable by the Executive. For the avoidance of doubt, this provision will reduce the amount of Parachute Payments otherwise payable to the Executive, if doing so would place the Executive in a better net after-tax economic position as compared with not doing so (taking into account the Excise Tax payable in respect of such Parachute Payments). The Company shall reduce or eliminate the Parachute Payments by first reducing or eliminating the portion of the Parachute Payments that are payable in cash and then by reducing or eliminating the non-cash portion of the Parachute Payments, in each case, in reverse order beginning with payments or benefits which are to be paid the furthest in the future. This Section 5 shall take precedence over the provisions of any other plan, arrangement or agreement governing the Executive's rights and entitlements to any Payment. All determinations to be made under this Section 5 shall be made, at the Company's expense, by a nationally recognized certified public accounting firm selected by the Company (other than any such firm that serves as the Company's auditor or otherwise has a material recurring business relationship with the Company), and written copies thereof shall be promptly delivered to the Executive. For the avoidance of doubt, this Section 5 shall not be applicable to the extent that the Executive is not subject to the Excise Tax by virtue of the Executive's tax residence.

SECTION 6. Indemnification and Insurance. Commencing upon the Effective Date and for so long thereafter as the Executive could be subject to liability, the Company shall keep in place an officers' and directors' liability insurance policy (or policies) providing comprehensive coverage to the Executive for claims relating to the Executive's service as director, officer or employee of the Company or its Affiliates, at a level that is no less favorable to the Executive (e.g., with respect to scope, amounts and deductibles) than the level in effect with respect to the Executive at the Effective Date or, if more favorable to the Executive, the level provided to then-current directors and officers of the Company and its Affiliates. The Company shall indemnify the Executive to the fullest extent permitted by the Company's Amended and Restated Articles of Incorporation, any officer indemnification agreement between the Executive and the Company and the general laws of the State of North Carolina and shall provide indemnification expenses in advance to the extent permitted thereby. The indemnification and advance of expenses provided by the Company pursuant to this Agreement shall not be deemed exclusive of any other rights to which the Executive may be entitled under any law (common or statutory), or any agreement, vote of stockholders or disinterested directors or other provision that is consistent with law, both as to action in his or her official capacity and as to action in another capacity while holding office or while employed or acting as agent for the Company, and such rights shall continue in respect of all events occurring while the Executive was a director of or employed by the Company that continue after the Executive has ceased to be a director of or employed by the Company, and shall inure to the benefit of the estate, heirs, executors and administrators of the Executive. The Executive shall also benefit from the director and officer indemnification and insurance coverage specified in Section 7.04 of the PBG Merger Agreement.

SECTION 7. Restrictive Covenants. (a) Acknowledgements. The Executive acknowledges and recognizes the highly competitive nature of the businesses of the Company and its Affiliates. The Executive further acknowledges that the Executive has been and shall be provided with access to sensitive and proprietary information about the clients, prospective clients, knowledge capital and business practices of the Company and its Affiliates, and has been and shall be provided with the opportunity to develop relationships with customers, prospective customers, consultants, employees, representatives and other agents of the Company and its Affiliates, and the Executive further acknowledges that such proprietary information and relationships are extremely valuable assets in which the Company and its Affiliates have invested and shall continue to invest substantial time, effort and expense.

(b) Non-Competition. The Executive agrees that while employed by the Company and thereafter until a number of years after the Termination Date equal to the Multiple (such period, the "Restriction Period"), the Executive shall not, directly or indirectly, on the Executive's behalf or on behalf of any other person, firm, corporation, association or other entity, as an employee, stockholder, director, advisor, partner, agent, consultant or otherwise, provide services or perform activities for, or acquire or maintain any ownership interest in, a beverage business (including a water business) in the United States, Canada or Mexico that competes with any businesses being conducted or proposed to be conducted by PNABO, including the Coca-Cola Company, Dr Pepper Snapple Group, Inc., Cott Corporation and their respective parents, divisions, subsidiaries, affiliates, bottlers, licensees or franchisees (such a beverage business, a "Competitive Enterprise"). Notwithstanding anything in this Section 7(b), the Executive shall not be considered to be in violation of this Section 7(b) solely by reason of owning, directly or indirectly, any securities of a Competitive Enterprise if (i) the Executive's interest does not exceed 5% in the aggregate of any class of securities of such Competitive Enterprise and (ii) such securities are listed on a national securities exchange or registered under securities laws of Canada or the United States.

(c) Non-Solicitation of Employees. During the Restriction Period, the Executive hereby agrees not to, directly or indirectly, solicit or hire, or assist any other person or entity in soliciting or hiring, any employee of the Company or any of its Affiliates to perform services for any entity (other than the Company or its Affiliates), or attempt to induce any such employee to leave the employ of the Company or its Affiliates; provided, however, that the restrictions of this Section 7(c) shall not apply to the placement of general advertisements or the use of general search firm services which are not targeted directly or indirectly towards employees of the Company or its Affiliates; provided further that the Executive shall not be considered to have engaged in any conduct prohibited by this Section 7(c) with respect to an employee so long as the Executive shall not have recommended or otherwise identified such employee as a candidate for employment and shall not have otherwise been actively involved in the solicitation or hiring of such employee.

(d) Non-Solicitation of Customers. During the Restriction Period, the Executive hereby agrees not to, in any manner, directly or indirectly, (i) solicit a customer or prospective customer of the Company and its Affiliates to transact business with a Competitive Enterprise or to reduce or refrain from doing any business with the Company and its Affiliates or (ii) interfere with or damage (or attempt to interfere with or damage) any relationship between

the Company and its Affiliates and a customer or prospective customer of the Company and its Affiliates.

(e) Confidentiality. During the Executive's employment with the Company and thereafter, the Executive shall hold in strict confidence any Proprietary or Confidential Information related to the Company and its Affiliates, except that the Executive may disclose such information as required by law, court order, regulation or similar order. For purposes of this Agreement, the term "Proprietary or Confidential Information" shall mean all information relating to the Company or its Affiliates (such as business plans, trade secrets, or financial information of strategic importance to the Company or its Affiliates) that is not generally known in the beverage industry, that was learned, discovered, developed, conceived, originated or prepared during the Executive's employment with the Company and the disclosure of which would be harmful to the business prospects, financial status or reputation of the Company or its Affiliates at the time of any disclosure by the Executive.

(f) Nondisparagement. During the Executive's employment with the Company and for a number of years thereafter equal to the Multiple, the Executive shall not make any comments or statements to the press, employees of the Company or its Affiliates, any individual or entity with whom the Company or its Affiliates has a business relationship or any other person, if such comment or statement is disparaging to the Company, any of its Affiliates or any of its current or former officers, members or directors, except for truthful statements as may be required by law.

(g) Return of Property. The Executive agrees that upon the Executive's termination of employment, the Executive (or, in the event of the Executive's death, the Executive's heirs or estate) at the request of the Company and its Affiliates, shall immediately return to the Company and its Affiliates all original books, papers, plans, information, letters and other data, and shall immediately return or destroy all copies thereof or therefrom, in any way relating to the business of the Company and its Affiliates, and shall promptly thereafter certify to the Company in writing that such actions have been completed.

(h) Remedies. The Executive hereby agrees that it is impossible to measure in money the damages which will accrue to the Company by reason of a failure by the Executive to perform any of the Executive's obligations under Section 7(b), (c), (d), (e), (f) or (g). Accordingly, if the Company or any of its Affiliates institutes any action or proceeding to enforce Section 7(b), (c), (d), (e), (f) or (g), to the extent permitted by applicable law, the Executive hereby waives the claim or defense that the Company or its Affiliates has an adequate remedy at law, and the Executive shall not urge in any such action or proceeding the claim or defense that any such remedy at law exists.

SECTION 8. No Mitigation or Offset. The Company's obligation to make the payments provided for in this Agreement and otherwise to perform its obligations hereunder shall not be affected by any set-off, counterclaim, recoupment, defense or other claim, right or action which the Company may have against the Executive or others. In no event shall the Executive be obligated to seek other employment or take any other action by way of mitigation of the amounts payable to the Executive under any of the provisions of this Agreement and, except as otherwise

expressly provided for in this Agreement, such amounts shall not be reduced whether or not the Executive obtains other employment.

SECTION 9. Non-Exclusivity of Rights. Except as specifically provided in Section 4(a)(i), nothing in this Agreement shall prevent or limit the Executive's continuing or future participation in any plan, practice, policy or program provided by the Company or an Affiliate for which the Executive may qualify, nor shall anything in this Agreement or the accompanying Separation Agreement and Release limit or otherwise affect any rights the Executive may have under any contract or agreement with the Company or an Affiliate. Vested benefits and other amounts that the Executive is otherwise entitled to receive under any incentive compensation (including any equity award agreement), deferred compensation, retirement, pension or other plan, practice, policy or program of, or any contract or agreement with, the Company or an Affiliate shall be payable in accordance with the terms of each such plan, practice, policy, program, contract or agreement, as the case may be, except as explicitly modified by this Agreement.

SECTION 10. Withholding. The Company may deduct and withhold from any amounts payable under this Agreement such Federal, state, local, foreign or other taxes as are required to be withheld pursuant to any applicable law or regulation.

SECTION 11. Assignment. (a) This Agreement is personal to the Executive and, without the prior written consent of the Company, shall not be assignable by the Executive otherwise than by will or the laws of descent and distribution, and any assignment in violation of this Agreement shall be void.

(b) Notwithstanding the foregoing Section 11(a), this Agreement and all rights of the Executive hereunder shall inure to the benefit of, and be enforceable by, the Executive's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees. If the Executive should die while any amounts would still be payable to him or her hereunder if he or she had continued to live, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to the Executive's devisee, legatee or other designee or, should there be no such designee, to the Executive's estate.

(c) The Company shall 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 (a "Successor") to assume and agree to perform this Agreement in the same manner and to the same extent that the Company would have been required to perform it if no such succession had taken place. As used in this Agreement, (i) the term "Company" shall mean the Company as hereinbefore defined and any Successor and any permitted assignee to which this Agreement is assigned and (ii) the term "Board" shall mean the Board as hereinbefore defined and the board of directors or equivalent governing body of any Successor and any permitted assignee to which this Agreement is assigned.

SECTION 12. Dispute Resolution. (a) Except for any proceeding brought pursuant to Section 7(h), the parties agree that any dispute arising out of or relating to this Agreement or the formation, breach, termination or validity thereof, shall be settled by binding arbitration by a

panel of three arbitrators in accordance with the commercial arbitration rules of the American Arbitration Association. The arbitration proceedings shall be located in New York, New York. The arbitrators shall not be empowered to award damages in excess of compensatory damages, and each party hereby irrevocably waives any damages in excess of compensatory damages. Judgment upon any arbitration award may be entered into any court having jurisdiction thereof and the parties consent to the jurisdiction of any court of competent jurisdiction located in the State of New York.

(b) If the Executive shall prevail with respect to at least one material issue in any arbitration brought by the Executive or the Company to enforce or interpret any provision contained herein, the Company, to the fullest extent permitted by applicable law, shall indemnify the Executive for the Executive's reasonable attorneys' fees and disbursements incurred in such arbitration and hereby agrees (i) to pay in full all such fees and disbursements and (ii) to pay prejudgment interest on any money judgment obtained by the Executive from the earliest date that payment to the Executive should have been made under this Agreement until such judgment shall have been paid in full, which interest shall be calculated at the Default Rate set forth in Section 13. In no event shall any reimbursement be made to the Executive for such attorneys' fees and disbursements that are incurred after the tenth anniversary of the date of the Executive's death.

SECTION 13. Default in Payment. Any payment not made within ten business days after it is due in accordance with this Agreement shall thereafter bear interest, compounded annually, at a 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 and in effect at the time such payment is due (the "Default Rate").

SECTION 14. **GOVERNING LAW. THIS AGREEMENT SHALL BE DEEMED TO BE MADE IN THE STATE OF NEW YORK, AND THE VALIDITY, INTERPRETATION, CONSTRUCTION AND PERFORMANCE OF THIS AGREEMENT IN ALL RESPECTS SHALL BE GOVERNED BY THE LAWS OF THE STATE OF NEW YORK WITHOUT REGARD TO ITS PRINCIPLES OF CONFLICTS OF LAW.**

SECTION 15. Amendment; No Waiver. No provision of this Agreement may be amended, modified, waived or discharged except by a written document signed by the Executive and a duly authorized officer of the Company. The failure of a party to insist upon strict adherence to any term of this Agreement on any occasion shall not be considered a waiver of such party's rights or deprive such party of the right thereafter to insist upon strict adherence to that term or any other term of this Agreement. No failure or delay by either party in exercising any right or power hereunder will operate as a waiver thereof, nor will any single or partial exercise of any such right or power, or any abandonment of any steps to enforce such right or power, preclude any other or further exercise thereof or the exercise of any other right or power. No agreements or representations, oral or otherwise, express or implied, with respect to the subject matter hereof have been made by either party, which are not set forth expressly in this Agreement.

SECTION 16. Severability. If any term or provision of this Agreement is invalid, illegal or incapable of being enforced by any applicable law or public policy, all other conditions and provisions of this Agreement shall nonetheless remain in full force and effect so long as the economic and legal substance of the transactions contemplated by this Agreement is not affected in any manner materially adverse to any party. Upon any such determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in a mutually acceptable manner in order that the transactions contemplated hereby be consummated as originally contemplated to the fullest extent possible.

SECTION 17. Entire Agreement. This Agreement sets forth the entire agreement of the parties hereto in respect of the subject matter contained herein and supersedes all prior agreements, promises, covenants, arrangements, communications, representations or warranties, whether oral or written, by any officer, employee or representative of any party hereto, and any prior agreement of the parties hereto in respect of the subject matter contained herein is hereby terminated and canceled. None of the parties shall be liable or bound to any other party in any manner by any representations and warranties or covenants relating to such subject matter except as specifically set forth herein.

SECTION 18. Survival. The rights and obligations of the parties arising under the provisions of this Agreement, including Sections 4, 5, 6, 7, 8, 10, 11, 12, 13, 14 and 23, shall survive and remain binding and enforceable, notwithstanding the expiration of the Protection Period or the term of this Agreement, the termination of the Executive's employment with the Company for any reason or any settlement of the financial rights and obligations arising from the Executive's employment hereunder, to the extent necessary to preserve the intended benefits of such provisions.

SECTION 19. Notices. All notices or other communications required or permitted by this Agreement will be made in writing and all such notices or communications will be deemed to have been duly given when delivered or (unless otherwise specified) mailed by United States certified or registered mail, return receipt requested, postage prepaid, addressed as follows:

If to the Company:	PepsiCo, Inc. 700 Anderson Hill Road Purchase, New York 10577 Attention: Chief Personnel Officer Fax: 914-253-3008
If to the Executive:	At the address for the Executive most recently on file with the Company

or to such other address as any party may have furnished to the other in writing in accordance herewith, except that notices of change of address shall be effective only upon receipt.

SECTION 20. Headings and References. The headings of this Agreement are inserted for convenience only and neither constitute a part of this Agreement nor affect in any way the meaning or interpretation of this Agreement. When a reference in this Agreement is made to a Section, such reference shall be to a Section of this Agreement unless otherwise indicated.

SECTION 21. Counterparts. This Agreement may be executed in one or more counterparts (including via facsimile), each of which shall be deemed to be an original, but all of which together shall constitute one and the same instrument.

SECTION 22. Interpretation. For purposes of this Agreement, the words "include" and "including", and variations thereof, shall not be deemed to be terms of limitation but rather shall be deemed to be followed by the words "without limitation". The term "or" is not exclusive. The word "extent" in the phrase "to the extent" shall mean the degree to which a subject or other thing extends, and such phrase shall not mean simply "if".

SECTION 23. Section 409A. (a) It is intended that the provisions of this Agreement comply with Section 409A of the Code, and any and any rules or regulations promulgated thereunder from time to time (collectively, "Section 409A"), and all provisions of this Agreement shall be construed and interpreted in a manner consistent with the requirements for avoiding taxes or penalties under Section 409A (such taxes and penalties, "Section 409A Taxes").

(b) Neither the Executive nor any of the Executive's creditors or beneficiaries shall have the right to subject any deferred compensation (within the meaning of Section 409A) payable under this Agreement to any anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, attachment or garnishment. Except as permitted under Section 409A, any deferred compensation (within the meaning of Section 409A) payable to the Executive or for the Executive's benefit under this Agreement may not be reduced by, or offset against, any amount owing by the Executive to the Company or any of its Affiliates.

(c) If, at the time of the Executive's separation from service (within the meaning of Section 409A), (i) the Executive shall be a specified employee (within the meaning of Section 409A and using the identification methodology selected by the Company from time to time) and (ii) the Company shall make a good faith determination that an amount payable hereunder constitutes deferred compensation (within the meaning of Section 409A) the payment of which is required to be delayed pursuant to the six-month delay rule set forth in Section 409A in order to avoid taxes or penalties under Section 409A, then the Company (or its Affiliate, as applicable) shall not pay such amount on the otherwise scheduled payment date but shall instead accumulate such amount and pay it on the first business day after such six-month period.

(d) If any payment or benefit to be provided under this Agreement is delayed as provided in Section 23(c) (a "Delayed Payment"), then interest at the Default Rate on such Delayed Payment for the period beginning on the date such Delayed Payment would otherwise have been provided in the absence of Section 23(c) and ending on the date of receipt of such Delayed Payment shall also be paid by the Company to the Executive at the time of payment.

(e) In the event that the Company determines that any provision of this Agreement does not comply with Section 409A and that the Executive may become subject to a Section 409A Tax, the Executive shall cooperate with the Company to execute any amendment to the provisions hereof reasonably necessary to avoid the imposition of such Section 409A Tax, but only to the minimum extent necessary to avoid the application of such Section 409A Tax and only to the extent that the Executive would not, as a result, suffer (i) any reduction in the total present value of the amounts otherwise payable to the Executive, or the benefits otherwise to be provided to the Executive, by the Company or (ii) any material increase in the risk of the Executive not receiving such amounts or benefits.

(f) Except as specifically permitted by Section 409A, the benefits and reimbursements provided to the Executive under Sections 4(a) and 12(b) and otherwise under this Agreement during any calendar year shall not affect the benefits and reimbursements to be provided to the Executive in any other calendar year, any such reimbursements shall be made on or before the last day of the calendar year following the calendar year in which the applicable expense was incurred and the right to such benefits and reimbursements shall not be liquidated or exchanged for any other benefit.

SECTION 24. Attorney's Fees. The Executive shall be entitled to reimbursement from the Company, upon the Executive's presentation to the Company of a written invoice, for the reasonable attorney's fees and costs that the Executive incurred in negotiating this Agreement; provided that the amount of such reimbursements shall not exceed $25,000.

IN WITNESS WHEREOF, this Agreement has been executed by the parties as of the date first written above.

PEPSICO, INC.,

By: /s/ Indra K. Nooyi
Name: Indra K. Nooyi
Title: Chairman and Chief Executive Officer

EXECUTIVE,

By: /s/ Eric J. Foss
Name: Eric J. Foss

EXHIBIT A

CURRENT BOARDS AND COMMITTEES OF EXECUTIVE

1. UDR, Inc. Board of Directors

2. Industry Affairs Council of the Grocery Manufacturers of America

EXHIBIT B

SPECIAL EARLY RETIREMENT BENEFITS

This Exhibit B sets forth the Special Early Retirement Benefits that will be provided to the Executive under the Agreement in the event that the Executive incurs a Qualifying Termination or Non-Qualifying Termination during the Protection Period and, as of the Termination Date, has not yet attained an age of at least 55, as required by Section 4(a)(v) of the Agreement. Such benefits shall consist of a (A) Special Early Retirement Lump Sum Benefit, (B) Special Early Retiree Medical Benefit, (C) Special Early Retiree Life Insurance Benefit and (D) retirement treatment under the terms of long-term incentive awards granted after the Effective Date except for the Initial Equity Award and the Integration Equity Award. Any such benefit shall be provided in accordance with the terms of the applicable Company benefit and compensation plan or arrangement.

Special Early Retirement Lump Sum Benefit

The Executive shall be eligible to receive a special early retirement benefit ("Special Early Retirement Benefit") based on benefit formulas (without regard to any change thereto after the Effective Date that would result in a material reduction in the Executive's employee benefits in the aggregate (without regard to annual bonuses) or that would violate the covenant of the Company set forth in Section 7.06(a) of the PBG Merger Agreement) under the Pepsi Bottling Group, Inc. Salaried Employees Retirement Plan or any successor plan (the "Salaried Plan") and the Pepsi Bottling Group, Inc. Pension Equalization Plan or any successor plan (the "PEP" and, together with the Salaried Plan, the "Plans"). The Special Early Retirement Benefit shall be based on the early retirement benefit formula under each Plan, and shall be calculated using the more favorable early retirement reduction factors and other actuarial factors associated with the early retirement benefit formula (the "Early Retirement Factors"), in each case, without regard to any change thereto after the Effective Date that would result in a material reduction in the Executive's employee benefits in the aggregate (without regard to annual bonuses) or that would violate the covenant of the Company set forth in Section 7.06(a) of the PBG Merger Agreement.

The Special Early Retirement Benefit shall equal (x) the Executive's benefit under the Plans as of the Termination Date, determined based on the Early Retirement Factors minus (y) the Executive's deferred vested benefit under the Plans as of the Termination Date, determined based on the standard benefit formula and standard reduction formula thereunder (in each case, without regard to any change thereto after the Effective Date that would result in a material reduction in the Executive's employee benefits in the aggregate (without regard to annual bonuses) or that would violate the covenant of the Company set forth in Section 7.06(a) of the PBG Merger Agreement).

The Special Early Retirement Benefit shall be paid in a single cash lump sum, and shall be paid as soon as practicable by the Company, after the Termination Date (or such later date as may be required to comply with the provisions of Section 409A of the Code). The interest rate(s) used for determining such lump sum amount shall not exceed the interest rate(s) that would have been applicable to such determination if made on the Effective Date.

Special Early Retiree Medical Benefit

The Executive shall also be entitled to Special Early Retiree Medical Benefit coverage under the Company's retiree medical program as in effect from time to time and generally available to the Company's retirees; provided that the Executive's medical coverage pursuant to Special Early Retiree Medical Benefit coverage shall commence after termination of the Executive's medical coverage under Section 4(a)(iii) of the Agreement. The Executive shall be responsible for the retiree's cost of the Special Early Retiree Medical Benefit coverage, and such costs shall be comparable to the retiree medical costs generally paid by the Company's retirees.

Special Early Retiree Life Insurance Benefit

The Executive shall also be entitled to Special Early Retiree Life Insurance coverage as in effect from time to time and generally available to the Company's retirees. Such coverage shall commence as of the Termination Date. Under the Special Early Retiree Life Insurance coverage currently made available by the Company, the Executive shall be eligible to receive life insurance coverage up to the basic life insurance coverage provided under the Company's Basic Life Insurance Program; provided that such coverage is subject to 10% annual reductions until age 65 (at which point, the Executive shall be provided with coverage equal to $5000). The Executive shall be responsible for the retiree's cost of the special Early Retiree Life Insurance coverage, if any, and such costs shall be comparable to the retiree life insurance costs generally paid by the Company's retirees.

Long-Term Incentive Plan

The Executive shall also be treated as having terminated employment as a result of "Retirement" for purposes of the annual long-term incentive awards granted to the Executive by the Company after the Effective Date other than the Initial Equity Award and the Integration Equity Award (the terms of which are set forth in Sections 3(b)(iii) and (iv) of the Agreement) or any other special retention award. As a result of such Retirement treatment, a pro rata portion of each outstanding annual long-term incentive award (other than the Initial Equity Award and the Integration Equity Award (the terms of which are set forth in Sections 3(b)(iii) and (iv) of the Agreement) or any other special retention award) shall vest on his last day of employment in proportion to the Executive's active service from the grant date to his Termination Date; provided, however, that the settlement of any performance stock units shall remain subject to attainment of the applicable performance targets and, with respect to any options, the Executive shall be able to exercise such options from the originally scheduled vesting date until the end of the options' term.

EXHIBIT C

SEPARATION AGREEMENT AND RELEASE

I. Release. For good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the undersigned, with the intention of binding himself/herself, his/her heirs, executors, administrators and assigns, does hereby release and forever discharge PepsiCo, Inc., a North Carolina corporation (the "Company"), and its present and former subsidiaries, together with their present and former directors, officers and employees and their respective successors, predecessors and assigns (collectively, the "Released Parties"), from any and all claims, actions, causes of action, demands, rights, damages, debts, accounts, suits, expenses, attorneys' fees and liabilities of whatever kind or nature in law, equity, or otherwise, whether now known or unknown (collectively, the "Claims"), which the undersigned now has, owns or holds, or has at any time heretofore had, owned or held against any Released Party, arising out of or in any way connected with the undersigned's employment relationship with the Company, its subsidiaries or successors, predecessors or assigns, or the termination thereof, under any Federal, state or local statute, rule, or regulation, or principle of common, tort or contract law, including but not limited to, the Fair Labor Standards Act of 1938, as amended, 29 U.S.C. §§ 201 et seq., the Family and Medical Leave Act of 1993, as amended (the "FMLA"), 29 U.S.C. §§ 2601 et seq., Title VII of the Civil Rights Act of 1964, as amended, 42 U.S.C. §§ 2000e et seq., the Age Discrimination in Employment Act of 1967, as amended, 29 U.S.C. §§ 621 et seq., the Americans with Disabilities Act of 1990, as amended, 42 U.S.C. §§ 12101 et seq., the Worker Adjustment and Retraining Notification Act of 1988, as amended, 29 U.S.C. §§ 2101 et seq., the Employee Retirement Income Security Act of 1974, as amended, 29 U.S.C. §§ 1001 et seq., and any other equivalent or similar Federal, state, or local statute; provided, however, that nothing herein shall release the Company of its obligations to the Executive (i) under that certain Retention Agreement between the undersigned and the Company, (ii) with respect to payments, rights and benefits under employee benefit plans and arrangements that have vested or accrued as of the Termination Date (as defined in such Retention Agreement) or (iii) with respect to any directors' and officers' indemnification or insurance arrangements. The undersigned understands that, as a result of executing this Separation Agreement and Release, he/she will not have the right to assert that the Company or any other Released Party unlawfully terminated his/her employment or violated any of his/her rights in connection with his/her employment or otherwise.

The undersigned affirms that he/she has not filed, caused to be filed, or presently is a party to any Claim, complaint or action against any Release Party in any forum or form and that he/she knows of no facts which may lead to any Claim, complaint or action being filed against any Release Party in any forum by the undersigned or by any agency or group.

The undersigned further declares and represents that he/she has carefully read and fully understands the terms of this Separation Agreement and Release and that he/she has been advised and had the opportunity to seek the advice and assistance of counsel with regard to this Separation Agreement and Release, that he/she may take up to and including 21 days from receipt of this Separation Agreement and Release, to consider whether to sign this Separation Agreement and Release, that he/she may revoke this Separation Agreement and Release within seven calendar days after signing it by delivering to the Company written notification of

revocation, and that he/she knowingly and voluntarily, of his/her own free will, without any duress, being fully informed and after due deliberate action, accepts the terms of and signs the same as his own free act.

II. Protected Rights. The Company and the undersigned agree that nothing in this Separation Agreement and Release is intended to or shall be construed to affect, limit or otherwise interfere with any non-waivable right of the undersigned under any Federal, state or local law, including the right to file a charge or participate in an investigation or proceeding conducted by the Equal Employment Opportunity Commission ("EEOC") or to exercise any other right that cannot be waived under applicable law. The undersigned is releasing, however, his/her right to any monetary recovery or relief should the EEOC or any other agency pursue Claims on his/her behalf. Further, should the EEOC or any other agency obtain monetary relief on his/her behalf, the undersigned assigns to the Company all rights to such relief.

III. Severability. If any term or provision of this Separation Agreement and Release is invalid, illegal or incapable of being enforced by any applicable law or public policy, all other conditions and provisions of this Separation Agreement and Release shall nonetheless remain in full force and effect so long as the economic and legal substance of the transactions contemplated by this Separation Agreement and Release is not affected in any manner materially adverse to any party.

IV. **GOVERNING LAW. THIS SEPARATION AGREEMENT AND RELEASE SHALL BE DEEMED TO BE MADE IN THE STATE OF NEW YORK, AND THE VALIDITY, INTERPRETATION, CONSTRUCTION AND PERFORMANCE OF THIS AGREEMENT IN ALL RESPECTS SHALL BE GOVERNED BY THE LAWS OF THE STATE OF NEW YORK WITHOUT REGARD TO ITS PRINCIPLES OF CONFLICTS OF LAW.**

Effective on the eighth calendar day following the date set forth below.

PEPSICO, INC.

By: _____
Name:
Title:

EMPLOYEE,

_____
Name:
Date Signed:

PENSION EQUALIZATION PLAN

(PEP)

Restatement Effective April 1, 2009

PBG PENSION EQUALIZATION PLAN (PEP)
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Restatement Effective April 1, 2009

ARTICLE I – History and Purpose

1.1 ***History of Plan***. The Pepsi Bottling Group, Inc. (the "Company") established the PBG Pension Equalization Plan ("PEP" or "Plan") effective April 6, 1999 for the benefit of salaried employees of the PBG Organization who participate in the PBG Salaried Employees Retirement Plan ("Salaried Plan"). The Plan was amended by a First Amendment effective as of May 26, 1999. The Plan was further amended and completely restated effective January 1, 2006. The Plan provides benefits for eligible employees whose pension benefits under the Salaried Plan are limited by the provisions of the Internal Revenue Code of 1986, as amended. In addition, the Plan provides benefits for certain eligible employees based on the pre-1989 Salaried Plan formula. The Plan is intended as a nonqualified unfunded deferred compensation plan for federal income tax purposes. For purposes of the Employee Retirement Income Security Act of 1974 ("ERISA"), the Plan is structured as two plans. The portion of the Plan that provides benefits based on limitations imposed by Section 415 of the Internal Revenue Code (the "Code") is intended to be an "excess benefit plan" as described in Section 4(b)(5) of ERISA. The remainder of 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.

The Plan was initially established as a successor plan to the PepsiCo Pension Equalization Plan, due to PBG's April 6, 1999 initial public offering and the Plan included historical PepsiCo provisions which are relevant for eligibility and benefit determinations under the Plan. The Plan was amended and completely restated effective as of January 1, 2006 and further amended and completely restated effective as of January 1, 2009 to comply with Section 409A of the Code and to make certain other changes.

The Company now wishes to further amend and completely restate the Plan effective as of April 1, 2009 to add provisions implementing changes in the company's retirement program and to make certain other changes.

NOW, THEREFORE, the PBG Pension Equalization Plan is hereby amended and completely restated in the form of this April 1, 2009 Restatement as follows.

1.2 ***Effect of Amendment and Restatement***. The Plan as in effect on October 3, 2004 is referred to herein as the Prior Plan.

Except as otherwise explicitly provided in Section 6.1(b)(3) of this Plan, a Participant's benefit (including death benefits), determined under the terms of the Plan as in effect on October 3, 2004 as if the Participant had terminated employment on December 31, 2004, without regard to any compensation paid or services rendered after 2004, or any other events affecting the amount of or the entitlement to benefits (other than the Participant's survival or the Participant's

election under the terms of the Plan with respect to the time or form of benefit) (the "Grandfathered Benefit") shall be paid at the time and in the form provided by the terms of the Plan as in effect on October 3, 2004.

The benefit of a Participant accrued under this Plan based on all compensation and services taken into account by the Prior Plan and this Plan, less the Participant's Grandfathered Benefit, shall be paid in the times and in the form as provided in this Plan. Except as otherwise explicitly provided in this Plan, this Plan superseded the Prior Plan effective January 1, 2009, with respect to amounts accrued and vested after 2004 by Participants who had not commenced receiving benefits as of January 1, 2009. The Plan was administered in accordance with a good faith interpretation of Section 409A of the Internal Revenue Code and IRS regulations and guidance thereunder from January 1, 2005 through December 31, 2008. Amounts accrued under this Plan after 2004 shall be treated as payable under a separate Plan for purposes of Section 409A of the Internal Revenue Code.

ARTICLE II – Definitions and Construction

2.1 ***Definitions***. The following words and phrases, when used in this Plan, shall have the meaning set forth below unless the context clearly indicates otherwise. Unless otherwise expressly qualified by the terms or the context of this Plan, the terms used in this Plan shall have the same meaning as those terms in the Salaried Plan.

(a) **Actuarial Equivalent**. Except as otherwise specifically set forth in the Plan or any Appendix to the Plan with respect to a specific benefit determination, a benefit of equivalent value computed on the basis of the factors applicable for such purposes under the Salaried Plan.

(b) **Annuity**. A Pension payable as a series of monthly payments for at least the life of the Participant.

(c) **Code**. The Internal Revenue Code of 1986, as amended from time to time.

(d) **Company or PBG**. The Pepsi Bottling Group, Inc., a corporation organized and existing under the laws of the State of Delaware, or its successor or successors.

(e) **Compensation Limitation**. Benefits not payable under the Salaried Plan because of the limitations on the maximum amount of compensation which may be considered in determining the annual benefit of the Salaried Plan Participant under Section 401(a)(17) of the Code.

(f) **Effective Date**. The date upon which this Plan was effective, which is April 6, 1999 (except as otherwise provided herein).

(g) **EID**. The PBG Executive Income Deferral Program, as amended from time to time.

(h) **ERISA**. Public Law No. 93-406, the Employee Retirement Income Security Act of 1974, as amended from time to time.

(i) **Participant**. An Employee participating in the Plan in accordance with the provisions of Section 3.1.

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

(k) **PEP Pension**. One or more payments that are payable to a person who is entitled to receive benefits under the Plan. The term "Grandfather Benefit" shall be used to refer to the portion of a PEP Pension that is payable in accordance with the Plan as in effect October 3, 2004 and is not subject to Section 409A.

(l) **PepsiCo Prior Plan**. The PepsiCo Pension Equalization Plan.

(m) **Plan**. The PBG Pension Equalization Plan, the Plan set forth herein, as it may be amended from time to time. The Plan is also sometimes referred to as PEP. For periods before April 6, 1999, references to the Plan refer to the PepsiCo Prior Plan.

(n) **Plan Administrator**. The person or persons designated by the Company in accordance with Article VII.

(o) **Plan Year**. The 12-month period ending on each December 31st.

(p) **Primary Social Security Amount**. In determining Pension amounts, Primary Social Security Amount shall mean:

(1) For purposes of determining the amount of a Retirement, Vested or Pre-Retirement Spouse's Pension, the Primary Social Security Amount shall be the estimated monthly amount that may be payable to a Participant commencing at age 65 as an old-age insurance benefit under the provisions of Title II of the Social Security Act, as amended. Such estimates of the old-age insurance benefit to which a Participant would be entitled at age 65 shall be based upon the following assumptions:

(i) That the Participant's social security wages in any year prior to Retirement or severance are equal to the Taxable Wage Base in such year, and

(ii) That he will not receive any social security wages after Retirement or severance.

However, in computing a Vested Pension under Section 4.2, the estimate of the old-age insurance benefit to which a Participant would be entitled at age 65 shall be based upon the assumption that he continued to receive social security wages until age 65 at the same rate as the Taxable Wage Base in effect at the earlier of his severance from employment or the date such participant ceased to accrue benefits under both the Salaried Plan and this Plan. For purposes of this subsection, "social security wages" shall mean wages within the meaning of the Social Security Act.

(2) For purposes of paragraph (1), the Primary Social Security Amount shall exclude amounts that may be available because of the spouse or any dependent of the Participant or any amounts payable on account of the Participant's death. Estimates of Primary Social Security Amounts shall be made on the basis of the Social Security Act as in effect at the Participant's Severance from Service Date, without regard to any increases in the social security wage base or benefit levels provided by such Act which take effect thereafter.

(q) **Salaried Plan**. The PBG Salaried Employees Retirement Plan, as it may be amended from time to time. Any references herein to the Salaried Plan for a period that is before the Effective Date shall mean the PepsiCo Salaried Employees Retirement Plan.

(r) **Salaried Plan Participant**. An Employee who is a participant in the Salaried Plan.

(s) **Section 409A**. Section 409A of the Code and the applicable regulations and other guidance issued thereunder.

(t) **Section 415 Limitation**. Benefits not payable under the Salaried Plan because of the limitations imposed on the annual benefit of a Salaried Plan Participant by Section 415 of the Code.

(u) **Separation from Service**. A Participant's separation from service as defined in Section 409A; provided that for this purpose the term "service recipient" shall include PepsiCo., Inc., so long as PepsiCo., Inc. or a member of the PepsiCo., Inc. controlled group maintains an ownership interest in the Company of at least 20%.

(v) **Single Lump Sum**. The distribution of a Participant's total PEP Pension in excess of the Participant's Grandfathered Benefit in the form of a single payment.

(w) **Specified Employee**. The individuals identified in accordance with principles set forth below.

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

(i) An officer of any member of the PBG Organization having annual compensation greater than $130,000 (as adjusted under Section 416(i)(1) of the Code);

(ii) A 5-percent owner of any member of the PBG Organization; or

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

For purposes of (i) 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 Treasury 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 Specified Employee in accordance with Section 416(i) of the Code and the applicable regulations and other guidance of general applicability issued thereunder or in connection therewith, 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.

(1) **Applicable Year**. Except as otherwise required by Section 409A, the Plan Administrator shall determine Specified Employees 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.

(2) **Rule of Administrative Convenience**. In addition to the foregoing, the Plan Administrator shall treat all other Employees classified as E5 and above on the applicable determination date prescribed in subsection (2) (i.e., the last day of each calendar year) as a Specified Employee for purposes of the Plan for the twelve-month period commencing of the applicable April 1st date. However, if there are at least 200 Specified Employees without regard to this provision, then it shall not apply. If there are less than 200 Specified Employees without regard to this provision, but full application of this provision would cause there to be more than 200 Specified Employees, then (to the extent necessary to avoid exceeding 200 Specified Employees) those Employees classified as E5 and above who have the lowest base salaries on such applicable determination date shall not be Specified Employees.

(x) **Vested Pension**. The PEP Pension available to a Participant who has a vested PEP Pension and is not eligible for a Retirement Pension.

2.2 ***Construction***. The terms of the Plan shall be construed in accordance with this section.

(a) **Gender and Number**. The masculine gender, where appearing in the Plan, shall be deemed to include the feminine gender, and the singular may include the plural, unless the context clearly indicates to the contrary.

(b) **Compounds of the Word "Here"**. The words "hereof", "hereunder" and other similar compounds of the word "here" shall mean and refer to the entire Plan, not to any particular provision or section.

ARTICLE III – Participation

3.1 Each Salaried Plan Participant whose benefit under the Salaried Plan is curtailed by the Compensation Limitation or the Section 415 Limitation, or both, and each other Salaried Plan Participant (i) who is a Grandfathered Employee as defined in Section 3.7 of the Salaried Plan and who makes elective deferrals to the EID on or after April 1, 2009 (inclusively); (ii) who would be considered a Grandfathered Participant as defined in Section 3.7 of the Salaried Plan if the Participant was not classified by the Employer as salary band E3-E8 or MP; or (iii) whose 1988 pensionable "earnings" under the Salaried Plan, as described in Section 4.2(a), were $75,000 or more, shall participate in this Plan.

ARTICLE IV – Amount of Retirement Pension

4.1 ***PEP Pension***. Subject to Section 4.5, a Participant's PEP Pension shall equal the amount determined under (a) or (b) of this Section 4.1, whichever is applicable. Such amount shall be determined as of the date of the Participant's Separation from Service.

(a) **Same Form as Salaried Plan**. If a Participant's PEP Pension will be paid in the same form and will commence as of the same time as his pension under the Salaried Plan, then his monthly PEP Pension shall be equal to the excess of:

(1) The greater of:

(i) the monthly pension benefit which would have been payable to such Participant under the Salaried Plan without regard to (I) the Compensation Limitation; (II) the Section 415 Limitation; (III) the exclusion from Earnings of amounts deferred at the election of the Participant under the EID on or after April 1, 2009; and (IV) the March 31, 2009 exclusion from the Salaried

Plan definition of a Grandfathered Participant of a Participant who, as of such date, was classified as salary band E3-E8 or MP and had attained age 50 and completed five years of Service or whose sum of his age and years of Service was at least 65; and

(ii) if applicable, the amount determined in accordance with Section 4.2, expressed in such form and payable as of such time; over

(2) The amount of the monthly pension benefit that is in fact payable to such Salaried Plan Participant under the Salaried Plan, expressed in such form and payable as of such time.

The amount of the monthly pension benefit so determined, less the portion of such benefit that is the Participant's Grandfathered Benefit, shall be payable as provided in Section 6.2.

(b) **Different Form than Salaried Plan**. If a Participant's PEP Pension will be paid in a different form (whether in whole or in part) or will commence as of a different time than his pension benefit under the Salaried Plan, his PEP Pension shall be the product of:

(1) The greater of:

(i) the monthly pension benefit which would have been payable to such Participant under the Salaried Plan without regard to (I) the Compensation Limitation; (II) the Section 415 Limitation; (III) the exclusion from Earnings of amounts deferred at the election of the Participant under the EID on or after April 1, 2009; and (IV) the March 31, 2009 exclusion from the Salaried Plan definition of a Grandfathered Participant of a Participant who, as of such date, was classified as salary band E3-E8 or MP and had attained age 50 and completed five years of Service or whose sum of his age and years of Service was at least 65; and

(ii) if applicable, the amount determined in accordance with Section 4.2, expressed in the form and payable as of such time as applies to his PEP Pension under this Plan, multiplied by

(2) A fraction, the numerator of which is the value of the amount determined in Section 4.1(b)(1), reduced by the value of his pension under the Salaried Plan, and the denominator of which is the value of the amount determined in Section 4.1(b)(1) (with value determined on a reasonable and consistent basis, in the discretion of the Plan Administrator, with respect to similarly situated employees).

The amount of the monthly pension benefit so determined, less the portion of such benefit that is the Participant's Grandfathered Benefit, shall be payable as provided in Section 6.2.

Notwithstanding the above, in the event any portion of the accrued benefit of a Participant under this Plan or the Salaried Plan is awarded to an alternate payee pursuant to a qualified domestic relations order, as such terms are defined in Section 414(p) of the Code, the Participant's total PEP Pension shall be adjusted, as the Plan Administrator shall determine, so that the combined benefit payable to the Participant and the alternate payee from this Plan and the Salaried Plan is the amount determined pursuant to subsections 4.1(a) and (b) above, as applicable.

4.2 ***PEP Guarantee***. A Participant who is eligible under subsection (a) below shall be entitled to a PEP Guarantee benefit determined under subsection (b) below, if any.

(a) **Eligibility**. A Participant shall be covered by this section if the Participant has 1988 pensionable earnings from an Employer of at least $75,000. For purposes of this section, "1988 pensionable earnings" means the Participant's remuneration for the 1988 calendar year that was recognized for benefit accrual received under the Salaried Plan as in effect in 1988. "1988 pensionable earnings" does not include remuneration from an entity attributable to any period when that entity was not an Employer.

(b) **PEP Guarantee Formula**. The amount of a Participant's PEP Guarantee shall be determined under paragraph (1), subject to the special rules in paragraph (2).

(1) Formula. The amount of a Participant's PEP Guarantee under this paragraph shall be determined as follows:

(i) Three percent of the Participant's Highest Average Monthly Earnings for the first 10 years of Credited Service, plus

(ii) One percent of the Participant's Highest Average Monthly Earnings for each year of Credited Service in excess of 10 years, less

(iii) One and two-thirds percent of the Participant's Primary Social Security Amount multiplied by years of Credited Service not in excess of 30 years.

In determining the amount of a Vested Pension, the PEP Guarantee shall first be calculated on the basis of (I) the Credited Service the Participant would have earned had he continued to accrue Credited Service until his Normal Retirement Age, and (II) his Highest Average Monthly Earnings and Primary Social Security Amount at the earlier of his Severance from Service Date or the date such Participant ceased to accrue additional benefits under both the Salaried Plan and this Plan, and then shall be reduced by multiplying the resulting amount by a fraction, the numerator of which is the Participant's actual years of Credited Service on the earlier of his Severance from Service Date or the date such Participant ceased to accrue additional benefits under both the Salaried Plan and

this Plan and the denominator of which is the years of Credited Service he would have earned had he continued to accrue Credited Service until his Normal Retirement Age.

(2) Calculation. The amount of the PEP Guarantee shall be determined pursuant to paragraph (1) above, subject to the following special rules:

(i) Surviving Eligible Spouse's Annuity: Subject to subparagraph (iii) below and the last sentence of this subparagraph, if the Participant has an Eligible Spouse and has commenced receipt of an Annuity under this section, the Participant's Eligible Spouse shall be entitled to receive a survivor annuity equal to 50 percent of the Participant's Annuity under this section, with no corresponding reduction in such Annuity for the Participant. Annuity payments to a surviving Eligible Spouse shall begin on the first day of the month coincident with or following the Participant's death and shall end with the last monthly payment due prior to the Eligible Spouse's death. If the Eligible Spouse is more than 10 years younger than the Participant, the survivor benefit payable under this subparagraph shall be adjusted as provided below.

(A) For each full year more than 10 but less than 21 that the surviving Eligible Spouse is younger than the Participant, the survivor benefit payable to such spouse shall be reduced by 0.8 percent.

(B) For each full year more than 20 that the surviving Eligible Spouse is younger than the Participant, the survivor benefit payable to such spouse shall be reduced by an additional 0.4 percent.

This subparagraph applies only to a Participant who retires on or after his Early Retirement Date.

(ii) Reductions. The following reductions shall apply in determining a Participant's PEP Guarantee.

(A) If the Participant will receive an Early Retirement Pension, the payment amount shall be reduced by 3/12^{ths} of 1 percent for each month by which the benefit commencement date precedes the date the Participant would attain his Normal Retirement Date.

(B) If the Participant is entitled to a Vested Pension, the payment amount shall be reduced to the Actuarial Equivalent of the amount payable at his Normal Retirement Date (if payment commences before such date), and the reductions set forth in the Salaried Plan for any Pre-Retirement Spouse's coverage shall apply.

(C) This clause applies if the Participant will receive his PEP Guarantee in a form that provides an Eligible Spouse benefit, continuing for the life of the surviving spouse, that is greater than that provided under subparagraph (i). In this instance, the Participant's PEP Guarantee under this section shall be reduced so that the total value of the benefit payable on the Participant's behalf is the Actuarial Equivalent of the PEP Guarantee otherwise payable under the foregoing provisions of this section.

(D) This clause applies if the Participant will receive his PEP Guarantee in a form that provides a survivor annuity for a beneficiary who is not his Eligible Spouse. In this instance, the Participant's PEP Guarantee under this section shall be reduced so that the total value of the benefit payable on the Participant's behalf is the Actuarial Equivalent of a Single Life Annuity for the Participant's life.

(E) This clause applies if the Participant will receive his PEP Guarantee in a Annuity form that includes inflation protection described in the Salaried Plan. In this instance, the Participant's PEP Guarantee under this section shall be reduced so that the total value of the benefit payable on the Participant's behalf is the Actuarial Equivalent of the elected Annuity without such protection.

(iii) Lump Sum Conversion. The amount of the PEP Guarantee determined under this section for a Participant whose Retirement Pension will be distributed in the form of a lump sum shall be the Actuarial Equivalent of the Participant's PEP Guarantee determined under this section, taking into account the value of any survivor benefit under subparagraph (i) above and any early retirement reductions under subparagraph (ii)(A) above.

(iv) April 1, 2009 Salaried Plan Changes.

(A) The amount of the PEP Guarantee determined under this section for a Participant who, as of March 31, 2009, was classified as salary band E3-E8 or MP and who had attained age 50 and completed five years of Service or (inclusively) whose sum of his age and years of Service was at least 65 shall be determined as if such Participant were a Grandfathered Participant in the Salaried Plan (so that Earnings and Credited Service were not frozen as of March 31, 2009).

(B) Highest Average Monthly Earnings shall be determined without regard to the exclusion from Earnings under the Salaried Plan of amounts deferred at the election of the Participant under the EID on or after April 1, 2009.

4.3 ***Certain Adjustments***. Pensions determined under the foregoing sections of this Article are subject to adjustment as provided in this section. For purposes of this section, "specified plan" shall mean the Salaried Plan or a nonqualified pension plan similar to this Plan. A nonqualified pension plan is similar to this Plan if it is sponsored by a member of the PBG Organization and if its benefits are not based on participant pay deferrals (this category of similar plans includes the PepsiCo Prior Plan).

(a) **Adjustments for Rehired Participants**. This subsection shall apply to a current or former Participant who is reemployed after his Annuity Starting Date and (i) whose benefit under the Salaried Plan is recalculated based on an additional period of Credited Service, or (ii) whose benefit under the Salaried Plan would have been recalculated, based on an additional period of Credited Service if the Participant would have been considered a Grandfathered Participant as defined in Section 3.7 of the Salaried Plan if the Participant was not classified by the Employer as salary band E3-E8 or MP. In such event, the Participant's PEP Pension shall be recalculated hereunder. For this purpose, the PEP Guarantee under Section 4.2 is adjusted for in-service distributions and prior distributions in the same manner as benefits are adjusted under the Salaried Plan, but by taking into account benefits under this Plan and any specified plans.

(b) **Adjustment for Increased Pension Under Other Plans**. If the benefit paid under a specified plan on behalf of a Participant is increased after PEP benefits on his behalf have been determined (whether the increase is by order of a court, by agreement of the plan administrator of the specified plan, or otherwise), the PEP benefit for the Participant shall be recalculated. If the recalculation identifies an overpayment hereunder, the Plan Administrator shall take such steps as it deems advisable to recover the overpayment. It is specifically intended that there shall be no duplication of payments under this Plan and any specified plans.

4.4 ***Reemployment of Certain Participants***. In the case of a current or former Participant who is reemployed and is eligible to reparticipate in the Salaried Plan after his Annuity Starting Date, payment of his non-Grandfathered PEP Pension will not be suspended. If such Participant accrues an additional PEP Pension for service after such reemployment, his PEP Pension on his subsequent Separation from Service shall be reduced by the present value of PEP benefits previously distributed to such Participant, as determined by the Plan Administrator.

4.5 ***Vesting; Misconduct***. A Participant shall be fully vested in his Accrued Benefit at the time he becomes fully vested in his accrued benefit under the Salaried Plan. Notwithstanding the preceding, or any other provision of the Plan to the contrary, a Participant shall forfeit his or her entire PEP Pension if the Plan Administrator determines that such Participant has engaged in "Misconduct" as defined below, determined without regard to whether the Misconduct occurred before or after the Participant's Severance from Service. The Plan Administrator may, in its sole discretion, require the Participant to pay to the Employer any PEP Pension paid to the Participant within the twelve month period immediately preceding a date on which the Participant engaged in such Misconduct, as determined by the Plan Administrator.

"Misconduct" means any of the following, as determined by the Plan Administrator in good faith: (i) violation of any agreement between the Company or Employer and the Participant, including but not limited to a violation relating to the disclosure of confidential information or trade secrets, the solicitation of employees, customers, suppliers, licensors or contractors, or the performance of competitive services; (ii) violation of any duty to the Company or Employer, including but not limited to violation of the Company's Code of Conduct; (iii) making, or causing or attempting to cause any other person to make, any statement (whether written, oral or electronic), or conveying any information about the Company or Employer which is disparaging or which in any way reflects negatively upon the Company or Employer unless required by law or pursuant to a Company or Employer policy; (iv) improperly disclosing or otherwise misusing any confidential information regarding the Company or Employer; (v) unlawful trading in the securities of the Company or of another company based on information garnered as a result of that Participant's employment or other relationship with the Company; (vi) engaging in any act which is considered to be contrary to the best interests of the Company or Employer, including but not limited to recruiting or soliciting employees of the Employer; or (vii) commission of a felony or other serious crime or engaging in any activity which constitutes gross misconduct.

ARTICLE V – Death Benefits

5.1 ***Death Benefits***. Each Participant entitled to a PEP Pension under this Plan who dies before his Annuity Starting Date shall be entitled to a death benefit equal in amount to the additional death benefit to which the Participant would have been entitled under the Salaried Plan if the PEP Pension as determined under Article IV was payable under the Salaried Plan instead of this Plan. The death benefit with respect to a Participant's PEP Pension in excess of the Grandfathered Benefit shall become payable on the Participant's date of death in a Single Lump Sum payment.

Payment of any death benefit of a Participant who dies before his Annuity Starting Date under the Plan shall be made to the persons and in the proportions to which any death benefit under the Salaried Plan is or would be paid.

ARTICLE VI – Distributions

The terms of this Article govern the distribution of benefits to a Participant who becomes entitled to payment of a PEP Pension under the Plan.

6.1 ***Form and Timing of Distributions***. Subject to Section 6.5, this Section shall govern the form and timing of PEP Pensions.

(a) **Time and Form of Payment of Grandfathered Benefit**. The Grandfathered Benefit of a Participant shall be paid in the form and at the time or times provided by the terms of the Plan as in effect on October 3, 2004.

(b) **Time and Form of Payment of Non-Grandfathered Benefit**. Except as provided below, the PEP Pension payable to a Participant in excess of the Grandfathered Benefit shall be become payable in a Single Lump Sum on the Separation from Service of the Participant.

(1) Certain Vested Pensions. A Participant (i) who incurred a Separation from Service during the period January 1, 2005 through December 31, 2008 (other than a Participant described in (3) below); and (ii) whose Annuity Starting Date has not occurred as of January 1, 2009, shall receive his PEP Pension in excess of his Grandfathered Benefit in a Single Lump Sum which shall become payable on January 1, 2009.

(2) Annuity Election. A Participant who (i) attained age 50 on or before January 1, 2009, (ii) on or before December 31, 2008 irrevocably elected to receive a Single Life Annuity, a 50%, 75% or 100% Joint and Survivor Annuity, or a 10 Year Certain and Life Annuity; and (iii) incurs a Termination of Employment on or after July 1, 2009 after either attainment of age 55 and the tenth anniversary of the Participant's initial employment date or attainment of age 65 and the fifth anniversary of the Participant's initial employment date, shall receive his PEP Pension in excess of his Grandfathered Benefit in the form elected commencing on the first day of the month coincident with or next following his Separation from Service. If such Participant Separates from Service prior to July 1, 2009 or prior to attainment of age 55 and the tenth anniversary of the Participant's employment date, or prior to attainment of age 65 and the fifth anniversary of the Participant's employment, the Participant's PEP Pension in excess of his Grandfathered Pension shall be payable in a Single Lump Sum on the Participant's Separation from Service.

(3) 2008 Reorganization. The entire PEP Pension of a Participant who (i) was involuntarily Separated from Service on or after November 1, 2008 and on or before December 19, 2008; (ii) at the time of Separation from Service had attained age 50 and had not attained age 55, and had 10 or more years of Service; and (iii) is eligible for special retirement benefits as described in the letter agreement executed and not revoked by the Participant, shall become payable in a Single Lump Sum on the last day of the Participant's "Transition Period" as defined in the letter agreement.

(4) Specified Employees. If a Participant is classified as a Specified Employee at the time of the Participant's Separation from Service (or at such other time for determining Specified Employee status as may apply under Section 409A), then no amount shall be payable pursuant to this Section 6.1(b) until at least six (6) months after such a Separation from Service. Any payment otherwise due in such six month period

shall be suspended and become payable at the end of such six month period, with interest at the applicable interest rates used for computing a Single Lump Sum payment on the date of Separation from Service.

(5) Actual Date of Payment. An amount payable on a date specified in this Article VI or in Article V shall be paid as soon as administratively feasible after such date; but 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 and the Participant (or Beneficiary) is not permitted to designate the taxable year of the payment. The payment date may be postponed further if calculation of the amount of the payment is not administratively practicable due to events beyond the control of the Participant (or Beneficiary), and the payment is made in the first calendar year in which the calculation of the amount of the payment is administratively practicable.

6.2 ***Special Rules for Survivor Options***.

(a) **Effect of Certain Deaths**. If a Participant makes an Annuity election described in Section 6.1(b)(2) and the Participant dies before his Separation from Service, the election shall be disregarded. Such a Participant may change his coannuitant of a Joint and Survivor Annuity at any time prior to his Separation from Service, and may change his beneficiary of a Ten Years Certain and Life Annuity at any time. If the Participant dies after such election becomes effective but before his non-Grandfathered PEP Pension actually commences, the election shall be given effect and the amount payable to his surviving Eligible Spouse or other beneficiary shall commence on the first day of the month following his death (any back payments due the Participant shall be payable to his estate). In the case of a Participant who elected a 10 Year Certain and Life Annuity, if such Participant dies: (i) after benefits have commenced; (ii) without a surviving primary or contingent beneficiary, and (iii) before receiving 120 payments under the form of payment, then the remaining payments due under such form of payment shall be paid to the Participant's estate. If payments have commenced under such form of payment to a Participant's primary or contingent beneficiary and such beneficiary dies before payments are completed, then the remaining payments due under such form of payment shall be paid to such beneficiary's estate.

(b) **Nonspouse Beneficiaries**. If a Participant's beneficiary is not his Eligible Spouse, he may not elect:

(1) The 100 percent survivor option described in Section 6.1(b)(2) with a nonspouse beneficiary more than 10 years younger than he is, or

(2) The 75 percent survivor option described in Section 6.1(b)(2) with a nonspouse beneficiary more than 19 years younger than he is.

6.3 ***Designation of Beneficiary***. A Participant who has elected to receive all or part of his pension in a form of payment that includes a survivor option shall designate a beneficiary

who will be entitled to any amounts payable on his death. Such designation shall be made on a PEP Election Form. A Participant shall have the right to change or revoke his beneficiary designation at any time prior to when his election is finally effective. The designation of any beneficiary, and any change or revocation thereof, shall be made in accordance with rules adopted by the Plan Administrator. A beneficiary designation shall not be effective unless and until filed with the Plan Administrator

6.4 ***Determination of Single Lump Sum Amounts***. Except as otherwise provided below, a Single Lump Sum payable under Article V or Section 6.1 shall be determined in the same manner as the single lump sum payment option prescribed in Section 6.1(b)(3) of the Salaried Plan.

(a) **Vested Pensions**. If on the date of Separation from Service of a Participant such Participant is not entitled to retire with an immediate pension under the Salaried Plan, the Single Lump Sum payable to the Participant under Section 6.1 shall be determined in the same manner as the single lump sum payment option prescribed in Section 6.1(b)(3) of the Salaried Plan but substituting (for Plan Years beginning before 2012) the applicable segment rates for the blended 30 year Treasury and segment rates that would otherwise be applicable.

(b) **2008 Reorganization**. Notwithstanding subsection (a) above, the Single Lump Sum payment for a Participant whose employment was involuntarily terminated as a result of the 2008 Reorganization on or after November 1, 2008 and on or before December 19, 2008 shall be determined based on the applicable interest rates and mortality used by the Salaried Plan for optional lump sum distributions in December 2008, provided that in no event shall such Single Lump Sum payment be less than the Single Lump Sum determined based on the applicable interest rates and mortality used by the Salaried Plan for lump sum distributions for the month in which the Single Lump Sum is distributed to the Participant.

6.5 ***Section 162(m) Postponement***. Notwithstanding any other provision of this Plan to the contrary, no PEP Pension shall be paid to any Participant prior to the earliest date on which the Company's federal income tax deduction for such payment is not precluded by Section 162(m) of the Code. In the event any payment is delayed solely as a result of the preceding restriction, such payment shall be made as soon as administratively feasible following the first date as of which Section 162(m) of the Code no longer precludes the deduction by the Company of such payment. Amounts deferred because of the Section 162(m) deduction limitation shall be increased by simple interest for the period of delay at the annual rate of six percent (6%).

ARTICLE VII – Administration

7.1 ***Authority to Administer Plan***. The Plan shall be administered by the Plan Administrator appointed by the Company's Board of Directors or its delegate, who shall have all powers necessary or appropriate to enable the Plan Administrator to carry out the Plan Administrator's administrative duties. Such powers and duties shall include, without limitation,

the authority to interpret the Plan and determine all questions that may arise hereunder as to the status and rights of Employees, Participants and Beneficiaries. The Plan Administrator shall maintain Plan records and make benefit calculations, and may rely upon information furnished it by the Participant in writing, including the Participant's current mailing address, age and marital status. The Plan Administrator's interpretations, determinations, regulations and calculations shall be final and binding on all persons and parties concerned. The Company shall not be a fiduciary of the Plan for purposes of ERISA, and any restrictions that apply to a party in interest under section 406 of ERISA shall not apply to the Company or otherwise under the Plan.

7.2 ***Facility of Payment***. Whenever, in the Plan Administrator's opinion, a person entitled to receive any payment of a benefit or installment thereof 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 make payments to such person or to the legal representative of such person for his benefit, or the Plan Administrator may apply the payment for the benefit of such person in such manner as it considers advisable. Any payment of a benefit or installment thereof in accordance with the provisions of this section shall be a complete discharge of any liability for the making of such payment under the provisions of the Plan.

7.3 ***Claims Procedure***. The Plan Administrator shall have the exclusive discretionary authority to construe and to interpret the Plan, to decide all questions of eligibility for benefits and to determine the amount of such benefits, and its decisions on such matters are final and conclusive. This discretionary authority is intended to be absolute, and in any case where the extent of this discretion is in question, the Plan Administrator is to be accorded the maximum discretion possible. Any exercise of this discretionary authority shall be reviewed by a court, arbitrator or other tribunal under the arbitrary and capricious standard (i.e., the abuse of discretion standard). If, pursuant to this discretionary authority, an assertion of any right to a benefit by or on behalf of a Participant or beneficiary is wholly or partially denied, the Plan Administrator, or a party designated by the Plan Administrator, will provide such claimant within the 90-day period following the receipt of the claim by the Plan Administrator, a comprehensible written notice setting forth:

(a) The specific reason or reasons for such denial;

(b) Specific reference to pertinent Plan provisions on which the denial is based;

(c) A description of any additional material or information necessary for the claimant to submit to perfect the claim and an explanation of why such material or information is necessary; and

(d) A description of the Plan's claim review procedure. The claim review procedure is available upon written request by the claimant to the Plan Administrator, or the designated party, within 60 days after receipt by the claimant of written notice of the denial of the claim, and includes the right to examine pertinent documents and submit issues and comments in

writing to the Plan Administrator, or the designated party. The decision on review will be made within 60 days after receipt of the request for review, unless circumstances warrant an extension of time not to exceed an additional 60 days, and shall be in writing and drafted in a manner calculated to be understood by the claimant, and include specific reasons for the decision with references to the specific Plan provisions on which the decision is based.

If within a reasonable period of time after the Plan receives the claim asserted by the Participant, the Plan Administrator, or the designated party, fails to provide a comprehensible written notice stating that the claim is wholly or partially denied and setting forth the information described in (a) through (d) above, the claim shall be deemed denied. Once the claim is deemed denied, the Participant shall be entitled to the claim review procedure described in subsection (d) above. Such review procedure shall be available upon written request by the claimant to the Plan Administrator, or the designated party, within 60 days after the claim is deemed denied. Any claim under the Plan that is reviewed by a court shall be reviewed solely on the basis of the record before the Plan Administrator at the time the Plan Administrator's determination was made.

7.4 ***Effect of Specific References***. Specific references in the Plan to the Plan Administrator's discretion shall create no inference that the Plan Administrator's discretion in any other respect, or in connection with any other provision, is less complete or broad.

7.5 ***Limitations on Actions.*** Any claim filed under this Article VII and any action brought in state or federal court by or on behalf of a Participant or a Beneficiary for the alleged wrongful denial of Plan benefits or for the alleged interference with ERISA-protected rights must be brought within three years of the date the Participant's or Beneficiary's cause of action first accrues. Failure to bring any such cause of action within this three-year time frame shall preclude a Participant or Beneficiary, or any representative of the Participant or Beneficiary, from bringing the claim or cause of action. Correspondence or other communications following the mandatory appeals process described in this Article VII shall have no effect on this three-year time frame.

ARTICLE VIII– Miscellaneous

8.1 ***Nonguarantee of Employment***. Nothing contained in this Plan shall be construed as a contract of employment between an Employer and any Employee, or as a right of any Employee to be continued in the employment of an Employer, or as a limitation of the right of an Employer to discharge any of its Employees, with or without cause.

8.2 ***Nonalienation of Benefits***. Benefits payable under the Plan or the right to receive future benefits under the Plan shall not be 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 benefits payable hereunder,

including any assignment or alienation in connection with a divorce, separation, child support or similar arrangement, shall be null and void and not binding on the Company. The Company shall not in any manner be liable for, or subject to, the debts, contracts, liabilities, engagements or torts of any person entitled to benefits hereunder.

8.3 ***Unfunded Plan***. The Company's obligations under the Plan shall not be funded, but shall constitute liabilities by the Company payable when due out of the Company's general funds. To the extent the Participant or any other person acquires a right to receive benefits under this Plan, such right shall be no greater than the rights of any unsecured general creditor of the Company.

8.4 ***Action by the Company***. Any action by the Company under this Plan may be made by the Board of Directors of the Company or by the Compensation Committee of the Board of Directors, with a report of any actions taken by it to the Board of Directors. In addition, such action may be made by any other person or persons duly authorized by resolution of said Board to take such action.

8.5 ***Indemnification***. Unless the Board of Directors of the Company shall determine otherwise, the Company shall indemnify, to the full extent permitted by law, any employee acting in good faith within the scope of his employment in carrying out the administration of the Plan.

8.6 ***Applicable Law***. All questions pertaining to the construction, validity and effect of the Plan shall be determined in accordance with the provisions of ERISA. In the event ERISA is not applicable or does not preempt state law, the laws of the state of New York shall govern.

If any provision of this Plan is, or is hereafter declared to be, void, voidable, invalid or otherwise unlawful, the remainder of the Plan shall not be affected thereby.

8.7 ***Withholding***. The Employer shall withhold from amounts due under this Plan the 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 withholding provisions of the Code, by an applicable state's income tax, or by an applicable city, county or municipality's earnings or income tax act. The Employer may withhold from the compensation of, or collect from, a Participant the amount necessary to remit on behalf of the Participant any FICA taxes which may be required with respect to amounts accrued by a Participant hereunder as determined by the Employer.

ARTICLE IX – Amendment and Termination

9.1 ***Continuation of the Plan***. While the Company and the Employers intend to continue the Plan indefinitely, they assume no contractual obligation as to its continuance. In accordance with Section 8.4, the Company hereby reserves the right, in its sole discretion, to amend, terminate, or partially terminate the Plan at any time.

9.2 ***Amendments***. The Company may, in its sole discretion, make any amendment or amendments to this Plan from time to time, with or without retroactive effect, at any time before the Participant's Separation from Service. An Employer (other than the Company) shall not have the right to amend the Plan. Any amendments made to the Plan shall be subject to any restrictions on amendment that are applicable to ensure continued compliance under Section 409A.

9.3 ***Termination***. The Company may terminate the Plan and all other plans aggregated with the Plan pursuant to Treas. Reg. §1.409A-1(c), subject to the Section 409A distribution timing provisions and the restrictions on maintaining future deferred compensation arrangements set forth in Treas. Reg. §1.409A-3(h)(2)(viii) (no new nonqualified plan within three years).

The Company also may terminate the Plan and distribute all vested accrued benefits in a lump sum payment within twelve months after a change in control as permitted under Section 409A.

The Company also may terminate the Plan and distribute all vested accrued benefits in a lump sum payment as of the date of the corporate dissolution of the Company in a transaction taxable under Section 331 of the Code or in the event of the bankruptcy of the Company with the approval of the Bankruptcy Court pursuant to 11 U.S.C. §504(b)(1).

In addition, the Company may terminate the Plan and distribute all vested benefits as may otherwise be permitted by the Commissioner of the Internal Revenue Service under Section 409A.

A termination of the Plan must comply with the provisions of Section 409A, including, but not limited to, restrictions on the timing of final distributions and the adoption of future deferred compensation arrangements.

The above restated Plan is hereby adopted and approved, to be effective as of April 1, 2009 (except as otherwise provided), this 23rd day of December, 2009.

THE PEPSI BOTTLING GROUP, INC.

By: /s/ John Berisford
John Berisford, Senior Vice President, Human Resources

APPROVED

/s/ Christine Morace
Law Department

APPENDIX

Foreword

This Appendix sets forth additional provisions applicable to individuals specified in the Articles of this Appendix. In any case where there is a conflict between the Appendix and the main text of the Plan, the Appendix shall govern.

Article IPO – Transferred and Transition Individuals

IPO.1 ***Scope***. This Article supplements the main portion of the Plan document with respect to the rights and benefits of Transferred and Transition Individuals following the spinoff of this Plan from the PepsiCo Prior Plan.

IPO.2 ***Definitions***. This section provides definitions for the following words or phrases in boldface and underlined. Where they appear in this Article with initial capitals they shall have the meaning set forth below. Except as otherwise provided in this Article, all defined terms shall have the meaning given to them in Section 2.1 of the Plan.

(a) **Agreement**. The 1999 Employee Programs Agreement between PepsiCo, Inc. and The Pepsi Bottling Group, Inc.

(b) **Close of the Distribution Date**. This term shall take the definition given it in the Agreement.

(c) **Transferred Individual**. This term shall take the definition given it in the Agreement.

(d) **Transition Individual**. This term shall take the definition given it in the Agreement.

IPO.3 ***Rights of Transferred and Transition Individuals***. All Transferred Individuals who participated in the PepsiCo Prior Plan immediately prior to the Effective Date shall be Participants in this Plan as of the Effective Date. The spinoff of this Plan from the PepsiCo Prior Plan shall not result in a break in the Service or Credited Service of Transferred Individuals or Transition Individuals. Notwithstanding anything in the Plan to the contrary, and as provided in Section 2.04 of the Agreement, all service, all compensation, and all other benefit-affecting determinations for Transferred Individuals that, as of the Close of the Distribution Date, were recognized under the PepsiCo Prior Plan for periods immediately before such date, shall as of the Effective Date continue to receive full recognition, credit and validity and shall be taken into account under this Plan as if such items occurred under this Plan, except to the extent that duplication of benefits would result. Similarly, notwithstanding anything to the contrary in the Plan, the benefits of Transition Individuals shall be determined in accordance with section 8.02 of the Agreement.

Article B – Special Cases

B.1 This Article B of the Appendix supplements the main portion of the Plan document and is effective as of January 28, 2002.

B.2 This Article shall apply to certain highly compensated management individuals who were (i) hired as a Band IV on or about January 28, 2002 and (ii) designated by the Senior Vice President of Human Resources as eligible to receive a supplemental retirement benefit (the "Participant").

B.3 Notwithstanding Article IV of the Plan, the amount of the total PEP Pension under this Plan shall be equal to the excess of (1) the monthly pension benefit which would have been payable to such individual under the Salaried Plan without regard to the Compensation Limitation and the Section 415 Limitation, determined as if such individual's employment commencement date with the Company were September 10, 1990; (2) the sum of (i) the amount of the monthly pension benefit that is in fact payable under the Salaried Plan; and (ii) the monthly amount of such individual's deferred, vested benefit under any qualified or nonqualified defined benefit pension plan maintained by PepsiCo., Inc. or any affiliate of PepsiCo., Inc., Tricom or YUM!, as determined by the administrator using reasonable assumptions to adjust for different commencement dates so that the total benefit of such individual does not exceed the amount described in (1) above.

B.4 In the event of the death of such individual while employed by the Company, the individual's beneficiary shall be entitled to a death benefit as provided in Article V, determined based on the formula for the total benefit described above, and reduced by the survivor benefits payable by the Salaried Plan and the other plans described above. The net amount so determined shall be payable in a Single Lump Sum as prescribed in Article V.

B.5 The Plan Administrator shall, in its sole discretion, adjust any benefit determined pursuant to this Article B to the extend necessary or appropriate to ensure that such individual's benefit in the aggregate does not exceed the Company's intent to ensure overall pension benefits equal to the benefits that would be applicable if such individual had been continuously employed by the Company for the period commencing September 10, 1990 to the date of Separation from Service.

Article C – Transfers From/To PepsiCo, Inc.

C.1 This Article supplements and overrides the main portion of the Plan with respect to Participants who (i) transfer from the Company to PepsiCo, Inc.; and (ii) transfer from PepsiCo, Inc. to the Company.

C.2 Notwithstanding Article IV of the Plan, the PEP Pension of a Participant who (i) transfers from the Company to PepsiCo., Inc. or (ii) transfers to PepsiCo, Inc. from the Company shall be determined as set forth below.

C.3 Transfers to PepsiCo, Inc. The PEP Pension of a Participant who transfers to PepsiCo, Inc. shall be determined as of the date of such transfer in the manner described in Article IV, including the Salaried Plan offset regardless of whether such benefit under the Salaried Plan is transferred to a qualified plan of PepsiCo, Inc. On such Participant's Separation from Service, the PEP Pension so determined shall become payable in accordance with Article VI.

C.4 Transfers from PepsiCo., Inc. The PEP Pension of a Participant who transfers from PepsiCo, Inc. shall be determined as of the date of the Participant's Separation from Service in the manner described in Article IV and shall be reduced by any benefit accrued by the Participant under any qualified or nonqualified plan maintained by PepsiCo, Inc. that is based on credited service included in the determination of the Participant's benefit under this Plan so that the total benefit from all plans does not exceed the benefit the Participant would have received had the Participant been solely employed by the Company. Notwithstanding the preceding, effective for transfers on or after January 1, 2005, in no event shall such benefit be less than the benefit the Participant would have received based solely on the Participant's employment by the Company. The Plan Administrator shall make such adjustments as the Plan Administrator deems appropriate to effectuate the intent of this Section C.4.

AMENDMENT TO THE

PBG PENSION EQUALIZATION PLAN

RESTATEMENT EFFECTIVE APRIL 1, 2009

The PBG Pension Equalization Plan Restatement Effective April 1, 20009 (the "Plan") is hereby amended as set forth below, effective as of the "Effective Time" (as defined in Amendment No. 7 below) and contingent upon the occurrence of the Effective Time.

1. Section 1.1 is amended in its entirety to read as follows:

"1.1 ***History of Plan***. The Pepsi Bottling Group, Inc. ("PBG") established the PBG Pension Equalization Plan ("PEP" or "Plan") effective April 6, 1999 for the benefit of salaried employees of the PBG Organization who participate in the PBG Salaried Employees Retirement Plan ("Salaried Plan"). The Plan was initially established as a successor plan to the PepsiCo Pension Equalization Plan, due to PBG's April 6, 1999 initial public offering, and the Plan included historical PepsiCo provisions which are relevant for eligibility and benefit determinations under the Plan. The Plan provides benefits for eligible employees whose pension benefits under the Salaried Plan are limited by the provisions of the Internal Revenue Code of 1986, as amended. In addition, the Plan provides benefits for certain eligible employees based on the pre-1989 Salaried Plan formula. Effective April 1, 2009, the Plan also provides benefits for employees whose eligible pay under the Salaried Plan is reduced due to the employees' elective deferrals under the PBG Executive Income Deferral Program and for certain executives who would be "Grandfathered Participants" under the Salaried Plan but for their classification as salary band E3-E8 or MP (or its equivalent, for periods on and after the Effective Time). The Plan is intended as a nonqualified unfunded deferred compensation plan for federal income tax purposes. For purposes of the Employee Retirement Income Security Act of 1974 ("ERISA"), the Plan is structured as two plans. The portion of the Plan that provides benefits based on limitations imposed by Section 415 of the Internal Revenue Code (the "Code") is intended to be an "excess benefit plan" as described in Section 4(b)(5) of ERISA. The remainder of 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.

The Plan has been amended from time to time, most recently in the form of an amendment and complete restatement effective as of April 1, 2009 ("2009 Restatement"). PBG now wishes to further amend the Plan as a result of the merger of PBG with and into Pepsi-Cola Metropolitan Bottling Company, Inc., a wholly-owned subsidiary of PepsiCo, Inc. (the "Company"), pursuant to the Agreement and

Plan of Merger dated as of August 3, 2009 among PBG, the Company and Pepsi-Cola Metropolitan Company, Inc., and to facilitate the Company's assumption of PBG's role as the Plan's sponsor.

NOW, THEREFORE, effective as of the Effective Time (as defined in Article II) except as otherwise provided, the PBG Pension Equalization Plan is hereby amended as follows:"

2. The definition of "Company or PBG" in Section 2.1(d) is deleted and replaced with the following:

"(d) **Company**. PepsiCo, Inc., a corporation organized and existing under the laws of the State of North Carolina or its successor or successors. For periods prior to the Effective Time, "Company" means The Pepsi Bottling Group, Inc."

3. The definition of "PBG Organization" in Section 2.1(i) is deleted and replaced with the following:

"(i) **PepsiCo/PBG Organization**. The controlled group of organizations of which the Company is a part, as defined by Section 414 of the Code and the regulations issued thereunder. An entity shall be considered a member of the PepsiCo/PBG Organization only during the period it is one of the group of organizations described in the preceding sentence. The application of this definition for periods prior to the Effective Time shall take into account the different definition of "Company" that applies before the Effective Time."

4. The definition of "Plan Administrator" in Section 2.1(n) is amended to read as follows:

"(n) **Plan Administrator**. The PepsiCo Administration Committee (PAC), which shall have authority to administer the Plan as provided in Article VII."

5. The definition of "Separation from Service" in section 2.1(u) is amended to read as follows:

"(u) **Separation from Service**. A Participant's separation from service as defined in Section 409A."

6. The definition of "Specified Employee" in Section 2.1(w) is amended by adding a new paragraph (4) at the end thereof to read as follows:

"(4) **Identification of Specified Employees On and After the Effective Time**. Notwithstanding the foregoing, for the periods on after the Effective Time, Specified Employees shall be identified as follows:

(i) For the period that begins on the Effective Time and ends on March 31, 2010, Specified Employees shall be identified by combining the lists of Specified Employees of all Employers as in effect immediately prior to the Effective Time. The foregoing method of identifying Specified Employees is intended to comply with Treas. Reg. § 1.409A-1(i)(6)(i), which authorizes the use of an alternative method of identifying Specified Employees that complies with Treas. Reg. §§ 1.409A-1(i)(5) and -1(i)(8) and Section VII.C.4.d of the Preamble to the Final Regulations under Section 409A of the Code, which permits "service recipients to simply combine the pre-transaction separate lists of specified employees where it is determined that such treatment would be administratively less burdensome."

(ii) For periods beginning on or after April 1, 2010, Specified Employees under any plan or arrangement sponsored by an Employer that is subject to Section 409A of the Code shall be identified in accordance with an alternative method of identifying Specified Employees under Treas. Reg. § 1.409A-1(i)(5) adopted on a global basis by the Company for all such plans and arrangements, or if no such alternative method is adopted, in accordance with the default method for identifying Specified Employees under Treas. Reg. § 1.409A-1(i)(1), (2), (3) and (4)."

7. The following new definitions are added to Section 2.1:

"**Effective Time**. The date given to that term in the Agreement and Plan of Merger dated as of August 3, 2009, among The Pepsi Bottling Group, Inc., PepsiCo, Inc., and Pepsi-Cola Metropolitan Bottling Company, Inc."

"**Employee**. A individual who qualifies as an "Employee" as that term is defined in the Salaried Plan."

"**Employer**. An entity that qualifies as an "Employer" as that term is defined in the Salaried Plan."

8. The lead-in paragraph of Section 4.2 is amended in its entirety to read as follows:

"4.2 ***PEP Guarantee***. Subject to the next sentence, a Participant who is eligible under subsection (a) below shall be entitled to a PEP Guarantee benefit determined under subsection (b) below, if any. An individual whose eligibility under the Salaried Plan is restricted by a Home Plan Rules provision (*e.g.*, the restriction in Appendix Article HPR of the Salaried Plan) shall not be eligible to accrue any benefit under this Section 4.2 with respect to a period during which the individual is subject to such restriction."

9. Section 8.3 is amended to read as follows:

"8.3 ***Unfunded Plan.*** Obligations under the Plan shall constitute unfunded liabilities of a Participant's Employer payable when due out of the Employer's general

funds. To the extent a participant or any other person acquires a right to receive benefits under this Plan, such right shall be no greater than the rights of any unsecured general creditor of the Employer."

10. Minor corrections to the Plan necessary to carry forth the above amendments, including re-alphabetizing and renumbering the defined terms in Article II to reflect changes thereto, and corrections to cross-references affected by these amendments, shall be made as necessary after applying the foregoing amendments.

Dated this 19 day of February 2010.

THE PEPSI BOTTLING GROUP, INC.

By: /s/ John Berisford
John Berisford
Title: Senior Vice President, Human Resources

LAW DEPARTMENT APPROVAL:

By: /s/ Christine Morace

Consented to and Approved by:

PEPSICO, INC.

By: /s/ Cynthia M. Trudell
Cynthia M. Trudell
Title: Senior Vice President and Chief Personnel Officer

LAW DEPARTMENT APPROVAL:

By: /s/ Stacy L. DeWalt
PepsiCo, Inc. Law Department

SECOND AMENDMENT TO THE
PBG PENSION EQUALIZATION PLAN

RESTATEMENT EFFECTIVE APRIL 1, 2009

The PBG Pension Equalization Plan ("Plan") was amended and restated in its entirety effective as of April 1, 2009. The Plan was further amended effective February 26, 2010 to, among other things, transfer sponsorship of the Plan to PepsiCo, Inc. ("Company") in connection with the merger of The Pepsi Bottling Group, Inc., with and into Pepsi-Cola Metropolitan Bottling Company, Inc., a wholly-owned subsidiary of the Company.

The Company now wishes to amend the Plan further as a result of the Company's intention to merge the PBG Salaried Employees Retirement Plan with and into the PepsiCo Salaried Employees Retirement Plan.

NOW, THEREFORE, the Plan is hereby amended effective as of the date of the merger of the PBG Salaried Employees Retirement Plan with and into the PepsiCo Salaried Employees Retirement Plan, except as otherwise noted below, as follows:

1. Section 2.1(q) is amended to read in its entirety as follows:

"(q) **Salaried Plan.** The PepsiCo Salaried Employees Retirement Plan; as it may be amended from time to time; provided that a Participant's benefit under this Plan shall be determined solely by reference to the PBG Plan Merger Appendix to such plan as if such Appendix were a separate plan."

2. Article C of the Appendix to the Plan is amended, effective as of February 26, 2010, to add the following introductory paragraph:

"The provisions of this Article C shall only apply to transfers that occur before February 26, 2010 and shall not apply to any transfer to PepsiCo, Inc. or from PepsiCo, Inc. that occurs on or after such date."

[The remainder of this page is intentionally left blank. Signature page follows.]

IN WITNESS WHEREOF, PepsiCo, Inc. hereby adopts the foregoing Second Amendment this 14th day of June, 2010.

PEPSICO, INC.

By: /s/ Cynthia M. Trudell
Cynthia M. Trudell
Senior Vice President and Chief Personnel Officer

APPROVED:

By: /s/ Stacy L. DeWalt
Stacy L. DeWalt, Employee Benefits
Attorney, Law Department
Date: May 26, 2010

THIRD AMENDMENT TO THE
PBG PENSION EQUALIZATION PLAN

RESTATEMENT EFFECTIVE APRIL 1, 2009

The PBG Pension Equalization Plan ("Plan") was amended and restated in its entirety effective as of April 1, 2009. The Plan was further amended effective February 26, 2010 to, among other things, transfer sponsorship of the Plan to PepsiCo, Inc. ("Company") in connection with the merger of The Pepsi Bottling Group, Inc., with and into Pepsi-Cola Metropolitan Bottling Company, Inc., a wholly-owned subsidiary of the Company; and effective June 14, 2010, to revise the Plan's definition of "Salaried Plan" to reflect the merger of the PBG Salaried Employees Retirement Plan with and into the PepsiCo Salaried Employees Retirement Plan.

The Company now wishes to amend the Plan further to reflect changes in the Salaried Plan and to revise the statute of limitations provision, and add venue provisions.

NOW, THEREFORE, the Plan is hereby amended effective as of January 1, 2011, as follows:

1. Section 3.1 is amended to read in its entirety as follows:

"3.1 Each Salaried Plan Participant whose benefit under the Salaried Plan is curtailed by the Compensation Limitation or the Section 415 Limitation, or both, and each other Salaried Plan Participant (i) who is a Grandfathered Employee as defined in Section 3.7 of the Salaried Plan and who made elective deferrals to the EID on or after April 1, 2009 and before January 1, 2011 (inclusively); (ii) who would have been considered a Grandfathered Participant as defined in Section 3.7 of the Salaried Plan during the period April 1, 2009 through December 31, 2010 if the Participant had not been classified by the Employer as salary band E3-E8 or MP on March 31, 2009; or (iii) whose 1988 pensionable "earnings" under the Salaried Plan, as described in Section 4.2(a), were $75,000 or more, shall participate in this Plan."

2. Section 4.1 is amended to read in its entirety as follows:

"4.1 ***PEP Pension***. Subject to Sections 4.5 and 8.8, a Participant's PEP Pension shall equal the amount determined under (a) or (b) of this Section 4.1, whichever is applicable. Such amount shall be determined as of the date of the Participant's Separation from Service.

(a) **Same Form as Salaried Plan**. If a Participant's PEP Pension will be paid in the same form and will commence as of the same time as his pension under the Salaried Plan, then his monthly PEP Pension shall be equal to the excess of:

(1) The greater of:

(i) the monthly pension benefit which would have been payable to such Participant under the Salaried Plan without regard to (I) the Compensation Limitation; (II) the Section 415 Limitation; (III) the exclusion from Earnings of amounts deferred at the election of the Participant under the EID on or after April 1, 2009 and before January 1, 2011; and (IV) the April 1, 2009 through December 31, 2010 exclusion from the Salaried Plan definition of a Grandfathered Participant of a Participant who, as of March 31, 2009, was classified as salary band E3-E8 or MP and had attained age 50 and completed five years of Service or whose sum of his age and years of Service was at least 65; and

(ii) if applicable, the amount determined in accordance with Section 4.2, expressed in such form and payable as of such time; over

(2) The amount of the monthly pension benefit that is in fact payable to such Salaried Plan Participant under the Salaried Plan, expressed in such form and payable as of such time.

The amount of the monthly pension benefit so determined, less the portion of such benefit that is the Participant's Grandfathered Benefit, shall be payable as provided in Section 6.2.

(b) **Different Form than Salaried Plan**. If a Participant's PEP Pension will be paid in a different form (whether in whole or in part) or will commence as of a different time than his pension benefit under the Salaried Plan, his PEP Pension shall be the product of:

(1) The greater of:

(i) the monthly pension benefit which would have been payable to such Participant under the Salaried Plan without regard to (I) the Compensation Limitation; (II) the Section 415 Limitation; (III) the exclusion from Earnings of amounts deferred at the election of the Participant under the EID on or after April 1, 2009 and before January 1, 2011; and (IV) the March 31, 2009 through December 31, 2010 exclusion from the Salaried Plan definition of a Grandfathered Participant of a Participant who, as of such date, was classified as salary band E3-E8 or MP and had attained age 50 and completed five years of Service or whose sum of his age and years of Service was at least 65; and

(ii) if applicable, the amount determined in accordance with Section 4.2, expressed in the form and payable as of such time as applies to his PEP Pension under this Plan, multiplied by

(2) A fraction, the numerator of which is the value of the amount determined in Section 4.1(b)(1), reduced by the value of his pension under the Salaried Plan, and the denominator of which is the value of the amount determined in Section 4.1(b)(1) (with value determined on a reasonable and consistent basis, in the discretion of the Plan Administrator, with respect to similarly situated employees).

The amount of the monthly pension benefit so determined, less the portion of such benefit that is the Participant's Grandfathered Benefit, shall be payable as provided in Section 6.2.

Notwithstanding the above, in the event any portion of the accrued benefit of a Participant under this Plan or the Salaried Plan is awarded to an alternate payee pursuant to a qualified domestic relations order, as such terms are defined in Section 414(p) of the Code, the Participant's total PEP Pension shall be adjusted, as the Plan Administrator shall determine, so that the combined benefit payable to the Participant and the alternate payee from this Plan and the Salaried Plan is the amount determined pursuant to subsections 4.1(a) and (b) above, as applicable."

3. The first paragraph of Section 4.2 is amended to read in its entirety as follows:

"4.2 ***PEP Guarantee.*** Subject to Section 8.8, a Participant who is eligible under subsection (a) below shall be entitled to a PEP Guarantee benefit determined under subsection (b) below, if any."

4. Section 4.2(b)(2)(iv) is amended to read in its entirety as follows:

"(iv) April 1, 2009 Salaried Plan Changes.

(A) The amount of the PEP Guarantee determined under this section for a Participant who, as of March 31, 2009, was classified as salary band E3-E8 or MP and who had attained age 50 and completed five years of Service or (inclusively) whose sum of his age and years of Service was at least 65 shall be determined as if such Participant were a Grandfathered Participant in the Salaried Plan on April 1, 2009 (so that Earnings and Credited Service were not frozen as of March 31, 2009 for the period April 1, 2009 through December 31, 2010).

(B) Highest Average Monthly Earnings shall be determined without regard to the exclusion from Earnings under the Salaried Plan of

amounts deferred at the election of the Participant under the EID on or after April 1, 2009 and before January 1, 2011."

5. The first paragraph of Section 4.5 is amended to read in its entirety as follows:

"4.5 ***Vesting; Misconduct.*** Subject to Section 8.8, a Participant shall be fully vested in his Accrued Benefit at the time he becomes fully vested in his accrued benefit under the Salaried Plan. Notwithstanding the preceding, or any other provision of the Plan to the contrary, a Participant shall forfeit his or her entire PEP Pension if the Plan Administrator determines that such Participant has engaged in "Misconduct" as defined below, determined without regard to whether the Misconduct occurred before or after the Participant's Severance from Service. The Plan Administrator may, in its sole discretion, require the Participant to pay to the Employer any PEP Pension paid to the Participant within the twelve month period immediately preceding a date on which the Participant has engaged in such Misconduct, as determined by the Plan Administrator."

6. Section 7.5 is amended to read in its entirety as follows:

"7.5 ***Limitations on Actions***. Effective for claims and actions filed on or after January 1, 2011, any claim filed under Article VII and any action filed in state or federal court by or on behalf of a former or current Employee, Participant, beneficiary or any other individual, person or entity (collectively, a "Petitioner") for the alleged wrongful denial of Plan benefits or for the alleged interference with or violation of ERISA-protected rights must be brought within two years of the date the Petitioner's cause of action first accrues. For purposes of this subsection, a cause of action with respect to a Petitioner's benefits under the Plan shall be deemed to accrue not later than the earliest of (i) when the Petitioner has received the calculation of the benefits that are the subject of the claim or legal action (ii) the date identified to the Petitioner by the Plan Administrator on which payments shall commence, or (iii) when the Petitioner has actual or constructive knowledge of the facts that are the basis of his claim. For purposes of this subsection, a cause of action with respect to the alleged interference with ERISA-protected rights shall be deemed to accrue when the claimant has actual or constructive knowledge of the acts that are alleged to interfere with ERISA-protected rights. Failure to bring any such claim or cause of action within this two-year time frame shall preclude a Petitioner, or any representative of the Petitioner, from filing the claim or cause of action. Correspondence or other communications following the mandatory appeals process described in Section 7.3 shall have no effect on this two-year time frame."

7. A new Section 7.6 is added to the Plan, to read in its entirety as follows:

"7.6 ***Restriction on Venue***. Any claim or action filed in court or any other tribunal in connection with the Plan by or on behalf of a Petitioner (as defined in Section 7.5 above) shall only be brought or filed in the United States

District Court for the Southern District of New York, effective for claims or actions filed on or after January 1, 2011."

8. A new Section 8.8 is added to the Plan, to read as follows:

"8.8 Section 457A. To avoid the application of Code section 457A ("Section 457A") to a Participant's PEP Pension, the following shall apply to a Participant who transfers to a work location outside of the United States to provide services to a member of the PepsiCo Organization that is neither a United States corporation nor a pass-through entity that is wholly owned by a United States corporation ("Covered Transfer"):

(a) The Participant shall automatically vest in his or her PEP Pension as of the last business day before the Covered Transfer;

(b) From and after the Covered Transfer, any benefit accruals or other increases or enhancements to the Participant's Pension relating to –

(1) Service (as defined in the Salaried Plan), or

(2) The attainment of a specified age while in the employment of the PepsiCo Organization ("Age Attainment"),

(collectively, "Benefit Enhancement") will not be credited to the Participant until the last day of the Plan Year in which the Participant renders the Service or has the Age Attainment that results in such Benefit Enhancement, and then only to the extent permissible under subsection (c) below at that time; and

(c) The Participant shall have no legal right to (and the Participant shall not receive) any Benefit Enhancement that relates to Service or Age Attainment from and after the Covered Transfer to the extent such Benefit Enhancement would constitute compensation that is includable in income under Section 457A.

Notwithstanding the foregoing, subsections (a) and (b) above shall not apply to a Participant who has a Covered Transfer if, prior to the Covered Transfer, the Company provides a written communication (either to the Participant individually, to a group of similar Participants, to Participants generally, or in any other way that causes the communication to apply to the Participant – *i.e.*, an "Applicable Communication") that these subsections do not apply to the Covered Transfer in question. Subsection (b) shall cease to apply as of the earlier of – (i) the date the Participant returns to service for a member of the PepsiCo Organization that is a United States corporation or a pass-through entity that is wholly owned by a United States corporation, or (ii) the effective date for such cessation that is stated in an Applicable Communication."

IN WITNESS WHEREOF, PepsiCo, Inc. hereby adopts the foregoing Third Amendment this 16th day of December, 2010.

PEPSICO, INC.

By: /s/ Cynthia M. Trudell
Cynthia M. Trudell
Senior Vice President, Human Resources
Chief Personnel Officer

APPROVED:

By: /s/ Stacy L. DeWalt
Stacy L. DeWalt
Employee Benefits Counsel
Law Department

Date: November 30, 2010

PBG

PENSION EQUALIZATION PLAN

(PEP)

Effective as of April 6, 1999

PEP PENSION EQUALIZATION PLAN

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ARTICLE I – Foreword

The PEP Pension Equalization Plan ("PEP" or "Plan") has been established by PBG for the benefit of salaried employees of the PBG Organization who participate in the PBG Salaried Employees Retirement Plan ("Salaried Plan"). PEP provides benefits for eligible employees whose pension benefits under the Salaried Plan are limited by the provisions of the Internal Revenue Code of 1986, as amended. In addition, PEP provides benefits for certain eligible employees based on the pre-1989 Salaried Plan formula.

This Plan is first effective April 6, 1999. The Plan is a successor plan to the PepsiCo Pension Equalization Plan, which was last restated effective as of January 1, 1989. The PepsiCo Pension Equalization Plan covers eligible employees at the various divisions of PepsiCo, Inc., including eligible employees who are employed at various Pepsi-Cola Company facilities. On April 6, 1999, when this Plan became effective, PBG had its initial public offering. PBG employs many of the individuals employed at Pepsi-Cola Company facilities who were covered under the PepsiCo Pension Equalization Plan. This initial Plan document closely mirrors the PepsiCo Pension Equalization Plan document, including its historical provisions which are relevant for eligibility and benefit determinations under this Plan.

ARTICLE II – Definitions and Construction

2.1 ***Definitions***: This section provides definitions for certain words and phrases listed below. These definitions can be found on the pages indicated.

Where the following words and phrases, in boldface and underlined, appear in this Plan with initial capitals they shall have the meaning set forth below, unless a different meaning is plainly required by the context.

(a) **Accrued Benefit**: The Pension payable at Normal Retirement Date determined in accordance with Article V, based on the Participant's Highest Average Monthly Earnings and Credited Service at the date of determination.

(b) **Actuarial Equivalent**: Except as otherwise specifically set forth in the Plan or any Appendix to the Plan with respect to a specific benefit determination, a benefit of equivalent value computed on the basis of the factors set forth below. The application of the following assumptions to the computation of benefits payable under the Plan shall be done in a uniform and consistent manner. In the event the Plan is amended to provide new rights, features or benefits, the following actuarial factors shall not apply to these new elements unless specifically adopted by the amendment.

(1) Annuities and Inflation Protection: To determine the amount of a Pension payable in the form of a Qualified Joint and Survivor Annuity or optional form of survivor annuity, or as an annuity with inflation protection, the factors applicable for such purposes under the Salaried Plan shall apply.

(2) Lump Sums: To determine the lump sum value of a Pension, or a Pre-Retirement Spouse's Pension under Section 4.6, the factors applicable for such purposes under the Salaried Plan shall apply, except that when the term "PBGC Rate" is used in the Salaried Plan in this context it shall mean "PBGC Rate" as defined in this Plan.

(3) Other Cases: To determine the adjustment to be made in the Pension payable to or on behalf of a Participant in other cases, the factors are those applicable for such purpose under the Salaried Plan.

(c) **Advance Election**: A Participant's election to receive his PEP Retirement Pension as a Single Lump Sum or an Annuity, made in compliance with the requirements of Section 6.3.

(d) **Annuity**: A Pension payable as a series of monthly payments for at least the life of the Participant.

(e) **Annuity Starting Date**: The Annuity Starting Date shall be the first day of the first period for which an amount is payable under this Plan as an annuity or in any other form. A Participant who: (1) is reemployed after his initial Annuity Starting Date, and (2) is entitled to benefits hereunder after his reemployment, shall have a subsequent Annuity Starting Date for such benefits only to the extent provided in Section 6.3(d).

(f) **Authorized Leave of Absence**: Any absence authorized by an Employer under the Employer's standard personnel practices, whether paid or unpaid.

(g) **Code**: The Internal Revenue Code of 1986, as amended from time to time.

(h) **Company or PBG**: The Pepsi Bottling Group, Inc., a corporation organized and existing under the laws of the State of New York, or its successor or successors. For periods before April 6, 1999, the Company was PepsiCo, Inc., a North Carolina corporation.

(i) **Covered Compensation**: "Covered Compensation" as that term is defined in the Salaried Plan.

(j) **Credited Service**: The period of a Participant's employment, calculated in accordance with Section 3.3, which is counted for purposes of determining the amount of benefits payable to, or on behalf of, the Participant.

(k) **Disability Retirement Pension**: The Retirement Pension available to a Participant under Section 4.5.

(l) **Early Retirement Pension**: The Retirement Pension available to a Participant under Section 4.2.

(m) **Effective Date**: The date upon which this Plan is effective, which is April 6, 1999 (except as otherwise provided herein).

(n) **Eligible Spouse**: The spouse of a Participant to whom the Participant is married on the earlier of the Participant's Annuity Starting Date or the date of the Participant's death.

(o) **Employee**: An individual who qualifies as an "Employee" as that term is defined in the Salaried Plan.

(p) **Employer**: An entity that qualifies as an "Employer" as that term is defined in the Salaried Plan.

(q) **ERISA**: Public Law No. 93-406, the Employee Retirement Income Security Act of 1974, as amended from time to time.

(r) **Highest Average Monthly Earnings**: "Highest Average Monthly Earnings" as that term is defined in the Salaried Plan, but without regard to the limitation imposed by section 401(a)(17) of the Code (as such limitation is interpreted and applied under the Salaried Plan).

(s) **Late Retirement Date**: The Late Retirement Date shall be the first day of the month coincident with or immediately following a Participant's actual Retirement Date occurring after his Normal Retirement Age.

(t) **Late Retirement Pension**: The Retirement Pension available to a Participant under Section 4.4.

(u) **Normal Retirement Age**: The Normal Retirement Age under the Plan is age 65 or, if later, the age at which a Participant first has 5 Years of Service.

(v) **Normal Retirement Date**: A Participant's Normal Retirement Date shall be the first day of the month coincident with or immediately following a Participant's Normal Retirement Age.

(w) **Normal Retirement Pension**: The Retirement Pension available to a Participant under Section 4.1.

(x) **Participant**: An Employee participating in the Plan in accordance with the provisions of Section 3.1.

(y) **PBG Organization**: The controlled group of organizations of which the Company is a part, as defined by Code section 414 and regulations issued thereunder. An entity

shall be considered a member of the PBG Organization only during the period it is one of the group of organizations described in the preceding sentence.

(z) **PBGC**: The Pension Benefit Guaranty Corporation, a body corporate within the Department of Labor established under the provisions of Title IV of ERISA.

(aa) **PBGC Rate**: The PBGC Rate is 120 percent of the interest rate, determined on the Participant's Annuity Starting Date, that would be used by the PBGC for purposes of determining the present value of a lump sum distribution on plan termination.

(bb) **Pension**: One or more payments that are payable to a person who is entitled to receive benefits under the Plan.

(cc) **PEP Election**: A Participant's election to receive his PEP Retirement Pension in one of the Annuity forms available under Section 6.2, made in compliance with the requirements of Sections 6.3 and 6.4.

(dd) **PepsiCo Prior Plan**: The PepsiCo Pension Equalization Plan.

(ee) **Plan**: The PBG Pension Equalization Plan, the Plan set forth herein, as it may be amended from time to time. The Plan is also sometimes referred to as PEP. For periods before April 6, 1999, references to the Plan refer to the PepsiCo Prior Plan.

(ff) **Plan Administrator**: The Company, which shall have authority to administer the Plan as provided in Article VII.

(gg) **Plan Year**: The initial Plan Year shall be a short Plan Year beginning on the Effective Date and ending on December 31, 1999. Thereafter, the Plan Year shall be the 12-month period commencing on January 1 and ending on the next December 31.

(hh) **Pre-Retirement Spouse's Pension**: The Pension available to an Eligible Spouse under Section 4.6.

(ii) **Primary Social Security Amount**: In determining Pension amounts, Primary Social Security Amount shall mean:

(1) For purposes of determining the amount of a Retirement, Vested or Pre-Retirement Spouse's Pension, the Primary Social Security Amount shall be the estimated monthly amount that may be payable to a Participant commencing at age 65 as an old-age insurance benefit under the provisions of Title II of the Social Security Act, as amended. Such estimates of the old-age insurance benefit to which a Participant would be entitled at age 65 shall be based upon the following assumptions:

(i) That the Participant's social security wages in any year prior to Retirement or severance are equal to the Taxable Wage Base in such year, and

(ii) That he will not receive any social security wages after Retirement or severance.

However, in computing a Vested Pension under Formula A of Section 5.2, the estimate of the old-age insurance benefit to which a Participant would be entitled at age 65 shall be based upon the assumption that he continued to receive social security wages until age 65 at the same rate as the Taxable Wage Base in effect at his severance from employment. For purposes of this subsection, "social security wages" shall mean wages within the meaning of the Social Security Act.

(2) For purposes of determining the amount of a Disability Pension, the Primary Social Security Amount shall be (except as provided in the next sentence) the initial monthly amount actually received by the disabled Participant as a disability insurance benefit under the provisions of Title II of the Social Security Act, as amended and in effect at the time of the Participant's retirement due to disability. Notwithstanding the preceding sentence, for any period that a Participant receives a Disability Pension before receiving a disability insurance benefit under the provisions of Title II of the Social Security Act, then the Participant's Primary Social Security Amount for such period shall be determined pursuant to paragraph (1) above.

(3) For purposes of paragraphs (1) and (2), the Primary Social Security Amount shall exclude amounts that may be available because of the spouse or any dependent of the Participant or any amounts payable on account of the Participant's death. Estimates of Primary Social Security Amounts shall be made on the basis of the Social Security Act as in effect at the Participant's Severance from Service Date, without regard to any increases in the social security wage base or benefit levels provided by such Act which take effect thereafter.

(jj) **Qualified Joint and Survivor Annuity**: An Annuity which is payable to the Participant for life with 50 percent of the amount of such Annuity payable after the Participant's death to his surviving Eligible Spouse for life. If the Eligible Spouse predeceases the Participant, no survivor benefit under a Qualified Joint and Survivor Annuity shall be payable to any person. The amount of a Participant's monthly payment under a Qualified Joint and Survivor Annuity shall be reduced to the extent provided in sections 5.1 and 5.2, as applicable.

(kk) **Retirement**: Termination of employment for reasons other than death after a Participant has fulfilled the requirements for either a Normal, Early, Late, or Disability Retirement Pension under Article IV.

(ll) **Retirement Date**: The date on which a Participant's Retirement is considered to commence. Retirement shall be considered to commence on the day immediately following: (i) a Participant's last day of employment, or (ii) the last day of an Authorized Leave of Absence, if later. Notwithstanding the preceding sentence, in the case of a Disability Retirement Pension, Retirement shall be considered as commencing on the Participant's retirement date applicable for such purpose under the Salaried Plan.

(mm) **Retirement Pension**: The Pension payable to a Participant upon Retirement under the Plan.

(nn) **Salaried Plan**: The PBG Salaried Employees Retirement Plan, as it may be amended from time to time. Any references herein to the Salaried Plan for a period that is before the Effective Date shall mean the PepsiCo Salaried Employees Retirement Plan.

(oo) **Service**: The period of a Participant's employment calculated in accordance with Section 3.2 for purposes of determining his entitlement to benefits under the Plan.

(pp) **Severance from Service Date**: The date on which an Employee's period of service is deemed to end, determined in accordance with Article III of the Salaried Plan.

(qq) **Single Life Annuity**: A level monthly Annuity payable to a Participant for his life only, with no survivor benefits to his Eligible Spouse or any other person.

(rr) **Single Lump Sum**: The distribution of a Participant's total Pension in the form of a single payment.

(ss) **Social Security Act**: The Social Security Act of the United States, as amended, an enactment providing governmental benefits in connection with events such as old age, death and disability. Any reference herein to the Social Security Act (or any of the benefits provided thereunder) shall be taken as a reference to any comparable governmental program of another country, as determined by the Plan Administrator, but only to the extent the Plan Administrator judges the computation of those benefits to be administratively feasible.

(tt) **Taxable Wage Base**: The contribution and benefit base (as determined under section 230 of the Social Security Act) in effect for the Plan Year.

(uu) **Vested Pension**: The Pension available to a Participant under Section 4.3.

2.2 ***Construction***: The terms of the Plan shall be construed in accordance with this section.

(a) **Gender and Number**: The masculine gender, where appearing in the Plan, shall be deemed to include the feminine gender, and the singular may include the plural, unless the context clearly indicates to the contrary.

(b) **Compounds of the Word "Here"**: The words "hereof", "hereunder" and other similar compounds of the word "here" shall mean and refer to the entire Plan, not to any particular provision or section.

(c) **Examples**: 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 passages 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 limits on its breadth of application).

(d) **Subdivisions of the Plan Document**: This Plan document is divided and subdivided using the following progression: articles, sections, subsections, paragraphs, subparagraphs, and clauses. Articles are designated by capital roman numerals. Sections are designated by Arabic numerals containing a decimal point. Subsections are designated by lower-case letters in parentheses. Paragraphs are designated by Arabic numerals in parentheses. Subparagraphs are designated by lower-case roman numerals in parentheses. Clauses are designated by upper-case letters in parentheses. Any reference in a section to a subsection (with no accompanying section reference) shall be read as a reference to the subsection with the specified designation contained in that same section. A similar rule shall apply with respect to paragraph references within a subsection and subparagraph references within a paragraph.

ARTICLE III – Participation and Service

3.1 ***Participation***: An Employee shall be a Participant in the Plan during the period:

(a) When he would be currently entitled to receive a Pension under the Plan if his employment terminated at such time, or

(b) When he would be so entitled but for the vesting requirement of Section 4.7.

3.2 ***Service***. A Participant's entitlement to a Pension and to a Pre-Retirement Spouse's Pension for his Eligible Spouse shall be determined under Article IV based upon his period of Service. A Participant's period of Service shall be determined under Article III of the Salaried Plan.

3.3 ***Credited Service***. The amount of a Participant's Pension and a Pre-Retirement Spouse's Pension shall be based upon the Participant's period of Credited Service, as determined under Article III of the Salaried Plan.

ARTICLE IV – Requirements for Benefits

A Participant shall be entitled to receive a Pension and a surviving Eligible Spouse shall be entitled to certain survivor benefits as provided in this Article. The amount of any such Pension or survivor benefit shall be determined in accordance with Article V.

4.1 ***Normal Retirement Pension***: A Participant shall be eligible for a Normal Retirement Pension if he meets the requirements for a Normal Retirement Pension in Section 4.1 of the Salaried Plan.

4.2 ***Early Retirement Pension***: A Participant shall be eligible for an Early Retirement Pension if he meets the requirements for an Early Retirement Pension in Section 4.2 of the Salaried Plan.

4.3 ***Vested Pension***: A Participant who is vested under Section 4.7 shall be eligible to receive a Vested Pension if his employment in an eligible classification under the Salaried Plan is terminated before he is eligible for a Normal Retirement Pension or an Early Retirement Pension. A Participant who terminates employment prior to satisfying the vesting requirement in Section 4.7 shall not be eligible to receive a Pension under this Plan.

4.4 ***Late Retirement Pension***: A Participant who continues employment after his Normal Retirement Age shall not receive a Pension until his Late Retirement Date. Thereafter, a Participant shall be eligible for a Late Retirement Pension determined in accordance with Section 4.4 of the Salaried Plan (but without regard to any requirement for notice of suspension under ERISA section 203(a)(3)(B) or any adjustment as under Section 5.5(d) of the Salaried Plan).

4.5 ***Disability Pension***: A Participant shall be eligible for a Disability Pension if he meets the requirements for a Disability Pension under the Salaried Plan.

4.6 ***Pre-Retirement Spouse's Pension***. Any Pre-Retirement Spouse's Pension payable under this section shall commence as of the same time as the corresponding pre-retirement spouse's pension under the Salaried Plan and, subject to Section 4.9, shall continue monthly for the life of the Eligible Spouse.

(a) **Active, Disabled and Retired Employees**: A Pre-Retirement Spouse's Pension shall be payable under this subsection to a Participant's Eligible Spouse (if any) who is entitled under the Salaried Plan to the special pre-retirement spouse's pension for survivors of active, disabled and retired employees. The amount of such Pension shall be determined in accordance with the provisions of Section 5.3.

(b) **Vested Employees**: A Pre-Retirement Spouse's Pension shall be payable under this subsection to a Participant's Eligible Spouse (if any) who is entitled under the Salaried Plan to the pre-retirement spouse's pension for survivors of vested terminated Employees. The amount of such Pension shall be determined in accordance with the provisions of Section 5.3. If pursuant to this Section 4.6(b) a Participant has Pre-Retirement Spouse's coverage in effect for his Eligible Spouse, any Pension calculated for the Participant under Section 5.2(b) shall be reduced for each year such coverage is in effect by the applicable percentage set forth below (based on the Participant's age at the time the coverage is in effect) with a pro rata reduction for any portion of a year. No reduction shall be made for coverage in effect within the 90-day period following a Participant's termination of employment.

Attained Age	Annual Charge
Up to 35	0%
35 – 39	.075%
40 – 44	.1%
45 – 49	.175%
50 – 54	.3%
55 – 59	.5%
60 – 64	.5%

4.7 ***Vesting***. A Participant shall be fully vested in, and have a nonforfeitable right to, his Accrued Benefit at the time he becomes fully vested in his accrued benefit under the Salaried Plan.

4.8 ***Time of Payment***. The distribution of a PEP Pension to a Participant shall commence as of the time specified in Section 6.1.

4.9 ***Cashout Distributions***.

(a) **Distribution of Participant's Pension**: If at a Participant's Annuity Starting Date the Actuarial Equivalent lump sum value of the Participant's PEP Pension is equal to or less than $10,000, the Plan Administrator shall distribute to the Participant such lump sum value of the Participant's PEP Pension.

(b) **Distribution of Pre-Retirement Spouse's Pension Benefit**: If at the time payments under the Salaried Plan commence to an Eligible Spouse the Actuarial Equivalent lump sum value of the PEP Pre-Retirement Spouse's Pension to be paid is equal to or less than $10,000, the Plan Administrator shall distribute to the Eligible Spouse such lump sum value of the PEP Pre-Retirement Spouse's Pension.

Any lump sum distributed under this section shall be in lieu of the Pension that otherwise would be distributable to the Participant or Eligible Spouse hereunder.

4.10 ***Coordination with Long Term Disability Plan***. The terms of this section apply notwithstanding the preceding provisions of this Article. At any time prior to April 14, 1991, a Participant shall not be eligible to receive a Normal, Early, Vested or Disability Pension for any month or period of time for which he is eligible for, and receiving, benefits under a long term

disability plan maintained by an Employer. However, a Participant's Eligible Spouse shall not be ineligible for a Pre-Retirement Spouse's Pension or benefits under a Qualified Joint and Survivor Annuity because the Participant was receiving benefits under a long term disability plan at the date of his death.

4.11 ***Reemployment of Certain Participants***. In the case of a current or former Participant who is reemployed and is eligible to reparticipate in the Salaried Plan after his Annuity Starting Date, payment of his Pension will be suspended if payment of his Salaried Plan pension is suspended (or would have been if it were already in pay status). Thereafter, his Pension shall recommence at the time determined under Section 6.1 (even if the suspension of his Salaried Plan pension ceases earlier).

ARTICLE V – Amount of Retirement Pension

When a Pension becomes payable to or on behalf of a Participant under this Plan, the amount of such Pension shall be determined under Section 5.1, 5.2 or 5.3 (whichever is applicable), subject to any adjustments required under Sections 4.6(b), 5.4 and 5.5.

5.1 ***PEP Pension***:

(a) **Same Form as Salaried Plan:** If a Participant's Pension will be paid in the same form and will commence as of the same time as his pension under the Salaried Plan, then his Pension hereunder shall be the difference between:

(1) His Total Pension expressed in such form and payable as of such time, minus

(2) His Salaried Plan Pension expressed in such form and payable as of such time.

(b) **Different Form than Salaried Plan**: If a Participant's Pension will be paid in a different form (whether in whole or in part) or will commence as of a different time than his pension under the Salaried Plan, his Pension shall be the product of:

(1) The amount of the Participant's Total Pension expressed in the form and payable as of such time as applies to his Pension under this Plan, multiplied by

(2) A fraction, the numerator of which is the value of his Total Pension reduced by the value of his Salaried Plan Pension, and the denominator of which is the value of his Total Pension (with value determined on a reasonable and consistent basis, in the discretion of the Plan Administrator, with respect to similarly situated employees).

(c) **Definitions**: The following definitions apply for purposes of this section.

(3) A Participant's "Total Pension" means the greater of:

(i) The amount of the Participant's pension determined under the terms of the Salaried Plan, but without regard to: (A) the limitations imposed by sections 401(a)(17) and 415 of the Code (as such limitations are interpreted and applied under the Salaried Plan), and (B) the actuarial adjustment under Section 5.5(d) of the Salaried Plan; or

(ii) The amount (if any) of the Participant's PEP Guarantee determined under Section 5.2.

In making this comparison, the benefits in subparagraphs (i) and (ii) above shall be calculated with reference to the specific form and time of payment that is applicable. If the applicable form of payment is a lump sum, the Actuarial Equivalent factors in Section 2.1(b)(2) shall apply for purposes of subparagraph (i) in lieu of those in the Salaried Plan.

(4) A Participant's "Salaried Plan Pension" means the amount of the Participant's pension determined under the terms of the Salaried Plan.

5.2 ***PEP Guarantee***: A Participant who is eligible under subsection (a) below shall be entitled to a PEP Guarantee benefit determined under subsection (b) below. In the case of other Participants, the PEP Guarantee shall not apply.

(a) **Eligibility**: A Participant shall be covered by this section if the Participant has 1988 pensionable earnings from an Employer of at least $75,000. For purposes of this section, "1988 pensionable earnings" means the Participant's remuneration for the 1988 calendar year that was recognized for benefits received under the Salaried Plan as in effect in 1988. "1988

pensionable earnings" does not include remuneration from an entity attributable to any period when that entity was not an Employer.

(b) **PEP Guarantee Formula**: The amount of a Participant's PEP Guarantee shall be determined under the applicable formula in paragraph (1), subject to the special rules in paragraph (2).

(1) Formulas: The amount of a Participant's Pension under this paragraph shall be determined in accordance with subparagraph (i) below. However, if the Participant was actively employed in a classification eligible for the Salaried Plan prior to July 1, 1975, the amount of his Pension under this paragraph shall be the greater of the amounts determined under subparagraphs (i) and (ii), provided that subparagraph (ii)(B) shall not apply in determining the amount of a Vested Pension.

(i) Formula A: The Pension amount under this subparagraph shall be:

(A) 3 percent of the Participant's Highest Average Monthly Earnings for the first 10 years of Credited Service, plus

(B) 1 percent of the Participant's Highest Average Monthly Earnings for each year of Credited Service in excess of 10 years, less

(C) 1-2/3 percent of the Participant's Primary Social Security Amount multiplied by years of Credited Service not in excess of 30 years.

In determining the amount of a Vested Pension under this Formula A, the Pension shall first be calculated on the basis of (I) the Credited Service the Participant would have earned had he remained in the employ of the Employer until his Normal Retirement Age, and (II) his Highest Average Monthly Earnings and Primary Social Security Amount at his Severance from Service Date, and then shall be reduced by multiplying the resulting amount by a fraction, the numerator of which is the Participant's actual years of Credited Service on his Severance from Service Date and the denominator of which is the years of Credited Service he would have earned had he remained in the employ of an Employer until his Normal Retirement Age.

(ii) Formula B: The Pension amount under this subparagraph shall be the greater of (A) or (B) below:

(A) 1-1/2 percent of Highest Average Monthly Earnings times the number of years of Credited Service, less 50 percent of the Participant's Primary Social Security Amount, or

(B) 3 percent of Highest Average Monthly Earnings times the number of years of Credited Service up to 15 years, less 50 percent of the Participant's Primary Social Security Amount.

In determining the amount of a Disability Pension under Formula A or B above, the Pension shall be calculated on the basis of the Participant's Credited Service (determined in accordance with Section 3.3(d)(3) of the Salaried Plan), and his

Highest Average Monthly Earnings and Primary Social Security Amount at the date of disability.

(2) Calculation: The amount of the PEP Guarantee shall be determined pursuant to paragraph (1) above, subject to the following special rules:

(i) Surviving Eligible Spouse's Annuity: Subject to subparagraph (iii) below and the last sentence of this subparagraph, if the Participant has an Eligible Spouse and has commenced receipt of an Annuity under this section, the Participant's Eligible Spouse shall be entitled to receive a survivor annuity equal to 50 percent of the Participant's Annuity under this section, with no corresponding reduction in such Annuity for the Participant. Annuity payments to a surviving Eligible Spouse shall begin on the first day of the month coincident with or following the Participant's death and shall end with the last monthly payment due prior to the Eligible Spouse's death. If the Eligible Spouse is more than 10 years younger than the Participant, the survivor benefit payable under this subparagraph shall be adjusted as provided below.

(A) For each full year more than 10 but less than 21 that the surviving Eligible Spouse is younger than the Participant, the survivor benefit payable to such spouse shall be reduced by 0.8 percent.

(B) For each full year more than 20 that the surviving Eligible Spouse is younger than the Participant, the survivor benefit payable to such spouse shall be reduced by an additional 0.4 percent.

(ii) Reductions: The following reductions shall apply in determining a Participant's PEP Guarantee.

(A) If the Participant will receive an Early Retirement Pension, the payment amount shall be reduced by 3/12ths of 1 percent for each month by which the benefit commencement date precedes the date the Participant would attain his Normal Retirement Date.

(B) If the Participant is entitled to a Vested Pension, the payment amount shall be reduced to the Actuarial Equivalent of the amount payable at his Normal Retirement Date (if payment commences before such date), and the Section 4.6(b) reductions for any Pre-Retirement Spouse's coverage shall apply.

(C) This clause applies if the Participant will receive his Pension in a form that provides an Eligible Spouse benefit, continuing for the life of the surviving spouse, that is greater than that provided under subparagraph (i). In this instance, the Participant's Pension under this section shall be reduced so that the total value of the benefit payable on the Participant's behalf is the Actuarial Equivalent of the Pension otherwise payable under the foregoing provisions of this section.

(D) This clause applies if the Participant will receive his Pension in a form that provides a survivor annuity for a beneficiary who is not his Eligible Spouse. In this instance, the Participant's Pension under this section shall be reduced so that the total value of the benefit payable

on the Participant's behalf is the Actuarial Equivalent of a Single Life Annuity for the Participant's life.

(E) This clause applies if the Participant will receive his Pension in a Annuity form that includes inflation protection described in Section 6.2(b). In this instance, the Participant's Pension under this section shall be reduced so that the total value of the benefit payable on the Participant's behalf is the Actuarial Equivalent of the elected Annuity without such protection.

(iii) Lump Sum Conversion: The amount of the Retirement Pension determined under this section for a Participant whose Retirement Pension will be distributed in the form of a lump sum shall be the Actuarial Equivalent of the Participant's PEP Guarantee determined under this section, taking into account the value of any survivor benefit under subparagraph (i) above and any early retirement reductions under subparagraph (ii)(A) above.

5.3 ***Amount of Pre-Retirement Spouse's Pension***: The monthly amount of the Pre-Retirement Spouse's Pension payable to a surviving Eligible Spouse under Section 4.6 shall be determined under subsection (a) below.

(a) **Calculation**: An Eligible Spouse's Pre-Retirement Spouse's Pension shall be the difference between:

(1) The Eligible Spouse's Total Pre-Retirement Spouse's Pension, minus

(2) The Eligible Spouse's Salaried Plan Pre-Retirement Spouse's Pension.

(b) Definitions: The following definitions apply for purposes of this section.

(1) An Eligible Spouse's "Total Pre-Retirement Spouse's Pension" means the greater of:

(i) The amount of the Eligible Spouse's pre-retirement spouse's pension determined under the terms of the Salaried Plan, but without regard to: (A) the limitations imposed by sections 401(a)(17) and 415 of the Code (as such limitations are interpreted and applied under the Salaried Plan), and (B) the actuarial adjustment under Section 5.5(d) of the Salaried Plan; or

(ii) The amount (if any) of the Eligible Spouse's PEP Guarantee Pre-Retirement Spouse's Pension determined under subsection (c).

In making this comparison, the benefits in subparagraphs (i) and (ii) above shall be calculated with reference to the specific time of payment applicable to the Eligible Spouse.

(c) **PEP Guarantee Pre-Retirement Spouse's Pension**: An Eligible Spouse's PEP Guarantee Pre-Retirement Spouse's Pension shall be determined in accordance with paragraph (1) or (2) below, whichever is applicable, with reference to the PEP Guarantee (if any) that would have been available to the Participant under Section 5.2.

(1) Normal Rule: The Pre-Retirement Spouse's Pension payable under this paragraph shall be equal to the amount that would be payable as a survivor annuity, under a Qualified Joint and Survivor Annuity, if the Participant had:

(i) Separated from service on the date of death (or, if earlier, his actual Severance from Service Date);

(ii) Commenced a Qualified Joint and Survivor Annuity on the same date payments of the Qualified Pre-Retirement Spouse's Pension are to commence; and

(iii) Died on the day immediately following such commencement.

If payment of a Pre-Retirement Spouse's Pension under this paragraph commences prior to the date which would have been the Participant's Normal Retirement Date, appropriate reductions for early commencement shall be applied to the Qualified Joint and Survivor Annuity upon which the Pre-Retirement Spouse's Pension is based.

(2) Special Rule for Active and Disabled Employees: Notwithstanding paragraph (1) above, the Pre-Retirement Spouse's Pension paid on behalf of a Participant described in Section 4.6(a) shall not be less than an amount equal to 25 percent of such Participant's PEP Guarantee determined under Section 5.2. For this purpose, Credited Service shall be determined as provided in Section 3.3(d)(2) of the Salaried Plan, and the deceased Participant's Highest Average Monthly Earnings, Primary Social Security Amount and Covered Compensation shall be determined as of his date of death. A Pre-Retirement Spouse's Pension under this paragraph is not reduced for early commencement.

5.4 ***Certain Adjustments***: Pensions determined under the foregoing sections of this Article are subject to adjustment as provided in this section. For purposes of this section,

"specified plan" shall mean the Salaried Plan or a nonqualified pension plan similar to this Plan. A nonqualified pension plan is similar to this Plan if it is sponsored by a member of the PBG Organization and if its benefits are not based on participant pay deferrals (this category of similar plans includes the PepsiCo Prior Plan).

(a) **Adjustments for Rehired Participants**: This subsection shall apply to a current or former Participant who is reemployed after his Annuity Starting Date and whose benefit under the Salaried Plan is recalculated based on an additional period of Credited Service. In the event of any such recalculation, the Participant's PEP Pension shall also be recalculated hereunder. For this purpose, the PEP Guarantee under Section 5.2 is adjusted for in-service distributions and prior distributions in the same manner as benefits are adjusted under the Salaried Plan, but by taking into account benefits under this Plan and any specified plans.

(b) **Adjustment for Increased Pension Under Other Plans**: If the benefit paid under a specified plan on behalf of a Participant is increased after PEP benefits on his behalf have been determined (whether the increase is by order of a court, by agreement of the plan administrator of the specified plan, or otherwise), the PEP benefit for the Participant shall be recalculated. If the recalculation identifies an overpayment hereunder, the Plan Administrator shall take such steps as it deems advisable to recover the overpayment. It is specifically intended that there shall be no duplication of payments under this Plan and any specified plans.

5.5 **Excludable Employment**: Effective for periods of employment on or after June 30, 1997, an executive classified as level 22 or above whose employment by an Employer is for a limited duration assignment shall not become entitled to a benefit or to any increase in benefits in connection with such employment.

ARTICLE VI – Distribution Options

The terms of this Article govern the distribution of benefits to a Participant who becomes entitled to payment of a Pension under the Plan.

6.1 ***Form and Timing of Distributions***: This section shall govern the form and timing of distributions of PEP Pensions that begin on or after March 1, 1992. Plan distributions that begin before that date shall be governed by Prior Plan as in effect at the time of the distribution. The provisions of this Section 6.1 are in all cases subject to the cashout rules set forth in Section 4.9.

(a) **No Advance Election**: This subsection shall apply to a Participant: (i) who does not have an Advance Election in effect as of the close of business on the day before his Retirement Date, or (ii) who terminates employment prior to Retirement. Subject to the next sentence, a Participant described in this subsection shall be paid his PEP Pension in the same form and at the same time as he is paid his Pension under the Salaried Plan. If a Participant's Salaried Plan Annuity Starting Date occurs while he is still an employee of the PBG Organization (because of the time of payment provisions in Code section 401(a)(9)), payment under the Plan shall not begin until the first of the month next following the Participant's Severance from Service Date. In this instance, the form of payment under this Plan shall remain that applicable under the Salaried Plan.

(b) **Advance Election in Effect**: This subsection shall apply to a Participant: (i) who has an Advance Election in effect as of the close of business on the day before his Retirement Date, and (ii) whose Retirement Date is after 1993. To be in effect, an Advance Election must meet the advance receipt and other requirements of Section 6.3(b).

(1) Lump Sum Election: If a Participant covered by this subsection has an Advance Election to receive a Single Lump Sum in effect as of the close of business on the day before his Retirement Date, the Participant's Retirement Pension under the Plan shall be paid as a Single Lump Sum as of the first of the month coincident with or next following his Retirement Date.

(2) Annuity Election: If a Participant covered by this subsection has an Advance Election to receive an Annuity in effect as of the close of business on the day before his Retirement Date, the Participant's Retirement Pension under the Plan shall be paid in an Annuity beginning on the first of the month coincident with or next following his Retirement Date. The following provisions of this paragraph govern the form of Annuity payable in the case of a Participant described in this paragraph.

(i) Salaried Plan Election: A Participant who has a qualifying Salaried Plan election shall receive his distribution in the same form of Annuity the Participant selected in such qualifying Salaried Plan election. For this purpose, a "qualifying Salaried Plan election" is a written election of a form of payment by the Participant that: (A) is currently in effect under the Salaried Plan as of the close of business on the day before the Participant's Retirement Date, and (B) specifies an Annuity as the form of payment for all or part of the Participant's Retirement Pension under the Salaried Plan. For purposes of the preceding sentence, a Participant who elects a combination lump sum and Annuity under the Salaried Plan is considered to have specified an Annuity for part of his Salaried Plan Pension.

(ii) PEP Election: A Participant who is not covered by subparagraph (i) and who has a PEP Election in effect as of the close of business on the day before his Retirement Date shall receive his distribution in the form of Annuity the Participant selects in such PEP Election.

(iii) No PEP Election: A Participant who is not covered by subparagraph (i) or (ii) above shall receive his distribution in the form of a Qualified Joint and Survivor Annuity if he is married, or in the form of a Single Life Annuity if he is not married. For purposes of this subparagraph (iii), a Participant shall be considered married if he is married on the day before his Retirement Date.

6.2 **Available Forms of Payment**: The forms of payment set forth in subsections (a) and (b) may be provided to any Participant who is entitled to a Retirement Pension. The forms of payment for other Participants are set forth in subsection (c) below. The provisions of this section are effective for Annuity Starting Dates after 1989 and earlier distributions shall be governed by the Prior Plan as in effect at the time of distribution.

(a) **Basic Forms of Payment**: A Participant's Retirement Pension shall be distributed in one of the forms of payment listed in this subsection. The particular form of payment applicable to a Participant shall be determined in accordance with Section 6.1. Payments shall commence on the date specified in Section 6.1 and shall end on the date specified in this subsection.

(1) Single Life Annuity Option: A Participant may receive his Pension in the form of a Single Life Annuity, which provides monthly payments ending with the last payment due prior to his death.

(2) Survivor Options: A Participant may receive his Pension in accordance with one of the following survivor options:

(i) 100 percent Survivor Option: The Participant shall receive a reduced Pension payable for life, ending with the last monthly payment due prior to his death. Payments in the same reduced amount shall continue after the Participant's death to his beneficiary for life, beginning on the first day of the month coincident with or following the Participant's death and ending with the last monthly payment due prior to the beneficiary's death.

(ii) 75 percent Survivor Option: The Participant shall receive a reduced Pension payable for life, ending with the last monthly payment due prior to his death. Payments in the amount of 75 percent of such reduced Pension shall be continued after the Participant's death to his beneficiary for life, beginning on the first day of the month coincident with or following the Participant's death and ending with the last monthly payment due prior to the beneficiary's death.

(iii) 50 percent Survivor Option: The Participant shall receive a reduced Pension payable for life, ending with the last monthly payment due prior to his death. Payments in the amount of 50 percent of such reduced Pension shall be continued after the Participant's death to his beneficiary for life, beginning on the first day of the month coincident with or following the Participant's death and

ending with the last monthly payment due prior to the beneficiary's death. A 50 percent survivor option under this paragraph shall be a Qualified Joint and Survivor Annuity if the Participant's beneficiary is his Eligible Spouse.

(iv) Ten Years Certain and Life Option: The Participant shall receive a reduced Pension which shall be payable monthly for his lifetime but for not less than 120 months. If the retired Participant dies before 120 payments have been made, the monthly Pension amount shall be paid for the remainder of the 120 month period to the Participant's primary beneficiary (or if the primary beneficiary has predeceased the Participant, the Participant's contingent beneficiary).

(3) Single Lump Sum Payment Option: A Participant may receive payment of his Pension in the form of a Single Lump Sum payment.

(4) Combination Lump Sum/Monthly Benefit Option: A Participant who does not have an Advance Election in effect may receive a portion of his Pension in the form of a lump sum payment, and the remaining portion in the form of one of the monthly benefits described in paragraphs (1) and (2) above. The Pension is divided between the two forms of payment based on the whole number percentages designated by the Participant on a form provided for this purpose by the Plan Administrator. For the election to be effective, the sum of the two percentages designated by the Participant must equal 100 percent.

(i) The amount of the Pension paid in the form of a lump sum is determined by multiplying: (A) the amount that would be payable to the

Participant as a Single Lump Sum payment if the Participant's entire benefit were payable in that form, by (B) the percentage that the Participant has designated for receipt in the form of a lump sum.

(ii) The amount of the Pension paid in the form of a monthly benefit is determined by multiplying: (A) the amount of the monthly benefit elected by the Participant, determined in accordance with paragraph (1) or (2) above (whichever applies), by (B) the percentage that the Participant has designated for receipt in the form of a monthly benefit.

(b) **Inflation Protection**: The following levels of inflation protection may be provided to any Participant who is entitled to a Retirement Pension (except to the extent such Pension is paid as a lump sum).

(1) 5 percent Inflation Protection: A Participant's monthly benefit shall be initially reduced, but thereafter shall be increased if inflation in the prior year exceeds 5 percent. The amount of the increase shall be the difference between inflation in the prior year and 5 percent.

(2) 7 percent Inflation Protection: A Participant's monthly benefit shall be initially reduced, but thereafter shall be increased if inflation in the prior year exceeds 7 percent. The amount of the increase shall be the difference between inflation in the prior year and 7 percent.

Benefits shall be subject to increase in accordance with this subsection each January 1, beginning with the second January 1 following the Participant's Annuity Starting Date. The amount of inflation in the prior year shall be determined based on inflation in the 12 month period ending

on September 30 of such year, with inflation measured in the same manner as applies on January 1, 1989 for adjusting Social Security benefits for changes in the cost of living. Inflation protection that is in effect shall carry over to any survivor benefit payable on behalf of a Participant, and shall increase the otherwise applicable survivor benefit as provided above. Any election by a Participant to receive inflation protection shall be irrevocable by such Participant or his surviving beneficiary.

(c) **Available Options for Vested Benefits**: The forms of payment available for a Participant with a Vested Pension are a Qualified Joint and Survivor Annuity for married Participants and a Single Life Annuity for both married and unmarried Participants. The applicable form of payment shall be determined in accordance with Section 6.1(a).

6.3 ***Procedures for Elections***: This section sets forth the procedures for making Advance Elections and PEP Elections.

(a) **In General**: To qualify as an Advance Election or PEP Election for purposes of Section 6.1, an election must be made in writing, on the form designated by the Plan Administrator, and must be signed by the Participant. These requirements also apply to any revocations of such elections. Spousal consent is not required for any election (or revocation of election) under the Plan.

(b) **Advance Election**: To qualify as an Advance Election, an election must be made under this Plan on or after July 15, 1993 and meet the following requirements.

(1) Election: The Participant shall designate on the Advance Election form whether the Participant elects to take his Pension in the form of an Annuity or a Single Lump Sum.

(2) Receipt by Plan Administrator: The Advance Election must be received by the Plan Administrator before the start of the calendar year containing the Participant's Retirement Date, and at least 6 months before that Retirement Date. An election that meets the foregoing requirements shall remain effective until it is changed or revoked.

(3) Change or Revocation of Election: A Plan Participant may change an Advance Election by filing a new Election that meets the foregoing requirements. A Plan Participant may revoke an Advance Election only by filing a revocation that is received by the Plan Administrator before the start of the calendar year containing the Plan Participant's Retirement Date, and at least 6 months before that Retirement Date.

Any Advance Election by a Participant shall be void if the Participant is not entitled to a Retirement Pension.

(c) **PEP Election**: A PEP Election may only be made by a Participant who has an Advance Election to receive an Annuity in effect at the time his PEP Election is received by the Plan Administrator. In determining whether an Advance Election is in effect for this purpose, the advance receipt requirement of subsection (b)(2) shall be considered met if it will be met by the Participant's proposed Retirement Date.

(1) Election: The Participant shall designate on the PEP Election form the Annuity form of benefit the Participant selects from those described in Section 6.2, including the Participant's choice of inflation protection, subject to the provisions of this Article VI. The forms of payment described in Section 6.2(a)(3) and (4) are not available pursuant to a PEP Election.

(2) Receipt by the Plan Administrator: The PEP Election must be received by the Plan Administrator no earlier than 90 days before the Participant's Retirement Date, and no later than the close of business on the day before the Participant's Retirement Date. The Participant shall furnish proof of the age of his beneficiary (including his Eligible Spouse if applicable), to the Plan Administrator by the day before the Participant's Retirement Date, for any form of payment which is subject to reduction in accordance with subsection 6.2(c) above.

A Participant may change his PEP Election by filing a new Election with the Plan Administrator that meets the foregoing requirements. The Participant's PEP Election shall become effective at the close of business on the day before the Participant's Retirement Date. Any PEP Election by a Participant shall be void if the Participant does not have an Advance Election in effect at such time.

(d) **Elections Rules for Annuity Starting Dates**: When amounts become payable to a Participant in accordance with Article IV, they shall be payable as of the Participant's Annuity Starting Date and the election procedures (in this section and Sections 6.1 and 6.5) shall apply to all of the Participant's unpaid accruals as of such Annuity Starting Date, with the following exception. In the case of a Participant who is rehired after his initial Annuity Starting Date and who (i) is currently receiving an Annuity that remained in pay status upon rehire, or (ii) was previously paid a lump sum distribution (other than a cashout distribution described in Section 4.9(a)), the Participant's subsequent Annuity Starting Date (as a result of his termination of reemployment), and the election procedures at such subsequent Annuity Starting Date, shall apply only to the portion of his benefit that accrues after his rehire. Any prior

accruals that remain to be paid as of the Participant's subsequent Annuity Starting Date shall continue to be payable in accordance with the elections made at his initial Annuity Starting Date.

For purposes of this section, an election shall be treated as received on a particular day if it is: (A) postmarked that day, or (B) actually received by the Plan Administrator on that day. Delivery under clause (B) must be made by the close of business, which time is to be determined by the Plan Administrator.

6.4 ***Special Rules for Survivor Options***:

(a) **Effect of Certain Deaths**: If a Participant makes a PEP Election for a form of payment described in Section 6.2(a)(2) and the Participant or his beneficiary (beneficiaries in the case of Section 6.2(a)(2)(iv)) dies before the PEP Election becomes effective, the election shall be disregarded. If the Participant dies after such PEP Election becomes effective but before his Retirement Pension actually commences, the election shall be given effect and the amount payable to his surviving Eligible Spouse or other beneficiary shall commence on the first day of the month following his death (any back payments due the Participant shall be payable to his estate). In the case of a Participant who has elected the form of payment described in Section 6.2(a)(2)(iv), if such Participant dies: (i) after the PEP Election has become effective, (ii) without a surviving primary or contingent beneficiary, and (iii) before receiving 120 payments under the form of payment, then the remaining payments due under such form of payment shall be paid to the Participant's estate. If payments have commenced under such form of payment to a Participant's primary or contingent beneficiary and such beneficiary dies before payments are completed, then the remaining payments due under such form of payment shall be paid to such beneficiary's estate.

(b) **Nonspouse Beneficiaries**: If a Participant's beneficiary is not his Eligible Spouse, he may not elect:

(1) The 100 percent survivor option described in Section 6.2(a)(2)(i) if his nonspouse beneficiary is more than 10 years younger than he is, or

(2) The 75 percent survivor option described in Section 6.2(a)(2)(ii) if his nonspouse beneficiary is more than 19 years younger than he is.

6.5 ***Designation of Beneficiary***: A Participant who has elected to receive all or part of his pension in a form of payment that includes a survivor option shall designate a beneficiary who will be entitled to any amounts payable on his death. Such designation shall be made on a PEP Election Form or an approved election form filed under the Salaried Plan, whichever is applicable. In the case of the survivor option described in Section 6.2(a)(2)(iv), the Participant shall be entitled to name both a primary beneficiary and a contingent beneficiary. A Participant (whether active or former) shall have the right to change or revoke his beneficiary designation at any time prior to when his election is finally effective. The designation of any beneficiary, and any change or revocation thereof, shall be made in accordance with rules adopted by the Plan Administrator. A beneficiary designation shall not be effective unless and until filed with the Plan Administrator (or for periods before the Effective Date, the Plan Administrator under the Prior Plan). If no beneficiary is properly designated, then a Participant's election of a survivor's option described in Section 6.2(a)(2) shall not be given effect.

ARTICLE VII – Administration

7.1 ***Authority to Administer Plan***: The Plan shall be administered by the Plan Administrator, which shall have the authority to interpret the Plan and issue such regulations as it deems appropriate. The Plan Administrator shall maintain Plan records and make benefit calculations, and may rely upon information furnished it by the Participant in writing, including the Participant's current mailing address, age and marital status. The Plan Administrator's interpretations, determinations, regulations and calculations shall be final and binding on all persons and parties concerned. The Company, in its capacity as Plan Administrator or in any other capacity, shall not be a fiduciary of the Plan for purposes of ERISA, and any restrictions that apply to a party in interest under section 406 of ERISA shall not apply to the Company or otherwise under the Plan.

7.2 ***Facility of Payment***: Whenever, in the Plan Administrator's opinion, a person entitled to receive any payment of a benefit or installment thereof 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 make payments to such person or to the legal representative of such person for his benefit, or the Plan Administrator may apply the payment for the benefit of such person in such manner as it considers advisable. Any payment of a benefit or installment thereof in accordance with the provisions of this section shall be a complete discharge of any liability for the making of such payment under the provisions of the Plan.

7.3 ***Claims Procedure***: The Plan Administrator shall have the exclusive discretionary authority to construe and to interpret the Plan, to decide all questions of eligibility for benefits and to determine the amount of such benefits, and its decisions on such matters are

final and conclusive. This discretionary authority is intended to be absolute, and in any case where the extent of this discretion is in question, the Plan Administrator is to be accorded the maximum discretion possible. Any exercise of this discretionary authority shall be reviewed by a court, arbitrator or other tribunal under the arbitrary and capricious standard (i.e., the abuse of discretion standard). If, pursuant to this discretionary authority, an assertion of any right to a benefit by or on behalf of a Participant or beneficiary is wholly or partially denied, the Plan Administrator, or a party designated by the Plan Administrator, will provide such claimant within the 90-day period following the receipt of the claim by the Plan Administrator, a comprehensible written notice setting forth:

(a) The specific reason or reasons for such denial;

(b) Specific reference to pertinent Plan provisions on which the denial is based;

(c) A description of any additional material or information necessary for the claimant to submit to perfect the claim and an explanation of why such material or information is necessary; and

(d) A description of the Plan's claim review procedure. The claim review procedure is available upon written request by the claimant to the Plan Administrator, or the designated party, within 60 days after receipt by the claimant of written notice of the denial of the claim, and includes the right to examine pertinent documents and submit issues and comments in writing to the Plan Administrator, or the designated party. The decision on review will be made within 60 days after receipt of the request for review, unless circumstances warrant an extension of time not to exceed an additional 60 days, and shall be in writing and drafted in a manner

calculated to be understood by the claimant, and include specific reasons for the decision with references to the specific Plan provisions on which the decision is based.

If within a reasonable period of time after the Plan receives the claim asserted by the Participant, the Plan Administrator, or the designated party, fails to provide a comprehensible written notice stating that the claim is wholly or partially denied and setting forth the information described in (a) through (d) above, the claim shall be deemed denied. Once the claim is deemed denied, the Participant shall be entitled to the claim review procedure described in subsection (d) above. Such review procedure shall be available upon written request by the claimant to the Plan Administrator, or the designated party, within 60 days after the claim is deemed denied. Any claim under the Plan that is reviewed by a court shall be reviewed solely on the basis of the record before the Plan Administrator at the time it made its determination.

7.4 ***Effect of Specific References***: Specific references in the Plan to the Plan Administrator's discretion shall create no inference that the Plan Administrator's discretion in any other respect, or in connection with any other provision, is less complete or broad.

ARTICLE VIII– Miscellaneous

8.1 ***Nonguarantee of Employment***: Nothing contained in this Plan shall be construed as a contract of employment between an Employer and any Employee, or as a right of any Employee to be continued in the employment of an Employer, or as a limitation of the right of an Employer to discharge any of its Employees, with or without cause.

8.2 ***Nonalienation of Benefits***: Benefits payable under the Plan or the right to receive future benefits under the Plan shall not be 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 benefits payable hereunder, including any assignment or alienation in connection with a divorce, separation, child support or similar arrangement, shall be null and void and not binding on the Company. The Company shall not in any manner be liable for, or subject to, the debts, contracts, liabilities, engagements or torts of any person entitled to benefits hereunder.

8.3 ***Unfunded Plan***: The Company's obligations under the Plan shall not be funded, but shall constitute liabilities by the Company payable when due out of the Company's general funds. To the extent the Participant or any other person acquires a right to receive benefits under this Plan, such right shall be no greater than the rights of any unsecured general creditor of the Company.

8.4 ***Action by the Company***: Any action by the Company under this Plan may be made by the Board of Directors of the Company or by the Compensation Committee of the Board of Directors, with a report of any actions taken by it to the Board of Directors. In addition, such

action may be made by any other person or persons duly authorized by resolution of said Board to take such action.

8.5 ***Indemnification***: Unless the Board of Directors of the Company shall determine otherwise, the Company shall indemnify, to the full extent permitted by law, any employee acting in good faith within the scope of his employment in carrying out the administration of the Plan.

ARTICLE IX – Amendment and Termination

9.1 Continuation of the Plan: While the Company and the Employers intend to continue the Plan indefinitely, they assume no contractual obligation as to its continuance. In accordance with Section 8.4, the Company hereby reserves the right, in its sole discretion, to amend, terminate, or partially terminate the Plan at any time provided, however, that no such amendment or termination shall adversely affect the amount of benefit to which a Participant or his beneficiary is already entitled under Article IV on the date of such amendment or termination, unless the Participant becomes entitled to an amount of equivalent value to such benefit under another plan or practice adopted by the Company (using such actuarial assumptions as the Company may apply in its discretion). Specific forms of payment are not protected under the preceding sentence.

9.2 ***Amendments***: The Company may, in its sole discretion, make any amendment or amendments to this Plan from time to time, with or without retroactive effect, including any amendment or amendments to eliminate available distribution options under Article VI hereof at any time before the earlier of the Participant's Annuity Starting Date under this Plan or under the Salaried Plan. An Employer (other than the Company) shall not have the right to amend the Plan.

9.3 ***Termination***: The Company may terminate the Plan, either as to its participation or as to the participation of one or more Employers. If the Plan is terminated with respect to fewer than all of the Employers, the Plan shall continue in effect for the benefit of the Employees of the remaining Employers.

ARTICLE X – ERISA Plan Structure

This Plan document encompasses three separate plans within the meaning of ERISA, as are set forth in subsections (a), (b) and (c).

(a) **Excess Benefit Plan**: An excess benefit plan within the meaning of section 3(36) of ERISA, maintained solely for the purpose of providing benefits for Salaried Plan participants in excess of the limitations on benefits imposed by section 415 of the Code.

(b) **Excess Compensation High Hat Plan**: A plan maintained by the Company primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees within the meaning of sections 201(2) and 401(a)(1) of ERISA. This plan provides benefits for Salaried Plan participants in excess of the limitations imposed by section 401(a)(17) of the Code on benefits under the Salaried Plan (after taking into account any benefits under the excess benefit plan). For ERISA reporting purposes, this portion of PEP may be referred to as the PBG Pension Equalization Plan I.

(c) **Grandfather High Hat Plan**: A plan maintained by the Company primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees within the meaning of sections 201(2) and 401(a)(1) of ERISA. This plan provides grandfather benefits to those Salaried Plan participants described in section 5.2(a) hereof, by preserving for them the level of benefit accrual that was in effect before January 1, 1989 (after taking into account any benefits under the excess benefit plan and excess compensation high hat plan). For ERISA reporting purposes, this portion of PEP shall be referred to as the PBG Pension Equalization Plan II.

Benefits under this Plan shall be allocated first to the excess benefit plan, to the extent of benefits paid for the purpose indicated in (a) above; then any remaining benefits shall be allocated to the excess compensation high hat plan, to the extent of benefits paid for the purpose indicated in (b) above; then any remaining benefits shall be allocated to the grandfather high hat plan. These three plans are severable for any and all purposes as directed by the Company.

ARTICLE XI – Applicable Law

All questions pertaining to the construction, validity and effect of the Plan shall be determined in accordance with the provisions of ERISA. In the event ERISA is not applicable or does not preempt state law, the laws of the state of New York shall govern.

If any provision of this Plan is, or is hereafter declared to be, void, voidable, invalid or otherwise unlawful, the remainder of the Plan shall not be affected thereby.

ARTICLE XII – Signature

The above restated Plan is hereby adopted and approved, to be effective as of January 1, 1989 (except as otherwise provided).

The Pepsi Bottling Group, Inc.

By: _____

APPROVED

By: _____
Law Department

APPENDIX

Foreword

This Appendix sets forth additional provisions applicable to individuals specified in the Articles of this Appendix. In any case where there is a conflict between the Appendix and the main text of the Plan, the Appendix shall govern.

ARTICLE A – 1993 Accruals

This Article A of the Appendix shall be effective on the date the Plan is adopted.

A.1 ***1993 Accruals***: This section shall apply to any individual: (i) who was a Salaried Plan Participant and employed by the PBG Organization (as defined below) on December 31, 1993, (ii) whose Salaried Plan Pension was vested during 1993 (or would have become vested in 1994 if his Service after 1993 included the assumed period of continued service specified in (a)(1) below), and (iii) whose minimum 1993 Pension in subsection (a) below is not derived solely from that portion of the Plan described in (c) of Article X. In determining the amount of the 1993 and 1994 Pension amounts for any such individual, the provisions set forth in subsections (a) and (b) below shall apply.

(a) **Minimum 1993 Pension**: Any individual who is covered by this section shall accrue a minimum 1993 Pension as of December 31, 1993. In determining the amount of such individual's minimum 1993 Pension, the following shall apply.

(1) An individual's Service and Credited Service as of the end of 1993 shall be assumed to equal the respective Service and Credited Service he would have if his Service continued through December 31, 1994. Notwithstanding the preceding sentence, the assumed period of continued Service shall be less to the extent PepsiCo, Inc.'s human resource records on December 31, 1993 reflected a scheduled termination date in 1994 for such individual. In this case, the individual's assumed period of continued service shall be the portion of 1994 that ends with such scheduled termination date.

(2) An individual's Highest Average Monthly Earnings as of the end of 1993 shall be adjusted by the actuary's salary scale assumption which is used under the Salaried Plan, so that they equal the amount such scale projects for the individual as of the end of 1994. Notwithstanding the preceding sentence, the following special rules shall apply.

(i) A higher salary scale assumption shall be used for anyone whose projected 1994 earnings as reflected on the "Special PEP Salary Scale" of the PBG Benefits Department on December 31, 1993 were higher than would be assumed under the first sentence of this paragraph. In this case, the individual's 1993 earnings shall be adjusted using such higher salary scale.

(ii) In the case of an individual whose assumed period of service under paragraph (1) above is less than all of 1994, the salary adjustment under the preceding provisions of this paragraph shall be reduced to the amount that would apply if the individual had no earnings after his scheduled termination date.

(3) An individual's attained age as of the end of 1993 shall be assumed to be the age he would have at the end of the assumed period of continued service applicable under paragraph (1) above.

Any individual who is covered by this section, and who is not otherwise vested as of December 31, 1993, shall be vested as of such date in both his Pension (determined without regard to this subsection) and his minimum 1993 Pension. For purposes of this subsection, Code section 401(a)(17) shall be applied in 1993 by giving effect to the

amendments to such Code section made by the Omnibus Budget Reconciliation Amendments of 1993.

(b) **Determination of Later Accruals**: If a participant in the Salaried Plan accrues a minimum 1993 Pension under subsection (a) above, the amount of any PEP Pension that accrues thereafter shall be only the amount by which the PEP Pension that would otherwise accrue for years after 1993 exceeds his minimum 1993 Pension under subsection (a).

ARTICLE P98 – PepsiCo Special Early Retirement Benefit

P98.1 ***Scope***: This Article supplements the main portion of the Plan document with respect to the rights and benefits of Covered Employees on and after the Effective Date.

P98.2 ***Definitions***: This section provides definitions for the following words or phrases in boldface and underlined. Where they appear in this Article with initial capitals they shall have the meaning set forth below. Except as otherwise provided in this Article, all defined terms shall have the meaning given to them in Section 2.1 of the Plan.

(a) **Article**: This Article P98 of the Appendix to the Plan.

(b) **Covered Employee**: An Employee who does not meet the eligibility requirements for the Salaried Plan Early Retirement Benefit as of his Severance Date solely because he is a highly compensated employee within the meaning of Article S and Section S.5(c)(1) of the Salaried Plan Appendix.

(c) **Effective Date**: The date the provisions of this Article are effective, which shall be February 1, 1998.

(d) **Salaried Plan Special Early Retirement Benefit**: The special early retirement benefit for certain Company employees referred to in Section S.5(c)(1) of the Salaried Plan Appendix.

(e) **Severance Date**: The involuntary termination of employment referred to in Section S.5(c)(1) of the Salaried Plan Appendix that qualifies an eligible Employee for status as a Covered Employee.

P98.3 ***Amount and Form of Retirement Pension***: In lieu of any benefits he would otherwise be entitled to under this Plan, a Covered Employee shall receive a single lump sum

benefit as soon as administratively practical following his Severance Date. No other benefits under this Plan are payable to a Participant who is entitled to a benefit under this section. The amount of such lump sum shall be the excess of:

(a) The Actuarial Equivalent present value of the Covered Employee's Total Pension (as defined in Section 5.1(c)) determined as of his Severance Date, for this purpose treating the Covered Employee as eligible for the Salaried Plan Special Early Retirement Benefit, and treating the benefit as commencing on his Severance Date; over

(b) The Actuarial Equivalent present value of the Covered Employee's Salaried Plan Pension (as defined in Section 5.1(c)) determined as of his Severance Date, for this purpose determining the benefit without regard to this Appendix, and treating the benefit as commencing on his Normal Retirement Date.

For purposes of this calculation, amounts shall be determined as of the Participant's Severance Date, "Actuarial Equivalent" shall be based on the factors in effect on such date using the definition in Section 2.1(b)(2) for lump sums conversions, and the Participant shall be treated as taking his Total Pension in the form of a Single Life Annuity. In the case of a Covered Employee who is eligible for a PEP Guarantee (as defined in Section 5.2), and for purposes of subsection (a) only, the reduction factors for early commencement of a PEP Guarantee under Section 5.2 of this Plan shall apply in lieu of those in the Salaried Plan Special Early Retirement Benefit formula if they provide a greater PEP benefit.

Article IPO – Transferred and Transition Individuals

IPO.1 ***Scope***: This Article supplements the main portion of the Plan document with respect to the rights and benefits of Transferred and Transition Individuals following the spinoff of this Plan from the PepsiCo Prior Plan.

IPO.2 ***Definitions***: This section provides definitions for the following words or phrases in boldface and underlined. Where they appear in this Article with initial capitals they shall have the meaning set forth below. Except as otherwise provided in this Article, all defined terms shall have the meaning given to them in Section 2.1 of the Plan.

(a) **Agreement:** The 1999 Employee Programs Agreement between PepsiCo, Inc. and The Pepsi Bottling Group, Inc.

(b) **Close of the Distribution Date:** This term shall take the definition given it in the Agreement.

(c) **Transferred Individual:** This term shall take the definition given it in the Agreement.

(d) **Transition Individual:** This term shall take the definition given it in the Agreement.

IPO.3 ***Rights of Transferred and Transition Individuals***: All Transferred Individuals who participated in the PepsiCo Prior Plan immediately prior to the Effective Date shall be Participants in this Plan as of the Effective Date. The spinoff of this Plan from the PepsiCo Prior Plan shall not result in a break in the Service or Credited Service of Transferred Individuals or Transition Individuals. Notwithstanding anything in the Plan to the contrary, and as provided in Section 2.04 of the Agreement, all service, all compensation, and all other benefit-affecting

determinations for Transferred Individuals that, as of the Close of the Distribution Date, were recognized under the PepsiCo Prior Plan for periods immediately before such date, shall as of the Effective Date continue to receive full recognition, credit and validity and shall be taken into account under this Plan as if such items occurred under this Plan, except to the extent that duplication of benefits would result. Similarly, notwithstanding anything to the contrary in the Plan, the benefits of Transition Individuals shall be determined in accordance with section 8.02 of the Agreement.

SENIOR VICE PRESIDENT, HUMAN RESOURCES
DELEGATION OF AUTHORITY TO
ADMINISTER FINANCIAL PLANS

WHEREAS, at a meeting of the Compensation and Management Development Committee of the Board of Directors (the "Committee") of The Pepsi Bottling Group, Inc. ("PBG") on April 27 1999, the Committee delegated to the Senior Vice President, Human Resources, the authority to take any and all action required to administer PBG's employee benefit plans; and

WHEREAS, the Senior Vice President, Human Resources has determined to delegate authority to take any and all such action required to administer PBG's tax-qualified pension plans, including the defined benefit pension plans and the 401(k) plans, and the non-qualified benefit plans related to the defined benefit pension plans and 401(k) plans, all of which were previously approved by the Committee or its delegate pursuant to resolution duly adopted on April 27, 1999 (the "Financial Plans"); and

THEREFORE, BE IT RESOLVED, that each of the Financial Plans are hereby amended to provide (i) that the Company, by action of its Senior Vice President, Human Resources, shall appoint a Plan Administrator; (ii) that the Senior Vice President, Human Resources, may remove such person or change such appointment from time to time provided such changes are published to the extent of enabling interested parties to ascertain the person or persons responsible for operating such plan; and (iii) that in the absence of such an appointment, the Company shall serve as Plan Administrator, and shall designate specified individuals or other persons to carry out specified fiduciary responsibilities under the Plan; and

RESOLVED, that the Senior Vice President, Human Resources hereby delegates to the Director, Financial Plans, the authority to take any and all action required to administer the Financial Plans and hereby appoints the Director, Financial Plans as Plan Administrator and "named fiduciary" for purposes of plan administration within the meaning of the Employee Retirement Income Security Act of 1974 as amended from time to time ("ERISA") for the ERISA-governed Financial Plans; and further

RESOLVED, that the Senior Vice President, General Counsel and Secretary, and each of his designees, and each designee of the undersigned, are authorized to execute and deliver all agreements, documents and instruments, and take any further action as he or they deem necessary or appropriate to carry out the intent and purpose of the foregoing resolution.

/s/ John L. Berisford
John L. Berisford
Senior Vice President, Human Resources

Date: 4/17/09

APPROVED:

/s/ Christine Morace
Law Department

AMENDMENT TO THE

PBG PENSION EQUALIZATION PLAN

EFFECTIVE AS OF APRIL 6, 1999

The PBG Pension Equalization Plan effective as of April 6, 1999 (the "Plan") is hereby amended as set forth below, effective as of the "Effective Time" (as defined in Amendment No. 5 below) and contingent upon the occurrence of the Effective Time.

1. Article I is amended by adding the following new paragraph at the end thereof:

"PBG now wishes to amend the Plan, effective as of the Effective Time (as defined in Article II), as a result of the merger of PBG with and into Pepsi-Cola Metropolitan Bottling Company, Inc., a wholly-owned subsidiary of PepsiCo, Inc. (the "Company"), pursuant to the Agreement and Plan of Merger dated as of August 3, 2009 among PBG, the Company and Pepsi-Cola Metropolitan Company, Inc., and to facilitate the Company's assumption of PBG's role as the Plan's sponsor."

2. The definition of "Company or PBG" in Section 2.1(h) is deleted and replaced with the following:

"(h) **Company**. PepsiCo, Inc., a corporation organized and existing under the laws of the State of North Carolina, or its successor or successors. For periods before the Effective Time and on or after April 6, 1999, the Company was The Pepsi Bottling Group, Inc. For periods before April 6, 1999, the Company was PepsiCo, Inc."

3. The definition of "PBG Organization" in Section 2.1(y) is deleted and replaced with the following:

"(y) **PepsiCo/PBGOrganization**. The controlled group of organizations of which the Company is a part, as defined by Code section 414 and regulations issued thereunder. An entity shall be considered a member of the PepsiCo/PBG Organization only during the period it is one of the group of organizations described in the preceding sentence. The application of this definition for periods prior to the Effective Time shall take into account the different definition of "Company" that applies prior to the Effective Time."

4. The definition of "Plan Administrator" in Section 2.1(ff) is amended to read as follows:

"(ff) **Plan Administrator**. The PepsiCo Administration Committee (PAC), which shall have authority to administer the Plan as provided in Article VII."

5. The following new definition is added to Section 2.1:

"**Effective Time**. The meaning applied to that term in the Agreement and Plan of Merger dated as of August 3, 2009, among The Pepsi Bottling Group, Inc., PepsiCo, Inc., and Pepsi-Cola Metropolitan Bottling Company, Inc."

6. Minor corrections to the Plan necessary to carry forth the above amendments, including re-alphabetizing and renumbering the defined terms in Article II to reflect changes thereto, and corrections to cross-references affected by these amendments, shall be made as necessary after applying the foregoing amendments.

Dated this 19 day of February 2010.

THE PEPSI BOTTLING GROUP, INC.

By: /s/ John Berisford
John Berisford,
Title: Senior Vice President, Human Resources

PBG LAW DEPARTMENT APPROVAL:

By: /s/ Christine Morace
Christine Morace

Consented to and Approved by:

PEPSICO, INC.

By: /s/ Cynthia M. Trudell
Cynthia M. Trudell
Title: Senior Vice President and
Chief Personnel Officer

Date: 2/18/2010

PEPSICO LAW DEPARTMENT APPROVAL:

By: /s/ Stacy L. DeWalt
Stacy L. DeWalt

Exhibit 10.67

PBG

EXECUTIVE INCOME

DEFERRAL PROGRAM

2009 Restatement

PBG
Executive Income Deferral Program
2009 Restatement

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ARTICLE I – HISTORY AND PURPOSE

1.1 ***History and Purpose***. The Pepsi Bottling Group, Inc. (the "Company") established the PBG Executive Income Deferral Program (the "Plan") to permit Eligible Executives to defer base pay and certain other compensation under its executive compensation programs. The Plan was originally adopted effective as of April 7, 1999. Thereafter, the Plan was amended and restated in its entirety effective as of October 11, 2000 (subject to other specific effective dates set forth therein).

The earned and vested account balances in the Plan were frozen as of December 31, 2004, except for adjustments for earnings and losses, because of Section 409A of the Internal Revenue Code enacted by the American Jobs Creation Act of 2004 ("Section 409A"). Contributions after 2004 and amounts that were not vested as of December 31, 2004, were credited to separate accounts designed to comply with Section 409A. This 2009 Restatement governs payment of amounts credited to such separate accounts.

1.2 ***Type of Plan***. For federal income tax purposes, the Plan is intended to be a nonqualified unfunded deferred compensation plan. For purposes of the Employee Retirement Income Security Act of 1974 ("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.

1.3 ***Effect of Restatement***. This 2009 Restatement is effective January 1, 2009, except as otherwise explicitly provided in this document.

The Plan document as in effect on October 3, 2004, without regard to this amendment and restatement, is referred to herein as the Pre-409A Program. Each Participant's vested account as of December 31, 2004, as adjusted for earnings or losses in accordance with the Pre-409A Program, are referred to as the Grandfathered Accounts. Payment of benefits credited to Grandfathered Accounts shall be governed by the Pre-409A Program. The preservation of the terms of the Pre-409A Program, without material modification, with respect to the Grandfathered Accounts, is intended to permit the Grandfathered Accounts to remain exempt from Section 409A, and the administration of the Plan shall be consistent with this intent.

Contributions for periods on or after January 1, 2005, and amounts that became vested on or after January 1, 2005, as adjusted for earnings and losses, are credited to separate accounts. Payment of amounts during the period after 2004 and before 2009 that were credited to such non-grandfathered accounts were administered in accordance with a good faith interpretation of Section 409A, as documented in part in interim Plan restatement drafts, Plan summaries and administration forms.

On and after January 1, 2009, payment of amounts credited to such non-grandfathered accounts shall be governed by this 2009 Restatement, as amended from time to time.

ARTICLE II – DEFINITIONS

When used in this 2009 Restatement of the Plan, the following 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 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 4.1. 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.

2.2 ***Act***. The Securities Exchange Act of 1934, as amended.

2.3 ***Base Compensation***. An Eligible Executive's base salary, to the extent payable in U.S. dollars from an Employer's U.S. payroll.

2.4 ***Beneficiary***. The person or persons (including a trust or trusts) properly designated by a Participant, as determined by the Plan Administrator, to receive the Participant's Account in the event of the Participant's death.

2.5 ***Bonus Compensation***. An Eligible Executive's annual incentive award under his or her Employer's annual incentive plan or the PBG Executive Incentive Compensation Plan, to the extent payable in U.S. dollars from an Employer's U.S. payroll.

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

2.7 ***Company***. The Pepsi Bottling Group, Inc. (also referred to herein as "PBG"), a corporation organized and existing under the laws of the State of Delaware, or its successor or successors.

2.8 ***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 5.1(b).

2.9 ***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 March 31, June 30, September 30 and December 31. Any current Distribution Valuation Date may be changed by the Plan Administrator, provided that such change does not result in a change in the time of

payment 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 immediately preceding business day.

2.10 ***Election Form***. The form prescribed by the Plan Administrator on which a Participant specifies the amount of his or her Base Compensation or Bonus Compensation (or both) to be deferred and the time 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 contemplated that the Plan Administrator may make available for use such technologies, including voice response systems and electronic forms, as it deems appropriate from time to time.

2.11 ***Eligible Executive***. The term, Eligible Executive, shall have the meaning given to it in Section 3.1.

2.12 ***Employer***. The Company and each of the Company's subsidiaries and affiliates (if any) that is currently designated as an Employer 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 PBG Organization.

2.13 ***Executive***. Any person in an executive 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.

2.14 ***Mandatory Deferral***. That portion of an Eligible Executive's Base Compensation that is mandatorily deferred under Section 4.6 pursuant to the requirements established by the Compensation Committee from time to time.

2.15 ***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.

2.16 ***Participant***. Any Executive who is qualified to participate in this Plan in accordance with Section 3.1 and who has an Account. An active Participant is one who is currently deferring under Section 4.1.

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

2.18 ***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.

2.19 ***Plan***. The PBG Executive Income Deferral Program, the plan set forth herein and in the Pre-409A Program document, as the plan 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).

2.20 ***Plan Administrator***. The Compensation and Management Development Committee of the Board of Directors of the Company (the "Compensation Committee") or its delegate or delegates, which shall have the authority to administer the Plan as provided in Article VII.

2.21 ***Plan Year***. The twelve-consecutive month period beginning on January 1 and ending on December 31.

2.22 ***Recordkeeper***. For any designated period of time, the party to whom the Plan Administrator delegates the responsibility 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.

2.23 ***Retirement***. Separation from Service after either (i) attainment of age 55 and the tenth anniversary of the Participant's initial employment date; or (ii) attainment of age 65 and the fifth anniversary of the Participant's initial employment date.

For purposes of this section, if a Participant commences employment within the PBG Organization immediately following employment with PepsiCo, Inc., the Participant's initial employment date shall be the date such Participant first became employed by PepsiCo., Inc.

2.24 ***Second Look Election***. The term Second Look Election shall have the meaning given to it in Section 4.5.

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

2.26 ***Separation from Service***. A Participant's separation from service as defined in Section 409A; provided that for this purpose, the term "service recipient" shall include PepsiCo, Inc. so long as PepsiCo, Inc. or a member of the PepsiCo, Inc. controlled group maintains an ownership interest in the Company of at least 20%. The term may also be used as a verb (*i.e.*, "Separates from Service") with no change in meaning.

2.27 ***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 4.4. 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 authorization of the Plan Administrator. In the event that an 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.

2.28 ***Specified 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 PBG Organization having annual compensation greater than $130,000 (as adjusted for the applicable year under Section 416(i)(1) of the Code);

(2) A 5-percent owner of any member of the PBG Organization; or

(3) A 1-percent owner of any member of the PBG 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 Specified Employee in accordance with Section 416(i) of the Code and the applicable regulations and other guidance of general applicability issued thereunder or in connection therewith, 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. Except as otherwise required by Section 409A, the Plan Administrator shall determine Specified Employees 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.

(c) Rule of Administrative Convenience. In addition to the foregoing, the Plan Administrator shall treat all other employees classified as E5 and above on the applicable determination date prescribed in subsection (b) (i.e., the last day of each calendar year) as a Specified Employee for purposes of the Plan for the twelve month period commencing on the applicable April 1st date. However, if there are at least 200 Specified Employees without regard to this provision, then it shall not apply. If there are less than 200 Specified Employees without regard to this provision, but full application of this provision would cause there to be more than 200 Specified Employees, then (to the extent necessary to avoid exceeding 200 Specified Employees) those employees classified as E5 and above who have the lowest base salaries on such applicable determination date shall not be Specified Employees.

2.29 ***Unforeseeable Emergency***. A severe financial hardship to the Participant resulting from:

(a) An illness or accident of the Participant, the Participant's spouse or a dependent (as defined in Section 152 of the Code, without regard to Sections 152(b)(1), 152(b)(2) and 152(d)(1)(B) of the Code) of the Participant;

(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.

2.30 ***Valuation Date***. Each date, 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.

ARTICLE III – ELIGIBILITY AND PARTICIPATION

3.1 ***Eligibility to Participate***.

(a) In General.

(1) Subject to the election timing rules of Article IV, an Executive who is classified as salary band E1 or above shall be eligible to defer compensation under the Plan, provided that an Eligible Executive who makes an irrevocable election to participate for a Plan Year shall remain an Eligible Executive for the remainder of that Plan Year regardless of whether such Executive is subsequently classified in a salary band below E1. An individual who becomes an Eligible Executive during a Plan Year may make a deferral election for that Plan Year only if such individual satisfies the requirements for newly-eligible status under Section 409A. Any such election shall be subject to the election restrictions set forth in Article IV.

(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 4.1.

3.2 ***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 4.1(b), the date he or she Separates from Service; or

(b) The date the Executive ceases to be eligible under criteria described in Section 3.1(a)(2) above.

3.3 ***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.

ARTICLE IV – DEFERRAL OF COMPENSATION

4.1 ***Deferral Election***.

(a) Deferrals of Base Compensation. Each Eligible Executive may make an election to defer under the Plan any whole percentage (up to 80%) of his or her Base Compensation in the manner described in Section 4.2. 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 will 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 4.2. An Eligible Executive that is hired, transferred or promoted into a position eligible for the Plan 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, transferred or promoted; provided that a promoted Executive may elect to defer Bonus Compensation if such Executive was eligible for such compensation as of the first day of the Plan Year. 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.

(2) *Performance Criteria*. Notwithstanding subsection (b)(1) above, an Eligible Executive shall not be eligible to defer Bonus Compensation for a Plan Year unless the Bonus Compensation is contingent on the satisfaction of organizational or individual performance criteria for the Performance Period that relates to the Plan Year, such criteria have been established in writing by not later than 90 days after the beginning of the applicable Performance Period, and the Bonus Compensation satisfies the requirements for performance-based compensation under 409A.

(c) Election Form Rules. To be effective in deferring Base or Bonus Compensation, an Eligible Executive's Election Form must set forth the percentage of Base/Bonus Compensation (whichever applies) to be deferred, 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 4.2. To avoid the application of certain default choices, the Eligible Executive may also specify the deferral period under Section 4.3, and the form of payment under Section 4.4. It is contemplated that an Eligible Executive will specify the

investment choice under Section 5.2 (in multiples of 5%) for the Eligible Executive's deferral. However, this is not a condition for making an effective election.

4.2 ***Time and Manner of Deferral Election***.

(a) Deferrals of Base Compensation. Ordinarily, an Eligible Executive must make a deferral election for a Plan Year with respect to Base Compensation no later than October 31 of the year prior to the Plan Year in which the Base Compensation would otherwise be paid. 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 after October 1 and not later than December 31 of a Plan Year. Thus, if a Base Compensation deferral election for a Plan Year is made after October 31 of the prior Plan Year 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.

(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 in all cases shall be irrevocable not later than the latest date permitted under Section 409A for the applicable kind of initial election). Increases or decreases in the percentage a Participant elects to defer shall not be permitted during a Plan Year; provided that if a Participant receives a hardship distribution under a cash or deferred profit sharing plan that is sponsored by a member of the PBG Organization and such plan requires that deferrals be suspended for a period of time following the hardship distribution, the Plan Administrator shall cancel the Participant's deferral election so that no deferrals shall be made during such suspension period. If an election is cancelled because of a hardship distribution, any later deferral elections shall be subject to the provisions governing initial deferral elections. Notwithstanding the preceding three sentences, to the extent necessary

because of circumstances beyond the control of the Executive, the Plan Administrator may grant an extension of any election period and may permit (to the extent deemed necessary for orderly Plan administration or to avoid undue hardship to an Eligible Executive) the modification of an election. Any such extension or modification shall be available only if (1) it does not extend the time for making an election beyond the latest time permitted under Section 409A, (2) the Plan Administrator determines that it otherwise meets the minimum requirements of Section 409A and is desirable for Plan administration, and (3) only upon such conditions as may be required by the Plan Administrator.

4.3 ***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. 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, at least one year after the end of the Plan Year during which the Base Compensation would have been paid absent the deferral; and

(b) For Bonus Compensation, at least two years 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.

4.4 ***Form of Deferral Payment***. 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. 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) the fixed number of years over which installments are to be paid. If an Eligible Executive 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.

4.5 ***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 that provides for payment on a Specified Payment Date 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 twelve 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) A Second Look Election will not be effective until twelve months after it is made.

(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 4.5.

(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 4.4, 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.

(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 number of years, the election will be subject to the provisions of the Plan regarding installment payment elections in Section 4.4, 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.

(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 five 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 4.3 and 4.4 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 the 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.

4.6 ***Mandatory Deferrals***.

(a) In General. As provided in this section, Base Compensation may be deferred under the Plan on a non-elective basis. In the case of an Eligible Executive whose Base Compensation for a Plan Year is determined by the Compensation Committee, the Compensation Committee may require a portion of the Eligible Executive's Base Compensation for the Plan Year to be deferred under the Plan. Such portion of the Eligible Executive's Base Compensation that the Compensation Committee requires to be deferred under this Section 4.6 on a non-elective basis shall be referred to as a "Mandatory Deferral."

(b) Time for Committee's Determination. If, prior to the decision by the Compensation Committee with respect a Mandatory Deferral, the Eligible Executive has not earned a binding right to the portion of his Base Compensation that is to be deferred mandatorily, the Compensation Committee may require the deferral of such Base Compensation not later than when the Eligible Executive earns a binding right to the Base Compensation. However, if the Eligible Executive has already earned a binding right to some or all of the Base Compensation to be deferred mandatorily, then to be effective hereunder any determination by the Compensation Committee to require deferral of such portion of the Eligible Executive's Base Compensation must be made no later than December 31st of the year prior to the Plan Year in which such portion of Base Compensation would otherwise be paid and as of December 31st of such prior year the determination shall be irrevocable. Any Mandatory Deferral for a Plan Year shall be credited to a separate Deferral Subaccount for such Plan Year.

(c) Time and Form of Payment. At the time that the Compensation Committee provides for the Mandatory Deferral of an Eligible Executive's Base Compensation, the Compensation Committee shall (1) designate a Specific Payment Date for such Mandatory Deferral within the parameters of Section 4.3, and (2) designate a form of payment for such Mandatory Deferral (*e.g.*, lump sum or installments) within the parameters of Section 4.4(a). The Compensation Committee may retain the right to change the time and form of payment of any Mandatory Deferral, but any such change must meet the requirements of Section 4.5 (applied as if the decision by the Compensation Committee were a decision by the Eligible Executive).

The Eligible Executive shall be entitled to elect to change the time and form of payment under Section 4.5 only to the extent expressly permitted by the Compensation Committee.

ARTICLE V – INTERESTS OF PARTICIPANTS

5.1 ***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 to his or her Account as soon as 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. 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.

5.2 ***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 PBG Stock Fund*. Participant Accounts invested in this phantom option are adjusted to reflect an investment in the PBG Stock Fund, which is offered under the PBG 401(k) Savings Program. An amount deferred or transferred into this option is converted to phantom units in the PBG 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 PBG 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 PBG Stock Fund on such date. If shares of PBG 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 PBG Common Stock actually be purchased or held under this Plan, and no Participant shall have any rights as a shareholder of PBG Common Stock on account of an interest in this phantom option.

(2) *Phantom PBG 401(k) Funds*. From time to time, the Plan Administrator shall designate which (if any) of the investment options under the PBG 401(k) Savings Program shall be available as phantom investment options under this Plan. Participant Accounts invested in these phantom options are adjusted to reflect an investment in the corresponding investment options under the PBG 401(k) Savings Program. An amount deferred or transferred into one of these options is converted to phantom units in the applicable PBG 401(k) Savings Program fund of equivalent value by dividing such amount by the NAV of a unit in such fund on the date as of which the amount is treated as invested in the 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 the applicable PBG 401(k) Savings Program fund on such date.

(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 may be in addition to those provided for above. They may also be in lieu of some or all of them. Any of these phantom investment options shall be administered under procedures implemented from time to time by the Plan Administrator.

5.3 ***Method of Allocation***.

(a) Deferral Elections. With respect to any deferral election by a Participant, the Participant must use his or her Election Form to allocate the deferral in 5% 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 Security Plus 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 5% increments) 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 or by following such other non-paper procedures, such as electronically, that the Plan Administrator may designate, and specifying, in 5% increments, the reallocation of his or her Deferral Subaccounts among the phantom investment

options then offered by the Plan Administrator for this purpose. If a fund transfer form or other designated method provides for investing less than or more than 100% of the Participant's Account, it will be void and disregarded. Any fund 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 the 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 transfer form is received on a timely basis for a Deferral Subaccount, the transfer form that the Plan Administrator or Recordkeeper determines to be the most recent shall be followed.

(c) Phantom PBG Stock Fund Restrictions. Notwithstanding the preceding provisions of this section, to the extent necessary to ensure compliance with Rule 16b-3(f) of the Act, the Company may arrange for tracking of any such transaction defined in Rule 16b-3(b)(1) of the Act involving the Phantom PBG Stock Fund and the Company may bar or alter the effective date of any such transaction to the extent it would not be exempt under Rule 16b-3(f). The Company may 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 PBG 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 7.6 (relating to compliance with Section 409A).

5.4 ***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.

ARTICLE VI – DISTRIBUTIONS

6.1 ***General Rules***. A Participant's Deferral Subaccount(s) that are governed by the terms of this 2009 Restatement shall be distributed as provided in this Article, subject in all cases to Sections 5.3(c), 6.10 and 7.3(j) (relating to compliance with securities laws with respect to the Phantom PBG Stock Fund). All Deferral Subaccount balances (including those hypothetically invested in the Phantom PBG 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. Subsequent reemployment of the Participant shall not affect the payment of the Participant's Deferral Account for which a payment event previously occurred.

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

(a) Section 6.2 (Distributions Based on a Specific Payment Date) applies when a Participant has elected to defer until a Specific Payment Date (including pursuant to a Second Look Election) and the Specific Payment Date is reached before the Participant's (i) Separation from Service (other than for Retirement); or (ii) death. However, if such a Participant Separates from Service (other than for Retirement or death) prior to the Specific Payment Date (or prior to an installment payment pursuant to a Specific Payment Date or Second Look Election), Section 6.3 shall apply to the extent it would result in an earlier distribution. If such a Participant dies prior to the Specific Payment Date (or prior to an installment payment pursuant to a Specific Payment Date), Section 6.4 shall apply to the extent it would result in an earlier distribution of all or part of a Participant's Account.

(b) Section 6.3 (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 6.4 (Distributions on Account of Death) applies when the Participant dies. If a Participant is entitled to receive or is receiving a distribution under Section 6.2, 6.3 or 6.5 (see below) at the time of his death, Section 6.4 shall take precedence over those sections to the extent Section 6.4 would result in an earlier distribution of all or part of a Participant's Account.

(d) Section 6.5 (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. Subsection (c) of this section provides for when Section 6.4 takes precedence over Section 6.5.

(e) Section 6.6 (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 6.2 through 6.5. In this case, the provisions of Section 6.6

shall take precedence over Sections 6.2 through 6.5 to the extent Section 6.6 would result in an earlier distribution of all or part of the Participant's Account.

(f) Section 6.7 (Distributions of Mandatory Deferrals) shall apply to all distributions of Mandatory Deferrals, and the provisions of Section 6.7 shall take precedence over Sections 6.2 through 6.6 with respect to distributions of all Mandatory Deferrals.

6.2 ***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 (including distributions pursuant to a Second Look Election). In the event a Participant's Specific Payment Date for a Deferral Subaccount is reached before an amount becomes payable to the Participant on account of (i) the Participant's Separation from Service (other than for Retirement), 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 Section 4.4 or 4.5, whichever is applicable, the Deferral Subaccount shall be valued as of the last Distribution Valuation Date preceding the Participant's Specific Payment Date, and the resulting amount shall be payable 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 4.4 or 4.5, whichever is applicable, the Participant's first installment payment shall be payable on the Specific Payment Date. Thereafter, installment payments shall continue in accordance with the schedule elected by the Participant, except as provided in Sections 6.3, 6.4 and 6.6 (relating to distributions upon Separation from Service (other than Retirement or death), death or Unforeseeable Emergency). The amount of each installment shall be determined under Section 6.8 based on the Distribution Valuation Date immediately preceding the date such installment is payable. Notwithstanding the preceding provisions of this subsection, if the Participant Separates from Service (other than for Retirement) or dies, the Participant's Deferral Subaccounts that would otherwise be distributed based on such Specific Payment Date shall instead be distributed in accordance with Section 6.3 or 6.4 (relating to distributions on account of Separation from Service or death), whichever applies, but only to the extent it would result in an earlier distribution of the Participant's Subaccount.

6.3 ***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 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 or death.

(a) Subject to subsection (c), for those Deferral Subaccounts that have a Specific Payment Date (including a Specific Payment Date resulting from a Second Look Election) that is after the Participant's Separation from Service, such Deferral Subaccounts shall be payable in a

single lump sum payment on the first day of the month following the end of the calendar quarter following the quarter in which the Participant's Separation from Service occurs to the extent such payment would result in an earlier distribution to the Participant.

(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 the remainder of such Deferral Subaccount shall be payable in a single lump sum payment on the first day of the month following the end of the calendar quarter following the quarter in which the Participant's Separation from Service occurs to the extent such payment would result in an earlier distribution to the Participant).

(c) If the Participant is classified as a Specified Employee at the time of the Participant's Separation from Service (or at such other time for determining Specified Employee status as may apply under Section 409A), then such Participant's Account shall be payable, to the extent such payment is due as a result of the Participant's Separation from Service, on the first day of the month following the end of the second calendar quarter following the quarter in which the Participant's Separation from Service occurs, valued as of the immediately preceding Distribution Valuation Date.

Amounts payable in accordance with this Section 6.3 shall be determined based on the Distribution Valuation Date immediately preceding the date such amount is payable.

6.4 ***Distributions on Account of Death***.

(a) Upon a Participant's death, the value of the Participant's Account under the Plan shall be payable in a single lump sum payment on the first day of the month following the end of the calendar quarter following the quarter in which the Participant's death occurs, valued as of the last Distribution Valuation Date preceding the date such amount becomes payable. If the Participant is receiving installment payments at the time of the Participant's death, or a Specific Payment Date distribution (including a Specific Payment Date resulting from a Second Look Election) is payable prior to the date an amount is payable under this Section 6.4, such payment or installment payment shall be made in accordance with the terms of the applicable deferral election that governs such payment 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 installments, shall be paid to the Participant's Beneficiary.

(b) Each Participant may designate a Beneficiary or Beneficiaries (contingently, consecutively, or successively) of a death benefit and, from time to time, may change his or her designated Beneficiary. A Beneficiary may be a trust. A beneficiary designation shall be made in writing in a form prescribed by the Plan Administrator and delivered to the Plan Administrator

while the Participant is alive. If there is no designated Beneficiary surviving at the death of a Participant, payment of any death benefit of the Participant shall be made to the estate of the Participant.

(c) 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.

6.5 ***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 4.3, 4.4 or 4.5 (*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 6.2, whichever applies (relating to distribution 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 month following the end of the calendar quarter following the quarter in which the Participant's Retirement occurs. Such distribution shall be made in either a single lump sum payment (valued as of the immediately preceding Distribution Valuation Date) or in installment payments depending upon the Participant's deferral election under Sections 4.4 or 4.5. 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 6.4 and 6.6 relating to distributions on account of death and Unforeseeable Emergency) and with the installment payment amounts determined under Section 6.8. However, if the Participant is classified as a Specified Employee at the time of the Participant's Retirement (or at such other time for determining Specified Employee status as may apply under Section 409A), then such Participant's Account shall not be payable, as a result of the Participant's Retirement, until the first day of the first calendar quarter that is at least six months after the Participant's Retirement.

(c) If the Participant is receiving installment payments in accordance with Section 6.2 (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 6.4 and 6.6 relating to distributions on account of death and Unforeseeable Emergency).

6.6 ***Distributions on Account of Unforeseeable Emergency***. Prior to the time that an amount would become distributable under Sections 6.2 through 6.5, a Participant 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 shall receive a distribution from his or her Account as soon as administratively practicable thereafter. 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).

6.7 ***Distributions of Mandatory Deferrals***. This Section 6.7 shall govern the distribution of all Mandatory Deferrals under the Plan. Unless the Compensation Committee determines otherwise at the time of the Mandatory Deferral or afterwards (subject to the provisions of Section 4.5), a Participant's Deferral Subaccount(s) for a Mandatory Deferral shall be distributed upon the earliest of the following to occur:

(a) The Specific Payment Date for the Deferral Subaccount pursuant to the distribution rules of Section 6.2;

(b) The Participant's Separation from Service (other than account of a death) pursuant to the distribution rules of Section 6.3;

(c) The Participant's death pursuant to the distribution rules of Section 6.4;

(d) The occurrence of an Unforeseeable Emergency with respect to the Participant pursuant to the distribution rules of Section 6.6.

6.8 ***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 immediately 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 6.6 relating to an Unforeseeable Emergency), such distribution shall reduce the value of the Participant's Deferral Subaccount as of the close of the Distribution Valuation Date immediately 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 immediately 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.

6.9 ***Section 162(m) — Automatic Deferral***. Notwithstanding any other provision of this Plan to the contrary, and subject to the requirements of Treas. Reg. §1.409A-2(b)(7)(i), no amount shall be paid to any Participant before the earliest date on which the Employer's federal income tax deduction for such payment is not precluded by Section 162(m) of the Code. In the event any payment is delayed solely as a result of the preceding restriction, such payment shall be made as soon as administratively feasible following the first date as of which the Employer reasonably anticipates that Section 162(m) of the Code no longer precludes the deduction by the Employer.

6.10 ***Impact of Section 16 of the Act on Distributions***. The provisions of Section 5.3(c) and this Section 6.10 shall apply in determining whether a Participant's distribution shall be delayed beyond the date applicable under the preceding provisions of this Article VI.

(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) of the Act, if it were approved by the Company's Board of Directors or the 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 PBG 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 PBG 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 PBG 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 Phantom PBG 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 PBG 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 PBG 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 PBG Stock Fund, or when the time between the liquidation and an opposite way transaction is sufficient.

6.11 ***Actual Date of Payment***. An amount payable on a date specified in this Article VI shall be paid as soon as administratively feasible after such date; but no later than the later of (a) the end of the calendar year in which the specified date occurs; or (b) the 15 th day of the third calendar month following such specified date and the Participant (or Beneficiary) is not permitted to designate the taxable year of the payment. The payment date may be postponed further if calculation of the amount of the payment is not administratively practicable due to events beyond the control of the Participant (or Beneficiary), and the payment is made in the first calendar year in which the calculation of the amount of the payment is administratively practicable.

ARTICLE VII – PLAN ADMINISTRATION

7.1 ***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.

7.2 ***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.

7.3 ***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 7.6 (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.

7.4 ***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 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 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.

7.5 ***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 withholding provisions of the Code, by an applicable state's income tax provisions, or by an applicable city, county or municipality's earnings or income tax provisions. 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 accrued by a Participant hereunder, as determined by the Company.

7.6 ***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.

ARTICLE VIII – CLAIMS PROCEDURE

8.1 ***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.

8.2 ***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.

ARTICLE IX – AMENDMENT AND TERMINATION

9.1 ***Amendment of Plan***. The Compensation and Management Development 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.

Notwithstanding the preceding, the Company's Senior Vice President — Human Resources may amend the Plan without the consent of the Compensation and Management Development Committee for the purposes of (i) conforming the Plan to the requirements of law, (ii) facilitating the administration of the Plan, and (iii) clarifying provisions based on the Committee's interpretation of the document; provided that such amendment does not relate to the Plan provisions and restrictions for ensuring compliance with Rule 16b-3 of the Act.

9.2 ***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 and Management Development 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) Notwithstanding subsection (a), a termination of the Plan must comply with the provisions of Section 409A including, but not limited to, aggregation of plans of the same type, restrictions on the timing of final distributions, and the adoption of future deferred compensation arrangements.

ARTICLE X – MISCELLANEOUS

10.1 ***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 the Employers reserve the right to terminate the employment of any Participant without any liability for any claim against the Company or the Employers under this Plan, except for a claim for payment of deferrals as provided herein.

10.2 ***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 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 the 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.

10.3 ***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 Employers 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.

10.4 ***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 New York. 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.

10.5 ***Adoption of Plan by Related Employers***. The Plan Administrator may select as an Employer any subsidiary or affiliate related to the Company by ownership (and that is a member of the PBG Organization), and permit or cause such 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.

10.6 ***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).

10.7 ***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 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.

10.8 ***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.

This 2009 Restatement is hereby adopted and approved by the Company's duly authorized officer this __ day of ____, 2008, to be effective as stated herein.

THE PEPSI BOTTLING GROUP, INC.

By: _____

Name: _____

Title: _____

LAW DEPARTMENT APPROVAL

By: _____

Name: _____

Title: _____

AMENDMENT TO THE

PBG EXECUTIVE INCOME DEFERRAL PROGRAM

2009 RESTATEMENT

The PBG Executive Income Deferral Program 2009 Restatement (the "Plan") is hereby amended as set forth below, effective as of the "Effective Time" (as defined in Amendment No. 9 below) and contingent upon the occurrence of the Effective Time.

1. Section 1.1 of the Plan is amended in its entirety to read as follows:

"1.1 ***History and Purpose.*** The Pepsi Bottling Group, Inc. established the PBG Executive Income Deferral Program (the "Plan") to permit Eligible Executives to defer base pay and certain other compensation under its executive compensation programs. The Plan was originally adopted effective as of April 7, 1999. Thereafter, the Plan was amended and restated in its entirety effective as of October 11, 2000 (subject to other specific effective dates set forth therein).

The earned and vested account balances in the Plan were frozen as of December 31, 2004, except for adjustments for earnings and losses, because of Section 409A of the Internal Revenue Code enacted by the American Jobs Creation act of 2004 ("Section 409A"). Contributions after 2004 and amounts that were not vested as of December 31, 2004, were credited to separate accounts designed to comply with Section 409A. The Plan was amended and restated effective January 1, 2009 to comply with Section 409A and was again amended in December 2009 to revise the definition of "Employer,"

PepsiCo, Inc. (the "Company") assumed sponsorship of the Plan from PBG as a result of the acquisition of PBG by Pepsi-Cola Metropolitan Bottling Company, a subsidiary of the Company, effective as of the Effective Time (as defined in Article II). PBG adopted certain amendments to the Plan prior to the Effective Time, contingent upon the occurrence of the Effective Time, to facilitate PepsiCo's assumption of the role of the Plan's sponsor. This amendment also closed the Plan to new Participants as of December 31, 2010 and prohibited the deferral of Base Compensation and Bonus Compensation otherwise scheduled to be payable after such date."

2. The definition of "Company" in Section 2.7 of the Plan is amended in its entirety to read as follows:

"2.7 ***Company.*** PepsiCo, Inc., a corporation organized and existing under the laws of the State of North Carolina, or its successor or successors. Prior to the Effective Time, "Company" means The Pepsi Bottling Group, Inc."

3. The definition of “Employer” in Section 2.12 is amended in its entirety to read as follows:

“2.12 ***Employer***. The Company and each of the Company’s subsidiaries and affiliates (if any) that is currently designated as an Employer 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/PBG Organization. Notwithstanding the preceding, any member of the PepsiCo/PBG Organization which is not otherwise considered an Employer pursuant to the preceding shall be an Employer (i) solely with respect to any individual who becomes an employee of such member and who, immediately preceding such employee’s date of hire by such member, was an Eligible Executive who made an irrevocable deferral election for the Plan Year in which such employment occurs, and (ii) solely for the remainder of the Plan Year during which such individual becomes an employee of such member.”

4. The definition of “PBG Organization” in Section 2.17 is deleted and replaced with the following:

“2.17 ***PepsiCo/PBG Organization***. The controlled group of organizations of which the Company is a part, as defined by Section 414 (b) and (c) of the Code and the regulations issued thereunder. An entity shall be considered a member of the PepsiCo/PBG Organization only during the period it is one of the group of organizations described in the preceding sentence. The application of this definition for periods prior to the Effective Time shall take into account the different definition of “Company” that applies before the Effective Time.”

All references in the Plan to “PBG Organization” are deleted and replaced with “PepsiCo/PBG Organization.”

5. The definition of “Plan Administrator” in Section 2.20 of the Plan is amended in its entirety to read as follows:

“2,20 ***Plan Administrator***. The Compensation Committee of the Board of Directors of the Company (the “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 Time, 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 Time, 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 6.10(a)."

6. The second paragraph of Section 2.23 is deleted.

7. Section 2.26 is amended in its entirety to read as follows:

"2.26 ***Separation from Service***. A Participant's separation from service as defined in Section 409A. The term may also be used as a verb *(i.e.*, "Separates from Service") with no change in meaning."

8. Section 2.28 is amended by adding the following new subsection (d) at the end thereof:

"(d) Identification of Specified Employees On and After the Effective Time. Notwithstanding the foregoing, for the periods on after the Effective Time, Specified Employees shall be identified as follows:

(1) For the period that begins on the Effective Time and ends on March 31, 2010, Specified Employees shall be identified by combining the lists of Specified Employees of all members of the PepsiCo/PBG Organization as in effect immediately prior to the Effective Time. The foregoing method of identifying Specified Employees is intended to comply with Treas. Reg. § 1.409 A-1 (i)(6)(i), which authorizes the use of an alternative method of identifying Specified Employees that complies with Treas. Reg. §§ 1.409A-l(i)(5) and -l(i)(8), and Section VII.C4.d of the Preamble to the Final Regulations under Section 409A of the Code, which permits "service recipients to simply combine the pre-transaction separate lists of specified employees where it is determined that such treatment would be administratively less burdensome."

(2) For periods beginning on or after April 1, 2010, Specified Employees under any plan or arrangement sponsored by a member of the PepsiCo/PBG Organization that is subject to Section 409A of the Code shall be identified in accordance with an alternative method of identifying Specified Employees under Treas. Reg. § 1.409A-l(i)(5) adopted on a global basis by the Company for all such plans and arrangements, or if no such alternative method is adopted, in accordance with the default method for identifying Specified Employees under Treas. Reg. § 1.409A-l(i)(l), (2), (3) and (4)."

9. The following new definition is added to Article II:

"***Effective Time***. The meaning that applies to that term in the Agreement and Plan of Merger dated as of August 3, 2009, among The Pepsi Bottling Group, Inc., PepsiCo, Inc., and Pepsi-Cola Metropolitan Bottling Company, Inc."

10. The first sentence of Section 3.1 (a)(l) is amended in its entirety to read as follows:

"(1) Subject to the election timing rules of Article IV, an Executive who is classified as salary band El (or its equivalent) or above shall be eligible to defer compensation under the Plan, provided that an Eligible Executive who makes an irrevocable election to participate for a Plan Year shall remain an Eligible Executive for the remainder of that Plan Year regardless of whether such Executive: (i) is subsequently classified in a salary band below El (or its equivalent), or (ii) transfers to employment with a member of the PepsiCo/PBG Organization that is not an Employer."

11. New Section 3.4 is added to the Plan to read as follows:

"3.4 ***Acquisitions and Divestitures***. A written agreement between an Employer and a party that is not part of the PepsiCo Organization regarding the purchase or sale of a business unit, division, or subsidiary ("Business") may provide for the termination or commencement of the participation of Executives in this Plan. Absent specific provision in such agreement to the contrary:

(a) Each Executive of a Business that is sold shall cease being eligible for this Plan upon such sale; and

(b) No Executive of a Business that is acquired shall be eligible for this Plan except as otherwise designated in the Plan or in such documents related to the Plan as the Plan Administrator may designate from time to time.

Unless otherwise specifically provided therein, for purposes of Article IX (amendment and termination of the Plan), approval and execution of a written agreement of acquisition or divestiture by one or more Employers is approval by the Company of the designation of Plan eligibility under such agreement and authorization from the Company to the Plan Administrator to carry out the provisions and intent of such agreement."

12. New Section 3.5 is added to the Plan to read as follows:

"3.5 ***Plan Closed to New Participants as of December 31, 2010***. Notwithstanding any provision of the Plan to the contrary, the Plan is closed to new Participants as of December 31, 2010."

13. Section 4.1 is amended by adding a new subsection (d) at the end thereof to read as follows:

"(d) ***Deferral of Compensation Payable After 2010 Prohibited***. Notwithstanding any provision of the Plan to the contrary, an individual shall not be

eligible to defer Base Compensation or Bonus Compensation under the Plan that otherwise would be scheduled to be payable to him after December 31, 2010."

14. Section 5.2(b)(l) of the Plan is amended in its entirety to read as follows:

"(1) *Phantom PBG Stock Fund.*

(i) Participant Accounts invested in this phantom option are adjusted to reflect an investment in the PBG Stock Fund, which is offered under the PBG 401(k) Savings Program. An amount deferred or transferred into this option is converted to phantom units in the PBG 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 PBG 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 PBG Stock Fund on such date. If shares of PBG 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 units credited to an Account or Subaccount as the Plan Administrator may determine to be necessary or appropriate. In no event will shares of PBG Common Stock actually be purchased or held under this Plan, and no Participant shall have any rights as a shareholder of PBG Common Stock on account of an interest in this phantom option.

(ii) In accordance with subparagraph (i) above, and effective as of the Effective Time, the portion of a Participant's Account that is invested in the Phantom PBG Stock Fund immediately prior to the Effective Time shall be converted to reflect a phantom investment in the PepsiCo Common Stock Fund, which is offered under the PepsiCo 401(k) Plan for Salaried Employees. Such conversion shall be applied by converting the Participant's phantom units in the PBG Stock Fund into phantom units in the PepsiCo Common Stock Fund in a manner that provides an equivalent phantom value before and after the conversion. References in the Plan to the Phantom PBG Stock Fund (including Sections 5.3(c), 6.1 and 6.10) shall be applied, on and after the Effective Time, by taking into account this conversion."

15. The second paragraph of Section 9.1 is deleted.

16. A new Appendix A is added to the Plan to read as set forth in Attachment A of this Amendment.

17. A new Appendix B is added to the Plan to read as set forth in Attachment B of this Amendment.

18. Minor corrections to the Plan necessary to carry forth the above amendments, including re-alphabetizing and renumbering the defined terms in Article II to reflect changes thereto, and corrections to cross-references affected by these amendments, shall be made as necessary after applying the foregoing amendments.

THE PEPSI BOTTLING GROUP, INC.

By: /s/ John L. Berisford
John L. Berisford
Title: Senior Vice President of Human Resources

Date: 2/19/2010

LAW DEPARTMENT APPROVAL:

By: /s/ Christine Morace
The Pepsi Bottling Group, Inc.
Law Department

Consented to and approved by:

PEPSICO, INC.

By: /s/ Cynthia M. Trudell
Cynthia M. Trudell
Title: Senior Vice President and
Chief Personnel Officer

Date: 2/18/2010

LAW DEPARTMENT APPROVAL:

By: /s/ Christopher Bellanca
PepsiCo, Inc. Law Department

Attachment A

"APPENDIX ARTICLE A

Participating Employers

The following members of the PepsiCo/PBG Organization have been designated as Employers as of December 31, 2009:

Pepsi Bottling Group, Inc. (PBG)
Bottling Group Holdings, Inc. (BGH)
Pepsi Bottling Group Global Finance LLC
International Bottlers Management Co LLC
C&I Leasing, Inc.
Woodlands Insurance Co.
Gray Bern Holdings, Inc.
Newbern Transport Corporation
Bottling Group LLC (BGLLC)
PBG Michigan LLC
Hillwood Bottling LLC
Grayhawk Leasing LLC"

Attachment B

"APPENDIX ARTICLE B

Special Provisions Related to the Merger of
The Pepsi Bottling Group and PepsiAmericas, Inc.
into the Pepsi-Cola Metropolitan Bottling Company, Inc.

B.I Purpose and Effect. The purpose of this Article is to provide for a "home plan rules" approach for employees who move between, or are newly hired by, a "PepsiCo Business," a "PAS Business" or a "PBG Business" (each as defined below) following the merger of The Pepsi Bottling Group, Inc. and PepsiAmericas, Inc. into the Pepsi-Cola Metropolitan Bottling Company, Inc., a wholly owned subsidiary of the Company. The provisions of this Article govern over the provisions of the main Plan document that may conflict or be inconsistent with the provisions of this Article, except as otherwise provided herein. This Article is effective as of the Effective Time (as defined in Article II).

B.2 Definitions. The definitions listed below apply for purposes of this Article B. Any other defined term used herein shall have the meaning applied to that term under the main portion of the Plan document.

(a) "PAS Business" means each Employer, division of an Employer or other organization subdivision of an Employer that the Company classifies as part of the PepsiAmericas business.

(b) "PBG Business" means each Employer, division of an Employer or other organization subdivision of an Employer that the Company classifies as part of the Pepsi Bottling Group business.

(c) "PepsiCo Business" means each Employer, division of an Employer or other organization subdivision of an Employer that the Company classifies as part of the PepsiCo business.

B.3 Participating Employers. A PBG Business shall be a Participating Employer if it is identified as such in Appendix Article A. PepsiCo Businesses and PAS Businesses are not Participating Employers, except with respect to an employee who is hired by a PepsiCo Business or PAS Business on or after the Effective Time and who is an Executive immediately before such date of hire.

B.4 Eligibility to Participate. An individual who is hired by a PBG Business that is a Participating Employer after the Effective Time shall be eligible to participate in the Plan upon satisfying the Plan's eligibility requirements (and shall not be eligible to participate in the non-qualified defined contribution plan of another member of the PepsiCo/PBG Organization), to the same extent that he would have been eligible to participate had his date

of hire occurred prior to the Effective Time, unless he was employed by a member of the PepsiCo/PBG Organization that is not a PBG Business immediately before such date of hire with a PBG Business. Employees of a PepsiCo Business and PAS Business are ineligible to participate in this Plan, except that an individual who is hired by a PepsiCo Business or PAS Business on or after the Effective Time, and who is an Executive immediately before such date of hire, shall be eligible to continue participating in this Plan for so long as he is continuously employed by a member of the PepsiCo/PBG Organization, to the same extent as if he had remained an Executive.

B.5 No Special Rights. Nothing in this Article is intended as an exception to the Plan's prohibition on new Participants after December 31, 2010 in Section 3.5, or to the prohibition on deferrals of Base Compensation or Bonus Compensation otherwise payable after December 31, 2010 in Section 4.1(d), or as a conferral of any other rights under the Plan not specifically authorized herein."

FIRST AMENDMENT
TO THE
PBG
EXECUTIVE INCOME DEFERRAL PROGRAM
(2009 RESTATEMENT)

The Pepsi Bottling Group, Inc. (the "Company") established the PBG Executive Income Deferral Program (the "Plan") to permit Eligible Executives to defer base pay and certain other compensation under its executive compensation programs. The Plan was originally adopted effective as of April 7, 1999. Thereafter, the Plan was amended and restated in its entirety effective as of October 11, 2000 (subject to other specific effective dates set forth therein). The Plan was further amended and restated effective January 1, 2009 (the "2009 Restatement") to comply with Section 409A of the Internal Revenue Code. The 2009 Restatement governs payment of contributions after 2004 and amounts that were not vested as of December 31,2004.

The Company now desires to amend the 2009 Restatement to clarify that subsequent elections regarding the time and form of payment are available only to participants who are active employees.

NOW, THEREFORE, Section 4.5(b) of the Plan is hereby amended, effective as of January 1, 2009, to read in its entirety as follows:

(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 twelve 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) A Second Look Election will not be effective until twelve months after it is made.

(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 4.5.

(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 4.4, 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.

(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 number of years, the election will be subject to the provisions of the Plan regarding installment payment elections in Section 4.4, 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.

(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 five 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.

(9) A Second Look Election may be made only by a Participant who is an active employee of an Employer.

A Second Look Election will be void and payment will be made based on the Participant's original election under Sections 4.3 and 4.4 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 the 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.

This First Amendment is hereby adopted and approved by the Company's duly authorized officer this 23rd day of December, 2009.

THE PEPSI BOTTLING GROUP, INC.

By: /s/ John Berisford
Name: John Berisford
Title: SVP Human Resources

LAW DEPARTMENT APPROVAL

By: /s/ Christine Morace
Name: Christine Morace
Title: Senior Counsel

Exhibit 10.68

PBG
EXECUTIVE INCOME
DEFERRAL PROGRAM

As Effective
October 11, 2000

PBG
EXECUTIVE INCOME DEFERRAL PROGRAM

TABLE OF CONTENTS

ARTICLE I

INTRODUCTION

The Pepsi Bottling Group, Inc. (the "Company") established the PBG Executive Income Deferral Program (the "Plan") to permit eligible executives to defer base pay, certain cash and stock awards made under its executive compensation programs, and certain gains on stock options. The Plan is a successor to the PepsiCo Executive Income Deferral Program and was originally adopted effective as of April 7, 1999. Thereafter, the Plan was amended and restated in its entirety effective as of October 11, 2000 (subject to other specific effective dates set forth in this restatement).

This document sets forth the terms of the Plan, specifying the group of executives of the Company and certain affiliated employers that are 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 Articles A and B of the Appendix, which modifies and supplements the general provisions of the Plan.

The Plan is unfunded and unsecured, except as provided in Article B of the Appendix. Amounts deferred by an executive are an obligation of that executive's individual employer. With respect to his or her 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 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 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 Deferral Subaccounts as it deems necessary for the proper administration of the Plan. The Plan Administrator 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.

2.2 Base Compensation: An eligible Executive'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 Executive's adjusted base salary shall be determined after reductions for applicable tax withholdings, Executive authorized deductions (including deductions for the PBG 401(k) Plan, 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 Deferral 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 (including any requirement for spousal consent) 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 or her 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 or her 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 Executive's adjusted annual incentive award under his or her Employer's annual incentive plan or the PBG 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 Executive's annual incentive awards shall be adjusted to reduce them for applicable tax withholdings, Executive authorized deductions (including deductions for the PBG 401(k) Plan, 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 of 1986, as amended from time to time.

2.6 Company: The Pepsi Bottling Group, Inc., a corporation organized and existing under the laws of the State of Delaware, or its successor or successors.

2.7 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, 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 PBG Long Term Disability Plan shall be deemed to suffer from a disability. Participants who are not covered by the PBG Long Term Disability Plan shall be deemed to suffer from a disability if, in the judgment of the Plan Administrator, they satisfy the standards for disability under the PBG Long Term Disability Plan (determined using such plan's administrative procedures, as selected by the Plan Administrator).

2.9 Distribution Date: Distribution Date shall have the same meaning as Valuation Date; provided, however, if the Valuation Date is more frequent than once per month, the Distribution Date shall mean the first day of each month.

2.10 Election Form: The form prescribed by the Plan Administrator on which a Participant specifies the amount of his or her Base Compensation, Bonus Compensation, Performance Unit Payout or Stock Option Gains to be deferred pursuant to the provisions of Article III. An Election Form need not exist in a paper format, and it is expressly contemplated that the Plan Administrator may adopt such technologies, including voice response systems and electronic forms, as it deems appropriate from time to time.

2.11 Employer: Each division of the Company and each of the Company's subsidiaries and affiliates (if any) that is currently designated as an Employer by the Plan Administrator.

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

2.13 Executive: Any person in an executive 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.

2.14 Fair Market Value: For purposes of converting a Participant's deferrals to phantom PBG Common Stock as of any date (or phantom PepsiCo Capital Stock prior to January 1, 2001), the Fair Market Value of such stock is determined as the average of the high and low price on such date (or if such date is not a trading date, the immediately preceding date that is a trading date) for PBG Common Stock (or 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 phantom PBG Common Stock (or phantom PepsiCo Capital Stock prior to January 1, 2001) is determined as the closing price on the applicable Valuation Date (identified based on the Plan Administrator's current procedures) for PBG Common Stock (or 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 Misconduct: A Termination of Employment that results from the Participant's (a) criminal conduct, (b) deliberate continual refusal to perform employment duties on substantially a full time basis, (c) deliberate and continued refusal to act in accordance with any specific lawful instructions of an authorized officer or more senior employee, or (d) deliberate conduct which could be materially damaging to the Company or any of its business operations without a reasonable good faith belief by the Employee that such conduct was in the best interests of the Company. A Termination of Employment shall not be deemed on account of Misconduct hereunder unless the senior personnel executive of the Company shall confirm that any such termination is on account of Misconduct as defined hereunder. Any voluntary termination in anticipation of an involuntary Termination of Employment on account of Misconduct shall be deemed to be a Termination of Employment on account of Misconduct.

2.16 Participant: Any Executive who is qualified to participate in this Plan in accordance with Section 3.1 and who has an Account. A Participant includes any individual who deferred compensation under the Prior Plan prior to the Start Date and for whom any Employer maintains on its books an Account for such deferred compensation as of the Start Date. An active Participant is one who is currently deferring under Section 3.2.

2.17 PBG: The Pepsi Bottling Group, Inc., a corporation organized and existing under the laws of the State of Delaware, or its successor or successors.

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

2.19 Plan: The PBG Executive Income Deferral Program, the plan set forth herein, as it may be amended and restated from time to time.

2.20 Plan Administrator: The Compensation and Management Development Committee of 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 V.

2.21 Plan Year: Except with respect to the first Plan Year, which begins on the Start Date and ends on December 31, 1999, the 12-consecutive month period beginning on January 1 and ending on December 31.

2.22 Prior Plan: The PepsiCo Executive Income Deferral Program, as in effect for periods before the Start Date.

2.23 Retirement: Termination of service with the Company and its affiliates after attaining eligibility for retirement. A Participant attains eligibility for retirement when he or she attains (i) at least age 55 with 10 or more years of service, (ii) at least age 65 with 5 or more years of service, or (iii) such other eligibility requirement for retirement under the PBG Salaried Employees Retirement Plan as may apply to the Participant (whichever occurs earliest) while in the employment of the Company or any of its affiliates that are determined by the Plan Administrator to qualify for this purpose. A Participant's service is determined under the terms of the PBG Salaried Executives Retirement Plan.

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

2.25 Start Date: The date this Plan originally became effective, 12:00 A.M., Eastern Daylight Time, on the 1st day of April, 1999.

2.26 Stock Option Gains: The gains on an eligible Executive's stock options that have been granted by PepsiCo or PBG and designated as eligible for deferral under the Plan by the Plan Administrator 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 issuer of the underlying shares 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 issuer determines will not otherwise be satisfied by the Participant. For purposes of such sales, the issuer 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 issuer shall have absolute discretion with respect to the timing and aggregation of such sales.

2.27 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.

(c) A Participant who transfers to PepsiCo with the approval of PBG shall not be deemed to have terminated employment.

2.28 Valuation Date: Each date as specified by the Plan Administrator from time to time as of which Participant Accounts are valued in accordance with Plan procedures that are currently in effect. As of the Start Date, the Valuation Dates are March 31, June 30, September 30 and December 31. In accordance with procedures that may be adopted by the Plan Administrator, any current Valuation Date may be changed. 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 Executive shall be eligible to defer compensation under the Plan while employed by an Employer as an Executive classified (or grandfathered) as Band II or above (or an equivalent level for employees not under the band system). Notwithstanding the preceding sentence, 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. 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.

(b) 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 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 election termination date (as defined below) occurring after the earlier of:

(1) The date he or she ceases to be an Executive who is described in the first sentence of subsection (a) above (unless a less restrictive eligibility standard has been adopted in accordance with the second sentence of subsection (a), in which case only Paragraph (2) below shall apply); or

(2) The date the Executive ceases to be eligible under criteria described in the second sentence of subsection (a) above.

For purposes of this subsection, an individual's election termination date shall be a date as soon as administratively practicable following the cessation of eligibility (or such other date as may be determined in accordance with rules of the Plan Administrator).

(d) 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.

3.2 Deferral Election.

(a) Each eligible Executive may make an election to defer under the Plan any whole percentage (up to 100%) of his or her Base Compensation, Bonus Compensation, Performance Unit Payout and Stock Option Gains in the manner described in Section 3.3. The Plan Administrator may also permit the Participant to specify two alternative deferral percentages that will be applicable to Bonus Compensation; one deferral percentage will apply to a Participant's Bonus Compensation if his or her bonus is equal to or greater than the target amount, and the other deferral percentage will apply to a Participant's Bonus Compensation if his or her bonus is less than the target amount. Any percentage of Base Compensation deferred by an eligible Executive for a Plan Year will be deducted each pay period during the Plan Year for which he or she has Base Compensation and is an eligible Executive. The percentage of Bonus Compensation or Performance Unit Payout 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 made, provided he or she remains an eligible Executive at such time. Any Stock Option Gains deferred by an eligible Executive 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 Executive's rights in such options may still be recognized at such time.

(b) To be effective, an eligible Executive'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 Executive'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.

(c) Notwithstanding subsection (a) above, the Plan Administrator in its discretion may implement rules and procedures from time to time that allow Participants (i) to elect to defer Base Compensation and/or Bonus Compensation in amounts other than whole percentages, such as in whole dollar amounts, or (ii) to specify a dollar maximum that would limit their percentage deferral elections of Base Compensation and/or Bonus Compensation.

3.3 Time and Manner of Deferral Election.

(a) Deferrals of Base Compensation. Subject to the next sentence, an eligible Executive 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 Executive will have 30 days from the date the individual becomes an eligible Executive to make an election with respect to compensation for payroll cycles that begin after the election is received (if this 30-day period is a longer election period than applies under the preceding sentence).

(b) Deferrals of Bonuses and Performance Unit Payouts. Subject to the next two sentences, an eligible Executive must make a deferral election for a Plan Year with respect to his or her 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 Executive may make a deferral election with respect to his or her 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 Executive, 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. With respect to each grant of PepsiCo or PBG stock options that are held by eligible Executives, the Plan Administrator shall designate at such time as it deems appropriate whether gains on the grant shall be eligible for deferral. Such designation may apply to all (or less than all) of the Executives that hold such grant. Thereafter, the Plan Administrator shall notify Executives holding designated options that such options then qualify for deferral of their related Stock Option Gains. Subject to the next sentence, an eligible Executive who has such qualifying options must make a deferral election with respect to his or her 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 issuer of the underlying stock 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 Executive for each category of a Plan Year's compensation that is eligible for deferral. If an eligible Executive fails to file a properly completed and executed Election Form with the Plan Administrator by the prescribed time, he or she 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 circumstances beyond the control of the Executive, the Plan Administrator may grant an extension of any election period and may permit (to the extent deemed necessary for orderly Plan administration or to avoid undue hardship to an eligible Executive) 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 or her death, of the amounts credited to his or her applicable Deferral Subaccount; provided, however, the Plan Administrator may require a Participant to make an aggregate Beneficiary designation, which shall apply to some or all of his or her Deferral Subaccounts (as specified in the discretion of the Plan Administrator) on a uniform basis. 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 his or her Deferral 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 Executive making a deferral election shall specify a deferral period on his or her 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 Executive 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 also specifying a payout date. Subject to the next sentence, an eligible Executive's elected period of deferral shall run until the earliest occurring date or event specified on his or her Election Form. Notwithstanding an eligible Executive's actual election, an eligible Executive shall be deemed to have elected a period of deferral of not less than:

(a) For Base Compensation, at least until January 1 of the second Plan Year following the Plan Year during which the Base Compensation would have been paid absent the deferral (until 6 months after the Plan Year during which the Base Compensation would have been paid for deferral elections made before the Start Date);

(b) For Bonus Compensation, at least 2 years after the date the Bonus Compensation would have been paid absent the deferral (1 year for deferral elections made before the Start Date);

(c) For Performance Unit Payouts, at least 2 years after the date the Performance Unit Payout would have been paid absent the deferral (1 year for deferral elections made before the Start Date); and

(d) For Stock Option Gains, at least 2 years after the date the Stock Option Gain is credited to a Deferral Subaccount for the benefit of the Participant (1 year for deferral elections made before the Start Date).

ARTICLE IV

INTERESTS OF PARTICIPANTS

4.1 Accounting for Participants' Interests.

(a) Deferral Subaccounts. Each Participant shall have at least one separate Deferral Subaccount for 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 or her 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 or her 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 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 or her Employer's liability to make deferred payments to or on behalf of the Participant.

(c) Investment Options. Each of a Participant's Deferral 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 or her 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 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).

(1) Phantom Investment Options Beginning January 1, 2001. Effective as of January 1, 2001, the phantom investment options offered under the Plan are as follows:

(i) Phantom PBG Stock Account. Participant Accounts invested in this phantom option are adjusted to reflect an investment in PBG Common Stock. An amount deferred or transferred into this option is converted to phantom shares (or units) of PBG Common Stock of equivalent value by dividing such amount by the Fair Market Value of a share of PBG Common Stock (or of a unit in the Account) on the 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 PBG Common Stock in accordance with Clause (A) or (B) below.

(A) The Plan Administrator may value a phantom investment in PBG 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 PBG 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 Phantom PBG Stock Account.

(B) The Plan Administrator may also value a phantom investment in PBG Common Stock by separately accounting for partial shares and any amounts that would be received by the Account as dividends (if dividends were paid on phantom shares of PBG Common Stock as they are on actual shares). For the time period this methodology is chosen, a dividend subaccount shall be created to separately account for the dollar value of the partial shares and the dividends and such dividend subaccount shall be invested in a phantom investment option designated by the Plan Administrator from those currently in effect.

A Participant's interest in the Phantom PBG Stock Account 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 PBG Common Stock (or of a unit in the Account) on such date, and then adding the value of the Participant's dividend

subaccount (if the methodology in clause (B) above is used). If shares of PBG 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 shares/units credited to an Account or subaccount as the Plan Administrator may determine to be necessary or appropriate. In no event will shares of PBG Common Stock actually be purchased or held under this Plan, and no Participant shall have any rights as a shareholder of PBG Common Stock on account of an interest in this phantom option.

(ii) PBG 401(k) Accounts. From time to time, the Plan Administrator shall designate which (if any) of the investment options under the Company's 401(k) Plan shall be available as phantom investment options under this Plan. Effective as of January 1, 2001, such available phantom options are the Security Plus Fund, Bond Index Fund, Total U.S. Equity Index Fund, Large Cap Equity Index Fund, Mid Cap Equity Index Fund, Small Cap Equity Index Fund and the International Equity Index Fund. Participant Accounts invested in these phantom options are adjusted to reflect an investment in the corresponding investment options under the PBG 401(k) Plan. An amount deferred or transferred into one of these options is converted to phantom units in the applicable PBG 401(k) 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 or her Account on such date by the value of a unit in the applicable PBG 401(k) fund on such date.

(iii) Other Accounts. 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 may be in addition to those provided for above. They may also be in lieu of some or all of them. Any of these phantom investment options shall be administered under procedures implemented from time to time by the Plan Administrator.

(2) Phantom Investment Options Before January 1, 2001. For Plan Years ending before January 1, 2001, the phantom investment options

offered under the Plan shall be those phantom investment options provided for in Section 4.1(c)(1), except as modified and supplemented below:

(i) Phantom PBG Stock Account. Investments in the Phantom PBG Stock Account shall be governed by the provisions of Section 4.1(c)(1)(i), except that the valuation methodology in Section 4.1(c)(1)(i)(B) shall be used and that amounts credited to the dividend subaccount shall be invested in the phantom Interest Bearing Cash Account.

(ii) PBG 401(k) Accounts. Investments in any phantom options based on the Company's 401(k) Plan shall be governed by the provisions of Section 4.1(c)(1)(ii), except that the available phantom options shall be the Equity-Index Account, the Equity-Income Account and the Security Plus Account.

(iii) Phantom Interest Bearing Cash Account. Participant Accounts may be invested in this phantom option and shall 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.

(3) Transfer Rules for 2001 Investment Option Change. Unless a Participant selects another replacement option prior to January 1, 2001 in accordance with such requirements as the Plan Administrator may implement, the Plan Administrator shall transfer and convert a Participant's phantom investments effective as of January 1, 2001 as follows:

(i) Phantom investments in the Interest Bearing Cash Account shall be converted and transferred into the Security Plus Fund;

(ii) Phantom investments in the Security Plus Account shall be converted and transferred into the Security Plus Fund;

(iii) Phantom investments in the Equity-Index Account shall be converted and transferred into the Large Cap Index Fund; and

(iv) Phantom investments in the Equity-Income Account shall be converted and transferred into the Total U.S. Equity Index Fund.

All the above conversions and transfers shall be effectuated pursuant to procedures implemented by the Plan Administrator.

(d) Method of Allocation. With respect to any deferral election by a Participant, the Participant must use his or her 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 Deferral 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 or her Deferral Subaccount among the phantom investment options then offered by the Plan Administrator for this purpose. The Plan Administrator may provide that such allocations or reallocations are to be made in such different increment as is selected by the Plan Administrator. Any such transfer form shall be effective as of the date specified by the Plan Administrator in its discretion from time to time. The Plan Administrator may specify any date as the effective date of such transfer forms, including the Valuation Date, and the Plan Administrator 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 the specified effective date. Notwithstanding the preceding provisions of this subsection, the Plan Administrator may at any time alter the effective date of any allocation pursuant to Section 5.3(j). If more than one transfer form is received on a timely basis for a Deferral Subaccount, the transfer form that the Plan Administrator determines to be the most recent shall be followed. In the case of a Participant who is determined by the Plan Administrator to be subject to Section 16 of the Securities Exchange Act of 1934, as amended (the “Act”), the reallocation of any Subaccount of the Participant may be delayed to the extent the Plan Administrator deems it necessary to satisfy Rule 16b-3 promulgated under the Act. The preceding sentence shall apply notwithstanding any provision of the Plan to the contrary.

(e) Investment Choices for Stock Option Gains. Deferrals of Stock Option Gains initially may be invested only in the Phantom PBG Stock Account. In the case of a Participant who has attained eligibility for Retirement, 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 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 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 or she had, as of June 1, 1994, a deferred compensation subaccount under the Prior Plan maintained under a forfeiture agreement (as defined below), and (ii) he or she has not yet attained eligibility for Retirement when the first amount would be deferred pursuant to his or her 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 or her Base Compensation, Bonus Compensation or Performance Unit Payouts 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 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 3.4);

(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).

(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 (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 for Disability), provided that such termination is not for his or her 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 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, 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 Phantom PBG Stock Account:

(A) If the Plan Administrator is using the dividend subaccount valuation methodology of Section 4.1(c)(1)(i)(B), 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 PBG Common Stock for the 30 business days preceding the end of the Company's fiscal year multiplied by the number of phantom shares of PBG Common Stock credited to the Participant's Account as of the end of the year. In addition, the Participant's dividend subaccount shall earn interest at a rate that is 2 percent above the rate ordinarily applicable under the phantom investment option in which the dividend subaccount is invested for the period that it is contained within a Risk of Forfeiture Subaccount.

(B) If the Plan Administrator is using the unit valuation methodology of Section 4.1(c)(1)(i)(A), the Participant's interest in the PBG Phantom Stock Account 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 PBG Stock Account 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).

4.4 Distribution of a Participant's Account. A Participant's Account shall be distributed as provided in this Section 4.4, subject to Section 5.3(j). The portion of any Deferral Subaccount that is invested in the Phantom PBG Stock Account may be distributed, at the option of the Plan Administrator, either in the form of cash or in whole shares of PBG Common Stock (with cash for any partial share and, if applicable, the value of the dividend subaccount). The Plan Administrator may also adopt a rule that eliminates the option to pay out cash under the prior sentence (except for any partial share and, if applicable, the value of the dividend subaccount). All other Deferral Subaccount balances shall be distributed in cash.

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

(1) The first day of the calendar quarter (or at the Plan Administrator's Option, the first Distribution Date) that follows the date selected by the Participant for such deferral in accordance with Section 3.4, or

(2) The first day of the calendar quarter (or at the Plan Administrator's Option, the first Distribution Date) that follows the earliest to occur event selected by the Participant for such deferral in accordance with Section 3.4.

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 (or unless subsection (f) requires an earlier distribution), the Participant's Deferral 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. Unless subsection (f) below requires an earlier payout, a Participant may delay receipt of a Deferral 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 end of the calendar year immediately preceding the calendar year containing the Scheduled Payout Date (or if earlier, at least 6 months before the Scheduled Payout Date). This deadline applies without regard to whether the Participant has received any notice of the deadline or the availability of a payment election. Any payment election to receive a lump sum at a later time must specify a revised payout date that is at least 2 years 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 2 years

after the Scheduled Payout Date. With respect to any Deferral Subaccount, only one election may be made under this subsection. Beneficiaries are not permitted to make elections under this subsection. 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), (b) or (f), the Participant's Deferral 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 or earlier payout date for such distribution (whichever is applicable). In determining the value of a Participant's remaining Deferral Subaccount following an installment distribution, such installment distribution shall reduce the value of the Participant's Deferral 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 at the time intervals as specified by the Plan Administrator in its discretion for this purpose from time to time. Specifically, the Plan Administrator may allow monthly, quarterly, semi-annual or annual installments. However, installments may be paid over a period of no more than 20 years, and not later than the Participant's 80th birthday (or what would have been his or her 80th birthday, if the Participant dies earlier).

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

(4) In the case of a Participant who is determined by the Plan Administrator to be subject to Section 16 of the Securities Exchange Act of 1934, as amended (the "Act"), the Participant's Scheduled Payout Date and related distribution may be delayed to the extent the Plan Administrator deems it necessary to satisfy Rule 16b-3 promulgated under the Act. This paragraph shall apply notwithstanding any provision of the Plan to the contrary.

(e) Upon a Participant's death, his or her Beneficiary shall be paid each Deferral 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 or her payment election under subsection (b) above, whichever is applicable. 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 Plan Administrator at least 14 days before any such amount is paid out by the Plan Administrator. Any claim received thereafter is untimely, and it shall not lie against the Plan, the Company, any Employer, the Plan Administrator or any other party acting for one or more of them.

(f) Notwithstanding subsections (a) and (b) above, if a Participant's Termination of Employment is voluntary (but not counting a Retirement) or is on account of his or her Misconduct, all of the Participant's Deferral Subaccounts shall be distributed as provided in this subsection.

(1) If the total balance of all of the Participant's Deferral Subaccounts as of the end of the calendar quarter (or such other period as the Plan Administrator specifies from time to time) during which the Termination of Employment occurs equals $25,000 or less, all Deferral Subaccounts shall be distributed to the Participant as a single lump sum as soon as practicable after the first day of the calendar quarter (or at the Plan Administrator's option, the first Distribution Date) that follows the Participant's last day of employment.

(2) If the total balance of all of the Participant's Deferral Subaccounts as of the end of the calendar quarter (or such other period as the Plan Administrator specifies from time to time) during which the Termination of Employment occurs is greater than $25,000, all Deferral Subaccounts shall be distributed to the Participant as a single lump sum as soon as practicable after the first day of the calendar quarter (or at the Plan Administrator's option, the first Distribution Date) that follows at least one year after the Participant's last day of employment.

Notwithstanding (1) and (2) above, a Deferral Subaccount shall not be distributed under this subsection before the end of the minimum period of deferral that is

applicable to the Deferral Account under Section 3.4. If the preceding sentence delays payout of a distribution, payout shall be made as soon as practicable after the minimum period of deferral.

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 or her 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' Deferral Subaccounts hereunder. This shall only occur to the extent the Plan Administrator determines that such acceleration will not trigger constructive receipt of Deferral Subaccounts that are not paid out.

(f) When some or all of a Participant's Deferral Subaccount is distributed pursuant to this section, the distribution and such 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).

4.6 Conversion of Deferral Subaccounts by Certain Participants. Participants who are employed as an Executive classified as Band VI or above (or an equivalent level for employees not under the band system) may elect to convert all or any portion of one or more Deferral Subaccounts (other than a Risk of Forfeiture Subaccount) to a form of split-dollar life insurance pursuant to the terms and conditions of this section.

(a) To convert a Deferral Subaccount, the Participant must make a conversion election in the manner specified by the Plan Administrator from time to time. Any such election for a Deferral Subaccount must be made prior to making a payment election under Section 4.4(b) for the Deferral Subaccount and not later than the earlier of: (i) the end of the calendar year immediately preceding the calendar year containing the Scheduled Payout Date applicable to such subaccount as set forth in Section 4.4(a) above, and (ii) the date 6 months before the Scheduled Payout Date. This deadline applies without regard to whether the Participant has received any notice of the deadline or the availability of a conversion election. In addition to other items or information that the Plan Administrator may require or request from time to time, the Participant must specify which Deferral Subaccounts the Participant desires to convert, the portion of each such Deferral Subaccount to be converted and the Participant must relinquish in writing all of his or her rights to the converted portion of such Deferral Subaccounts.

(b) To implement a conversion election, the Participant must also execute a split-dollar life insurance agreement with the Company in a form to be determined by the Plan Administrator. Such agreement shall set forth the interests of the Company and the Participant in the life insurance policy and, in addition to any other provisions that the Plan Administrator or Company shall require, such agreement shall (i) provide for the Company to receive, out of the life insurance policy's death proceeds, an amount equal to the cash value of the policy (or if greater, the total amount of premiums paid for the policy), (ii) require the Company to purchase and pay the premiums on a life insurance policy on the life of the Participant (or, at the Participant's election, on the joint lives of the Participant and the Participant's spouse), and (iii) specify the owner of the life insurance policy.

(c) The conversion of a Participant's Deferral Subaccounts shall be administered under rules and procedures implemented from time to time by the Plan Administrator. The Plan Administrator may require the Participant from time to time to execute other agreements, forms or elections as may be necessary to properly effectuate the conversion.

(d) The conversion election provided by this Section 4.6 may be eliminated or otherwise restricted at any time in the discretion of the Plan Administrator.

ARTICLE V

PLAN ADMINISTRATOR

5.1 Plan Administrator. The Plan Administrator is the Compensation and Management Development 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 Powers of the Plan Administrator. 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;

(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, the Plan Administrator may take any action it deems appropriate in furtherance of any policy of the Company respecting insider trading as may be in effect from time to time. Such actions may include, but are not limited to, altering the effective date of allocations or distributions of Accounts or Deferral Subaccounts. 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. 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.

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 or her own part, excepting his or her own willful Misconduct. The Employer will indemnify and hold harmless each member of the Committee and any employee of PBG (or a PBG 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 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.

5.5 Taxes. If the whole or any part of any Participant's Account becomes liable for the payment of any estate, inheritance, income, employment, 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.

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 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 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 or her claim, and the steps which the Claimant must take to have his or her 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 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 written notice denying his or her 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.

ARTICLE VII

AMENDMENT AND TERMINATION

7.1 Amendments. The Compensation and Management Development Committee of the Board of Directors of the Company, or its delegate, 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 or an officer of the Company who is authorized by the Committee for this purpose. All Participants and Beneficiaries 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 and Management Development Committee of its Board of Directors (or its delegate), 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 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).

8.3 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.

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. 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 New York. 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.

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 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).

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 Deferral 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 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.

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

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

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

Together, these two separate plans of deferred compensation are referred to as the PBG Executive Income Deferral Program, and are severable for any and all purposes as directed by the Company. (However, see Section B.6(a) of Article B which also provides for a separate plan.)

The above restated Plan is hereby adopted and approved by the Company's duly authorized officer to be effective as stated herein.

THE PEPSI BOTTLING GROUP, INC.

Submitted by:

Mr. David Kasiarz
Vice President, Compensation & Benefits

Consented to by:

Ms. Pamela McGuire
Senior Vice President, General Counsel & Secretary

Executed by:

Mr. Kevin Cox
Senior Vice President & Chief Personnel Officer

PBG EXECUTIVE INCOME DEFERRAL PROGRAM

APPENDIX

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

ARTICLE A

INITIAL PUBLIC OFFERING OF PBG

This Article sets forth provisions that apply in connection with the Company's initial public offering. Except as specifically modified in this Appendix Article A, the foregoing provisions of the Plan shall fully apply. In the event of a conflict between this Article A and the foregoing provisions of the Plan, this Article A shall govern with respect to the conflict.

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) Employee Programs Agreement: The 1999 Employee Programs Agreement between PepsiCo and PBG.

(b) Offering Date: The "Offering Date" as that term is defined in the 1999 Separation Agreement between PepsiCo and PBG.

(c) PepsiCo: PepsiCo, Inc., a North Carolina Corporation.

(d) PepsiCo Group: PepsiCo and its subsidiaries and affiliates, as determined by the Plan Administrator.

(e) Transferred Individual: A nonterminated "Transferred Individual" as that term is defined in the Employee Programs Agreement. For this purpose, a Transferred Individual shall be considered "nonterminated" if he or she is actively employed by (or on a leave of absence from and expected to return to) the Company and any of its affiliates, as of the end of the day on the Offering Date.

(f) Transition Individuals: A "Transition Individual" as that term is defined in the Employee Programs Agreement.

A.2 Assumption of Benefits and Liabilities. Effective as of the beginning of the day on the Start Date, all interests in the Prior Plan of (and Prior Plan liabilities with respect to) Transferred Individuals shall be assumed by this Plan.

(a) In the case of a Transferred Individual, effective as of the beginning of the day on the Start Date, his or her Account shall be credited with the amount that stood to his or her credit under the Prior Plan immediately prior to the

Start Date. The allocation of this amount to phantom investment options under this Plan shall mirror the allocation then in effect for the Transferred Individual under the Prior Plan (except to the extent the Plan Administrator permits, and an authorized Executive makes, an investment change at a special Valuation Date offered to such Executive in connection with PBG's initial public offering).

(b) Any deferral election made under the Prior Plan for a Transferred Individual shall be carried over and continued under this Plan, subject to the provisions of this Plan (as interpreted by the Plan Administrator). Notwithstanding the prior sentence, following the Start Date, to the extent permitted by the Plan Administrator, a Transferred Individual may revise any Prior Plan deferral election during the period before the deadline for making such election has been reached.

(c) A Transferred Individual who has made a deferral election with respect to a performance unit award payable to him under the PepsiCo Long Term Incentive Plan shall, once the deferral occurs, be credited with such deferral solely under this Plan. Any designation to have some or all of this deferral invested in the PepsiCo capital stock account under the Prior Plan shall be converted to a designation for investment in a phantom investment option under this Plan (other than the Phantom PepsiCo Stock Account) which is designated by the Plan Administrator for this purpose.

A.3 Special PepsiCo Stock Investment Option. As of the Start Date, the Plan Administrator shall establish a temporary phantom investment option under the Plan, the Phantom PepsiCo Stock Account. 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 the Phantom PepsiCo Stock Account.

(a) General Principles: The Phantom PepsiCo Stock Account shall be administered under rules that are similar to those applicable to the Phantom PBG 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 Phantom PepsiCo Stock Account is valued as of a Valuation Date by multiplying the number of phantom shares credited to his or her 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. If shares of PepsiCo capital stock change by reason of any stock split, stock dividend, recapitalization, merger, consolidation, spin-off, combination or exchange of shares, complete or partial liquidation or 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 credited to an Account or subaccount as the Plan Administrator may determine to be necessary or appropriate.

(c) Investment Allocations and Reallocations. No deferrals after the Start Date may be directed for investment in the Phantom PepsiCo Stock Account, except for a deferral of a Transferred Individual's 1999 base salary that he or she directed for investment in the Phantom PepsiCo Stock Account prior to the Start Date. In accordance with Section 4.1(d), a Participant with an interest in the Phantom PepsiCo Stock Account may reallocate amounts from his or her Subaccounts in the Phantom PepsiCo Stock Account to other phantom investment options under the Plan that are available for this purpose (e.g., in the case of Stock Option Gains, no other phantom options are available for this purpose). No Participant may reallocate amounts into the Phantom PepsiCo Stock Account.

(d) Termination of the Phantom PepsiCo Stock Account. Effective as of the end of the day on December 31, 2000 (the "effective time"), the Phantom PepsiCo Stock Account shall cease to be available under the Plan. Unless a Participant selects another phantom investment option prior to the effective time, in accordance with such requirements as the Plan Administrator may implement, the Participant's phantom investment in the Phantom PepsiCo Stock Account shall be transferred and converted by the Plan Administrator into an investment in the Phantom Security Plus Fund as of the effective time. Notwithstanding the prior sentence, any Stock Option Gains that are invested in the Phantom PepsiCo Stock Account shall be automatically transferred and converted by the Plan Administrator into an investment in the Phantom PBG Stock Account as of the effective time.

A.4 Employment Transfers by Transition Individuals. This section shall apply to individuals who transfer between PBG and PepsiCo under circumstances that cause them to be Transition Individuals.

(a) Transfers to PepsiCo. If a Participant, who is a Transition Individual, is transferred to the PepsiCo Group, such transfer to the PepsiCo 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 PepsiCo Executive Income Deferral Program 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 or her termination of employment with the PepsiCo Group.

(b) Transfers from PepsiCo. If an individual is transferred by the PepsiCo Group to an Employer under circumstances that cause him to be a Transition Individual and such individual's interest in the PepsiCo Executive Income Deferral Program is transferred to this Plan, such Transition 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 PepsiCo capital stock under the PepsiCo Executive Income Deferral Program shall be carried over and replicated hereunder until December 31, 2000 (except to the extent the Plan Administrator permits, and an authorized Executive makes, an investment change at a special Valuation Date offered to such Executive in connection with the transfer). Any other phantom investment of the individual under the PepsiCo Executive Income Deferral Program 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). In determining the time of payout of a Transition Individual who has an interest transferred to this Plan, the elections of the Participant under the PepsiCo Executive Income Deferral Program shall be given effect, subject to this Plan's provisions on payouts (as interpreted by the Plan Administrator).

ARTICLE B

SUPPLEMENTAL EXECUTIVE INCENTIVE COMPENSATION AWARDS

Effective as of December 21, 1999, this Article B sets forth provisions that apply in connection with cash and stock awards that have been granted to certain executives under the 1999 Executive Incentive Compensation Plan. Except as specifically modified in this Appendix Article B, the foregoing provisions of the Plan shall fully apply. In the event of a conflict between this Article B and the foregoing provisions of the Plan, this Article B shall govern with respect to the conflict.

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

(a) PBG Group: The group of corporations or other entities comprised of (i) PBG and all of its divisions, subsidiaries and affiliates, (ii) PepsiCo, and (iii) such other corporations and entities as the Plan Administrator designates from time to time.

(b) Cash Award: The Supplemental Executive Incentive Compensation award that PBG granted in cash to certain executives under the 1999 Executive Incentive Compensation Plan.

(c) Change of Control: A Change of Control occurs on a date when (1) any individual, corporation, partnership, group, associate or other entity, other than PepsiCo, is or becomes the “beneficial owner” (as defined in Rule 13D-3 under the Securities Exchange Act of 1934), directly or indirectly, of 50% or more of the combined voting power of PBG’s outstanding securities ordinarily having the right to vote at elections of directors, (2) any individual, corporation, partnership, group, associate or other entity is or becomes the “beneficial owner” (as defined in Rule 13D-3 under the Securities Exchange Act of 1934), directly or indirectly, of 50% or more of the combined voting power of PepsiCo’s outstanding securities ordinarily having the right to vote at elections of directors, (3) the approval by the shareholders of PBG of a plan or agreement providing for a merger or consolidation of PBG, other than with PepsiCo, or for a sale, exchange or other disposition of all or substantially all of the assets of PBG, or (4) the approval by the shareholders of PepsiCo of a plan or agreement providing for a merger or consolidation of PepsiCo, other than with PBG, or for a sale, exchange or other disposition of all or substantially all of the assets of PepsiCo.

(d) Employee: Any person who received a Cash Award or Stock Award under the Trust Agreement and is currently rendering services to a member of the PBG Group.

(e) Extension Form: The form prescribed by the Plan Administrator on which an Employee extends the Vesting Date of his or her Stock Award pursuant to the provisions of this Article B.

(f) PepsiCo: PepsiCo, Inc., a North Carolina corporation, and any successor or successors thereto.

(g) Stock Award: The Supplemental Executive Incentive Compensation award that PBG granted to certain executives under the 1999 Executive Incentive Compensation Plan that is invested and payable in PBG Common Stock. If an Employee completes an Extension Form pursuant to Section B.3 below and elects a Vesting Date to apply to the award, each portion of the award that has a different Vesting Date (whether future or current) shall be considered to be a separate Stock Award hereunder.

(h) Trust Agreement: The Trust Agreement (including any and all appendices), by and between PBG and Boston Safe Deposit and Trust Company, as amended and restated from time to time.

(i) Vesting Date: The date on which a Stock Award will no longer be subject to a risk of forfeiture as provided in the Trust Agreement or Section B.4, whichever applies.

B.2 Deferral of Cash Awards and Stock Awards.

(a) An Employee's Cash Award shall be deferred under this Plan pursuant to the terms and conditions of the Trust Agreement and shall become vested and distributed to the Employee or his or her beneficiary in the amount and at the time as provided by the Trust Agreement.

(b) Prior to February 1, 2003, an Employee's Stock Award shall be deferred under this Plan pursuant to the terms and conditions of the Trust Agreement and, unless the Vesting Date is extended pursuant to this Article B, the Stock Award shall become vested and distributed to the Employee or his or her beneficiary in the amount and form and at the time as provided by the Trust Agreement. If the Employee extends the Vesting Date of the Stock Award pursuant to this Article B (so that the Vesting Date extends beyond February 1, 2003), such extension shall be governed by the terms and conditions of this Article B. Except as specifically

modified in this Article B, the provisions of the Trust Agreement shall fully apply. In the event of a conflict between this Article B and the provisions of the Trust Agreement, this Article B shall govern with respect to the conflict.

B.3 Extension of Vesting for Stock Awards.

(a) Manner of Election. Each Employee with a Stock Award may elect to extend the vesting under the Plan of his or her Stock Award by completing and filing with the Plan Administrator an Extension Form for such purpose. Such Extension Form must be completed in the manner and within the time limits prescribed by this Article B and the Plan Administrator from time to time. The Extension Form shall permit the Employee to elect a delayed Vesting Date to apply to all or only a portion of the Stock Award. To be effective, an Employee's Extension Form must set forth the Vesting Date that will be applicable to the Stock Award, the Employee's Beneficiary designation and any other information that may be requested by the Plan Administrator from time to time. In addition, the Extension Form must meet the requirements of Sections B.3(b) and (c) below. If permitted by the Plan Administrator, an Employee may select a different Beneficiary for his or her Stock Awards than the Beneficiary selected for his or her Deferral Subaccounts.

(b) Timing of Election. If an Employee desires to extend the vesting and receipt of his or her Stock Award beyond February 1, 2003, an Employee must initially so elect by completing and filing an Extension Form with the Plan Administrator by July 31, 2002. Subsequent vesting extensions (if any) of a Stock Award must be made by an Employee at least 6 months prior to the then applicable Vesting Date or, if earlier, in the calendar year preceding the calendar year of the then applicable Vesting Date. If an Employee fails to file a properly completed and executed Extension Form with the Plan Administrator by the prescribed time, he or she will be deemed to have elected not to extend the vesting and receipt of his or her Stock Award. An Extension Form is irrevocable once received and determined by the Plan Administrator to be properly completed, and changes or modifications thereafter shall not be permitted. Notwithstanding the preceding, to the extent necessary because of circumstances beyond the control of the Employee, the Plan Administrator may grant a delay of any extension period and may permit (to the extent deemed necessary for orderly Plan administration or to avoid undue hardship to an Employee) the complete revocation of an Extension Form. Any such delay or revocation shall be available only if the Plan Administrator determines that it shall not trigger constructive receipt of income (or other early taxation of income) and that it is desirable for Plan administration, and only upon such conditions as may be required by the Plan Administrator.

(c) Period of Extension. An Employee shall specify a Vesting Date on his or her Extension Form by designating a specific date from the choices that are then made available to the Employee by the Plan Administrator. Notwithstanding an Employee's actual election, an Employee shall be deemed to have elected a Vesting Date that is not less than 24 months from the previous Vesting Date, but no later than September 30, 2009. In addition, notwithstanding an Employee's actual election, if an Employee selects a Vesting Date that is later than September 30, 2009, an Employee shall be deemed to have elected a Vesting Date of September 30, 2009.

B.4 Forfeiture. An Employee's interest in a Stock Award shall be terminated and the Stock Award shall be forfeited in the event that the Employee's employment is terminated with the PBG Group and such termination is voluntary or on account of his or her Misconduct prior to the date the Stock Award vests in accordance with Section B.5(a) below.

B.5 Vesting and Distribution.

(a) Vesting. A Stock Award shall become fully vested (and shall cease to be subject to forfeiture) on the earliest of the following to occur:

(1) When the Employee reaches the Vesting Date applicable to the Stock Award while employed by a member of the PBG Group or while on an approved leave of absence (as determined by the Plan Administrator);

(2) When the Employee terminates employment, voluntarily or involuntarily, from any and all members of the PBG Group on account of the Employee's death or Disability;

(3) When the Employee is involuntarily terminated from the PBG Group following a Change of Control (regardless of whether such termination is on account of Misconduct), unless it is determined otherwise by a majority of the "Outside Directors" (within the meaning of Code section 162(m)) serving on the PBG Board of Directors on December 23, 1999 (the "Incumbent Outside Directors") or subsequently elected to the PBG Board of Directors by a vote of at least three-fourths of the directors constituting the Incumbent Outside Directors;

(4) When the Employee is involuntarily terminated from the PBG Group and such involuntary termination is not on account of Misconduct; or

(5) September 30, 2009.

(b) Distribution.

(1) Once an Employee's Stock Award becomes fully vested as provided in Section B.5(a) above, the Stock Award, in the amount and form determined pursuant to the Trust Agreement, shall be distributed in a lump sum to the Employee or his or her Beneficiary as soon as practicable after the first Distribution Date coincident with or next following the full vesting of such Stock Award as provided in Section B.5(a) above.

(2) In the case of a Participant who is determined by the Plan Administrator to be subject to Section 16 of the Securities Exchange Act of 1934, as amended (the "Act"), a distribution required under paragraph (1) above may be delayed to the extent the Plan Administrator deems it necessary to satisfy Rule 16b-3 promulgated under the Act. This paragraph shall apply notwithstanding any provision of this Article B to the contrary.

B.6 General Provisions.

(a) This Article B (which together with the corresponding provisions of the Trust Agreement shall be known as the "PBG SEIC Deferral Plan") shall encompass a plan of deferred compensation that is separate and distinct from the PBG Executive Income Deferral Plan and the PBG Option Gains Deferral Plan (as defined in Section 8.10) for all legal purposes (including ERISA, federal tax law and state tax law). Together, these three plans of deferred compensation shall be referred to as the PBG Executive Income Deferral Program, and all three such plans are severable for any and all purposes as directed by the Company. Additionally, Cash Awards may only be deferred for a maximum time period of 27 months and Stock Awards may only be deferred for a maximum time period of ten years. Therefore, since the Cash Awards and Stock Awards do not provide retirement income to the Employees and do not result in a deferral of income by Employees for periods extending to the termination of their covered employment or beyond, the PBG SEIC Deferral Plan is not subject to ERISA.

(b) In addition to those Plan provisions which may be in conflict with this Article B (and therefore the provisions of this Article B governs pursuant to the first paragraph of this Article B), Section 4.2, Section 4.5, Section 4.6, Section 8.2 and Article VI of this Plan shall neither apply to this Article B nor to any Cash Award or Stock Award.

AMENDMENT TO THE

PBG EXECUTIVE INCOME DEFERRAL PROGRAM

AS EFFECTIVE OCTOBER 11, 2000

The PBG Executive Income Deferral Program as effective October 11, 2000 (the "Plan") is hereby amended as set forth below, effective as of the "Effective Time" (as defined in Amendment No. 4 below) and contingent upon the occurrence of the Effective Time.

1. The first paragraph of Article I is amended in its entirety to read as follows:

"The Pepsi Bottling Group, Inc. ("PBG") established the PBG Executive Income Deferral Program (the "Plan") to permit eligible executives to defer base pay, certain cash and stock awards made under its executive compensation programs, and certain gains on stock options. The Plan is a successor to the PepsiCo Executive Income Deferral Program and was originally adopted effective as of April 7, 1999. Thereafter, the Plan was amended and restated in its entirety effective as of October 11, 2000 (subject to other specific effective dates set forth in this restatement). PepsiCo, Inc. (the "Company") assumed sponsorship of the Plan from PBG as a result of the merger of PBG into Pepsi-Cola Metropolitan Bottling Company, a subsidiary of the Company, effective as of the Effective Time (as defined in Article II). PBG adopted certain amendments to the Plan prior to the Effective Time, contingent upon the occurrence of the Effective Time, to facilitate PepsiCo's assumption of the role of the Plan's sponsor."

2. The definition of "Company" in Section 2.6 is amended in its entirety to read as follows:

"2.6 Company. PepsiCo, Inc., a corporation organized and existing under the laws of the State of North Carolina, or its successor or successors. Prior to the Effective Time, "Company" means The Pepsi Bottling Group, Inc."

3. The definition of "Plan Administrator" in Section 2.20 is amended in its entirety to read as follows:

"2.20 Plan Administrator. The Compensation Committee of the Board of Directors of the Company (the "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 Time, 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 Time, the Senior Vice President, Compensation and Benefits, has re-delegated certain operational responsibilities to the plan's 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 5.6"

4. The following new definition is added to Article II:

"Effective Time. The date that defines that term in the Agreement and Plan of Merger dated as of August 3, 2009, among The Pepsi Bottling Group, Inc., PepsiCo, Inc., and Pepsi-Cola Metropolitan Bottling Company, Inc."

5. Section 4.1(c)(1)(i) is amended by adding the following sentences at the end thereof:

"In accordance with the preceding paragraph, and effective as of the Effective Time, the portion of a Participant's Account that is invested in the Phantom PBG Stock Fund immediately prior to the Effective Time shall be converted to an investment in the PepsiCo Common Stock Fund, which is offered under the PepsiCo 40l(k) Plan for Salaried Employees. Such conversion shall be applied by converting the Participant's phantom units in the PBG Stock Fund into phantom units in the PepsiCo Common Stock Fund in a manner that provides an equivalent phantom value before and after the conversion."

6. A new Section 5.6 is added to the Plan to read as follows:

"5.6 Section 16 Compliance. 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) of the Act, if it were approved by the Company's Board of Directors or the 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 extent possible."

7. Minor corrections to the Plan necessary to carry forth the above amendments, including re-alphabetizing and renumbering the defined terms in Article II to reflect changes thereto, and corrections to cross-references affected by these amendments, shall be made as necessary after applying the foregoing amendments.

THE PEPSI BOTTLING GROUP, INC.

By: /s/ John L. Berisford
John L. Berisford
Title: Senior Vice President of Human Resources

Date: 2/19/2010

LAW DEPARTMENT APPROVAL:

By: /s/ Christine Morace
The Pepsi Bottling Group, Inc.
Law Department

Consented to and approved by:

PEPSICO, INC.

By: /s/ Cynthia M. Trudell
Cynthia M. Trudell
Title: Senior Vice President and
Chief Personnel Officer

Date: 2/18/2010

LAW DEPARTMENT APPROVAL:

By: /s/ Christopher Bellanca
PepsiCo, Inc. Law Department

EXHIBIT 12

PEPSICO, INC. AND SUBSIDIARIES

Computation of Ratio of Earnings to Fixed Charges [a]
Years Ended December 25, 2010, December 26, 2009, December 27, 2008,
December 29, 2007 and December 30, 2006
(in millions except ratio amounts)

	2010	2009	2008	2007	2006
Earnings:					
Income before income taxes – continuing operations	**$8,232**	$8,079	$7,045	$7,643	$6,994
Unconsolidated affiliates interests, net	**72**	(301)	(189)	(370)	(316)
Amortization of capitalized interest	**3**	4	4	5	6
Interest expense	**903**	397	329	224	239
Interest portion of net rent expense [b]	**175**	137	119	101	97
Earnings available for fixed charges	**$9,385**	$8,316	$7,308	$7,603	$7,020
Fixed Charges:					
Interest expense	**$ 903**	$ 397	$ 329	$ 224	$ 239
Capitalized interest	**6**	3	14	21	16
Interest portion of net rent expense [b]	**175**	137	119	101	97
Total fixed charges	**$1,084**	$ 537	$ 462	$ 346	$ 352
Ratio of Earnings to Fixed Charges	**8.65**	15.48	15.82	22.01	19.99

(a) Based on unrounded amounts.
(b) One-third of net rent expense is the portion deemed representative of the interest factor.

EXHIBIT 14

WORLDWIDE CODE OF CONDUCT

Dear Fellow Associates:

PepsiCo has consistently led the industry with outstanding financial performance – and we can rightfully take pride in our accomplishments. Like all winning teams, we are constantly asking ourselves, "How do the best get even better?" The answer is to deliver Performance with Purpose: our vision to take PepsiCo's foundation of strength and build on it to create a company that both generates healthy financial returns and improves the lives of our consumers, our employees and our communities.

To do better by doing better, we must start with our Values and our Code of Conduct. This means delivering superior financial performance the right way, achieving results with integrity, building trust with one another and all of our stakeholders – with our Values and our Code at the center of everything we do. Our commitment to applying our Values and the Code of Conduct to all aspects of our business is critical to delivering world-class performance … and doing so with a larger purpose that makes a difference to the world we share.

My intent is that this Code of Conduct will help guide each of us as we work toward living our Values and making Performance with Purpose a reality. These indispensable tools serve as our unshakeable foundation.

Thank you for your support and your personal engagement in ensuring that PepsiCo remains a high-integrity company that delivers consistently strong performance the right way.

Indra Nooyi
Chairman and Chief Executive Officer

INTRODUCTION

PepsiCo's mission is to be the world's premier consumer products company focused on convenient foods and beverages. We seek to produce healthy financial rewards to investors as we provide opportunities for growth and enrichment to our employees, our business partners and the communities in which we operate. In everything we do, we strive to act with honesty, fairness and integrity and to obey the laws and regulations of the countries where we do business.

This Code of Conduct applies to PepsiCo, its subsidiaries throughout the world, joint ventures over which PepsiCo has management control and to every employee, officer and director of these companies.

RESPECT FOR OUR EMPLOYEES

We believe our most important strength is our employees. We seek to provide a work environment where all employees have the opportunity to reach their full potential and contribute to PepsiCo's success. We emphasize personal integrity and believe long-term results are the best measure of an employee's performance.

PepsiCo respects the human rights and the dignity of all employees. We endeavor to treat our employees fairly and honestly. We strive to maintain a safe, secure and healthy workplace and it is against our policy to use forced or child labor. We also strive to follow all applicable employment laws and regulations.

We are committed to equal opportunity in all aspects of employment for employees and applicants. This means providing a workplace free from any form of discrimination or harassment, including sexual harassment. We seek to create a work environment where people feel comfortable and respected, regardless of individual differences, talents or personal characteristics. Our objective is for the diversity of our employees to reflect the diversity of the population wherever we operate and for the performance of all employees to be judged fairly and based on their contribution to our results.

PepsiCo encourages an inclusive culture, which enables all employees to do their best. This means we:

- Welcome and embrace the strengths of our differences,

- Treat each other with respect and fairness, and
- Foster an atmosphere of trust, open communications and candor.

We recognize the needs of individuals to achieve professional and personal balance in their lives. We also respect employee privacy and will acquire and retain only that employee personal information that is required for operation of the Company's business or required by law.

CONSUMERS, CUSTOMERS, SUPPLIERS AND COMPETITORS

We are committed to the continuation of free enterprise and the legal and regulatory frameworks that support it. Therefore, we recognize the importance of laws that prohibit restraints of trade, predatory economic activities and unfair, deceptive or unethical business practices.

In all of our business dealings with consumers, customers, suppliers and competitors, we will:

- Avoid any unfair or deceptive practice and always present our services and products in an honest and forthright manner.
- Treat all customers and suppliers honestly, fairly and objectively.
- Select suppliers based on merit, and make clear to all suppliers that we expect them to compete fairly and vigorously for our business.
- Compete vigorously and with integrity.
- Never comment on a competitor's product without a good basis for such statements.
- Comply with all competition laws, including those prohibiting agreements or understandings with competitors to fix prices or other sales terms, coordinate bids or divide sales territories, customers or product lines. These types of agreements with competitors are generally illegal in the United States and many other markets where we conduct business.

GLOBAL RELATIONS

PepsiCo firmly believes that international commerce strengthens stability and peace by fostering economic growth, opportunity and mutual understanding. As a global enterprise, we recognize our responsibility to act in concert with the legitimate interests of the countries in which we do business. We will obey all applicable laws and regulations of our host countries. Our objective is to be a good corporate citizen wherever we operate.

BUSINESS GIFTS AND ENTERTAINMENT

Our business decisions are made on merit. Therefore, we will never give or offer, directly or indirectly, anything of value to a third party, including a government official, political party or candidate, to corruptly influence that person's business decision or gain an unfair advantage. We will observe PepsiCo's International Anti-Bribery Policy at all times.

Giving gifts or entertainment to governmental officials is highly regulated and often prohibited. Such gifts and entertainment should not be provided unless you have received Law Department approval.

Gifts or entertainment given to or received from customers or suppliers must never influence, or appear to influence, business decisions. There must be a legitimate business purpose for any business gift or entertainment, it must be in good taste and it must be consistent with the law, with the giver's and receiver's policies, PepsiCo's policies and your function/division policies (including the Travel and Entertainment Policy). If business gifts are permitted under your function/division policies, they must be nominal in value and frequency. Customer and supplier meals and entertainment must be reasonable in cost and frequency and consistent with guidelines established by PepsiCo or your function/division.

HEALTH AND SAFETY

PepsiCo is committed to providing safe and healthy work environments at its facilities for all its employees, visitors, contractors and vendors. It is our policy to provide employees with a drug-free workplace. In order to create an environment free from threats, violence and intimidation, we are committed to a policy of zero tolerance for violence.

We are dedicated to designing, constructing, maintaining and operating facilities that protect our people and physical resources. It is our policy to comply with all applicable health and safety laws and regulations, provide and require the use of adequate protective equipment and measures, and insist that all work be done in a safe and responsible manner. It is the responsibility of each employee to follow all Company policies and procedures related to workplace health and safety.

ENVIRONMENT

PepsiCo is committed to being an environmentally responsible corporate citizen. We are committed to minimizing the impact of our businesses on the environment with methods that are socially responsible, scientifically based and economically sound. We encourage conservation, recycling and energy use programs that promote clean air and water, reduce landfill wastes and replenish the planet's natural resources. We will follow applicable environmental laws and regulations in the countries where we operate.

POLITICAL AND COMMUNITY ACTIVITIES AND CONTRIBUTIONS

PepsiCo believes in contributing to society and encourages employees to participate in community activities.

We will continue to communicate information and opinions on issues of public concern that may affect PepsiCo. Decisions by our employees whether or not to contribute time, money or resources of their own to any political or community activity are entirely personal and voluntary.

We will obey all laws in promoting the Company's position to government authorities and in making political contributions. Contributions by the Company to political candidates may be prohibited or regulated. Any such contribution requires the approval of PepsiCo's Vice President of Public Policy and Government Affairs.

CONFLICTS OF INTEREST

PepsiCo's conflicts of interest policy is straight-forward: Don't compete with PepsiCo businesses, and never let your business dealings on behalf of any of our businesses be influenced, or appear to be influenced, by personal or family interests.

All actual or apparent conflicts of interest between personal and professional relationships must be handled honestly and ethically. You must disclose any potential conflict of interest to your supervisor as soon as you become aware of it.

Examples of conflicts that must be disclosed and resolved include:

- Receiving any financial or personal benefit either yourself or through a family member from a company that does or seeks to do business with PepsiCo.
- Having more than a nominal equity interest in a competitor or in a company that does or seeks to do business with PepsiCo (for example, ownership of more than 1% of a supplier's stock).
- Serving on the board of directors or providing consulting services to a company that does or seeks to do business with PepsiCo.
- Owning property (such as real estate or patent rights) that PepsiCo may be interested in acquiring or leasing.
- Having outside business interests that could affect your job performance because of the amount of time and attention diverted from your responsibilities to PepsiCo.

CONFIDENTIAL INFORMATION AND INSIDER TRADING

While engaged in PepsiCo business, you may receive or learn of confidential, competitively sensitive or proprietary information that has not been disclosed to the public. Confidential or proprietary information includes all nonpublic information that, if disclosed, might be of use to competitors or might be harmful to PepsiCo, our suppliers or our customers.

You always have a duty to protect the confidential information of PepsiCo and our business partners. You may not disclose confidential information to anyone outside PepsiCo, even to members of your own family, unless there is a clear business need to do so, the party receiving the information has signed a confidentiality agreement committing to maintain the information's confidentiality and you believe that the disclosure will not harm or embarrass PepsiCo or its business partners.

PepsiCo obeys all laws with respect to the disclosure of material, non-public information. Information is considered material if a reasonable investor would consider it important to his or her decision to buy or sell PepsiCo stock. Examples of material information include: a significant upward or downward revision of earnings forecasts; a significant division restructuring; a major management change; a significant acquisition or divestiture; a significant upcoming product launch or product innovation. Employees should not trade in PepsiCo securities or the securities of another company involved with PepsiCo while they have material, non-public information about PepsiCo or that company. In addition, employees should not disclose material, non-public information about PepsiCo or another company to anyone outside the Company, including family members.

ACCOUNTS AND RECORD-KEEPING

We will continue to observe the most stringent standards in the keeping of our financial records and accounts. Our books and records must reflect all components of transactions, as well as our own standard of insisting upon an honest and forthright presentation of the facts.

We will ensure that the disclosures we make in reports and documents that we submit to the Securities and Exchange Commission and in other public communications are full, fair, accurate, timely and understandable.

It is the responsibility of each employee to uphold these standards. Appropriate records must be kept of all transactions and retained in accordance with PepsiCo's Records Management Policy and Records Retention Schedule. Employees are expected to cooperate fully with our internal and external auditors. Information must not be falsified or concealed under any circumstance, and an employee whose activities cause false financial reporting will be subject to disciplinary action, including termination.

PROTECTION AND PROPER USE OF COMPANY ASSETS

PepsiCo's technological resources, including computers, voicemail, e-mail and Internet access, are to be used for proper purposes in a manner consistent with the Code and all other Company policies, including those related to discrimination, harassment and intellectual property. As with all PepsiCo assets, these resources are to be used for business purposes.

It is generally not PepsiCo's intent to monitor Internet access or messages on the voicemail and e-mail systems. However, the Company reserves the right to do so in appropriate circumstances, consistent with applicable laws and regulations.

If you have access to PepsiCo information systems, you are responsible for taking the precautions necessary to prohibit unauthorized access to the system. You should safeguard your passwords or other means of entry.

Employees must not reproduce software assets licensed to PepsiCo, use illegally obtained software or distribute the original software media or unauthorized copies of software which the Company does not own or license.

REPORTING POTENTIAL VIOLATIONS OF THE CODE OF CONDUCT

PepsiCo expects its employees, contractors, agents, customers and suppliers to promptly report any conduct or situation that she/he believes conflicts with this Code or violates a local, state or federal law to their immediate supervisor, Human Resources or through the PepsiCo Speak Up line at:

1-866-729-4888 (from the U.S., Canada, Puerto Rico and U.S. Virgin Islands)

For a list of phone numbers for all other countries, go to:
http://www.pepsico.com/PEP_Citizenship/CodeofConduct/SpeakUp/index.cfm

Reports can be made anonymously, and the Speak Up line is available toll-free 24 hours a day. PepsiCo is committed to reviewing any report made in good faith in a prompt manner and taking remedial action when appropriate. Every affected employee is required to fully cooperate with any inquiry that results from any reported conduct or situation.

PepsiCo is also committed to protecting the rights of those individuals who report these issues to PepsiCo. Any PepsiCo employee who is found to have engaged in retaliation against any employee who has exercised his/her rights under this Code or under applicable laws will be subject to appropriate remedial action. In addition, those individuals who violate applicable law may also be subject to civil and criminal penalties.

RESPONSIBILITY FOR COMPLIANCE

All employees are expected to display responsible and ethical behavior, to follow consistently both the meaning and intent of this Code and to act with integrity on a daily basis. Managers and leaders are expected to ensure that our business processes and practices reinforce the Code, to serve as positive role models by establishing and adhering to high ethical standards, and to create an ethical culture by encouraging and rewarding actions that are consistent with the Code.

This Code cannot provide definitive answers to all questions. For that, we must rely on each person’s judgment and integrity. You are encouraged to seek guidance when a situation may not be clear. Your supervisor, Human Resources manager or the PepsiCo Law Department will respond to questions and issues of interpretation about this Code.

Waivers of this Code will be reviewed by the General Auditor and General Counsel, and in certain circumstances by the Board of Directors, and if required, will be appropriately disclosed.

EXHIBIT 21

PEPSICO, INC. SUBSIDIARIES

NAME OF ENTITY	JURISDICTION
Abechuko Inversiones, S.L.	Spain
Ahmedabad Advertising & Marketing Consultants Company Private Limited	India
Alegro Internacional, S. de R. L. de C.V.	Mexico
Alikate Inversiones, S.L.	Spain
Alimentos Quaker Oats y Compania Limitada	Guatemala
Alimesa S.A.	Argentina
Anderson Hill Insurance Limited	Bermuda
Aquafina Inversiones, S.L.	Spain
Aradhana Convenience Foods Private Limited	India
Aradhana Drinks and Beverages Private Limited	India
Aradhana Foods and Juices Private Limited	India
Aradhana Snack Food Company Private Limited	India
Aradhana Soft Drinks Company	India
Ardea Beverage Company	United States, Delaware
BAESA Capital Corporation Ltd.	Cayman Islands
Balwerk VI-Consultadoria Economica e Participacoes Sociedade Unipessoal, Lta.	Maderia/Portugal
Beaman Bottling Company	United States, Delaware
Bebidas Purificadas de Occidente, S.A. de C.V.	Mexico
Bebidas Purificadas del Centro, S.A. de C.V.	Mexico
Bebidas Purificadas Del Noreste, S.R.L. de C.V.	Mexico
Bebidas Purificadas Del Sureste S.R.L. de C.V.	Mexico
Bebidas Purificadas S.R.L.	Mexico
Beech Limited	Cayman Islands
Beimiguel Inversiones, S.L.	Spain
Bell Taco Funding Syndicate	Australia

PEPSICO, INC. SUBSIDIARIES

NAME OF ENTITY	JURISDICTION
Bendler Investments S.a r.l.	Luxembourg
Bermuda Holdings, LLC	United States, Delaware
Beverage Service Limited	Bermuda
Beverage Services, Inc.	United States, Delaware
Beverages, Foods & Service Industries, Inc.	United States, Delaware
Bienes Raices Metropolitanos, S.R.L. de C.V.	Mexico
Blaue NC, S. de R. L. de C.V.	Mexico
Bluebird Foods Limited	New Zealand
Bluejay Holdings LLC	United States, Delaware
Boquitas Fiestas LLC	United States, Delaware
Boquitas Fiestas S.R.L.	Honduras
Border Properties, Inc.	United States, New York
Bosso Holdings, LLC	United States, Delaware
Bottling Group Espana, S.L.	Spain
Bottling Group Financing, LLC	United States, Delaware
Bottling Group Holdings, Inc.	United States, Delaware
Bottling Group Servicios Centrales SL	Spain
Bottling Group, LLC	United States, Delaware
Brading Holding S.a.r.l.	Luxembourg
Bramshaw	Ireland
BUG de Mexico, S.A. de C.V.	Mexico
BUG Holdings S. de R.L. de C.V.	Mexico
C & I Leasing, Inc.	United States, Maryland
Cane Investments S.a. r.l.	Luxembourg
Canguro Rojo Inversiones, S.L.	Spain
Capital Services Associates	Netherlands Antilles
Caribbean Flavors, Ltd.	United States, Delaware
Caribbean Juices Limited	United Kingdom
Caroni Investments, LLC	United States, Delaware

PEPSICO, INC. SUBSIDIARIES

NAME OF ENTITY	JURISDICTION
Catalana de Bebidas Carbonicas, S.L.	Spain
CEME Holdings, LLC	United States, Delaware
Central de La Industria Escorpion S.R.L. de C.V.	Mexico
Central K, Inc.	United States, Florida
Centro-Levantina de Bebidas Carbonicas PepsiCo S.L.	Spain
Centro-Mediterreanea de Bebidas Carbonicas PepsiCo S.L.	Spain
Changchun Pepsi-Cola Beverage Company Limited	China
Changsha Pepsi-Cola Beverage Company Limited	China
Chengdu PepsiCo Beverage Company Limited	China
China Bottlers (Hong Kong) Limited	Hong Kong
China Concentrate Holdings (Hong Kong) Limited	Hong Kong
Chipiga, S. de R. L. de C.V.	Mexico
Chipsy for Food Industries S.A.E.	Egypt
Chipsy International for Food Industries S.A.E.	Egypt
Chitos International y Cia Ltd.	Guatemala
Chongqing Pepsi Tianfu Beverage Company Limited	China
CMC Investment Company	Bermuda
Comercializadora Nacional SAS, Ltda.	Colombia
Comercializadora Snacks SAS, Ltda.	Venezuela
Comercializadora Vitalite, S.R.L. de C.V.	Mexico
Compania de Bebidas PepsiCo, S.L.	Spain
Concentrate Manufacturing (Singapore) Pte. Ltd.	Singapore
Copella Fruit Juices Limited	United Kingdom
Copper Beech International, LLC	United States, Delaware
Corina Snacks Limited	Cyprus
Corporativo Internacional Mexicano, S. de R.L. de C.V.	Mexico
Cove Development Corporation	United States, Delaware
DakBev, LLC	United States, Delaware
Dark Green Australia Pty Limited	Australia
Davlyn Realty Corporation	United States, Delaware
Defosto Holdings Limited	Cyprus
Delta Beverage Group, Inc.	United States, Delaware
Desarrollo Inmobiliario Gamesa, S. de R.L. de C.V.	Mexico

PEPSICO, INC. SUBSIDIARIES

NAME OF ENTITY	JURISDICTION
Distribuidora Garci-Crespo, S.R.L. de C.V.	Mexico
Distribuidora Savoy Guatemala S.A.	Guatemala
Donon Holdings Limited	Cyprus
Doritos Australia One Pty Limited	Australia
Doritos Australia Two Pty Limited	Australia
Dorset Properties Limited	Cyprus
Dove Vending, Inc.	United States, Ohio
Duingras Holdings B.V.	Netherlands
Duo Juice Company	United States, Delaware
Duo Juice Company B.V.	Netherlands
Dutch Snacks Holding, S.A. de C.V.	Mexico
Duyvis B.V.	Netherlands
Duyvis Production B.V.	Netherlands
Edgmont Holdings Luxembourg Sarl	Luxembourg
Elaboradora Argentina de Cereales, S.R.L.	Argentina
Electropura, S.R.L. de C.V.	Mexico
Embotelladora de Refrescos Mexicanos S.R.L. de C.V.	Mexico
Embotelladora Garci-Crespo, S.R.L. de C.V.	Mexico
Embotelladora La Isleta, S.R.L. de C.V.	Mexico
Embotelladora Metropolitana, S.R.L. de C.V.	Mexico
Embotelladora Moderna, S.R.L de C.V.	Mexico
Embotelladora Potosi, S.R.L. de C.V.	Mexico
Embotelladores Del Bajio, S.R.L. de C.V.	Mexico
Embotelladores Del Valle de Anahuac, S.R.L. de C.V.	Mexico
Enfolg Inversiones, S.L.	Spain
Environ of Inverrary, Inc.	United States, Florida
Eridanus Investments S.a.r.L.	Luxembourg

PEPSICO, INC. SUBSIDIARIES

NAME OF ENTITY	JURISDICTION
Equipos Y Deportes Exclusivos, S.A. de C.V.	Mexico
Euro Juice G.m.b.H. Import and Vertrieb	Germany
Evercrisp Snack Productos de Chile S.A.	Chile
Fabrica de Productos Alimentocios Rene y Compania SCA	Guatemala
Fabrica de Productos Rene LLC	United States, Delaware
Far East Bottlers (Hong Kong) Limited	Hong Kong
Farm Produce Proprietary Limited	Australia
Favarosi Asvanyviz es Uditoipari Reszvenytarasag Registration of General Bottlers of Hungary, Inc. in Hungary	Hungary
Fester Industria Alimenticia Ltda.	Brazil
Finvemex, S.R.L. de C.V.	Mexico
FL Transportation, Inc.	United States, Delaware
FLI Andean, LLC	United States, Delaware
FLI Colombia, LLC	United States, Delaware
FLI Snacks Andean GP, LLC	United States, Delaware
FLRC, Inc.	United States, California
Fomentadora Urbana del Sureste, S.R.L. de C.V.	Mexico
Fomentadora Urbana Metropolitana, S.R.L. de C.V.	Mexico
Food Production Company Marbo Product d.o.o. Belgrade	Serbia
Frito Lay de Guatemala, Sociedad de Responsabilidad Limitada	Guatemala
Frito Lay Sp.z.o.o.	Poland
Frito-Lay (Hungary) Trading and Manufacturing Limited Liability Company	Hungary
Frito-Lay Australia Holdings Pty Limited	Australia
Frito-Lay de Venezuela, C.A.	Venezuela
Frito-Lay Dip Company, Inc.	United States, Delaware
Frito-Lay Dominicana S.A.	Dominican Republic
Frito-Lay Gida Sanayi Ve Ticaret A.S.	Turkey

PEPSICO, INC. SUBSIDIARIES

NAME OF ENTITY	JURISDICTION
Frito-Lay Global Investments B.V.	Netherlands
Frito-Lay Holdings C.V.	Netherlands
Frito-Lay Hungary Kft.	Hungary
Frito-Lay Investments B.V.	Netherlands
Frito-Lay Manufacturing OOO	Hungary
Frito-Lay Manufacturing OOO	Russia
Frito-Lay Netherlands Holding B.V.	Netherlands
Frito-Lay North America, Inc.	United States, Delaware
Frito-Lay Poland Sp.z.o.o.	Poland
Frito-Lay RFLS Holdings, Inc.	United States, Delaware
Frito-Lay Sales, Inc.	United States, Delaware
Frito-Lay Trading Company (Europe) GmbH	Switzerland
Frito-Lay Trading Company (Poland) GmbH	Switzerland
Frito-Lay Trading Company GmbH	Switzerland
Frito-Lay Trinidad Unlimited	Trinidad and Tobago
Frito-Lay, Inc.	United States, Delaware
Froooties Limited	United Kingdom
Fruko Mesrubat Sanayi, Ltd. Sti.	Turkey
Fundacion Frito Lay de Guatemala	Guatemala
Fundacion Gamesa Quaker, A.C.	Mexico
Fundacion Sabritas, A.C.	Mexico
Fuzhou Pepsi-Cola Beverage Company Limited	China
Gambrinus Investments Limited	Cayman Islands
Gamesa LLC	United States, Delaware
Gamesa, S. de R.L. de C.V.	Mexico
Gas Natural de Merida, S.A. de C.V.	Mexico
Gatika Inversiones, S.L.	Spain
Gatorade de Mexico, S.de R.L. de C.V.	Mexico
Gatorade Limited	United Kingdom

PEPSICO, INC. SUBSIDIARIES

NAME OF ENTITY	JURISDICTION
Gatorade Puerto Rico Company	United States, Delaware
GB Czech LLC	United States, Delaware
GB International, Inc.	United States, Delaware
GB Slovak LLC	United States, Delaware
Gemex Holdings LLC	United States, Delaware
Genadco Advertising Agency, Inc.	United States, Illinois
General Bottlers CR s.r.o.	Czech Republic
General Bottlers of Hungary, Inc.	United States, Delaware
Global PepsiCo Luxembourg Holdings S.a.r.l.	Luxembourg
Globe Transport, Inc.	United States, Delaware
Golden Grain Company	United States, California
Goldfinch Holdings LLC	United States, Delaware
Gray Bern Holdings, Inc.	United States, Delaware
Grayhawk Leasing, LLC	United States, Delaware
Green Hemlock International, LLC	United States, Delaware
Greip Inversiones, S.L.	Spain
Grupo Embotellador Noreste, S.R.L. de C.V.	Mexico
Grupo Frito Lay Compania Limitada	Guatemala
Grupo Gamesa, S. de R.L. de C.V.	Mexico
Grupo Sabritas, S. de R.L. de C.V.	Mexico
Guangzhou Pepsi-Cola Beverage Company Limited	China
Harbin Pepsi-Cola Beverages Company Limited	China
Harinera Monterrey, S.A. de C.V.	Mexico
Heathland, LP	United States, Delaware
Helioscope Limited	Cyprus
Hillbrook Insurance Company, Inc.	United States, Vermont
Hillwood Bottling, LLC	United States, Delaware
Holland Snacks S.A. de C.V.	Mexico
Homefinding Company of Texas	United States, Texas
IC Equities, Inc.	United States, Delaware
Icaria Invest S.a.r.l.	Luxembourg
Illinois Center Corporation	United States, Delaware
Importadora Gator, S. de R.L. de C.V.	Mexico
Industria de Refrescos Del Noreste, S.R.L. de C.V.	Mexico
Industria de Refrescos, S.R.L. de C.V.	Mexico
Inmobiliaria La Bufa, S.R.L. de C.V.	Mexico
Inmobiliaria Operativa S.R.L. de C.V.	Mexico
Inmobiliaria Interamericana S.A. de C.V.	Mexico

PEPSICO, INC. SUBSIDIARIES

NAME OF ENTITY	JURISDICTION
Integrated Beverage Services (Bangladesh) Ltd.	Bangladesh
International Bottlers Almaty Ltd.	Kazakhstan
International Bottlers Management Co. LLC	United States, Delaware
International Company for Agro Industrial Projects (Beyti) SAE	Egypt
International Dairy & Juice (Dubai) Limited	United Arab Emirates
International Dairy & Juice Egypt LLC	Egypt
International Dairy & Juice Limited	Bahrain
International Dairy & Juice Limited	Bermuda
International Kas, AG	Liechtenstein
International Refreshments Co. Ltd.	Saudi Arabia Riyadh
Inversiones Borneo S.R.L.	Peru
Inversiones Kyrenia S.R.L.	Peru
Inversiones PFI Chile Limitada	Chile
Inversiones Santa Coloma S.A. (Venezuela)	Venezuela
Iowa Vending, Inc.	United States, Delaware
IZZE Beverage Co.	United States, Delaware
Jatabe Inversiones, S.L.	Spain
Jinan Pepsi-Cola Beverage Company Limited	China
Jordan Ice & Aerated Water Ltd.	Jordan
Jugodesalud Inversiones, S.L.	Spain
Jungla Mar del Sur	Costa Rica
KAS Anorthosis S.C.A.	Luxembourg
KAS, S.L.	Spain
Kinsale Finance Company	United States, Delaware
KRJ Holdings, S. de R.L. de C.V.	Mexico
Kunming Pepsi-Cola Beverage Company Limited	China

PEPSICO, INC. SUBSIDIARIES

NAME OF ENTITY	JURISDICTION
L'Igloo, S.A.	France
Lacenix Cia. Ltda.	Ecuador
Lanzhou Pepsi Cola Beverage Company Limited	China
Large Investments S.a.r.l.	Luxembourg
Larragana Holding de Espana, S.L.	Spain
Larragana Holdings 1, LLC	United States, Delaware
Larragana Holdings 2, LLC	United States, Delaware
Larragana Holdings 3, LLC	United States, Delaware
Larragana Holdings 4, LLC	United States, Delaware
Larragana Holdings 5, LLC	United States, Delaware
Larragana, S.L.	Spain
Latin America Beverages, S. de R.L. de C.V.	Mexico
Latin America Holdings Ltd.	Cayman Islands
Latin America Snack Foods, ApS	Denmark
Latin Foods International, LLC	United States, Delaware
Latvian Snacks SIA	Latvia
Lebedyansky Experimental Cannery Open Joint Stock Company	Russia
Lebedyansky Holding Company	Russia
Lebedyansky Holdings Limited Liability Company	Russia
Lehar Foods Private Limited	India
Limited Liability Company "Sandora"	Ukraine
Linkbay Limited	Cyprus
Lithuania Snacks Ltd.	Lithuania
Looza NV	Belgium
Lorencito Inversiones, S.L.	Spain
Lotta Good, LLC	United States, Delaware
Luxembourg SCS Holdings, LLC	United States, Delaware
Maizoro, S. de R.L. de C.V.	Mexico
Malpensa-Consultadoria e Servicos, LDA	Maderia/Portugal
Management Holdings (Thailand) Co., Ltd.	Thailand
Manurga Inversiones, S.L.	Spain

PEPSICO, INC. SUBSIDIARIES

NAME OF ENTITY	JURISDICTION
Marbo d.o.o. Laktasi	Bosnia and Herzegovina
Marbo Produkt d.o.o.	Croatia
Marquette Bottling Works, Incorporated	United States, Michigan
Matudis-Comercio de Produtos Alimentares, Limitada	Portugal
Matutano, Sociedade de Productos Alimentares, Unipessoal, Lda.	Portugal
Meadowlark Holdings LLC	United States, Delaware
Meadowview Development Co., Inc.	United States, Vermont
Mid-America Improvement Corporation	United States, Illinois
Miglioni Inversiones, S.L.	Spain
Mountain Dew Inversiones, S.L.	Spain
Mountainview Insurance Company, Inc.	United States, Vermont
Nadamas Inversiones, S.L.	Spain
Naked Juice Co.	United States, Delaware
Naked Juice Co. of Glendora, Inc.	United States, California
NCJV, Inc.	United States, Delaware
New Bern Transport Corporation	United States, Delaware
New Century Beverage Company	United States, California
New Generation Beverages Pty Limited	Australia
Noble Leasing LLC	United States, Delaware
Northern Michigan Vending, Inc.	United States, Michigan
Nueva Santa Cecilia, S.R.L. de C.V.	Mexico
Onbiso Inversiones, S.L.	Spain
P.B.I. Fruit Juice Company BVBA	Belgium
P.T. Pepsi-Cola IndoBeverage	Indonesia
P-A Barbados Bottling Company, LLC	United States, Delaware
P-A Bottlers (Barbados) S.R.L.	Barbados
P-Americas, Inc.	United States, Delaware
Panafota Holdings	Ireland
Panagarh Marketing Private Limited	India
Papas Chips	Uruguay
PAS Beverages Ltd.	Bermuda
PAS International Ltd.	Bermuda
PAS Luxembourg S.a.r.l.	Luxembourg

PEPSICO, INC. SUBSIDIARIES

NAME OF ENTITY	JURISDICTION
PAS Netherlands B.V.	Netherlands
PAS Snacks Ltd.	Bermuda
Pasteleria Vienesa, C.A.	Venezuela
PBG Beverages International Limited	Ireland
PBG Beverages Ireland Limited	Ireland
PBG Canada Holdings II, Inc.	United States, Delaware
PBG Canada Holdings, Inc.	United States, Delaware
PBG Commercial SECOR, S.L.	Spain
PBG Cyprus Holdings Limited	Cyprus
PBG Financiera y Promocion de Empresas, S.L.	Spain
PBG Holding de Espana ETVE, S.L.	Spain
PBG Horizon, LLC	United States, Delaware
PBG International Holdings Luxembourg Jayhawk SCS	Luxembourg
PBG International Holdings Partnership	Bermuda
PBG Investment (Luxembourg) S.a r.l.	Luxembourg
PBG Investment Partnership	Canada
PBG Michigan, LLC	United States, Delaware
PBG Midwest Holdings S.a r.l.	Luxembourg
PBG Mohegan Holdings Limited	Gibraltar
PBG Soda Can Holdings S.a r.l.	Luxembourg
PCBL, LLC	United States, Delaware
PCGB (BVI) Ltd.	British Virgin Islands
PCIL USA Indonesia	Indonesia
PCIT Puerto Rico, Inc.	Puerto Rico
PCNA Manufacturing, Inc.	United States, Delaware
PEI e Companhia	Maderia/Portugal
PEI, N.V.	Netherlands Antilles
Pep Trade LLC	Egypt
Pepsi B.V.	Netherlands
Pepsi Beverage (Nanchang) Company Limited	China

PEPSICO, INC. SUBSIDIARIES

NAME OF ENTITY	JURISDICTION
Pepsi Bottling Group Cardinals CUA	Netherlands
Pepsi Bottling Group Global Finance LLC	United States, Delaware
Pepsi Bottling Group GmbH	Germany
Pepsi Bottling Group Hoosiers B.V.	Netherlands
Pepsi Bottling Holdings, Inc.	United States, Delaware
Pepsi Bugshan Investments S.A.E. (or Pepsi Bugshan Investments Company)	Egypt
Pepsi Cola Colombia Ltda	Colombia
Pepsi Cola Trading Ireland	Ireland
Pepsi Consulting Polska Sp. Z.o.o.	Portugal
Pepsi Foods Private Limited	India
Pepsi Logistics Company, Inc.	United States, Delaware
Pepsi Northwest Beverages LLC	United States, Delaware
Pepsi Overseas (Investments) Partnership	Canada
Pepsi Promotions, Inc.	United States, Delaware
Pepsi Solutions, Inc.	United States, Delaware
Pepsi South Bottling, LLC	United States, Delaware
Pepsi S.r.l.	Italy
PepsiAmericas Commissary Services, Inc.	United States, Delaware
PepsiAmericas KFT	Hungary
PepsiAmericas PR, LLC	United States, Delaware
PepsiAmericas Sales Services, LLC	United States, Delaware
PepsiAmericas Vending, LLC	United States, Delaware
PepsiCo (China) Limited	China
PepsiCo (Gilbraltar) Limited	Gilbraltar
PepsiCo (Ireland)	Ireland
PepsiCo (Malaysia) SDN. BHD.	Malaysia
PepsiCo (Malaysia) SDN. BHD.	United States, Delaware
PepsiCo Agro, C.A.	Venezuela
PepsiCo Alimentos Colombia Ltda.	Colombia
PepsiCo Alimentos Ecuador Cia. Ltd.	Ecuador
PepsiCo Alimentos Peru, S.R.L.	Peru

PEPSICO, INC. SUBSIDIARIES

NAME OF ENTITY	JURISDICTION
PepsiCo Alimentos S.C.A.	Venezuela
PepsiCo Alimentos Z.F., Ltda.	Colombia
PepsiCo Antilles Holdings N.V.	Netherlands Antilles
PepsiCo Asia Research & Development Center Company Limited	China
PepsiCo Australia Holdings Pty Limited	Australia
PepsiCo Australia International Limited Partnership	Australia
PepsiCo Bebidas Brasil Holding Ltda.	Brazil
PepsiCo Beverages (Guangzhou) Limited	China
PepsiCo Beverages (Hong Kong) Limited	Hong Kong
PepsiCo Beverages International Ltd.	Nigeria
PepsiCo Beverages Italia S.r.l.	Italy
PepsiCo Beverages Switzerland GmbH	Switzerland
PepsiCo Canada (Holdings) Co.	Canada
PepsiCo Canada Finance, LLC	United States, Delaware
PepsiCo Canada ULC	Canada
PepsiCo Captive Holdings, Inc.	United States, Delaware
PepsiCo Caribbean, Inc.	Puerto Rico
PepsiCo de Argentina S.R.L.	Argentina
PepsiCo de Mexico S. de R.L. de C.V.	Mexico
PepsiCo Del Paraguay S.R.L.	Paraguay
PepsiCo Deutschland GmbH	Germany
PepsiCo do Brazil Holdings Limitada	Brazil
PepsiCo do Brazil Ltda.	Brazil
PepsiCo Eesti	Estonia
PepsiCo Euro Bermuda Limited	Bermuda
PepsiCo Euro Finance Antilles B.V.	Netherlands Antilles
PepsiCo Euro Finance Antilles N.V.	Netherlands Antilles

PEPSICO, INC. SUBSIDIARIES

NAME OF ENTITY	JURISDICTION
PepsiCo Europe Support Center, S.L.	Spain
PepsiCo Finance (Antilles A) N.V.	United States, Delaware
PepsiCo Finance (Antilles B) N.V.	Netherlands Antilles
PepsiCo Finance (South Africa) (Proprietary) Limited	South Africa
PepsiCo Finance (U.K.)	United Kingdom
PepsiCo Finance Europe Limited	United Kingdom
PepsiCo Finance Luxembourg	United Kingdom
PepsiCo Financial Shared Services, Inc.	United States, Delaware
PepsiCo Food & Beverage Holdings Hong Kong Limited	Hong Kong
PepsiCo Foods (China) Company Limited	China
PepsiCo Foods (Private) Limited	Pakistan
PepsiCo Foods and Beverages International Limited	United Kingdom
PepsiCo Foods Hellas	Greece
PepsiCo Foods International Holdings, Inc.	United States, Delaware
PepsiCo Foods Taiwan Co., Ltd.	Taiwan
PepsiCo Foods Ukraine	Ukraine
PepsiCo Foreign Sales Corporation	Barbados
PepsiCo France SNC	France
PepsiCo Global Investments B.V.	Netherlands
PepsiCo Global Investments Holdings Limited	Ireland
PepsiCo Global Investments II B.V.	Netherlands
PepsiCo Global Investments S.a.r.l.	Luxembourg
PepsiCo Global Mobility, LLC	United States, Delaware
PepsiCo Gulf International FZE	United Arab Emirates Jebel Ali Free Zone
PepsiCo Holbra Alimentos Ltda.	Brazil
PepsiCo Holdings	United Kingdom
PepsiCo Holdings Hong Kong Limited	Hong Kong
PepsiCo Holdings Luxembourg S.a. r.l.	Luxembourg
PepsiCo Holdings OOO (Russia)	Russia
PepsiCo Hong Kong, LLC	United States, Delaware

PEPSICO, INC. SUBSIDIARIES

NAME OF ENTITY	JURISDICTION
PepsiCo India Holdings Private Limited	India
PepsiCo Internacional Mexico S. de R.L. de C. V.	Mexico
PepsiCo International Limited	United Kingdom
PepsiCo International Pte. Ltd.	Singapore
PepsiCo International Vietnam Company	Vietnam
PepsiCo Investment (China) Ltd.	China
PepsiCo Investments (Europe) I. B.V.	Netherlands
PepsiCo Investments Luxembourg S.a. r.l.	Luxembourg
PepsiCo Ireland Food & Beverages	Ireland
PepsiCo IVI S.A.	Greece
PepsiCo Light B.V.	Netherlands
PepsiCo Management Services	France
PepsiCo Mauritius Holdings, Inc.	Mauritius
PepsiCo Max B.V.	Netherlands
PepsiCo Middle East Investments	Netherlands
PepsiCo New Zealand Holdings	New Zealand
PepsiCo Nordic Finland OY	Finland
PepsiCo Nordic Norway A/S	Norway
PepsiCo NZ Finance Antillies B.V.	Netherlands Antilles
PepsiCo One B.V.	Netherlands
PepsiCo Overseas Corporation	United States, Delaware
PepsiCo Pacific Trading Company, Limited	Hong Kong
PepsiCo Panimex Inc.	Mauritius
PepsiCo Pension Management Services, Ltd.	United States, Delaware
PepsiCo Products B.V.	Netherlands
PepsiCo Property Management Limited	United Kingdom
PepsiCo Puerto Rico, Inc.	United States, Delaware
PepsiCo Russia (Bermuda) Limited	Bermuda
PepsiCo Sales, Inc.	United States, Delaware
PepsiCo Services Asia Ltd.	Thailand
PepsiCo Services International Inc.	United States, Delaware
PepsiCo Sterling Finance Antilles B.V.	Netherlands Antilles
PepsiCo Trading (Guangzhou) Company	China

PEPSICO, INC. SUBSIDIARIES

NAME OF ENTITY	JURISDICTION
PepsiCo Twist B.V.	Netherlands
PepsiCo UK Pension Plan Trustee Limited	United Kingdom
PepsiCo UK Pension Trust Limited	United Kingdom
PepsiCo Ventas Andalucia, S.L.	Spain
PepsiCo World Trading Company, Inc.	United States, Delaware
Pepsi-Cola (Bahamas) Bottling Company Limited	Bahamas
Pepsi-Cola (Bermuda) Limited	Bermuda
Pepsi-Cola (Thai) Trading Company Limited	Thailand
Pepsi-Cola Advertising and Marketing, Inc.	United States, Delaware
Pepsi-Cola Beverage (Guilin) Company Limited	China
Pepsi-Cola Bottlers Holding, C.V.	Netherlands
Pepsi-Cola Bottling Co. of Yuba City, Inc.	United States, California
Pepsi-Cola Bottling Company of Ft. Lauderdale-Palm Beach, Inc.	United States, Florida
Pepsi-Cola Bottling Company of St. Louis, Inc.	United States, Missouri
Pepsi-Cola Bottling Finance B.V.	Netherlands
Pepsi-Cola Bottling Global B.V.	Netherlands
Pepsi-Cola Company	United States, Delaware
Pepsi-Cola de Honduras S.R.L.	Honduras
Pepsi-Cola East Africa Limited	United Kingdom
Pepsi-Cola Ecuador Cia. Ltda.	Ecuador
PepsiCola Egypt S.A.E.	Egypt
Pepsi-Cola Far East Trade Development Co., Inc.	Philippines
Pepsi-Cola Finance, LLC	United States, Delaware
Pepsi-Cola General Bottlers IL, LLC	United States, Delaware
Pepsi-Cola General Bottlers KY, LLC	United States, Delaware
Pepsi-Cola General Bottlers of Indiana, Inc.	United States, Delaware
Pepsi-Cola General Bottlers of Iowa, Inc.	United States, Iowa
Pepsi-Cola General Bottlers of Mansfield, Inc.	United States, Ohio
Pepsi-Cola General Bottlers of Ohio, Inc.	United States, Delaware
Pepsi-Cola General Bottlers Poland SP, z.o.o.	Poland
Pepsi-Cola General Bottlers, Inc.	United States, Delaware
Pepsi-Cola General Bottlers, LLC	United States, Delaware

PEPSICO, INC. SUBSIDIARIES

NAME OF ENTITY	JURISDICTION
Pepsi-Cola Industrial Da Amazonia Ltda.	Brazil
Pepsi-Cola Interamericana de Guatemala S.A.	Guatemala
Pepsi-Cola International (Cyprus) Limited	Cyprus
Pepsi-Cola International (PVT) Limited	Pakistan
Pepsi-Cola International Limited	Bermuda
Pepsi-Cola International Limited (U.S.A.)	United States, Delaware
Pepsi-Cola International, Cork	Ireland
Pepsi-Cola Kft. Hungary	Hungary
Pepsi-Cola Korea, Co., Ltd.	Korea
Pepsi-Cola Maghreb SARL	Morocco
Pepsi-Cola Mamulleri Limited Sirketi	Turkey
Pepsi-Cola Management and Administrative Services, Inc.	United States, Delaware
Pepsi-Cola Manufacturing (Ireland)	Ireland
Pepsi-Cola Manufacturing (Mediterranean) Limited	Bermuda
Pepsi-Cola Manufacturing Company of Uruguay S.R.L.	Uruguay
Pepsi-Cola Manufacturing International, Limited	Bermuda
Pepsi-Cola Marketing Corp. of P.R. Inc.	Puerto Rico
Pepsi-Cola Mediterranean Ltd.	United States, Wyoming
Pepsi-Cola Metropolitan Bottling Company, Inc.	United States, New Jersey
Pepsi-Cola Metropolitan, LLC	United States, Delaware
Pepsi-Cola Mexicana Holdings LLC	United States, Delaware
Pepsi-Cola Mexicana, S. de R.L. de C.V.	Mexico
Pepsi-Cola National Marketing, LLC	United States, Delaware
Pepsi-Cola Operating Company of Chesapeake and Indianapolis	United States, Delaware
Pepsi-Cola Panamericana S.R.L.	Venezuela
Pepsi-Cola Panamericana SCR Limitada	Peru
Pepsi-Cola Panamericana, LLC	United States, Delaware
Pepsi-Cola Sales and Distribution, Inc.	United States, Delaware
Pepsi-Cola Sales, LLC	United States, Delaware
Pepsi-Cola Servis ve Dagitim Ltd. Sti.	Turkey

PEPSICO, INC. SUBSIDIARIES

NAME OF ENTITY	JURISDICTION
Pepsi-Cola SR, s.r.o.	Slovak Republic
Pepsi-Cola Technical Operations, Inc.	United States, Delaware
Pepsi-Cola U.K. Limited	United Kingdom
Pepsi-Cola Ukraine	Ukraine
Pete & Johnny Limited	United Kingdom
Pet-Iberia, S.L.	Spain
Pine International Limited	Cayman Islands
Pine International, LLC	United States, Delaware
PISSA Colombia Ltda.	Colombia
Planters U.K. Limited	United Kingdom
PlayCo, Inc.	United States, Delaware
PR Beverages Bermuda Holding Ltd.	Bermuda
PR Beverages Cyprus (Russia) Holding Limited	Cyprus
PR Beverages Cyprus Holding Limited	Cyprus
PR Beverages Limited	Ireland
PRB Luxembourg International S.a r.l.	Luxembourg
PRB Luxembourg S.a r.l.	Luxembourg
Prestwick, Inc.	United States, Delaware
Prev PepsiCo Sociedade Previdenciaria	Brazil
Primrose, LLC	United States, Delaware
Procesos Plasticos S.R.L. de C.V.	Mexico
Productos Gatorade de Mexico, S. de R.L. de C.V.	Mexico
Productos S.A.S. C.V.	Netherlands
Productos SAS Management B.V.	Netherlands
PRS, Inc.	United States, Delaware
PSE Logistica, S.R.L.	Argentina
PT Indofood FritoLay Makmur	Indonesia
PT Quaker Indonesia	Indonesia
Punch N.V.	Netherlands Antilles

PEPSICO, INC. SUBSIDIARIES

NAME OF ENTITY	JURISDICTION
Punica Getranke GmbH	Germany
QBU Marketing Services, S. de R.L. de C.V.	Mexico
QBU Trading Company, S. de R.L. de C.V.	Mexico
QFL OHQ Sdn. Bhd.	Malaysia
QTG Development, Inc.	United States, Delaware
QTG Services, Inc.	United States, Delaware
QuadGat Beverage Company (Europe) Limited	Cyprus
Quadrant Amroq Beverages Moldova S.A.	Moldova
Quadrant European Beverages (Bulgaria) Limited	Cyprus
Quadrant European Beverages Limited	Cyprus
Quadrant-Amroq Beverages S.R.L.	Romania
Quadrant-Amroq Bottling Company (Europe) Ltd.	Cyprus
Quadrant-Amroq Bottling Company Limited	British Virgin Islands
Quaker Beverages Italia S.p.A.	Italy
Quaker Developments B.V.	Netherlands
Quaker European Beverages, LLC	United States, Delaware
Quaker European Investments B.V.	Netherlands
Quaker Foods	United Kingdom
Quaker Global Investments B.V.	Netherlands
Quaker Holdings (UK) Limited	United Kingdom
Quaker Manufacturing, LLC	United States, Delaware
Quaker Mexico Holdings, LLC	United States, Delaware
Quaker Oats Asia, Inc.	United States, Delaware
Quaker Oats Australia Pty Ltd	Australia
Quaker Oats B.V.	Netherlands
Quaker Oats Capital Corporation	United States, Delaware
Quaker Oats Europe LLC	United States, Delaware
Quaker Oats Europe, Inc.	United States, Delaware
Quaker Oats Japan, Ltd.	Japan
Quaker Oats Limited	United Kingdom
Quaker Peru S.R.L.	Peru
Quaker Sales & Distribution, Inc.	United States, Delaware

PEPSICO, INC. SUBSIDIARIES

NAME OF ENTITY	JURISDICTION
Quaker Trading Limited	United Kingdom
Rasines Inversiones, S.L.	Spain
Rebujito Inversiones, S.L.	Spain
Rolling Frito-Lay Sales, LP	United States, Delaware
Ronkas Inversiones, S.L.	Spain
S & T of Mississippi, Inc.	United States, Mississippi
S.C. Star Foods E.M. S.R.L.	Romania
Sabritas de Costa Rica, S. de R.L.	Costa Rica
Sabritas Snacks America Latina de Nicaragua y Cia, Ltda	Nicaragua
Sabritas y Compania, SCA	El Salvador
Sabritas, LLC	United States, Delaware
Sabritas, S. de R.L. de C.V.	Mexico
Sakata Rice Snacks Australia Pty Ltd	Australia
Sandora Holdings B.V.	Netherlands
Saudi Snack Foods Company Limited	Saudi Arabia
Seepoint Holdings Limited	Cyprus
Senrab	Ireland
Serenitatis Limited	Gibraltar
Servicios Administrativos Suma, S.R.L. de C.V.	Mexico
Servicios Calificados, S.A. de C.V.	Mexico
Servicios Chipiga, S. de R.L. de C.V.	Mexico
Servicios Harinera Monterrey, S.A. de C.V.	Mexico
Servicios Operativos Gatorade de Mexico, S. de R.L. de C.V.	Mexico
Seven-Up Asia, Inc.	United States, Missouri
Seven-Up Europe Limited	United Kingdom
Seven-Up Great Britain, Inc.	United States, Missouri
Seven-Up Light B.V.	Netherlands
Seven-Up Nederland B.V.	Netherlands
Shanghai PepsiCo Snacks Company Limited	China
Sharepower, Inc.	United States, Delaware

PEPSICO, INC. SUBSIDIARIES

NAME OF ENTITY	JURISDICTION
Shenyang Pepsi-Cola Beverage Company Limited	China
Shenzhen Pepsi-Cola Beverage Company Limited	China
Shoebill, LLC	United States, Delaware
SIH International LLC	United States, Delaware
Simba (Proprietary) Limited	South Africa
Smartfoods, Inc.	United States, Delaware
Smiths Crisps Limited	United Kingdom
Smiths Food Group B.V.	Netherlands
Snack Food Holdings C.V.	Netherlands
Snack Food Investments GmbH	Switzerland
Snack Food Investments II GmbH	Switzerland
Snack Food Investments Limited	Bermuda
Snack Food-Beverage Asia Products Limited	Hong Kong
Snack Foods Belgium B.V.B.A.	Belgium
Snack Ventures Europe SCA	Belgium
Snack Ventures Inversiones, S.L.	Spain
Snacks America Latina Peru S.R.L.	Peru
Snacks Guatemala, Ltd.	Bermuda
Snacks Ventures S.L.	Spain
SoBe Operating Corp., Inc.	United States, Delaware
Sobol Aqua ZAO	Russia
South Beach Beverage Company, Inc.	United States, Delaware
South Properties, Inc.	United States, Illinois
Sportmex Internacional, S.A. De C.V.	Mexico
Spruce Limited	Cayman Islands
Stacy’s Pita Chip Company, Incorporated	United States, Massachusetts
Star Foods Bulgaria EOOD	Bulgaria

PEPSICO, INC. SUBSIDIARIES

NAME OF ENTITY	JURISDICTION
Stepplan Inversiones, S.L.	Spain
Stokely-Van Camp, Inc.	United States, Indiana
Strategic Beverages (Thailand) Co., Ltd.	Thailand
Sun Foods Inc.	United States, Delaware
SVC Logistics, Inc.	United States, Delaware
SVC Manufacturing, Inc.	United States, Delaware
SVE Russia Holdings GmbH	Germany
Tanglewood Finance Sarl Unipersonnele	Luxembourg
Tastes of Adventures Pty Ltd	Australia
Tasty Foods S.A.	Greece
Tenedora Del Noreste, S.R.L. de C.V.	Mexico
TFL Holdings, LLC	United States, Delaware
The Concentrate Manufacturing Company of Ireland	Ireland
The Gatorade Company	United States, Delaware
The Gatorade Company of Australia Pty Limited	Australia
The Original Pretzel Company Pty Limited	Australia
The Pepsi Bottling Group (Canada), Co.	Canada
The Pepsi Bottling Group Mexico S.R.L. de C.V.	Mexico
The Quaker Oats Company	United States, New Jersey
The Smiths Snackfood Company Limited	Australia
Tianjin Pepsi-Cola Beverage Company Limited	China
Tobago Snack Holdings, LLC	United States, Delaware
Tropicana Alvalle S.L.	Spain
Tropicana Beverages Greater China Limited	Hong Kong
Tropicana Beverages Ltd.	Hong Kong
Tropicana Europe N.V.	Belgium
Tropicana Europe S.A.	France
Tropicana Looza BENELUX BVBA	Belgium
Tropicana Manufacturing Company, Inc.	United States, Delaware
Tropicana Products Sales, Inc.	United States, Delaware
Tropicana Products, Inc.	United States, Delaware
Tropicana Services, Inc.	United States, Delaware
Tropicana Transportation Corp.	United States, Delaware
Tropicana United Kingdom Limited	United Kingdom

PEPSICO, INC. SUBSIDIARIES

NAME OF ENTITY	JURISDICTION
Twisties Australia One Pty Limited	Australia
Twisties Australia Two Pty Limited	Australia
United Food Companies Restaurantes S.A.	Brazil
Valores Bermuda S.R. L.	Venezuela
Valores Mapumar	Venezuela
Vending Americas, Inc.	United States, Florida
Veurne Snackfoods BVBA	Belgium
Vitamin Brands Ltd.	United Kingdom
Vitarom Impex s.r.l.	Romania
Walkers Crisps Limited	United Kingdom
Walkers Group Limited	United Kingdom
Walkers Snack Foods Limited	United Kingdom
Walkers Snack Services Limited	United Kingdom
Walkers Snacks (Distribution) Limited	United Kingdom
Walkers Snacks Limited	United Kingdom
Wesellsoda Inversiones, S.L.	Spain
Whitman Corporation	United States, Delaware
Whitman Finance, Inc.	United States, Delaware
Whitman Insurance Co., Inc.	United States, Vermont
Whitman Leasing, Inc.	United States, Delaware
Woodlands Company, Inc.	United States, Vermont
Wotsits Brands Limited	United Kingdom
Xi’an Pepsi-Cola Beverage Company Limited	China
Zhanjiang Pepsi Cola Beverage Company Limited	China
Zhengzhou PepsiCo Beverage Company Limited	China

EXHIBIT 23

Consent of Independent Registered Public Accounting Firm

Board of Directors and Shareholders
PepsiCo, Inc.:

We consent to incorporation by reference in the registration statements and Forms listed below of PepsiCo, Inc. and subsidiaries ("PepsiCo, Inc.") of our report dated February 18, 2011, with respect to the Consolidated Balance Sheets of PepsiCo, Inc. as of December 25, 2010 and December 26, 2009, and the related Consolidated Statements of Income, Cash Flows and Equity for each of the fiscal years in the three-year period ended December 25, 2010, and the effectiveness of internal control over financial reporting as of December 25, 2010, which report appears in the December 25, 2010 annual report on Form 10-K of PepsiCo, Inc.

Description, Registration Statement Number

Form S-3

- PepsiCo Automatic Shelf Registration Statement, 333-154314
- PepsiAmericas, Inc. 2000 Stock Incentive Plan, 333-165176
- PBG 2004 Long Term Incentive Plan, PBG 2002 Long Term Incentive Plan, PBG Long Term Incentive Plan, The Pepsi Bottling Group, Inc. 1999 Long Term Incentive Plan and PBG Stock Incentive Plan, 333-165177

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, 333-166740
- 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
- PBG 401(k) Savings Program, PBG 401(k) Program, PepsiAmericas, Inc. Salaried 401(k) Plan and PepsiAmericas, Inc. Hourly 401(k) Plan, 333-165106
- PBG 2004 Long Term Incentive Plan, PBG 2002 Long Term Incentive Plan, PBG Long Term Incentive Plan, The Pepsi Bottling Group, Inc. 1999 Long Term Incentive Plan, PBG Directors' Stock Plan, PBG Stock Incentive Plan and PepsiAmericas, Inc. 2000 Stock Incentive Plan, 333-165107

/s/ KPMG LLP
New York, New York

February 18, 2011

EXHIBIT 24

POWER OF ATTORNEY

KNOW ALL BY THESE PRESENTS, that PepsiCo, Inc. ("PepsiCo") and each other undersigned, an officer or director, or both, of PepsiCo, do hereby appoint Larry D. Thompson, Thomas H. Tamoney, Jr. and Robert K. Biggart, and each of them severally, its, his or her true and lawful attorney-in-fact to execute on behalf of PepsiCo and the undersigned the following documents and any and all amendments thereto (including post-effective amendments) deemed necessary or appropriate by either such attorney-in-fact:

(i) Automatic Shelf Registration Statement No. 333-133735 relating to the offer and sale of PepsiCo Common Stock, Debt Securities, Warrants and Units, and the Automatic Shelf Registration Statement No. 333-154314 relating to the offer and sale of PepsiCo Common Stock, Debt Securities, Guarantees of Debt Securities, Warrants and Units;

(ii) Registration Statements No. 33-53232, 33-64243 and 333-102035 relating to the offer and sale of PepsiCo's Debt Securities, Warrants and Guarantees;

(iii) Registration Statements No. 33-4635, 33-21607, 33-30372, 33-31844, 33-37271, 33-37978, 33-47314, 33-47527, 333-53436 and 333-56302 all relating to the primary and/or secondary offer and sale of PepsiCo Common Stock issued or exchanged in connection with acquisition transactions;

(iv) Registration Statements No. 33-29037, 33-35602, 33-42058, 33-51496, 33-54731, 33-42121, 33-50685, 33-66150 and 333-109513 relating to the offer and sale of PepsiCo Common Stock under the PepsiCo SharePower Stock Option Plan;

(v) Registration Statements No. 2-82645, 33-51514, 33-60965 and 333-89265 relating to the offer and sale of PepsiCo Common Stock under the PepsiCo 401(k) Plan or the PepsiCo Long-Term Savings Program; Registration Statement No. 333-65992 relating to the offer and sale of PepsiCo Common Stock under the Retirement Savings and Investment Plan for Union Employees of Tropicana Products, Inc. and Affiliates (Teamsters Local Union #173), the Retirement Savings and Investment Plan for Union Employees of Tropicana Products, Inc. and Affiliates; Registration Statement No. 333-66634 relating to the offer and sale of PepsiCo Common Stock under The Quaker 401(k) Plan for Salaried Employees and The Quaker 401(k) Plan for Hourly Employees; Registration Numbers 333-76196 and 333-150867 each relating to the offer and sale of PepsiCo Common Stock under The PepsiCo 401(k) Plan for Salaried Employees; and Registration Numbers 333-76204 and 333-150868 each relating to the offer and sale of PepsiCo Common Stock under The PepsiCo 401(k) Plan for Hourly Employees;

(vi) Registration Statements No. 33-61731, 333-09363 and 333-109514 relating to the offer and sale of PepsiCo Common Stock under The PepsiCo, Inc. 1995 Stock Option Incentive Plan; Registration Statement No. 33-54733 relating to the offer and sale of PepsiCo Common Stock under The PepsiCo, Inc. 1994 Long-Term

Incentive Plan and resales of such shares by executive officers of PepsiCo; Registration Statement No. 33-19539 relating to the offer and sale of PepsiCo Common Stock under PepsiCo's 1987 Incentive Plan and resales of such shares by executive officers of PepsiCo; Registration Statement No. 2-65410 relating to the offer and sale of PepsiCo Common Stock under PepsiCo's 1979 Incentive Plan and 1972 Performance Share Plan, as amended; Registration Statement No. 333-66632 relating to the offer and sale of PepsiCo Common Stock under 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; Registration Statement No. 333-109509 relating to the offer and sale of PepsiCo Common Stock under the PepsiCo, Inc. 2003 Long-Term Incentive Plan and resales of such shares by executive officers and directors of PepsiCo; and Registration Statements No. 333-142811 and 333-166740 relating to the offer and sale of PepsiCo Common Stock under the PepsiCo, Inc. 2007 Long-Term Incentive Plan;

(vii) Registration Statements No. 33-22970 and 333-110030 relating to the offer and sale of PepsiCo Common Stock under PepsiCo's Director Stock Plan and resales of such shares by Directors of PepsiCo;

(viii) Registration Statement No. 333-162261 relating to the issuance of shares of PepsiCo Common Stock to stockholders of The Pepsi Bottling Group, Inc. pursuant to the Agreement and Plan of Merger dated as of August 3, 2009, as may be amended from time to time, among PepsiCo, PBG and Pepsi-Cola Metropolitan Bottling Company, Inc. ("Metro");

(ix) Registration Statement No. 333-162260 relating to the issuance of shares of PepsiCo Common Stock to stockholders of PAS pursuant to the Agreement and Plan of Merger dated as of August 3, 2009, as may be amended from time to time, among PepsiCo, PAS and Metro;

(x) Schedule 13E-3 relating to the Agreement and Plan of Merger dated as of August 3, 2009, as may be amended from time to time, among PepsiCo, PBG and Metro;

(xi) Schedule 13E-3 relating to the Agreement and Plan of Merger dated as of August 3, 2009, as may be amended from time to time, among PepsiCo, PAS and Metro;

(xii) Registration Statement No. 333-87526 relating to the offer and sale of PepsiCo Common Stock under The PepsiCo Share Award Plan;

(xiii) Registration Statement No. 333-165106 relating to the offer and sale of PepsiCo Common Stock under the PBG 401(k) Savings Program, the PBG 401(k) Program, the PepsiAmericas, Inc. Salaried 401(k) Plan and the PepsiAmericas, Inc. Hourly 401(k) Plan

(xiv) Registration Statement No. 333-165107 relating to the offer and sale of PepsiCo Common Stock under the PBG 2004 Long Term Incentive Plan, the PBG 2002 Long Term Incentive Plan, the PBG Long Term Incentive Plan, The Pepsi Bottling Group, Inc. 1999 Long Term Incentive Plan, the PBG Directors' Stock

Plan, the PBG Stock Incentive Plan and the PepsiAmericas, Inc. 2000 Stock Incentive Plan;

(xv) Registration Statement No. 333-165176 relating to the offer and sale of PepsiCo Common Stock under the PepsiAmericas, Inc. 2000 Stock Incentive Plan;

(xvi) Registration Statement No. 333-165177 relating to the offer and sale of PepsiCo Common Stock under the PBG 2004 Long Term Incentive Plan, the PBG 2002 Long Term Incentive Plan, the PBG Long Term Incentive Plan, The Pepsi Bottling Group, Inc. 1999 Long Term Incentive Plan and the PBG Stock Incentive Plan; and

(xvii) all other applications, reports, registrations, information, documents and instruments filed or required to be filed by PepsiCo with the SEC, including, but not limited to the Annual Report on Form 10-K, Quarterly Report on Form 10-Q, Current Report on Form 8-K or any amendment or supplement thereto, any stock exchanges or any governmental official or agency in connection with the listing, registration or approval of PepsiCo Common Stock, PepsiCo debt securities or warrants, other securities or PepsiCo guarantees of its subsidiaries' or third party debt securities or warrants, or the offer and sale thereof, or in order to meet PepsiCo's reporting requirements to such entities or persons;

and to file the same with the SEC, any stock exchanges or any governmental official or agency, with all exhibits thereto and other documents in connection therewith, and each of such attorneys-in-fact shall have the power to act hereunder with or without the other.

FURTHER, KNOW ALL BY THESE PRESENTS, that each of the undersigned that is an officer or director, or both, of PepsiCo, also hereby constitutes and appoints each of Larry D. Thompson, Thomas H. Tamoney, Jr. and Robert K. Biggart, and each of them severally, the undersigned's true and lawful attorney-in-fact to:

(1) execute for and on behalf of the undersigned, in the undersigned's capacity as a director or officer, or both, of PepsiCo, Forms 3, 4 and 5 in accordance with Section 16(a) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the rules thereunder;

(2) do and perform any and all acts for and on behalf of the undersigned which may be necessary or desirable to complete and execute any such Form 3, 4 or 5 and timely file such form with the SEC and any stock exchange or similar authority; and

(3) take any other action of any type whatsoever in connection with the foregoing which, in the opinion of such attorney-in-fact, may be of benefit to, in the best interest of, or legally required by, the undersigned, it being understood that the documents executed by such attorney-in-fact on behalf of the undersigned pursuant to this Power of Attorney shall be in such form and shall contain such terms and conditions as such attorney-in-fact may approve in such attorney-in-fact's discretion.

The undersigned acknowledges that the foregoing attorneys-in-fact, in serving in such capacity at the request of the undersigned, are not assuming, nor is PepsiCo assuming, any of the undersigned's responsibilities to comply with Section 16 of the Exchange Act.

This Power of Attorney, insofar as it relates to the undersigned's obligations to file Forms 3, 4 and 5, shall remain in full force and effect until the undersigned is no longer required to file Forms 3, 4 and 5 with respect to the undersigned's holdings of and transactions in securities issued by PepsiCo, unless earlier revoked by the undersigned in a signed writing delivered to the foregoing attorneys-in-fact; provided that any termination or revocation of this Power of Attorney, insofar as it relates to the undersigned's obligations to file Forms 3, 4 and 5, shall not affect the delegations of authority by the undersigned pursuant to clauses (i) through (xvi) above.

* * *

Each of the undersigned hereby grants to each such attorney-in-fact full power and authority to do and perform any and every act and thing whatsoever requisite, necessary, or proper to be done in the exercise of any of the rights and powers herein granted, as fully to all intents and purposes as the undersigned might or could do if personally present, with full power of substitution or revocation, hereby ratifying and confirming all that such attorney-in-fact, or such attorney-in-fact's substitute or substitutes, shall lawfully do or cause to be done by virtue of this Power of Attorney and the rights and powers herein granted.

This Power of Attorney may be executed in counterparts and all such duly executed counterparts shall together constitute the same instrument. This Power of Attorney shall not revoke any powers of attorney previously executed by the undersigned. This Power of Attorney shall not be revoked by any subsequent power of attorney that the undersigned may execute, unless such subsequent power of attorney specifically provides that it revokes this Power of Attorney by referring to the date of the undersigned's execution of this Power of Attorney.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, each of the undersigned has executed this instrument on the date indicated opposite its, his or her name.

PEPSICO, INC.

By:

/s/ Indra K. Nooyi Indra K. Nooyi	Chairman of the Board of Directors and Chief Executive Officer	February 18, 2011
/s/ Indra K. Nooyi Indra K. Nooyi	Chairman of the Board of Directors and Chief Executive Officer	February 18, 2011
/s/ Hugh F. Johnston Hugh F. Johnston	Chief Financial Officer	February 18, 2011
/s/ Peter A. Bridgman Peter A. Bridgman	Senior Vice President and Controller (Principal Accounting Officer)	February 18, 2011
/s/ Shona L. Brown Shona L. Brown	Director	February 18, 2011
/s/ Ian M. Cook Ian M. Cook	Director	February 18, 2011
/s/ Dina Dublon Dina Dublon	Director	February 18, 2011
/s/ Victor J. Dzau Victor J. Dzau	Director	February 18, 2011
/s/ Ray L. Hunt Ray L. Hunt	Director	February 18, 2011
/s/ Alberto Ibargüen Alberto Ibargüen	Director	February 18, 2011

/s/ Arthur C. Martinez Arthur C. Martinez	Director	February 18, 2011
/s/ Sharon Percy Rockefeller Sharon Percy Rockefeller	Director	February 18, 2011
/s/ James J. Schiro James J. Schiro	Director	February 18, 2011
/s/ Lloyd G. Trotter Lloyd G. Trotter	Director	February 18, 2011
/s/ Daniel Vasella Daniel Vasella	Director	February 18, 2011

EXHIBIT 31

CERTIFICATION

I, **Indra K. Nooyi,** certify that:

1. I have reviewed this annual report on Form 10-K of PepsiCo, Inc.;
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 the registrant as of, and for, the periods presented in this report;
4. The registrant'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 the registrant 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 the registrant, 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 the registrant'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 the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   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 the registrant'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 the registrant's internal control over financial reporting.

Date: February 18, 2011

/s/ Indra K. Nooyi

Indra K. Nooyi
Chairman of the Board of Directors
and Chief Executive Officer

CERTIFICATION

I, **Hugh F. Johnston,** certify that:

1. I have reviewed this annual report on Form 10-K of PepsiCo, Inc.;

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 the registrant as of, and for, the periods presented in this report;

4. The registrant'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 the registrant 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 the registrant, 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 the registrant'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 the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   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 the registrant'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 the registrant's internal control over financial reporting.

Date: February 18, 2011

/s/ Hugh F. Johnston
Hugh F. Johnston
Chief Financial Officer

EXHIBIT 32

CERTIFICATION PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of PepsiCo, Inc. (the "Corporation") on Form 10-K for the fiscal year ended December 25, 2010 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: February 18, 2011

/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 Annual Report of PepsiCo, Inc. (the "Corporation") on Form 10-K for the fiscal year ended December 25, 2010 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Hugh F. Johnston, 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: February 18, 2011

/s/ Hugh F. Johnston

Hugh F. Johnston
Chief Financial Officer