

IN THE COURT OF CHANCERY OF THE STATE OF DELAWARE

IN RE THE PEPSI BOTTLING GROUP, : CONSOLIDATED
INC., SHAREHOLDERS LITIGATION : CIVIL ACTION NO. 4526-VCS

**NOTICE OF PENDENCY OF CLASS ACTION,
PROPOSED CLASS ACTION DETERMINATION,
PROPOSED SETTLEMENT OF CLASS ACTION,
SETTLEMENT HEARING, AND RIGHT TO APPEAR**

TO: ALL RECORD HOLDERS AND BENEFICIAL OWNERS OF COMMON STOCK OF THE PEPSI BOTTLING GROUP, INC. AT ANY TIME DURING THE PERIOD BEGINNING ON AND INCLUDING APRIL 20, 2009 THROUGH AND INCLUDING FEBRUARY 26, 2010, INCLUDING ANY AND ALL OF THEIR RESPECTIVE SUCCESSORS IN INTEREST, PREDECESSORS, REPRESENTATIVES, TRUSTEES, EXECUTORS, ADMINISTRATORS, HEIRS, ASSIGNS, OR TRANSFEREES, IMMEDIATE AND REMOTE, AND ANY PERSON OR ENTITY ACTING FOR OR ON BEHALF OF, OR CLAIMING UNDER, ANY OF THEM, AND EACH OF THEM.

PLEASE READ ALL OF THIS NOTICE CAREFULLY. YOUR RIGHTS WILL BE AFFECTED BY THE LEGAL PROCEEDINGS IN THIS ACTION. IF THE COURT APPROVES THE PROPOSED SETTLEMENT, YOU WILL BE FOREVER BARRED FROM CONTESTING THE FAIRNESS OF THE PROPOSED SETTLEMENT, OR PURSUING THE RELEASED CLAIMS (AS DEFINED HEREIN).

IF YOU HELD OR TENDERED THE COMMON STOCK OF THE PEPSI BOTTLING GROUP, INC. FOR THE BENEFIT OF ANOTHER, PLEASE PROMPTLY TRANSMIT THIS DOCUMENT TO SUCH BENEFICIAL OWNER.

I. PURPOSE OF NOTICE

The purpose of this Notice is to inform you of the proposed settlement (the "Settlement") of the above-captioned lawsuit (the "PBG Action") pending in the Court of Chancery of the State of Delaware (the "Court"). This Notice also informs you of the Court's certification of the PBG Class (as defined below) for purposes of the Settlement and notifies you of your right to participate in a hearing to be held on June 1, 2010 at 10:00 a.m. EDT, before the Court in the New Castle County Courthouse, 500 North King Street, Wilmington, Delaware (the "Settlement Hearing") to determine whether the Court should approve the Settlement as fair, reasonable, adequate, and in the best interests of the PBG Class, to determine whether "Co-Lead Plaintiffs in the PBG Action" Philadelphia Public Employees Retirement System, City of Ann Arbor Employees' Retirement System, The General Retirement System of the City of Detroit, The Police and Fire Retirement System of the City of Detroit, IBEW Local Union 98, and Lehigh County Employees Retirement Plan (also referred to herein as "PBG Class Plaintiffs") and their counsel have adequately represented the interests of the PBG Class in the PBG Action, and to consider other matters, including a request by counsel for the PBG Class Plaintiffs and their counsel for an award of attorneys' fees and reimbursement of expenses.

The Court has determined that, for purposes of the Settlement only, the PBG Action shall be preliminarily maintained as a non-opt-out class action under Chancery Court Rules 23(a), 23(b)(1), and 23(b)(2), by the PBG Class Plaintiffs as Class representatives, on behalf of a class consisting of all record holders and beneficial owners of common stock of The Pepsi Bottling Group, Inc. ("PBG") at any time during the period beginning on and including April 20, 2009 through and including February 26, 2010, and excluding the defendants in the PBG Action, members of the immediate family of any individual defendant in the PBG Action, any entity in which a defendant in the PBG Action has or had a controlling interest, officers of the defendants in the PBG Action and the legal representatives, agents, executors, heirs, successors, or assigns of any such excluded person (the "PBG Class"). At the Settlement Hearing, among other things, the Court will consider whether the PBG Class should be certified pursuant to Chancery Court Rule 23 and whether the PBG Class Plaintiffs and their counsel have adequately represented the PBG Class.

This Notice describes the rights you may have under the Settlement and what steps you may, but are not required to, take in relation to the Settlement.

If the Court approves the Settlement, the parties to the PBG Action will ask the Court at the Settlement

Hearing to enter an Order and Final Judgment dismissing the PBG Action with prejudice on the merits.

THE FOLLOWING RECITATION DOES NOT CONSTITUTE FINDINGS OF THE COURT. IT IS BASED ON STATEMENTS OF THE PARTIES AND SHOULD NOT BE UNDERSTOOD AS AN EXPRESSION OF ANY OPINION OF THE COURT AS TO THE MERITS OF ANY OF THE CLAIMS OR DEFENSES RAISED BY ANY OF THE PARTIES.

II. BACKGROUND OF THE ACTIONS

The PBG Action arises out of proposals by PepsiCo, Inc. ("PepsiCo") to acquire the outstanding shares of common stock that it did not already own in its two largest anchor bottlers, PBG and PepsiAmericas, Inc. ("PAS"). Prior to the acquisitions, PepsiCo and its subsidiaries collectively owned approximately 31.7% of the outstanding shares of PBG common stock and 100% of the shares of PBG Class B common stock, which represented approximately 38.6% of the combined voting power of the outstanding shares of common stock and Class B common stock of PBG. Two PepsiCo employees, John C. Compton and Cynthia M. Trudell, served as members of the ten-member board of directors of PBG (the "PBG Board"). PepsiCo and its subsidiaries collectively owned approximately 43.4% of the outstanding common stock of PAS.

On April 19, 2009, PepsiCo sent letters to the PBG Board and the board of directors of PAS (the "PAS Board") setting forth non-binding proposals to acquire all of the outstanding shares of common stock that PepsiCo did not already own in PBG and PAS (the "April Proposals"). PepsiCo's proposal to acquire PBG consisted of 50% cash and 50% PepsiCo common stock and valued PBG stock at \$29.50 per share. PepsiCo's proposal to acquire PAS consisted of 50% cash and 50% PepsiCo common stock and valued PAS stock at \$23.27 per share. The April Proposals were expressly cross-conditioned on the successful completion of both proposed acquisitions (meaning that PepsiCo's proposal to acquire PBG was conditioned on the successful acquisition of PAS, and vice versa).

On April 20, 2009, PepsiCo issued a press release announcing the April Proposals and reproducing the full text of the letters sent to the boards of directors of PBG and PAS. PepsiCo's press release noted, among other things, that each of the proposals was cross-conditioned upon the successful completion of the other transaction. The press release indicated that PepsiCo expected that PBG and PAS each would rely upon a committee of independent directors to review the proposals and that PepsiCo's proposal to acquire PAS was conditioned upon the approval of a majority of the directors of PAS that are independent of PepsiCo. In addition, the press release noted that PepsiCo had indicated to both PBG and PAS that it was committed to completing the proposed transactions and that it would not consider a disposition of its shares of either company. PepsiCo noted that it expected that the consideration would create annual pre-tax synergies estimated to be more than \$200 million.

Beginning on April 20, 2009, putative class action complaints were filed against various combinations of PepsiCo, PBG, PAS, and the individual members of the boards of directors of PBG and PAS (collectively, the "Defendants") challenging the fairness of the proposals and the proposed acquisitions in this Court, the District Court for the Fourth Judicial District of the State of Minnesota, County of Hennepin, and the Supreme Court of the State of New York, Counties of Westchester and New York. In total, eight complaints were filed in this Court:

- *IBEW Local Union 98 v. The Pepsi Bottling Group, Inc.* (C.A. No. 4526-VCS) (filed on April 22, 2009);
- *Rosman v. PepsiAmericas Inc.* (C.A. No. 4527-VCS) (filed on April 22, 2009);
- *Lehigh County Employees Retirement Plan v. PepsiCo, Inc.* (C.A. No. 4528-VCS) (filed on April 23, 2009);
- *Stationary Engineers Local 39 Pension Trust Fund v. The Pepsi Bottling Group, Inc.* (C.A. 4529-VCS) (filed on April 23, 2009);
- *City of Ann Arbor Employees' Retirement System v. Alvarado* (C.A. No. 4530-VCS) (filed on April 23, 2009);
- *The General Retirement System of the City of Detroit v. PepsiCo Inc.* (C.A. No. 4542-VCS) (filed on April 28, 2009);

- *Wayne County Employees' Retirement System v. PepsiCo, Inc.* (C.A. No. 4544-VCS) (filed on April 28, 2009); and
- *Southeastern Pennsylvania Transportation Authority v. PepsiAmericas, Inc.* (C.A. No. 4546-VCS) (filed on April 28, 2009).

Certain of these complaints alleged that Article Seventh of the certificate of incorporation of PBG and Article Tenth of the certificate of incorporation of PAS—which limited the liability of PepsiCo and its officers, directors, and employees for breaches of fiduciary duty by reason of PepsiCo's pursuit of potential transactions or matters that may be corporate opportunities to PBG or PAS, respectively—were invalid and/or inapplicable to the April Proposals and the proposed transactions insofar as they purported to eliminate liability for breach of fiduciary duty or limit PepsiCo's fiduciary duty with respect to its proposed acquisitions of PBG and PAS. In addition, the complaints challenged the cross-conditionality of the April Proposals and alleged that the structure of the proposals, coupled with the certificate provisions, could cause the PBG and PAS stockholders not to receive a fair price for their shares.

On April 20, 2009, the PBG Board (acting without Mr. Compton and Ms. Trudell) formed a special committee, comprised entirely of independent directors (the "PBG Special Committee"), for the purpose of (1) evaluating PepsiCo's proposal, (2) making recommendations to the PBG Board regarding PepsiCo's proposal and other potential actions, and (3) if determined appropriate by the PBG Board, negotiating a transaction in respect of PepsiCo's proposal or other alternative transactions. The PBG Special Committee consisted of the following five independent directors: Ira D. Hall (chairperson), Barry H. Beracha, Susan D. Kronick, Blythe J. McGarvie, and Javier G. Teruel. The PBG Special Committee retained Morgan Stanley as a financial advisor and Cravath, Swaine & Moore LLP as a legal advisor. On April 22, 2009, PBG announced that it had formed the PBG Special Committee to respond to PepsiCo's proposal.¹

On May 1, 2009, certain of the plaintiffs who had filed actions in the Court moved for an order setting an expedited briefing schedule on a contemplated motion for partial summary judgment on their claims concerning Article Seventh of PBG's certificate of incorporation and Article Tenth of PAS's certificate of incorporation. The plaintiffs annexed to their motion for an order setting an expedited briefing schedule a proposed motion for partial summary judgment on these claims.

On May 4, 2009, PBG issued a press release announcing that, based on the unanimous recommendation of the PBG Special Committee, the PBG Board had rejected PepsiCo's April 19 proposal as grossly inadequate. The press release included the full text of a May 4, 2009 letter to PepsiCo from Mr. Hall and Eric J. Foss, Chairman and Chief Executive Officer of PBG, which stated PBG's conclusion that PepsiCo's proposal substantially undervalued PBG. The press release also disclosed that PBG's Board had approved the adoption of a stockholder rights plan, retention agreements for certain key employees, and amendments to PBG's bylaws to include notice and informational requirements for stockholder proposals and stockholder action taken by written consent. Details concerning these actions were provided in a Form 8-K filed by PBG with the Securities and Exchange Commission (the "SEC") on May 4, 2009.²

On May 7, 2009, PepsiCo issued a press release reiterating its belief that it had made full and fair offers for both PBG and PAS that were in the best interests of PBG, PAS, and their respective stockholders.

On May 11, 2009, PepsiCo announced that PepsiCo, along with Mr. Compton and Ms. Trudell, had filed a complaint against PBG and the other members of the PBG Board in this Court. The complaint alleged that the PBG Board had held a board meeting without providing notice to Mr. Compton and Ms. Trudell, that the defensive measures approved at that meeting and announced on May 4, 2009 were void, and that the stockholder rights plan adopted at that meeting was procedurally and substantively infirm.³

On May 14, 2009, the Court held an initial status conference for the actions pending in the Court of

¹ On April 24, 2009, PAS announced that the PAS Board had created a transactions committee, comprised entirely of independent directors (the "PAS Transactions Committee"), to consider and respond to PepsiCo's proposal to acquire PAS.

² On May 7, 2009, PAS issued a press release announcing that the PAS Board, based on the recommendation of the PAS Transactions Committee, had unanimously determined that PepsiCo's proposal to acquire PAS was not acceptable or in the best interest of PAS's stockholders, and that PAS had amended its existing stockholder rights plan to extend the expiration date of the plan for one year.

³ On May 18, 2009, the PBG Board held a meeting and considered and approved *de novo* the substance of the actions previously taken by the PBG Board and announced on May 4, 2009. Mr. Compton and Ms. Trudell were present at the beginning of the meeting but subsequently recused themselves. On August 5, 2009, PepsiCo voluntarily dismissed with prejudice PepsiCo's complaint against PBG and the individual members of the PBG Board (other than Mr. Compton and Ms. Trudell).

Chancery, at which the Court and the parties to the lawsuits pending in this Court agreed that the cases should be consolidated into two separate (but coordinated) class actions—one for each of the proposals by PepsiCo to acquire PBG and PAS.

From June 2009 and throughout the summer of 2009, representatives of PepsiCo and its financial advisors met with representatives of the PBG Special Committee, the PAS Transactions Committee, and their respective financial advisors to discuss the April Proposals, the estimated synergies in connection with acquisitions of PBG and PAS by PepsiCo, and the values of PBG and PAS. Representatives of PBG and PAS attended certain of these meetings.

On June 1, 2009, the plaintiffs in the actions pending before this Court challenging PepsiCo's proposal to acquire PBG filed a joint stipulation and proposed an order (1) consolidating the actions relating to PBG under the caption *In re The Pepsi Bottling Group, Inc., Shareholders Litigation* (C.A. No. 4526-VCS); (2) appointing as co-lead plaintiffs in the PBG Action, Philadelphia Public Employees Retirement System, City of Ann Arbor Employees' Retirement System, The General Retirement System of the City of Detroit, The Police and Fire Retirement System of the City of Detroit, IBEW Local Union 98, and Lehigh County Employees Retirement Plan; and (3) appointing as co-lead counsel in the PBG Action, Barroway Topaz Kessler Meltzer & Check, LLP, Bernstein Litowitz Berger & Grossmann LLP, Grant & Eisenhofer P.A., Barrack Rodos & Bacine, and Chimicles & Tikellis LLP ("Co-Lead Counsel in the PBG Action").⁴

On June 2, 2009, PBG issued a press release announcing an increase in its earnings guidance for the second quarter and fiscal year 2009. In connection with that earnings release, PBG hosted a webcast presentation discussing its revised earnings as well as its perspective on PepsiCo's proposal to acquire PBG. During the presentation, PBG stated that it estimated that the annual synergies of an acquisition of PBG and PAS by PepsiCo would be in the range of \$750 to \$850 million.

Later on June 2, 2009, PepsiCo issued a press release reiterating its view that synergies of at least \$200 million would be achievable in the proposed acquisitions, stating that PepsiCo believed that there was no justification for PBG's statement that synergies of \$750 million to \$850 million were achievable, and stating that PBG had previously communicated to PepsiCo that a combination of PBG and PAS would generate synergies below \$100 million.

On June 5, 2009, the Court entered two orders approving the stipulations filed by Co-Lead Counsel in the PBG Action and Co-Lead Counsel in the PAS Action (together, "Co-Lead Counsel") and providing for coordination between the PBG Action and the PAS Action.

In addition to the PBG Action and the PAS Action, which are pending before the Court, five actions are currently pending in the state courts of Minnesota and New York. The actions pending in the District Court for the Fourth Judicial District of the State of Minnesota, County of Hennepin are (1) *Kahn v. Pohlrad* (No. 27-CV-09-9023) (filed on April 20, 2009); and (2) *Simon v. PepsiAmericas, Inc.* (No. 27-CV-09-11054) (filed on May 5, 2009).⁵ These actions are referred to in this Notice as the "Minnesota Actions." Neither PBG nor any of the members of the PBG Board are defendants in the Minnesota Actions.

The actions pending in the Supreme Court of the State of New York are (1) *Electrical Workers Pension Fund, Local 103, I.B.E.W. v. PepsiAmericas, Inc.* (No. 09-09261) (filed on April 29, 2009 in Westchester County); (2) *Plumbers' Union Local No. 12 Pension Fund v. The Pepsi Bottling Group, Inc.* (No. 09-10892) (filed on May 5, 2009 in Westchester County); and (3) *Asbestos Workers, Local 14 Pension Fund v. The Pepsi Bottling Group, Inc.* (No. 09-650270) (filed on May 8, 2009 in New York County).⁶ These actions are referred to in this Notice as the "New York Actions."

⁴ On June 4, 2009, the plaintiffs in the actions pending before this Court challenging PepsiCo's proposal to acquire PAS filed a joint stipulation and proposed an order (1) consolidating the actions relating to PAS under the caption *In re PepsiAmericas, Inc. Shareholders Litigation* (C.A. No. 4530-VCS) (the "PAS Action"); and (2) appointing as co-lead counsel in the PAS Action, Barroway Topaz Kessler Meltzer & Check, LLP, Bernstein Litowitz Berger & Grossmann LLP, Grant & Eisenhofer P.A., and Abbey Spanier Rodd & Abrams LLP ("Co-Lead Counsel in the PAS Action").

⁵ On June 29, 2009, upon the stipulation of the parties, the District Court for the Fourth Judicial District of the State of Minnesota, County of Hennepin, entered an order consolidating and staying these actions pending resolution of the PAS Action. In addition to these actions, on April 21, 2009, an alleged PAS stockholder filed an action captioned *Leone v. PepsiAmericas, Inc.* (No. 27-CV-09-9196). This action was consolidated and stayed, along with the Minnesota Actions, pending resolution of the PAS Action. On September 23, 2009, plaintiff Joseph Leone voluntarily dismissed the action captioned *Leone v. PepsiAmericas, Inc.*

⁶ On October 2, 2009, upon the stipulation of the parties, the Supreme Court of the State of New York, County of New York, entered an order staying the action before it for forty-five days while plaintiff's counsel conferred with Co-Lead Counsel in the PBG Action, and, on December 2, 2009, entered an order staying the action pending resolution of the PBG Action. On October 21, 2009, upon the stipulation of the parties, the Supreme Court of the State of New York, County of Westchester, entered an order staying the two actions before it pending resolution of the PBG Action and the PAS Action.

On June 19, 2009, Co-Lead Counsel filed consolidated class action complaints in each of the PBG Action and the PAS Action. The complaints sought, among other things, damages and declaratory, injunctive, and other equitable relief and alleged, among other things, that the defendants had breached or would breach their fiduciary duties owed to the public stockholders of PBG and PAS, that PepsiCo was a “controlling stockholder” of PBG and PAS, that the April Proposals and the transactions contemplated thereunder were not “entirely fair” to the public stockholders with respect to either price or process, and that PepsiCo had retaliated or would retaliate against PBG and PAS for rejecting the April Proposals. In addition, the complaints alleged that Article Seventh of the certificate of incorporation of PBG and Article Tenth of the certificate of incorporation of PAS—which limited the liability of PepsiCo and its officers, directors, and employees for breaches of fiduciary duty by reason of PepsiCo’s pursuit of potential transactions or matters that may be corporate opportunities to PBG or PAS, respectively—were invalid and/or inapplicable to the April Proposals and the proposed transactions insofar as they purported to eliminate liability for breach of fiduciary duty or limit PepsiCo’s fiduciary duty with respect to its proposed acquisitions of PBG and PAS.⁷ The complaints also challenged the cross-conditionality of the April Proposals and alleged that the structure of the proposals, coupled with the certificate provisions, could cause the PBG and PAS stockholders not to receive a fair price for their shares.

On July 23, 2009, plaintiffs in the PBG Action moved for partial summary judgment on their claims concerning Article Seventh of PBG’s certificate of incorporation, and plaintiffs in the PAS Action moved for partial summary judgment on their claims concerning Article Tenth of PAS’s certificate of incorporation and the PAS Shareholder Agreement.

On August 3, 2009, PepsiCo and PBG (with the approval of the PBG Special Committee) entered into a merger agreement (the “PBG Merger Agreement”) pursuant to which PepsiCo would acquire all of the outstanding shares of PBG common stock that it did not already own (the “PBG Merger”). Pursuant to the agreement, PBG stockholders would have the option to elect to receive either \$36.50 in cash or 0.6432 shares of PepsiCo common stock for each share of PBG, subject to proration such that the aggregate consideration to be paid to PBG stockholders would be 50% cash and 50% PepsiCo common stock. Also on August 3, 2009, PepsiCo and PAS (with the approval of the PAS Transactions Committee) entered into a merger agreement (the “PAS Merger Agreement”) pursuant to which PepsiCo would acquire all of the outstanding shares of PAS common stock that it did not already own (the “PAS Merger”). Pursuant to the agreement, PAS stockholders would have the option to elect to receive either \$28.50 in cash or 0.5022 shares of PepsiCo common stock for each share of PAS, subject to proration such that the aggregate consideration to be paid to PAS stockholders would be 50% cash and 50% PepsiCo common stock.

Unlike PepsiCo’s April Proposals, the PBG Merger was not conditioned on the successful completion of the acquisition of PAS. Although the PAS Merger was not conditioned on the successful completion of the acquisition of PBG, the PAS Merger was conditioned on the satisfaction of certain conditions to the PBG Merger concerning antitrust and competition laws.

On August 4, 2009, PepsiCo, PBG, and PAS issued a joint press release announcing the PBG Merger Agreement and the PAS Merger Agreement (together, the “Merger Agreements”). The press release noted that the PBG Merger and the PAS Merger (together, the “Mergers”) were expected to create annual pre-tax synergies of \$300 million by 2012.

Defendants, senior management, and the members of the boards of directors of PepsiCo, PBG, and PAS, were advised of the commencement and pendency of the stockholder litigation as well as the claims presented by the litigation. Representatives of Defendants, including PepsiCo, PBG, and PAS, and their respective senior management and boards of directors, were regularly updated regarding the litigation and at all relevant times were aware of the scope and nature of the claims asserted and the pending motions for partial summary judgment. In negotiating the transaction, the directors and management of PepsiCo and the special committees of PBG and PAS sought transaction terms that would be acceptable to the public stockholders of all three companies and could potentially serve as the basis to resolve all litigation concerning the transactions.

Shortly after the August 4 announcement of the Mergers, and throughout August and September 2009, Co-Lead Counsel and counsel for PepsiCo discussed certain concerns that Co-Lead Counsel had relating to the structure of the Mergers and the potential disclosures that PepsiCo would make in connection with the transactions, as well as possible grounds upon which to resolve the PBG Action and the PAS Action. Co-Lead Counsel expressed their belief that the transactions should include conditions requiring the affirmative vote of

⁷ The complaint filed in the PAS Action also alleged that PepsiCo’s pursuit of its acquisition of PAS violated Section 3.1 of the Second Amended and Restated Shareholder Agreement, dated September 6, 2005, between PepsiCo and PAS (the “PAS Shareholder Agreement”), insofar as PepsiCo’s proposal to acquire PAS did not satisfy any of the criteria for a “Permitted Acquisition,” as that term is defined in the PAS Shareholder Agreement.

the majority of the outstanding shares not owned by PepsiCo and its affiliates. Counsel for PepsiCo discussed the reasons for the exclusion of such conditions and suggested that PepsiCo, PBG, and PAS would include disclosures concerning those reasons. Co-Lead Counsel also argued that the termination fees and termination tails in the Merger Agreements were too large and should be reduced. Co-Lead Counsel also argued for several other revisions to the terms of the Merger Agreements, including adjustments to the cash proration provisions, inclusion of downside protection for the stock component of the consideration proposed by PepsiCo, and elimination of the "force the vote" provisions. Co-Lead Counsel and counsel for PepsiCo also discussed the participation of Co-Lead Counsel early on in the disclosure process—including before the companies filed the preliminary proxy statements/prospectuses—to resolve, at an early stage, any issues concerning the adequacy of the information provided to the public stockholders of PBG and PAS.

Beginning in early September 2009, Defendants commenced producing documents to Co-Lead Counsel in discovery.

Throughout September 2009, Co-Lead Counsel and counsel to PepsiCo continued to discuss potential grounds upon which to settle the PBG Action and the PAS Action. During the week of September 21, 2009, the parties discussed a potential settlement of the PBG Action and the PAS Action on the following basis:

- *Participation in Drafting Disclosures.* PepsiCo, PAS, and PBG would include Co-Lead Counsel in the disclosure process, including providing them with an opportunity to review and comment on the draft preliminary proxy statements/prospectuses before they were filed with the SEC. The settlement would expressly be conditioned upon Co-Lead Counsel being satisfied with the disclosures.
- *Reduction in the Termination Fees.* PepsiCo would reduce (1) the termination fee set forth in Section 11.04(b)(i) of the PBG Merger Agreement from \$165.3 million to \$115 million; and (2) the termination fee set forth in Section 11.04(b)(i) of the PAS Merger Agreement from \$71.6 million to \$50 million.
- *Shortening of the Termination Tails.* PepsiCo would shorten (1) the termination tail set forth in Section 11.04(b)(ii) of the PBG Merger Agreement from 12 months to 6 months; and (2) the termination tail set forth in Section 11.04(b)(ii) of the PAS Merger Agreement from 12 months to 6 months.

The parties subsequently determined to settle the PBG Action, the PAS Action, the New York Actions, and the Minnesota Actions in accordance with the terms and conditions described below.

On February 26, 2010, following PBG stockholder approval (which took place on February 17, 2010), PepsiCo successfully completed the PBG Merger. In addition, on February 26, 2010, following PAS stockholder approval (which took place on February 17, 2010), PepsiCo successfully completed the PAS Merger.

III. THE SETTLEMENT AND PARTICIPATION IN THE SETTLEMENT

In consideration for the Settlement (including any claim for attorneys' fees in connection with the PBG Action and the PAS Action) and the release of all Released Claims (see Section IV below), Defendants have taken the following actions:

- A. PepsiCo, PAS, and PBG included Co-Lead Counsel in the disclosure process, including providing them with an opportunity to review and comment on the draft preliminary proxy statements/prospectuses before they were filed with the SEC. The Settlement was expressly conditioned upon Co-Lead Counsel being satisfied that the final disclosures were not materially misleading or omissive.
- B. PepsiCo reduced (1) the termination fee set forth in Section 11.04(b)(i) of the PBG Merger Agreement from \$165.3 million to \$115 million; and (2) the termination fee set forth in Section 11.04(b)(i) of the PAS Merger Agreement from \$71.6 million to \$50 million. PepsiCo's agreement to reduce the termination fees was reflected in letters sent from PepsiCo to the boards of directors of PBG and PAS, dated November 16, 2009.

- C. PepsiCo shortened (1) the termination tail set forth in Section 11.04(b)(ii) of the PBG Merger Agreement from 12 months to 6 months; and (2) the termination tail set forth in Section 11.04(b)(ii) of the PAS Merger Agreement from 12 months to 6 months. PepsiCo's agreement to shorten the termination tails was reflected in letters sent from PepsiCo to the boards of directors of PBG and PAS, dated November 16, 2009.

Defendants acknowledge that they, senior management, and the members of the boards of directors of PepsiCo, PBG, and PAS, were advised of the commencement and pendency of the stockholder litigation as well as the claims presented by the litigation. Representatives of Defendants, including PepsiCo, PBG, and PAS, and their respective senior management and boards of directors, were regularly updated regarding the litigation and at all relevant times were aware of the scope and nature of the claims asserted and the pending motions for partial summary judgment. In negotiating the transactions, the directors and management of PepsiCo and the special committees of PBG and PAS sought transaction terms that would be acceptable to the public stockholders of all three companies and could potentially serve as the basis to resolve all litigation concerning the transactions.

Defendants have agreed that all costs of providing this Notice to holders of PBG common stock will be paid by PepsiCo, and in no event shall Plaintiffs, Plaintiffs' Counsel, or any member of the Classes be responsible for any notice costs or expenses.

If you are a PBG Class member, you will be bound by any judgment entered in the PBG Action whether or not you actually receive this Notice. You may not opt out of the PBG Class.

IV. RELEASES

The Stipulation and Agreement of Compromise, Settlement, and Release, dated November 20, 2009 (the "Stipulation") provides that, subject to Court approval of the Settlement, (a) pursuant to Court of Chancery Rule 23, for good and valuable consideration, the PBG Action (and the PAS Action) shall be dismissed on the merits with prejudice as to all Defendants and against all members of the class, and all Released Claims (as defined below) shall be completely, fully, finally, and forever released, relinquished, settled, discharged, and dismissed with prejudice and without costs, as to all Released PBG Transaction Persons (defined below); and (b) any and all claims, demands, rights, actions or causes of action, liabilities, damages, losses, obligations, judgments, suits, fees, expenses, costs, matters, and issues of any kind or nature whatsoever, whether known or unknown, contingent or absolute, suspected or unsuspected, disclosed or undisclosed, material or immaterial, matured or unmatured, that have been, could have been, or in the future can or might be asserted in the PBG Action or the PAS Action, or in any court, tribunal, or proceeding (including, but not limited to, any claims arising under federal or state law, statutory or common law, relating to alleged fraud, breach of any duty, negligence, violations of state or federal securities laws or otherwise), whether individual, class, derivative, representative, legal, equitable, or any other type or in any other capacity, which have arisen, could have arisen, arise now or hereafter arise out of, or relate in any manner to the allegations, facts, events, transactions, matters, acts, occurrences, statements, representations, misrepresentations, omissions, or any other matter, thing, or cause whatsoever, embraced, involved in, set forth in, or referred to or otherwise related, directly or indirectly, in any way to, the PBG Action, the PAS Action, the Minnesota Actions, or the New York Actions, the institution, prosecution, or settlement of the Actions, the Minnesota Actions, or the New York Actions, or the subject matter of the PBG Action, the PAS Action, the Minnesota Actions, or the New York Actions, and including without limitation any claims (whether or not asserted) in any way related to the consideration of, decision to enter, or entry into the Merger Agreements, the April Proposals, the PBG Merger, the PAS Merger, transactions related to the PBG Merger, the PAS Merger, or the Merger Agreements, the consideration paid in the PBG Merger or the PAS Merger, the negotiations preceding the PBG Merger, the PAS Merger, or the Merger Agreements, the adequacy and completeness of disclosures made in connection with the PBG Merger, the PAS Merger, the Merger Agreements, transactions related to the PBG Merger, the PAS Merger, the Merger Agreements, and/or consideration paid in the PBG Merger or the PAS Merger (including, but not limited to, public statements and SEC filings), and any alleged breaches of the fiduciary duties of the Defendants, or the aiding and abetting thereof (collectively, the "Released Claims"), by or on behalf of any member of the PBG Class (or any of their respective successors in interest, predecessors, counsel representatives, trustees, executors, administrators, heirs, assigns, or transferees, immediate and remote, or any person or entity acting for them or on their behalf) against any and all of PepsiCo, PBG, and the individual members of the PBG board of directors, and their respective relatives or family members, parent entities, associates, affiliates, subsidiaries, or trusts, and any and all of their respective past, present, or future officers, directors, record or beneficial stockholders, agents, representatives, employees, attorneys, advisors (including financial or investment advisors), consultants, accountants, law firms, investment bankers, commercial bankers, trustees, insurers, co-insurers and reinsurers,

heirs, executors, general or limited partners or partnerships, limited liability companies, members, joint ventures, personal or legal representatives, estates, administrators, predecessors, successors, and assigns (collectively, the "Released PBG Transaction Persons"), shall be individually and collectively, completely, fully, finally, and forever released, relinquished, and discharged; provided, however, that the Released Claims shall not be construed to limit the right of the parties to the PBG Action or any members of the PBG Class to enforce the terms of the Stipulation or any properly perfected claims for appraisal in connection with the PBG Merger.⁸

The Stipulation also provides that PepsiCo, PBG, the individual members of the PBG Board, and their respective counsel, individually and collectively, shall completely, fully, finally, and forever release, relinquish, settle, and discharge the PBG stockholder plaintiffs in the PBG Action and the New York Action, and their respective counsel, relatives or family members, parent entities, associates, affiliates, subsidiaries, or trusts, and any and all of their respective past, present, or future officers, directors, record or beneficial stockholders, agents, representatives, employees, attorneys, advisors (including financial or investment advisors), consultants, accountants, law firms, investment bankers, commercial bankers, trustees, insurers, co-insurers and reinsurers, heirs, executors, general or limited partners or partnerships, limited liability companies, members, joint ventures, personal or legal representatives, estates, administrators, predecessors, successors, and assigns (collectively, the "Released PBG Plaintiffs Persons") from any and all of the Released Claims.⁹

If the Settlement becomes final, the releases will extend to claims that the parties granting the releases (the "Releasing Persons") may not know or suspect to exist at the time of the release, which, if known, might have affected their decision to enter into this release or whether or how to object to the Court's approval of the Settlement. The Releasing Persons, including each member of the PBG Class, shall be deemed to waive any and all provisions, rights, and benefits conferred by any law of the United States or any state or territory of the United States, or principle of common law or foreign law, which may have the effect of limiting the release set forth above. In particular, the Releasing Persons, including each member of the PBG Class, shall be deemed to have relinquished to the full extent permitted by law the provisions, rights, and benefits of section 1542 of the California Civil Code, which provides:

A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR.

In addition, the Releasing Persons, including each member of the PBG Class, shall be deemed to relinquish, to

⁸ In addition, the Stipulation provides that, subject to Court approval of the Settlement, any and all Released Claims, by or on behalf of any member of the class of PAS stockholders (the "PAS Class") (or any of their respective successors in interest, predecessors, counsel, representatives, trustees, executors, administrators, heirs, assigns, or transferees, immediate and remote, or any person or entity acting for them or on their behalf) against any and all of PepsiCo, PAS, and the individual members of the PAS board of directors, and their respective relatives or family members, parent entities, associates, affiliates, subsidiaries, or trusts, and each and all of their respective past, present, or future officers, directors, record or beneficial stockholders, agents, representatives, employees, attorneys, advisors (including financial or investment advisors), consultants, accountants, law firms, investment bankers, commercial bankers, trustees, insurers, co-insurers and reinsurers, heirs, executors, general or limited partners or partnerships, limited liability companies, members, joint ventures, personal or legal representatives, estates, administrators, predecessors, successors, and assigns (collectively, the "Released PAS Transaction Persons"), shall be individually and collectively, completely, fully, finally, and forever released, relinquished, and discharged; provided, however, that the Released Claims shall not be construed to limit the right of the parties to the PAS Action (including the co-lead plaintiffs in the PAS Class (the "PAS Class Plaintiffs")) or any members of the PAS Class to enforce the terms of the Stipulation or any properly perfected claims for appraisal in connection with the PAS Merger. References in this Notice to "Released Persons" refer to the Released PBG Transaction Persons, the Released PAS Transaction Persons, the Released PBG Plaintiffs Persons, and the Released PAS Plaintiffs Persons (as defined herein).

⁹ The Stipulation also provides that PepsiCo, PAS, the individual members of the PAS Board, and their respective counsel, individually and collectively, shall completely, fully, finally, and forever release, relinquish, settle, and discharge the PAS stockholder plaintiffs in the PAS Action, the Minnesota Actions, and the New York Action, and their respective counsel, relatives or family members, parent entities, associates, affiliates, subsidiaries, or trusts, and any and all of their respective past, present, or future officers, directors, record or beneficial stockholders, agents, representatives, employees, attorneys, advisors (including financial or investment advisors), consultants, accountants, law firms, investment bankers, commercial bankers, trustees, insurers, co-insurers and reinsurers, heirs, executors, general or limited partners or partnerships, limited liability companies, members, joint ventures, personal or legal representatives, estates, administrators, predecessors, successors, and assigns (collectively, the "Released PAS Plaintiffs Persons") from any and all of the Released Claims.

the extent they are applicable, and to the full extent permitted by law, the provisions, rights, and benefits of any law of any state or territory of the United States, federal law, or principle of common law, which is similar, comparable, or equivalent to section 1542 of the California Civil Code. The parties do not and shall not concede that any law, other than the law of the State of Delaware, is applicable to the Stipulation or the release of the Released Claims. The Releasing Persons, including each member of the PBG Class, acknowledge that the Releasing Persons may discover facts in addition to or different from those now known or believed to be true with respect to the Released Claims, but that it is the intention of the Releasing Persons, including each member of the PBG Class, to hereby completely, fully, finally, and forever compromise, settle, release, discharge, and extinguish any and all Released Claims known or unknown, suspected or unsuspected, which now exist, or heretofore existed, or may hereafter exist, and without regard to the subsequent discovery or existence of additional or different facts.

V. REASONS FOR THE SETTLEMENT

Co-Lead Counsel have reviewed and analyzed the facts and circumstances relating to the claims asserted in the PBG Action (and the PAS Action), as known by plaintiffs and Co-Lead Counsel to date, including confirmatory discovery, which included, among other things, conducting discussions with counsel to PepsiCo, PBG, and PAS, reviewing thousands of pages of non-public documents confidentially produced by Defendants, taking the depositions of the Chairman of the PBG Special Committee, a representative from Morgan Stanley (financial advisor to the Special Committee), the Chief Financial Officer of PepsiCo, and a representative from Centerview Partners (financial advisor to PepsiCo), and analyzing documents obtained through public sources, applicable case law, and other authorities. Based on this investigation, PBG Class Plaintiffs (and PAS Class Plaintiffs) have decided to enter into the Stipulation and settle the PBG Action (and the PAS Action) based upon the terms and conditions hereinafter set forth, after taking into account, among other things, (1) the substantial benefits to the PBG Class (and the PAS Class) from the litigation of the PBG Action and the PAS Action and the Settlement; (2) the risks of continued litigation in these actions; and (3) the conclusion reached by the parties and their counsel that the Settlement upon the terms and provisions set forth herein is fair, reasonable, adequate, and in the best interests of the PBG Class (and the PAS Class) and will result in a material benefit to them.

Counsel in the Minnesota Actions and the New York Actions have reviewed and analyzed the facts and circumstances relating to the claims asserted in those actions, known to plaintiffs and their counsel in those actions to date, including analyzing documents obtained through publicly available sources, applicable case law, and other authorities. Based on this investigation, plaintiffs in the Minnesota Actions and the New York Actions have decided to enter into the Stipulation and dismiss with prejudice those actions based upon the terms and conditions hereinafter set forth, after taking into account, among other things, (1) the substantial benefits to members of the PBG Class (and the PAS Class) from the litigation of the PBG Action and the PAS Action and the Settlement; (2) the risks of continued litigation in the Minnesota Actions and the New York Actions; and (3) the conclusion reached by the parties and their counsel that the Settlement upon the terms and provisions set forth herein is fair, reasonable, adequate, and in the best interests of the PBG Class (and the PAS Class) and will result in a material benefit to them.

Defendants have denied, and continue to deny, any wrongdoing or liability with respect to all claims, events, and transactions complained of in the PBG Action, the PAS Action, the Minnesota Actions, or the New York Actions, that they engaged in any wrongdoing, that they committed any violation of law, that they breached any fiduciary duties or acted in bad faith, and liability of any kind to the PBG Class (or the PAS Class), but state that they consider it desirable that the PBG Action, the PAS Action, the Minnesota Actions, and the New York Actions be dismissed on the merits and with prejudice, in order to (1) avoid the substantial expense, burden, and risk of continued litigation; (2) dispose of potentially burdensome and protracted litigation; and (3) finally put to rest and terminate the claims asserted in the PBG Action, the PAS Action, the Minnesota Actions, and the New York Actions and dispel any uncertainty that may exist as a result of the pendency of the litigations.

VI. APPLICATION FOR ATTORNEYS' FEES AND EXPENSES

PBG Class Plaintiffs, PAS Class Plaintiffs, and Co-Lead Counsel intend to petition the Court for an award of up to seven million, seven hundred and fifty thousand dollars (\$7,750,000.00) for attorneys' fees and expenses (including costs, disbursements, and expert and consultant fees) in connection with the litigations described in this Notice to be paid by PepsiCo. Defendants agree not to oppose any such petition and acknowledge that Co-Lead Counsel have a claim for attorneys' fees and reimbursement of expenses in the PBG Action and the PAS Action based upon the benefits that the litigation of the PBG Action and the PAS Action and the Settlement have provided and will provide to the Classes. PepsiCo, on behalf of and for the benefit of

itself and the other Defendants, agrees to pay any final award of fees and expenses by the Court, not to exceed the amounts specified in the first sentence of this paragraph.

The parties agreed that resolution of the petition for an award of attorneys' fees and expenses is not a precondition to this Settlement or to the dismissal with prejudice of the PBG Action, the PAS Action, the Minnesota Actions, or the New York Actions, and the Court can consider and rule upon the fairness, reasonableness, and adequacy of the Settlement independently of any award of attorneys' fees and expenses. The parties agreed that any dispute regarding the allocation or division of any fees and expenses among counsel for the Plaintiffs would have no effect on the Stipulation or the Settlement.

VII. CLASS ACTION DETERMINATION

The Court has ordered that, for purposes of the Settlement only, the PBG Action shall be preliminarily maintained as a class action by the named PBG Class Plaintiffs as Class representatives, pursuant to Chancery Court Rules 23(a), 23(b)(1), and 23(b)(2), with the PBG Class defined as set forth above.¹⁰

Inquiries or comments about the Settlement may be directed to the attention of counsel for the PBG Class Plaintiffs as follows:

Michael J. Barry
Grant & Eisenhofer P.A.
1201 N. Market Street
Wilmington, DE 19801

Michael Wagner
Barroway Topaz Kessler Meltzer & Check, LLP
280 King of Prussia Road
Radnor, PA 19087

VIII. SETTLEMENT HEARING

The Court has scheduled a Settlement Hearing, which will be held on June 1, 2010 at 10:00 a.m. EDT, in the New Castle County Courthouse, 500 North King Street, Wilmington, Delaware 19801 to: (1) determine whether the preliminary certifications discussed herein should be made final; (2) determine whether the Settlement should be approved by the Court as fair, reasonable, adequate, and in the best interests of the PBG Class (and the PAS Class); (3) determine whether an Order and Final Judgment should be entered pursuant to the Stipulation; (4) consider the application of Co-Lead Counsel for an award of attorneys' fees and expenses; (5) hear and determine any objections to the Settlement or the application of Co-Lead Counsel for an award of attorneys' fees and expenses; and (6) rule on such other matters as the Court may deem appropriate.

The Court has reserved the right to adjourn the Settlement Hearing or any adjournment thereof, including the consideration of the application for attorneys' fees, without further notice of any kind other than oral announcement at the Settlement Hearing or any adjournment thereof. The Court has also reserved the right to approve the Settlement at or after the Settlement Hearing with such modification(s) as may be consented to by the parties to the Stipulation and without further notice to the Classes.

IX. RIGHT TO APPEAR AND OBJECT

Any member of the PBG Class who (1) objects to the: (a) Settlement, (b) Class action determination, (c) adequacy of representation by the PBG Class Plaintiffs and their counsel, (d) dismissal of the PBG Action, (e) judgment to be entered in the PBG Action, and/or (f) request by Co-Lead Counsel for fees and reimbursement of costs and expenses; or (2) otherwise wishes to be heard, may appear in person or by his or her or its attorney at the Settlement Hearing and present evidence or argument that may be proper and relevant. If you want to do so, however, you must, not later than ten (10) calendar days prior to the Settlement Hearing, file with the Register in Chancery, New Castle County Courthouse, 500 North King Street, Wilmington, Delaware 19801: (1) a written notice of intention to appear, (2) proof of your membership in the PBG Class, (3) a detailed statement of your objections to any matters before the Court, and (4) the grounds thereof or the reasons for your desiring to appear and be heard, as well as documents or writings you desire the Court to consider. Also, on or before the date you file such papers, you must serve them by hand or overnight courier upon each of the following attorneys of record:

¹⁰ Similarly, the Court has ordered that, for purposes of the Settlement only, the PAS Action shall be preliminarily maintained as a class action pursuant to Chancery Court Rules 23(a), 23(b)(1), and 23(b)(2).

Michael J. Barry
GRANT & EISENHOFER P.A.
1201 N. Market Street
Wilmington, DE 19801

Michael Wagner
BARROWAY TOPAZ KESSLER MELTZER & CHECK, LLP
280 King of Prussia Road
Radnor, PA 19087

Allen M. Terrell, Jr.
RICHARDS, LAYTON & FINGER, P.A.
One Rodney Square
920 North King Street
Wilmington, DE 19801

Michael D. Goldman
POTTER ANDERSON & CORROON LLP
P.O. Box 951
Hercules Plaza
1313 North Market Street
Wilmington, DE 19801

Any PBG Class member who does not object to the Settlement, the Class action determination, or the request by counsel for the PBG Class Plaintiffs for an award of attorneys' fees or expenses need not do anything at this time.

Unless the Court otherwise directs, no person will be entitled to object to the approval of the Settlement, the Class action determination or the judgment to be entered in the PBG Action, or otherwise to be heard, except by serving and filing written objections as described above.

Any person who fails to object in the manner described above shall be deemed to have waived the right to object (including the right to appeal) and will be forever barred from raising such objection in this or any other action or proceeding.

X. INTERIM INJUNCTION

Pending final determination of whether the Settlement should be approved, the PBG Class Plaintiffs, all members of the PBG Class, and their counsel, and each of them, and any of their respective representatives, trustees, successors, heirs, and assigns, are barred and enjoined from asserting, commencing, prosecuting, continuing, assisting, instigating, or in any way participating in the commencement or prosecution of any action, whether directly, representatively, derivatively, or in any other capacity, asserting any claims that are, or relate in any way to, the Released Claims against any Released PBG Transaction Persons.

XI. ORDER AND FINAL JUDGMENT OF THE COURT

If the Court determines that the Settlement, as provided for in the Stipulation, is fair, reasonable, adequate, and in the best interests of the PBG Class (and the PAS Class), the parties will ask the Court to enter an Order and Final Judgment, which will, among other things:

1. approve the Settlement and adjudge the terms thereof to be fair, reasonable, adequate, and in the best interests of the PBG Class (and the PAS Class), pursuant to Chancery Court Rule 23(e);
2. authorize and direct the performance of the Settlement in accordance with its terms and conditions and reserve jurisdiction to supervise the consummation of the Settlement provided herein; and
3. dismiss the PBG Action (and the PAS Action) with prejudice on the merits and release the defendants, and each of them, and all the Released Persons from the Released Claims.

XII. NOTICE TO THOSE HOLDING STOCK FOR THE BENEFIT OF OTHERS

Brokerage firms, banks, and/or other persons or entities who held shares of PBG common stock for the benefit of others are directed promptly to send this Notice to all of their respective beneficial owners. If additional copies of the Notice are needed for forwarding to such beneficial owners, any requests for such additional copies may be made to:

In re The Pepsi Bottling Group, Inc., Shareholders Litigation
Epiq Systems
PO Box 4068
Portland, OR 97208-4068

XIII. SCOPE OF THE NOTICE

This Notice is not all-inclusive. The references in this Notice to the pleadings in the PBG Action, the PAS Action, the Stipulation, and other papers and proceedings are only summaries and do not purport to be comprehensive. For the full details of the PBG Action (or the PAS Action), claims which have been asserted by the parties and the terms and conditions of the Settlement, including a complete copy of the Stipulation, members of the PBG Class are referred to the Court files in the PBG Action. You or your attorney may examine the Court files during regular business hours of each business day at the office of the Register in Chancery, in the New Castle County Courthouse, 500 North King Street, Wilmington, Delaware 19801. Questions or comments may be directed to counsel for the PBG Class Plaintiffs:

Michael J. Barry
Grant & Eisenhofer P.A.
1201 N. Market Street
Wilmington, DE 19801

Michael Wagner
Barroway Topaz Kessler Meltzer & Check, LLP
280 King of Prussia Road
Radnor, PA 19087

DO NOT WRITE OR TELEPHONE THE COURT.

Dated: March 23, 2010

BY ORDER OF THE COURT

/s/ Kenneth J. Lagowski
Register in Chancery

In re The Pepsi Bottling Group, Inc., Shareholders Litigation
Epiq Systems
PO Box 4068
Portland, OR 97208-4068