

PEPSI BOTTLING GROUP INC  
Form 4  
June 02, 2008

**FORM 4**

UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

OMB APPROVAL

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Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. See Instruction 1(b).

**STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES**

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person \*  
PEPSICO INC

2. Issuer Name and Ticker or Trading Symbol  
PEPSI BOTTLING GROUP INC [PBG]

5. Relationship of Reporting Person(s) to Issuer  
(Check all applicable)

(Last) (First) (Middle)  
700 ANDERSON HILL ROAD  
(Street)

3. Date of Earliest Transaction (Month/Day/Year)  
05/29/2008

\_\_\_\_ Director  
\_\_\_\_ Officer (give title below)  
 10% Owner  
\_\_\_\_ Other (specify below)

PURCHASE, NY 10577

4. If Amendment, Date Original Filed(Month/Day/Year)

6. Individual or Joint/Group Filing(Check Applicable Line)  
 Form filed by One Reporting Person  
 Form filed by More than One Reporting Person

(City) (State) (Zip)

**Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned**

1. Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)	4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)	5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(D)	Price
Common Stock, par value \$.01 per share	05/29/2008		S <sup>(1)</sup>		7,600	D	\$ 32.4701
Common Stock, par value \$.01 per share	05/29/2008		S		7,800	D	\$ 32.48
Common Stock, par value \$.01 per share	05/29/2008		S		22,185	D	\$ 32.49

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Common Stock, par value \$.01 per share	05/29/2008	S	16,900	D	\$ 32.5	75,362,465	D
Common Stock, par value \$.01 per share	05/29/2008	S	5,515	D	\$ 32.51	75,356,950	D
Common Stock, par value \$.01 per share	05/29/2008	S	19,000	D	\$ 32.5201	75,337,950	D
Common Stock, par value \$.01 per share	05/29/2008	S	10,100	D	\$ 32.53	75,327,850	D
Common Stock, par value \$.01 per share	05/29/2008	S	5,800	D	\$ 32.54	75,322,050	D
Common Stock, par value \$.01 per share	05/29/2008	S	6,100	D	\$ 32.55	75,315,950	D
Common Stock, par value \$.01 per share	05/29/2008	S	3,200	D	\$ 32.56	75,312,750	D
Common Stock, par value \$.01 per share	05/29/2008	S	2,200	D	\$ 32.57	75,310,550	D
Common Stock, par value \$.01 per share	05/29/2008	S	1,780	D	\$ 32.58	75,308,770	D
Common Stock, par value \$.01 per share	05/29/2008	S	1,220	D	\$ 32.59	75,307,550	D
Common Stock, par value \$.01 per share	05/29/2008	S	1,600	D	\$ 32.6	75,305,950	D
	05/29/2008	S	300	D	\$ 32.61	75,305,650	D

Common  
Stock, par  
value \$.01  
per share

Common  
Stock, par  
value \$.01  
per share

Common  
Stock, par  
value \$.01  
per share

Common  
Stock, par  
value \$.01  
per share

Common  
Stock, par  
value \$.01  
per share

05/29/2008	S	300	D	\$ 32.62	75,305,350	D
05/29/2008	S	300	D	\$ 32.63	75,305,050	D
05/29/2008	S	900	D	\$ 32.64	75,304,150	D
05/29/2008	S	300	D	\$ 32.67	75,303,850	D

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474  
(9-02)

**Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned**  
(e.g., puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)	5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)	6. Date Exercisable and Expiration Date (Month/Day/Year)	7. Title and Amount of Underlying Securities (Instr. 3 and 4)	8. Price of Derivative Security (Instr. 5)	9. Number of Derivative Securities Owned Beneficially (Instr. 5)
				Code	V (A) (D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares

## Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
PEPSICO INC 700 ANDERSON HILL ROAD PURCHASE, NY 10577			X	

## Signatures

/s/ Thomas H.  
Tamoney, Jr. 06/02/2008

\_\_Signature of Reporting Person Date

## Explanation of Responses:

- \* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).
- \*\* Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).
- (1) All sales listed on these Forms 4 for May 29, 2008 were made by PepsiCo, Inc., on behalf of its affiliates pursuant to a plan adopted May 19, 2008, which is intended to comply with Rule 10b5-1(c).

### Remarks:

Form 2 of 2 dated June 2, 2008

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.

Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. **left" valign="bottom"> % .16 % Ratio of operating expenses to average net assets\* 1.22 %\*\* 1.19 % 1.21 % 1.23 % 1.27 % 1.56 % RATIO OF TOTAL EXPENSES TO AVERAGE NET ASSETS\* 1.36 %\*\* 1.34 % 1.37 % 1.39 % 1.42 % 1.72 % RATIO OF NET INVESTMENT INCOME TO AVERAGE NET ASSETS\* 12.06 %\*\* 11.66 % 11.54 % 11.48 % 12.02 % 12.81 % RATIO OF TOTAL EXPENSES TO AVERAGE NET ASSETS APPLICABLE TO COMMON AND PREFERRED STOCK .88 %\*\* .84 % .84 % .85 % .87 % 1.05 % RATIO OF NET INVESTMENT INCOME TO AVERAGE NET ASSETS APPLICABLE TO COMMON AND PREFERRED STOCK 7.77 %\*\* 7.28 % 7.05 % 7.03 % 7.38 % 7.79 % PORTFOLIO TURNOVER RATE 33.66 % 67.25 % 64.08 % 61.54 % 70.90 % 120.47 %**

(a) Dollars in thousands.

(b) The Fund issued Series C ATP on October 17, 2003. The per share data and ratios for the year ended December 31, 2003 reflect this transaction.

\* Ratios calculated on the basis of expenses and net investment income applicable to the common shares relative to the average net assets of the common stockholders only.

\*\* Annualized

# Calculation is based on average shares outstanding during the indicated period due to the per share effect of the Fund's August, 2003 and September, 2007 rights offering.

Total investment return is calculated assuming a purchase of common stock at the current market value on the first day and a sale at the current market value on the last day of each year reported. Dividends and distributions are assumed for purposes of this calculation to be reinvested at prices obtained under the dividend reinvestment plan. This calculation does not reflect brokerage commissions.



The New America High Income Fund, Inc.

**Information Regarding  
Senior Securities**

	<b>June 30, 2008</b>	<b>As of December 31,</b>				
	<b>(Unaudited)</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>
<b>TOTAL AMOUNT OUTSTANDING:</b>						
Preferred Stock	\$ 115,000,000	\$ 130,000,000	\$ 130,000,000	\$ 130,000,000	\$ 130,000,000	\$ 130,000,000
<b>ASSET COVERAGE:</b>						
Per Preferred Stock Share						
(1)	\$ 70,276	\$ 68,043	\$ 65,192	\$ 63,567	\$ 65,801	\$ 64,366
<b>INVOLUNTARY LIQUIDATION PREFERENCE:</b>						
Per Preferred Stock Share						
(2)	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000
<b>APPROXIMATE MARKET VALUE:</b>						
Per Preferred Stock Share						
(2)	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000

(1) Calculated by subtracting the Fund's total liabilities from the Fund's total assets and dividing such amount by the number of Preferred Shares outstanding.

(2) Plus accumulated and unpaid dividends.

The accompanying notes are an integral part of these financial statements.



The New America High Income Fund, Inc.

**Notes to Financial Statements**

**June 30, 2008** (Unaudited)

**(1) Significant Accounting and Other Policies**

The New America High Income Fund, Inc. (the Fund) was organized as a corporation in the state of Maryland on November 19, 1987 and is registered with the Securities and Exchange Commission as a diversified, closed-end investment company under the Investment Company Act of 1940. The Fund commenced operations on February 26, 1988. The investment objective of the Fund is to provide high current income while seeking to preserve stockholders' capital through investment in a professionally managed, diversified portfolio of "high yield" fixed-income securities.

The Fund invests primarily in fixed maturity corporate debt securities that are rated less than investment grade. Risk of loss upon default by the issuer is significantly greater with respect to such securities compared to investment grade securities because these securities are generally unsecured and are often subordinated to other creditors of the issuer and because these issuers usually have high levels of indebtedness and are more sensitive to adverse economic conditions, such as a recession, than are investment grade issuers. In some cases, the collection of principal and timely receipt of interest is dependent upon the issuer attaining improved operating results, selling assets or obtaining additional financing.

The Fund may focus its investments in certain industries, subjecting it to greater risk than a Fund that is more diversified. See the schedule of investments for information on individual securities as well as industry diversification and credit quality ratings.

The Fund's financial statements have been prepared in conformity with accounting principles generally accepted in the United States for investment companies that require the management of the Fund to, among other things, make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

The following is a summary of significant accounting policies consistently followed by the Fund, which are in conformity with those generally accepted in the investment company industry.

(a) *Valuation of Investments* Investments for which market quotations are readily available are stated at market value, which is determined by using the most recently quoted bid price provided by an independent pricing service or principal market maker. Independent pricing services provide market quotations based primarily on quotations from dealers and brokers, market transactions, accessing data from quotations services, offering sheets obtained from dealers and various relationships between securities. Short-term investments with original maturities of 60 days or less are stated at amortized cost, which approximates market value. Following procedures approved by the Board of Directors, investments for which market quotations are not readily available (primarily fixed-income corporate bonds and notes) are stated at fair value on the basis of subjective valuations furnished by securities dealers and brokers. Other investments, for which market quotations are not readily available with a cost of approximately \$7,214,000 and a value of \$90,000, are valued in good faith at fair market value using methods determined by the Board of Directors.

(b) *Securities Transactions and Net Investment Income* Securities transactions are recorded on trade date. Realized gains or losses on sales of securities are calculated on the identified cost basis. Interest income is accrued on a daily basis. Discount on short-term investments is amortized to investment income. Premiums or discounts on corporate debt securities are amortized based on the interest method for financial reporting purposes. All income on original issue



The New America High Income Fund, Inc.

**Notes to Financial Statements Continued**

**June 30, 2008** (Unaudited)

discount and step interest bonds is accrued based on the effective interest method. The Fund does not amortize market premiums or discounts for tax purposes. Dividend payments received in the form of additional securities are recorded on the ex-dividend date in an amount equal to the value of the security on such date.

(c) **Federal Income Taxes** It is the Fund's policy to comply with the requirements of the Internal Revenue Code of 1986, as amended, applicable to regulated investment companies and to distribute substantially all of its taxable income to its shareholders each year. Accordingly, no federal income tax provision is required.

Management has reviewed the Fund's tax positions for all open tax years (tax years ended December 31, 2004-2007) and has concluded that no provision for income tax is required in the Fund's financial statements.

(d) **Fair Value Measurement** In September 2006, the Financial Accounting Standards Board issued Statement on Financial Accounting Standards No. 157, Fair Value Measurements ("FAS 157"). This standard establishes the definition of fair value, sets out a framework for measuring fair value and requires additional disclosures about fair value measurements. FAS 157 was effective for the Fund's fiscal year beginning January 1, 2008.

The three levels of the fair value hierarchy under FAS 157 are described below:

Level 1 quoted prices in active markets for identical securities

Level 2 other significant observable inputs (including quoted prices for similar investments, interest rates, prepayment speeds, credit risk, etc.)

Level 3 significant unobservable inputs (including the Fund's own assumptions in determining fair value of investments)

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

The following is a summary of the inputs used as of June 30, 2008 in valuing the Fund's investments:

<b>Valuation Inputs</b>	<b>Investments in Securities</b>	<b>Other Financial Instruments</b>
Level 1 Quoted Prices	\$ 555,000	\$
Level 2 Other Significant Observable Inputs	319,138,000	(1,100,000)
Level 3 Significant Unobservable Inputs	90,000	
<b>Total</b>	<b>\$ 319,783,000</b>	<b>\$ (1,100,000)</b>

The following is a reconciliation of Fund investments using Level 3 inputs for the period:

Balance, December 31, 2007	\$ 90,000
Net purchases (sales)	
Change in unrealized appreciation (depreciation)	
Realized gain (loss)	
Transfers in and/or out of Level 3	
Balance, June 30, 2008	\$ 90,000

**(2) Tax Matters and Distributions**

Explanation of Responses:

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At June 30, 2008, the total cost of securities (including temporary cash investments) for federal income tax purposes was approximately \$342,632,000. Aggregate gross unrealized gain on securities in which there was an excess of value over tax cost was approximately \$2,678,000. Aggregate unrealized loss on securities in which there was an excess of tax cost over value was approximately \$25,527,000. Net unrealized loss on investments for tax purposes at June 30, 2008 was approximately \$22,849,000.

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The New America High Income Fund, Inc.

## Notes to Financial Statements Continued

**June 30, 2008** (Unaudited)

At December 31, 2007, the Fund had approximate capital loss carryovers available to offset future capital gains, if any, to the extent provided by regulations:

Carryover Available	Expiration Date
\$ 21,821,000	December 31, 2008
67,043,000	December 31, 2009
45,239,000	December 31, 2010
7,387,000	December 31, 2011
125,000	December 31, 2012
954,000	December 31, 2013
1,481,000	December 31, 2014
<b>\$ 144,050,000</b>	

It is the policy of the Fund to reduce future distributions of realized gains to shareholders to the extent of the unexpired capital loss carry forward.

The tax character of distributions paid to common and preferred shareholders of approximately \$28,257,000 and \$26,777,000 in 2007 and 2006, respectively, was from ordinary income.

As of December 31, 2007, the components of distributable earnings on a tax basis were approximately:

Undistributed Net Investment Income	\$ 208,000
Undistributed Long-Term Gain	
Unrealized Loss	\$ (19,020,000)
Post-October Losses	\$ (1,137,000)
Preferred Dividend Payable	\$ (272,000)
Capital Losses Carry Forward	\$ (144,050,000)

The difference between components of distributable earnings on a tax basis and the amounts reflected in the Statement of Assets and Liabilities are primarily due to market discount adjustments, and deductibility of preferred stock dividends. The Fund has recorded several reclassifications in the capital accounts to present undistributed net investment income and accumulated net realized losses on a tax basis. These reclassifications have no impact on the net asset value of the Fund. For the year ended December 31, 2007, permanent differences between book and tax accounting have been reclassified as follows:

Increase (decrease) in:

Undistributed net investment income	\$ 1,726,000
Accumulated net realized loss from securities transactions	\$ 32,515,000
Capital in excess of par value	\$ (34,241,000)

Distributions on common stock are declared based upon annual projections of the Fund's investment company taxable income. The Fund records all dividends and distributions payable to shareholders on the ex-dividend date and declares and distributes income dividends monthly.

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The Fund was required to amortize market discounts and premiums for financial reporting purposes beginning January 1, 2001. This new accounting policy results in additional interest income in some years and decreased interest income in others for financial reporting purposes only. The Fund does not amortize market discounts or premiums for tax purposes. Therefore, the additional or decreased interest income for financial reporting purposes does not result in additional or decreased common stock dividend income.

### **(3) Investment Advisory Agreement**

T. Rowe Price Associates, Inc. (T. Rowe Price), the Fund's Investment Advisor, earned approximately \$563,000 in management fees during the six months ended June 30, 2008. Management fees paid by the Fund to T. Rowe Price were calculated at 0.50% on the first \$50,000,000 of the Fund's average weekly net assets, 0.40% on the next \$50 million and 0.30% on average weekly net assets in excess of \$100 million. T. Rowe Price's fee is calculated based on assets attributable to the Fund's common and auction term preferred stock. At June 30, 2008, the fee payable to T. Rowe Price was approximately \$93,000, which was included in accrued expenses on the accompanying statement of assets and liabilities.

## The New America High Income Fund, Inc.

**Notes to Financial Statements - Continued**

June 30, 2008 (Unaudited)

**(4) Auction Term Preferred Stock (ATP)**

The Fund had 4,600 shares of ATP issued and outstanding at June 30, 2008. The ATP's dividends are cumulative at a rate determined at an auction, and dividend periods will typically be 28 days unless notice is given for periods to be longer or shorter than 28 days. Dividend rates ranged from 2.03% - 6.35% for the six months ended June 30, 2008. The average dividend rate as of June 30, 2008 was 3.41%.

The ATP is redeemable, at the option of the Fund, or subject to mandatory redemption (if the Fund is in default of certain coverage requirements) at a redemption price equal to \$25,000 per share plus accumulated and unpaid dividends. The ATP has a liquidation preference of \$25,000 per share plus accumulated and unpaid dividends. The Fund is required to maintain certain asset coverages with respect to the ATP under the Fund's Charter and the 1940 Act in order to maintain the Fund's Aaa/AAA ratings by Moody's Investors Service, Inc. and Fitch, Inc., respectively.

**(5) ATP Auction-Related Matters**

Bankers Trust Company (BTC) serves as the ATP's auction agent pursuant to an agreement entered into on January 4, 1994. The term of the agreement is unlimited and may be terminated by either party. BTC may resign upon notice to the Fund, such resignation to be effective on the earlier of the 90th day after the delivery of such notice and the date on which a successor auction agent is appointed by the Fund. The Fund may also replace BTC as auction agent at any time.

After each auction, BTC will pay to each broker-dealer, from funds provided by the Fund, a maximum service charge at the annual rate of 0.25 of 1% or such other percentage subsequently agreed to by the Fund and the broker-dealers, of the purchase price of shares placed by such broker-dealers at such auction. In the event an auction scheduled to occur on an auction date fails to occur for any reason, the broker-dealers will be entitled to service charges as if the auction had occurred and all holders of shares placed by them had submitted valid hold orders. The Fund incurred approximately \$151,000 for service charges for the six months ended June 30, 2008. This amount is included under the caption preferred and auction fees in the accompanying statement of operations.

**(6) Interest Rate Swaps**

The Fund entered into an interest payment swap arrangement with Fleet National Bank (Fleet) for the purpose of partially hedging its dividend payment obligations with respect to the ATP. Pursuant to the Swap Arrangement the Fund makes payments to Fleet on a monthly basis at a fixed annual rate. In exchange for such payment Fleet makes payments to the Fund on a monthly basis at a variable rate determined with reference to one month LIBOR. The variable rates ranged from 2.45% - 5.25% for the six months ended June 30, 2008. The effective date, notional amount, maturity and fixed rate of the swap is as follows:

Effective Date	Notional Contract Amount	Maturity	Fixed Annual Rate
11/5/04	\$115 million	11/5/09	3.775%

Swap transactions, which involve future settlement, give rise to credit risk. Credit risk is the amount of loss the Fund would incur in the event counterparties failed to perform according to the terms of the contractual commitments. In the event of nonperformance by the counterparty, the Fund's dividend payment obligation with respect to the ATP would no longer be partially hedged. Therefore, the ATP dividend would no longer be partially fixed. In an unfavorable interest rate environment, the Fund would be subject to higher net ATP dividend payments, resulting in less income available for the common share dividend. The Fund does not anticipate nonperformance by any counterparty. While notional contract amounts are used to express the volume of interest rate swap agreements, the amounts potentially subject to credit risk, in the event of nonperformance by counterparties, are substantially smaller.



## The New America High Income Fund, Inc.

**Notes to Financial Statements - Continued****June 30, 2008** (Unaudited)

The Fund recognizes all freestanding derivative instruments in the balance sheet as either assets or liabilities and measures them at fair value. Any change in the unrealized gain or loss is recorded in current earnings. For the six months ended June 30, 2008, the Fund's obligation under the swap agreement was more than the amount received from Fleet by approximately \$332,000 and such amount is included in the accompanying statement of operations.

The estimated fair value of the interest rate swap agreement at June 30, 2008 amounted to approximately \$1,100,000 of unrealized loss and is presented in the accompanying balance sheet.

**(7) Purchases and Sales of Securities**

Purchases and proceeds of sales or maturities of long-term securities during the six months ended June 30, 2008 were approximately:

Cost of purchases	\$ 105,900,000
Proceeds of sales or maturities	\$ 118,818,000

**(8) Related Party Transactions**

A partner of Goodwin Procter LLP, counsel to the Fund, serves as a Director of the Fund. Fees earned by Goodwin Procter LLP amounted to approximately \$80,000 for the six months ended June 30, 2008.

The Fund paid approximately \$147,000 during the six months ended June 30, 2008 to two officers of the Fund for the provision of certain administrative services.

**(9) Investments in Restricted Securities**

(Dollars in thousands)

The Fund is permitted to invest in restricted securities. The total restricted securities (excluding 144A issues) at June 30, 2008 amounts to \$12,409 and represents 5.96% of net assets to common shareholders.

Description	Acquisition Date	Principal Amount/ Shares	Acquisition Cost	Value
Dresser, Inc., 8.469%, 05/04/15	5/4/07	\$ 500	\$ 500	\$ 480
First Data Corporation, 5.261%, 09/24/14	11/1/2007-11/6/07	1,741	1,678	1,602
Ford Motor Company, 5.48%, 12/15/13	4/1/08	249	206	201
HCA, Inc., 4.801%, 11/18/12	3/18/08-4/2/08	1,734	1,578	1,622
Infor Global Solutions Holdings, Ltd., 6.55%, 07/28/12	7/25/06	739	739	635
Infor Global Solutions Holdings, Ltd., 9.05%, 03/15/14	3/1/07	500	505	349
Laureate Education, Inc., 5.733%, 08/17/14	9/20/07	1,493	1,437	1,400

Explanation of Responses:

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OSI Restaurant				
Partners, Inc., 4.927%, 05/09/14	5/4/07	241	241	206
Palm Inc. 5.99%, 04/24/14	11/1/07	1,990	1,791	1,333
Penton Media, Inc., 5.141%, 02/01/13	2/6/07	495	495	412
Telesat Canada, 5.841%, 11/05/14	10/15/07-1/24/08	998	975	961
Texas Competitive				
Electric Holdings				
Co., LLC 6.168%, 10/10/14	4/1/08	1,750	1,597	1,618
Town Sports				
International LLC, 4.313%, 08/27/13	9/21/07	992	948	844
Trilogy International				
Partners LLC, 6.301%, 06/27/12	6/22/07-6/27/07	750	750	656
WKI Holding				
Company, Inc., Common Stock	3/13/03	10	2,295	90
Total				\$ 12,409



The New America High Income Fund, Inc.

**Notes to Financial Statements    Continued**

**June 30, 2008** (Unaudited)

**(10) Rights Offering**

The Fund issued to stockholders of record as of the close of business on July 24, 2007, rights to subscribe for an aggregate of 32,143,181 shares of common stock, \$.01 par value per share, of the Fund. One right was issued for each three full shares of common stock beneficially held on the record date. Due to market conditions the Fund extended the expiration date of its transferable rights offering from August 20, 2007 to September 17, 2007. The rights entitled a stockholder to acquire at the subscription price of \$1.83 per share one share for each right held. The subscription price was 94% of the average of the last reported sales price of a share on the New York Stock Exchange on the expiration date (September 17, 2007) and on the previous 9 business days. On September 21, 2007 the Fund completed its rights offering. Proceeds of approximately \$34,026,000 and shares of 18,593,349 were recorded. Deferred offering expense of approximately \$385,000 was netted against the rights offering proceeds.

The New America High Income Fund, Inc.

**Notes to Financial Statements - Continued**  
**Supplemental Information** (Unaudited)

**Availability of Portfolio Holdings**

The Fund provides a complete schedule of its portfolio holdings quarterly. The lists of holdings as of the end of the second and fourth quarters appear in the Fund's semi-annual and annual reports to shareholders, respectively. The schedules of portfolio holdings as of the end of the first and third quarters are filed with the Securities and Exchange Commission (the "SEC") on Form N-Q (the "Forms") within 60 days of the end of the first and third quarters. Shareholders can look up the Forms on the SEC's web site at [www.sec.gov](http://www.sec.gov). The Forms may also be reviewed and copied at the SEC's public reference room in Washington, D.C. You may call the SEC at 1-800-SEC-0330 for information about the SEC's web site and their public reference room. In addition, the Forms may be reviewed on the Fund's web site at [www.newamerica-hyb.com](http://www.newamerica-hyb.com)

**Compliance Certifications**

On May 5, 2008, your Fund submitted a CEO annual certification to the New York Stock Exchange (NYSE) on which the Fund's principal executive officer certified that he was not aware, as of that date, of any violation by the Fund of the NYSE's Corporate Governance listing standards. In addition, as required by Section 302 of the Sarbanes-Oxley Act of 2002 and related SEC rules, the Fund's principal executive and principal financial officers have made quarterly certifications, included in filings with the SEC on Forms N-CSR and N-Q, relating to, among other things, the Fund's disclosure controls and procedures and internal control over financial reporting.

**Common and Auction Term Preferred Stock Transactions**

From time to time in the future, the Fund may effect redemptions and/or repurchases of its ATP as provided in the applicable constituent instruments or as agreed upon by the Fund and sellers. The Fund intends to effect such redemptions and/or repurchases to the extent necessary to maintain applicable asset coverage requirements.

The Fund may purchase shares of its Common Stock in the open market when the Common Stock trades at a discount to net asset value or at other times if the Fund determines such purchases are in the best interest of its stockholders. There can be no assurance that the Fund will take such action in the event of a market discount to net asset value or that Fund purchases will reduce a discount.

The New America High Income Fund, Inc.

**Directors**

Robert F. Birch  
Joseph L. Bower  
Richard E. Floor  
Bernard J. Korman  
Ernest E. Monrad  
Marguerite A. Piret

**Officers**

Robert F. Birch President  
Ellen E. Terry Vice President, Treasurer  
Richard E. Floor Secretary

**Investment Advisor**

T. Rowe Price Associates, Inc.  
100 E. Pratt Street  
Baltimore, Maryland 21202

**Administrator**

The New America High Income Fund, Inc.  
33 Broad Street  
Boston, MA 02109  
(617) 263-6400

**Custodian**

State Street Bank and Trust Company  
225 Franklin Street  
Boston, MA 02110

**Transfer Agent**

American Stock Transfer & Trust Company  
59 Maiden Lane  
New York, NY 10038  
(866) 624-4105  
Web site: [www.amstock.com](http://www.amstock.com)

Listed: NYSE  
Symbol: HYB  
Web site: [www.newamerica-hyb.com](http://www.newamerica-hyb.com)

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American Stock Transfer & Trust Company  
59 Maiden Lane  
New York, NY 10038

**The New  
America  
High Income  
Fund, Inc.**

**Semi-Annual**

**Report**

**June 30, 2008**

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Item 2 - Code of Ethics - Not required in semi-annual filing.

Item 3 - Audit Committee Financial Experts - Not required in a semi-annual filing.

Item 4 - Principal Accountant Fees and Services - Not required in semi-annual filing.

Item 5 - Audit Committee of Listed Registrant - Not required in semi-annual filing.

Item 6 - Schedule of Investments - Included as part of the report to shareholders filed under Item 1 of this Form.

Item 7 - Disclosure of Proxy Voting Policies and Procedures for Closed-End Management Investment Companies - Not required in semi-annual filing.

Item 8 - Portfolio Managers of Closed-End Management Investment Companies - Not required in semi-annual filing.

Item 9 - Purchases of Equity Securities by Closed-End Management Investment Company and Affiliated Purchasers - Not applicable.

Item 10 - Submission of Matters to a Vote of Security Holders - Not applicable.

ITEM 11. CONTROLS AND PROCEDURES.

(a) The Fund's principal executive officer and principal financial officer concluded that the Fund disclosure controls and procedures (as defined in Rule 30a-3(c) under the 1940 Act) provide reasonable assurances that information required to be disclosed by the Fund on Form N-CSR is recorded, processed, summarized and reported within the required time periods and that information required to be disclosed by the Fund in the reports that it files or submits on Form N-CSR is accumulated and communicated to the Fund's management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure, based on their evaluation of the disclosure controls and procedures as of a date within 90 days of the filing date of this report.

(b) There was no change in the Fund's internal control over financial reporting (as defined in Rule 30a-3(d) under the 1940 Act) that occurred during the Fund's second fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Fund's internal control over financial reporting.

ITEM 12. EXHIBITS.

(a)(1) Not Applicable.

(a)(2) The certifications required by Rule 30a-2(a) under the 1940 Act.

(a)(3) Not Applicable.

(b) The certifications required by Rule 30a-2(b) under the 1940 Act.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

The New America High Income Fund, Inc.

By: /s/ Robert F. Birch  
Name: Robert F. Birch  
Title: President and Director  
Date: September 4, 2008

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By: /s/ Robert F. Birch  
Name: Robert F. Birch  
Title: President  
Date: September 4, 2008

By: /s/ Ellen E. Terry  
Name: Ellen E. Terry  
Title: Treasurer  
Date: September 4, 2008