

IN THE MATTER OF
THE SECURITIES LEGISLATION
OF BRITISH COLUMBIA, ALBERTA, SASKATCHEWAN, MANITOBA, NOVA
SCOTIA, NEW BRUNSWICK, PRINCE EDWARD ISLAND, NEWFOUNDLAND,
NORTHWEST TERRITORIES, NUNAVUT AND YUKON

AND

IN THE MATTER OF
THE MUTUAL RELIANCE REVIEW SYSTEM
FOR EXEMPTIVE RELIEF APPLICATIONS

AND

IN THE MATTER OF PEPSICO, INC.

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the "Decision Maker") in each of British Columbia, Alberta, Saskatchewan, Manitoba, Nova Scotia, New Brunswick, Prince Edward Island, Newfoundland, Northwest Territories, Nunavut and Yukon (the "Jurisdictions") has received an application from PepsiCo, Inc. ("PepsiCo") for a decision under the securities legislation of the Jurisdictions (the "Legislation") that the requirements contained in the Legislation to be registered to trade in a security (the "Registration Requirement") and to file and obtain a receipt for a preliminary prospectus and prospectus in respect of such security (the "Prospectus Requirement") shall not apply to certain intended trades in securities of PepsiCo acquired under the PepsiCo SharePower Stock Option Plan (the "Plan");

AND WHEREAS under the Mutual Reliance Review System for Exemptive Relief Applications (the "System"), the Executive Director of the British Columbia Securities Commission is the principal regulator for this application;

AND WHEREAS PepsiCo has represented to the Decision Makers that:

1. PepsiCo is a corporation incorporated under the state laws of North Carolina;
2. PepsiCo is not, and has no present intention of becoming, a reporting issuer or the equivalent under the Legislation of any of the Jurisdictions, but is subject to the reporting requirements of the United States *Securities Exchange Act of 1934* (the "1934 Act");
3. the authorized share capital of PepsiCo consists of 3,600,000,000 common shares (the "Common Shares"), of which 1,475,878,212 Common Shares were issued and outstanding as at March 12, 1999;

4. the Common Shares are listed and posted for trading on the New York Stock Exchange (the "NYSE"), the Mid-West Stock Exchange and the Tokyo Stock Exchange (collectively, the "Exchanges");
5. a subsidiary of PepsiCo, Pepsi-Cola Canada Ltd., maintains an office in British Columbia;
6. PepsiCo adopted the Plan effective July 1, 1998, pursuant to which eligible employees of PepsiCo and its affiliates, including Pepsi-Cola Canada Ltd. (collectively, the "Employers") may be granted options to purchase Common Shares ("Options"); PepsiCo has granted Options under similar employee share purchase plans since July 1, 1989; 108 million Common Shares are authorized for issuance under the Plan;
7. as of December 31, 1998, there were 1,112 employees resident in the Jurisdictions eligible to participate in the Plan;
8. Options granted under the Plan are non-transferable, other than by will or the laws of descent or distribution;
9. participation in the Plan is voluntary and employees are not induced to participate in the Plan by expectation of employment or continued employment; employees who participate in the Plan ("Participants") may withdraw from the Plan at any time by providing PepsiCo with a request for withdrawal;
10. PepsiCo has engaged Merrill Lynch & Co., Inc. as administrator (the "Administrator") to administer the operation of the Plan, including the exercise of Options by Participants and the sale by Participants of Common Shares acquired upon the exercise of Options under the Plan;
11. the Administrator is registered as a broker-dealer under the 1934 Act; neither PepsiCo nor the Administrator is a registrant under the Legislation;
12. each Option is granted with an exercise price which is equal to the average of the high and low sales prices for the Common Shares as reported on the composite tape for securities listed on the NYSE on the grant date;
13. under the Plan, the Administrator opens an account upon request of each Participant for the purpose of allowing the Participant to exercise his or her Options and to effect the sale of Common Shares on one of the Exchanges;
14. Participants are, at least quarterly, provided statements setting out details of transactions under the Plan and showing the number of vested and unvested Options held by the Participant;
15. Options granted under the Plan become 100% vested after three years; a Participant may exercise his or her Options until the Options expire 10 years from the grant date; if a Participant terminates his or her employment with the Employers, the Participant must exercise his or her Options within 90 days of such termination;

16. under the Plan, a Participant may exercise his or her Options in a number of ways:

(a) *Cashless Sell - Stock Exercise*: the Participant instructs the Administrator to sell all Common Shares that are subject to the Options; after deducting the cost of exercising the Options, taxes and fees, the Participant receives the balance of the proceeds from the sale in cash;

(b) *Cashless Hold - Stock Exercise*: the Participant instructs the Administrator to sell only that portion of Common Shares necessary to pay for the cost of exercising the Participant's Options, taxes and fees; the Participant receives the rest of the Common Shares;

(c) *Cash Purchase Exercise*: the Participant pays the Administrator the exercise price in cash; the Administrator sells some of the Common Shares to pay taxes and fees; the Participant receives the rest of the Common Shares, which he or she may hold as an investment or sell for cash;

(d) *Target Price Method*: the Participant instructs the Administrator to exercise Options at a specific Common Share price; when the price of the Common Shares reaches the target price, the Administrator is instructed to exercise the Options using the exercise method of the Participant's choice; if the closing price on the NYSE does not reach or surpass the Participant's target price within 30 days, the order is cancelled;

17. all sales of Common Shares made on behalf of Participants under the Plan will be made through the facilities of, and in accordance with the rules of, one of the Exchanges and through the Administrator or another entity registered as a broker-dealer under the 1934 Act (collectively, the "U.S. Registrants");

18. Participants in the Jurisdictions will be provided with all disclosure material relating to PepsiCo which is provided to holders of Common Shares resident in the United States, as well as a copy of this Decision Document;

19. a copy of a Plan prospectus which includes a Plan summary will be distributed to all Participants in connection with the registration of the Common Shares under the Plan pursuant to the United States *Securities Act of 1933*; all Participants will be informed that they may obtain a full copy of the Plan by contacting PepsiCo;

20. if at any time the aggregate number of Participants in any one Jurisdiction who acquire Common Shares under the Plan exceeds 10% of the total number of holders of Common Shares, or if the Participants in any one Jurisdiction hold, in the aggregate, in excess of 10% of the total number of issued and outstanding Common Shares, PepsiCo will apply to the relevant Decision Maker for an order with respect to further trades by the Participants in that Jurisdiction in Common Shares acquired under the Plan;

21. there is no market in the Jurisdictions for the Common Shares and none is expected to develop;

22. the Legislation of certain of the Jurisdictions does not contain exemptions from the Prospectus Requirement and/or the Registration Requirement for intended trades in Options or Common Shares under the Plan;

23. where a U.S. Registrant sells Common Shares on behalf of a Participant, neither the Participant nor the U.S. Registrant is able to rely on the exemption from the Registration Requirement contained in the Legislation for trades made by a person acting solely through a registered dealer under the Legislation; and

24. the Legislation of certain of the Jurisdictions deems any trade in Common Shares acquired under the Plan to be a distribution unless, among other things, PepsiCo is a reporting issuer and has been a reporting issuer for the 12 months immediately preceding the trade;

AND WHEREAS under the System this Decision Document evidences the decision of each Decision Maker (collectively, the "Decision");

AND WHEREAS each Decision Maker is satisfied that the test contained in the Legislation that provides the Decision Maker with the jurisdiction to make the decision has been met;

The Decision of the Decision Makers under the Legislation is that:

(a) the Registration Requirement and the Prospectus Requirement shall not apply to an intended trade in Options and Common Shares under the Plan;

(b) the Registration Requirement shall not apply to an intended trade by a Participant through a U.S. Registrant in Common Shares acquired under the Plan;

(c) an intended trade in Common Shares acquired by a Participant under the Plan is deemed to be a distribution unless the trade is executed through the facilities of a stock exchange or organized market outside of Canada in accordance with all the laws and rules applicable to such stock exchange or market.

DATED December 23, 1999.

"Margaret Sheehy"

Margaret Sheehy
Director

Headnote

Mutual Reliance Review System for Exemptive Relief Applications – Relief granted from the registration and prospectus requirements for trades of options, and shares acquired upon the exercise of options, under an employee stock option plan involving an administrator that is a

registrant in the United States. Relief also granted from the registration and, subject to certain conditions, the prospectus requirements for any resale of shares acquired under the plan.

Applicable British Columbia Provisions

Securities Act, R.S.B.C. 1996, c. 418, ss. 45(2)(10), 45(2)(12)(iii), 48, 74(2)(9), 74(2)(11)(iii), 76