PEPSICO INC
Form 424B3
March 27, 2001

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Registration No. 333-53436

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MERGER PROPOSED--YOUR VOTE IS VERY IMPORTANT

The boards of directors of PepsiCo, Inc. and The Quaker Oats Company have approved a merger agreement that provides for the combination of the two companies. We believe that the merger is in the best interests of the shareholders of PepsiCo and Quaker and that the combined company will be able to create more shareholder value than the companies individually could achieve.

If we complete the merger, holders of Quaker common stock will receive, for each share of Quaker common stock, 2.3 shares of PepsiCo common stock, subject to adjustment as described in this joint proxy statement/ prospectus. Holders of Quaker common stock will not be entitled to receive, in exchange for each share of Quaker common stock they hold, shares of PepsiCo common stock with a value in excess of $105.00, determined on the basis of the market price of PepsiCo capital stock as described in this joint proxy statement/prospectus. Each share of Quaker Series B ESOP convertible preferred stock will be exchanged for one share of a newly created class of PepsiCo convertible preferred stock with rights substantially identical to the rights of the Quaker Series B ESOP convertible preferred stock. PepsiCo shareholders will continue to own their existing shares of capital stock after the merger, which will be redesignated as PepsiCo common stock prior to the consummation of the merger.

We estimate that PepsiCo will issue approximately 315 million shares of PepsiCo common stock to Quaker shareholders in the merger, based on the number of shares of Quaker common stock expected to be outstanding at the time of the merger and assuming that 2.3 shares of PepsiCo common stock are issued for each share of Quaker common stock. These shares will represent approximately 18% of the outstanding shares of PepsiCo common stock immediately after the merger. PepsiCo shares held by PepsiCo shareholders before the merger will represent approximately 82% of the outstanding shares of PepsiCo common stock immediately after the merger. The shares of common stock of the combined company will be traded on the New York Stock Exchange and the Chicago Stock Exchange under the symbol "PEP".

We cannot complete the merger unless the shareholders of PepsiCo approve:

- the merger agreement;
- the merger;
- an amendment to PepsiCo's restated articles of incorporation to provide for PepsiCo convertible preferred stock to be issued in the merger and to redesignate existing PepsiCo capital stock as PepsiCo common stock; and
- the issuance of PepsiCo common stock and PepsiCo convertible preferred stock in the merger; and

the shareholders of Quaker approve:

- the merger agreement; and

- the merger.

PLEASE SEE "RISK FACTORS" BEGINNING ON PAGE I-18 FOR A DISCUSSION OF CERTAIN FACTORS THAT YOU SHOULD CONSIDER IN EVALUATING THE MERGER AND THE OTHER PROPOSALS.

The dates, times and places of the meetings are:

For PEPSICO shareholders:

TUESDAY, MAY 1, 2001
2:00 P.M., CENTRAL TIME
FRITO-LAY, INC. HEADQUARTERS
7701 LEGACY DRIVE
PLANO, TEXAS 75024-4099

For QUAKER shareholders:

TUESDAY, MAY 1, 2001
9:00 A.M., CENTRAL TIME
BANK ONE AUDITORIUM
1 BANK ONE PLAZA
10 S. DEARBORN STREET
PLAZA LEVEL
CHICAGO, ILLINOIS 60670

PLEASE READ THIS DOCUMENT CAREFULLY.

[LOGO]
Roger A. Enrico
CHAIRMAN OF THE BOARD AND
CHIEF EXECUTIVE OFFICER
PEPSICO, INC.

[LOGO]
Robert S. Morrison
CHAIRMAN, PRESIDENT AND
CHIEF EXECUTIVE OFFICER
THE QUAKER OATS COMPANY

Neither the Securities and Exchange Commission nor any state securities regulators have approved or disapproved the PepsiCo stock to be issued under this joint proxy statement/prospectus or determined if this joint proxy statement/ prospectus is accurate or adequate. Any representation to the contrary is a criminal offense.

This joint proxy statement/prospectus is dated March 15, 2001, and is first being mailed to shareholders of PepsiCo and Quaker on or about March 22, 2001.

REFERENCES TO ADDITIONAL INFORMATION

This joint proxy statement/prospectus incorporates important business and financial information about PepsiCo and Quaker from other documents that are not included in or delivered with this joint proxy statement/prospectus. This information is available to you without charge upon your written or oral request. You can obtain those documents incorporated by reference in this joint proxy statement/ prospectus by requesting them in writing or by telephone from the appropriate company at the following addresses and telephone numbers:

PepsiCo, Inc.
Manager, Shareholder Relations
700 Anderson Hill Road
Purchase, NY 10577

The Quaker Oats Company
Investor Relations
P.O. Box 049001
Suite 27-7

Tel: 1-914-253-3055 Chicago, IL 60604-9002
Tel: 1-312-222-7818

IF YOU WOULD LIKE TO REQUEST DOCUMENTS, PLEASE DO SO BY APRIL 23, 2001 IN ORDER TO RECEIVE THEM BEFORE YOUR SPECIAL MEETING.

See "Where You Can Find More Information" beginning on page IV-1.

VOTING ELECTRONICALLY OR BY TELEPHONE

PepsiCo shareholders of record may submit their proxies:

- through the internet by visiting a web site established for that purpose at http://proxy.shareholder.com/spep and following the instructions; or

- by telephone by calling the toll-free number 1-800-648-1876 in the United States, Canada or Puerto Rico on a touch-tone phone and following the recorded instructions.

Quaker shareholders of record may submit their proxies:

- through the internet by visiting a web site established for that purpose at www.computershare.com/us/proxy and following the instructions; or

- by telephone by calling the toll-free number 1-877-482-6136 in the United States, Canada or Puerto Rico on a touch-tone phone and following the recorded instructions.

[LOGO]

Purchase, New York 10577-1444

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS OF PEPSICO

PepsiCo, Inc. will hold a special shareholders' meeting at Frito-Lay Headquarters, 7701 Legacy Drive, Plano, Texas 75024-4099 on Tuesday, May 1, 2001, at 2:00 p.m. Central Time, to:

1. Approve the Agreement and Plan of Merger, dated as of December 2, 2000, as amended as of March 15, 2001, among PepsiCo, BeverageCo, Inc., a wholly owned subsidiary of PepsiCo, and The Quaker Oats Company, and the merger contemplated by that agreement, as more fully described in the joint proxy statement/prospectus accompanying this notice.

2. Approve an amendment to PepsiCo's restated articles of incorporation to authorize PepsiCo convertible preferred stock to be issued in connection with the merger and to change the designation of PepsiCo "capital stock" to PepsiCo "common stock."

3. Approve the issuance of shares of PepsiCo common stock and PepsiCo convertible preferred stock in connection with the merger.

4. Transact such other business as may properly come before the special meeting or any adjournment or postponement of the special meeting.

If you own shares of PepsiCo capital stock as of the close of business on March 9, 2001 (the record date), you can vote those shares by proxy or at the special meeting.

If you plan to attend the special meeting, please check the box on your proxy card so that we may send you an admission card.

The PepsiCo board of directors unanimously recommends that you vote in favor of the foregoing proposals, each of which is described in detail in the accompanying joint proxy statement/prospectus.

WHETHER OR NOT YOU PLAN TO ATTEND THE SPECIAL MEETING, PLEASE COMPLETE THE ENCLOSED PROXY CARD, AND SIGN, DATE AND RETURN IT PROMPTLY IN THE ENCLOSED POSTAGE-PAID ENVELOPE, USE THE TOLL-FREE NUMBER SHOWN ON THE PROXY CARD, OR VISIT THE WEB SITE NOTED ON YOUR PROXY CARD TO VOTE ON THE INTERNET, SO THAT YOUR SHARES WILL BE REPRESENTED. THE HOLDERS OF RECORD OF A MAJORITY OF THE OUTSTANDING SHARES MUST BE PRESENT IN PERSON OR REPRESENTED BY PROXY AT THE SPECIAL MEETING IN ORDER TO HOLD THE SPECIAL MEETING. ANY SHAREHOLDER RETURNING A PROXY MAY REVOKE IT BY VOTING AT THE SPECIAL MEETING.

ROBERT F. SHARPE, JR.
Secretary

March 15, 2001

[LOGO]

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS OF QUAKER

NOTICE IS HEREBY GIVEN that The Quaker Oats Company will hold a special meeting of its shareholders, on Tuesday, May 1, 2001 at 9:00 a.m., local time, at Bank One Auditorium, 1 Bank One Plaza, 10 S. Dearborn Street, Plaza Level, Chicago, Illinois 60670, for the following purposes:

1. To consider and vote on a proposal to approve the Agreement and Plan of Merger, dated as of December 2, 2000, as amended as of March 15, 2001, among PepsiCo, Inc., BeverageCo, Inc., a wholly owned subsidiary of PepsiCo, and Quaker, and the merger contemplated by that agreement, as more fully described in the joint proxy statement/ prospectus accompanying this notice; and

2. To transact such other business as may properly come before the special meeting or any adjournment or postponement of the special meeting.

Holders of common stock and Series B ESOP convertible preferred stock at the close of business on March 9, 2001 are entitled to receive notice of and to vote their shares at the special meeting or any adjournment or postponement thereof. As of that date, there were 132,014,936 shares of common stock outstanding and 828,182 shares of Series B ESOP convertible preferred stock outstanding. The common and Series B ESOP convertible preferred shareholders will vote together as a single class. Each share of common stock is entitled to one vote on each matter properly brought before the special meeting and each share of Series B ESOP convertible preferred stock is entitled to 2.2 votes on each matter properly brought before the special meeting. A list of the shareholders entitled to vote at the special meeting will be available at the special meeting.

THE QUAKER BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE TO APPROVE THE MERGER AGREEMENT, AS AMENDED, AND THE MERGER, BOTH OF WHICH ARE DESCRIBED IN DETAIL IN THE ACCOMPANYING JOINT PROXY STATEMENT/PROSPECTUS.

By order of the board of directors

John G. Jartz
Corporate Secretary

March 15, 2001
The Quaker Oats Company
321 North Clark Street

Chicago, IL 60610

--IMPORTANT--

Your vote is important. Please mark, sign, date and return the enclosed proxy card as promptly as possible in the enclosed postage-paid envelope; use the toll-free number shown on the proxy card; or visit the web site noted on your proxy card to vote on the internet. In this way, if you are unable to attend in person, your shares can still be voted at the special meeting. Remember, your vote is important, so please act promptly!

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CHAPTER ONE
THE MERGER
QUESTIONS AND ANSWERS ABOUT THE MERGER

Q: WHEN AND WHERE ARE THE SHAREHOLDER MEETINGS?

A: PepsiCo's meeting will take place on May 1, 2001 in Plano, Texas and Quaker's meeting will take place on May 1, 2001 in Chicago, Illinois. The address of each meeting is on page II-1.

Q: WHAT DO I NEED TO DO NOW?

A: After you carefully read this document, just indicate on your signed proxy card how you want to vote, sign it and mail it in the enclosed return envelope, or vote by telephone or the internet, as soon as possible, so that your shares may be represented at your shareholders' meeting. If you sign and send in your proxy card and do not indicate how you want to vote, we will count your proxy

card as a vote in favor of the proposals submitted at your shareholders' meeting. You may also attend your shareholders' meeting and vote your shares in person, which will supersede any prior vote you have made. The board of directors of each of PepsiCo and Quaker recommends that its shareholders vote in favor of the merger and the other related matters that are described in this joint proxy statement/prospectus.

Q: WHAT DO I DO IF I WANT TO CHANGE MY VOTE?

A: Just send in a later-dated, signed proxy card to your company's Secretary or vote again by telephone or the internet before your meeting. You can also attend your meeting in person and vote. You may also revoke your proxy by sending a notice of revocation to your company's Secretary at the address under "The Companies" on page I-3.

Q: IF MY SHARES ARE HELD IN "STREET NAME" BY MY BROKER, WILL MY BROKER VOTE MY SHARES FOR ME?

A: No. If you do not provide your broker with instructions on how to vote your "street name" shares, your broker will not be able to vote them on any of the proposals described in this joint proxy statement/prospectus. You should therefore instruct your broker how to vote your shares, following the directions provided by your broker. Please check the voting form used by your broker to see if it offers telephone or internet voting.

If you are a PepsiCo shareholder and do not give voting instructions to your broker, you will, in effect, be voting against the merger and the other related matters that are described in this joint proxy statement/prospectus unless you appear in person at the PepsiCo meeting and vote in favor of the merger and the other related matters.

If you are a Quaker shareholder and do not give voting instructions to your broker, you will not be counted as voting for the purposes of the merger vote unless you appear in person at the Quaker meeting and vote.

Q: SHOULD I SEND IN MY STOCK CERTIFICATES NOW?

A: No. If the merger is completed, we will send Quaker shareholders written instructions for exchanging their stock certificates. PepsiCo shareholders will keep their existing stock certificates.

Q: WILL PEPSICO SHAREHOLDERS RECEIVE ANY SHARES AS A RESULT OF THE MERGER?

A: No. PepsiCo shareholders will continue to hold the PepsiCo shares they currently own, which will be redesignated as PepsiCo common stock prior to consummation of the merger.

Q: WHAT ARE THE TAX CONSEQUENCES OF THE MERGER TO SHAREHOLDERS?

A: Quaker shareholders who exchange their shares of Quaker common stock for shares of PepsiCo common stock pursuant to the merger generally will not recognize any gain or loss on the exchange for United States federal income tax purposes, except with respect to the cash, if any, received in lieu of fractional shares of PepsiCo common stock. PepsiCo shareholders will not recognize gain or loss as a result of the merger. To review the tax consequences to shareholders in greater detail, see "Material Federal Income Tax Consequences" beginning on page I-40.

CHAPTER ONE - THE MERGER

Q: WHAT HAPPENS TO MY FUTURE DIVIDENDS?

A: We expect no changes in PepsiCo's or Quaker's dividend policies before the merger is completed. PepsiCo expects that it will continue to pay quarterly dividends on PepsiCo common stock after the merger is completed. The payment of dividends by PepsiCo in the future, however, will depend on business conditions, PepsiCo's financial condition and earnings, and other factors. To compare dividends paid by each of PepsiCo and Quaker, see page I-46.

Q: WHEN DO YOU EXPECT THE MERGER TO BE COMPLETED?

A: We are working to complete the merger as soon as possible. In addition to shareholder approvals, we must also obtain regulatory approvals. We hope to complete the merger by mid-year, 2001.

Q: WHO DO I CALL IF I HAVE QUESTIONS ABOUT THE MEETINGS?

A: PepsiCo shareholders may call PepsiCo Shareholder Relations at 1-914-253-3055.

Quaker shareholders may call Quaker Investor Relations at 1-312-222-7818.

SUMMARY

THIS SUMMARY HIGHLIGHTS SELECTED INFORMATION FROM THIS JOINT PROXY STATEMENT/PROSPECTUS AND MAY NOT CONTAIN ALL OF THE INFORMATION THAT IS IMPORTANT TO YOU. TO UNDERSTAND THE MERGER FULLY AND FOR A MORE COMPLETE DESCRIPTION OF THE LEGAL TERMS OF THE MERGER, YOU SHOULD CAREFULLY READ THIS DOCUMENT AND THE DOCUMENTS TO WHICH WE HAVE REFERRED YOU. SEE "WHERE YOU CAN FIND MORE INFORMATION" ON PAGE IV-1.

IN THIS SUMMARY AND THROUGHOUT THIS JOINT PROXY STATEMENT/PROSPECTUS, UNLESS THE CONTEXT OTHERWISE REQUIRES, PEPSICO CAPITAL STOCK, WHICH WILL BE OUTSTANDING PRIOR TO COMPLETION OF THE MERGER, AND PEPSICO COMMON STOCK, WHICH WILL BE OUTSTANDING AFTER THE MERGER AS A RESULT OF AN AMENDMENT TO PEPSICO'S RESTATED ARTICLES OF INCORPORATION CHANGING THE DESIGNATION OF PEPSICO "CAPITAL STOCK" TO PEPSICO "COMMON STOCK," ARE REFERRED TO AS PEPSICO COMMON STOCK.

THE COMPANIES

PEPSICO, INC.
700 Anderson Hill Road
Purchase, New York 10577-1444
(914) 253-2000

PepsiCo is among the most successful consumer products companies in the world. PepsiCo consists of Frito-Lay, Inc., the world's largest manufacturer and distributor of snack chips, Pepsi-Cola Company, the world's second largest refreshment beverage company, and Tropicana Products, Inc., the largest seller and marketer of branded juices in the world. PepsiCo's brands are among the best known in the world and are available in about 190 countries. PepsiCo's brands include Lays and Ruffles potato chips, Doritos tortilla chips, Tostitos tortilla chips, Cheetos cheese flavored snacks, Pepsi-Cola, Mountain Dew, Diet Pepsi, Aquafina water, Lipton Brisk and Tropicana Pure Premium.

THE QUAKER OATS COMPANY
321 North Clark Street

Chicago, Illinois 60610
(312) 222-7111

Quaker is an international marketer of foods and beverages. Quaker is a major participant in the food industry in the United States and Canada and is a leading manufacturer of hot cereals, pancake syrups, grain-based snacks, cornmeal, hominy grits and value-added rice products. In addition, in the United States, Quaker is the second-largest manufacturer of pancake mixes and value-added pasta products and is among the four largest manufacturers of ready-to-eat cereals. Quaker manufactures and markets its products in many countries throughout Europe, Asia and Latin America. Quaker also manufactures and markets Gatorade active thirst quencher, which is the leading sports drink in the United States and Canada. Quaker also manufactures and markets Gatorade in Europe, Asia and Latin America.

REASONS FOR THE MERGER (SEE PAGES I-31 TO I-35)

We believe that the merger will create significant value for shareholders of the combined companies. Quaker's beverage and snack foods businesses align with PepsiCo's strategy to remain highly focused on growth through the sale of convenient foods and beverages. The strong complementary brands and warehouse distribution system that Quaker's businesses add to PepsiCo broaden the platforms available for long-term growth. PepsiCo believes that the proposed merger will solidify and enhance its top and bottom line growth and improve its return on invested capital over time.

Several of Quaker's brands, particularly Gatorade, are leading brands in growth categories. PepsiCo believes that it can introduce new domestic and international channels of distribution for Gatorade beverages, and that the Gatorade distribution system will add to the growth of Tropicana's shelf-stable beverages. PepsiCo also believes that the distribution of Quaker's bars and rice snacks can be significantly increased through the use of Frito-Lay's North American and international distribution systems, and that the Quaker brands will give Frito-Lay access to eating occasions, such as breakfast, when consumers typically do not consume salty snacks.

Achieving these objectives depends on our ability to successfully integrate our businesses and on the other uncertainties and risk factors described on pages I-18 to I-20.

To review the reasons for the merger in greater detail, see pages I-31 through I-35.

OUR RECOMMENDATIONS TO SHAREHOLDERS

TO PEPSICO SHAREHOLDERS:

The PepsiCo board of directors believes that the merger is fair to you and in your best interests and unanimously recommends that you vote FOR the proposals to approve the merger agreement, the merger, the related issuance of PepsiCo common stock and PepsiCo convertible preferred stock and the related amendment to PepsiCo's restated articles of incorporation described on page I-23.

TO QUAKER SHAREHOLDERS:

The Quaker board of directors believes that the merger is fair to you and in your best interests and unanimously recommends that you vote FOR the proposal to approve the merger agreement and the merger.

THE MERGER

WE HAVE ATTACHED THE MERGER AGREEMENT AND AN AMENDMENT TO THE MERGER AGREEMENT AS ANNEX A TO THIS JOINT PROXY STATEMENT/PROSPECTUS, AND WE REFER TO THEM TOGETHER IN THIS DOCUMENT AS THE MERGER AGREEMENT. WE ENCOURAGE YOU TO READ THE MERGER AGREEMENT IN ITS ENTIRETY BECAUSE IT IS THE LEGAL DOCUMENT THAT GOVERNS THE MERGER.

WHAT QUAKER COMMON SHAREHOLDERS WILL RECEIVE (SEE PAGE I-78)

As a result of the merger, holders of Quaker common stock will receive, for each share of Quaker common stock that they own, 2.3 shares of PepsiCo common stock, subject to adjustment as described below. Prior to consummation of the merger, PepsiCo's existing class of capital stock will be redesignated as PepsiCo common stock.

MAXIMUM VALUE. Holders of Quaker common stock will not be entitled to receive, in exchange for each share of Quaker common stock they hold, shares of PepsiCo common stock with a value in excess of $105.00, determined on the basis of the PepsiCo market price as described below. In the event that the value to be received would exceed $105.00, each share of Quaker common stock will be exchanged for shares of PepsiCo common stock with a value of $105.00, based on the PepsiCo market price. This will be accomplished by adjusting the exchange ratio of 2.3 to a number equal to:

- $105.00, DIVIDED BY

- the PepsiCo market price.

The PepsiCo market price is the average of the closing prices of PepsiCo capital stock on the New York Stock Exchange composite tape for the ten trading days randomly selected by lot by PepsiCo and Quaker together from the thirty trading days ending on and including the third New York Stock Exchange trading day preceding the closing date.

The adjustment described above will occur only if the PepsiCo market price is greater than $45.6522.

EXAMPLE: If the PepsiCo market price is determined to be $50.00, then each share of Quaker common stock will be exchanged for 2.1 shares of PepsiCo common stock in the merger.

WALK-AWAY THRESHOLD. If the PepsiCo market price, determined as described above, is less than $40.00, Quaker may terminate the merger agreement within the 24-hour period following determination of the PepsiCo market price, subject to PepsiCo's right to avoid the termination by adjusting the exchange ratio so that each share of Quaker common stock will be exchanged for shares of PepsiCo common stock with a value of $92.00, based on the PepsiCo market price. This is accomplished by adjusting the exchange ratio of 2.3 to a number equal to:

- $92.00, DIVIDED BY

- the PepsiCo market price.

EXAMPLE: If (1) the PepsiCo market price is determined to be $35.00, (2) Quaker elects to terminate the merger agreement, and (3) PepsiCo decides to avoid the termination by adjusting the exchange ratio, then each share of Quaker common stock will be exchanged for 2.6286 shares of PepsiCo common stock in the merger.

NO FRACTIONAL SHARES. PepsiCo will not issue any fractional common shares.

Holders of Quaker common stock will instead receive cash for any PepsiCo fractional common shares owed to them

in an amount equal to such fractional part multiplied by the closing price of PepsiCo common stock on the date the merger becomes effective.

EXAMPLE: If you currently own 5 shares of Quaker common stock and the PepsiCo market price is less than $45.6522 but greater than $40.00, then after the merger you will receive 11 shares of PepsiCo common stock and a check for an amount equal to .5 multiplied by the closing price of PepsiCo common stock on the date the merger becomes effective.

On March 12, 2001, the closing price of PepsiCo capital stock on the New York Stock Exchange composite tape was $45.55. Assuming for purposes of this example that $45.55 is the PepsiCo market price, each holder of Quaker common stock would be entitled to receive 2.3 shares of PepsiCo common stock with a market value of approximately $104.765 for each Quaker common share. The actual value of the PepsiCo common shares to be issued in the merger, however, will depend on the PepsiCo market price at the time of the merger, and may be more or less than the value given in this example.

WHAT THE HOLDER OF QUAKER SERIES B ESOP CONVERTIBLE PREFERRED STOCK WILL RECEIVE (SEE PAGE I-78)

As a result of the merger, each outstanding share of Quaker Series B ESOP convertible preferred stock will be exchanged for one share of a newly created class of PepsiCo convertible preferred stock with rights substantially identical to the rights of the Quaker Series B ESOP convertible preferred stock. Each share of PepsiCo convertible preferred stock will be convertible into a number of shares of PepsiCo common stock equal to:

- the actual exchange ratio used in the merger, MULTIPLIED BY
- the number of shares of Quaker common stock that would have been received if one share of Quaker Series B ESOP convertible preferred stock had been converted immediately prior to the effective time of the merger.

WHAT PEPSICO SHAREHOLDERS WILL HOLD AFTER THE MERGER

PepsiCo shareholders will continue to own their existing shares of PepsiCo capital stock after the merger, which will have been redesignated as PepsiCo common stock prior to consummation of the merger. PepsiCo shareholders should not send in their stock certificates in connection with the merger.

COMPARATIVE PER SHARE MARKET PRICE INFORMATION (SEE PAGE I-46)

PepsiCo capital stock and Quaker common stock are each listed on both the New York Stock Exchange and Chicago Stock Exchange under the symbols "PEP" and "OAT", respectively. On December 1, 2000, the last full trading day before the public announcement of the proposed merger, PepsiCo capital stock closed at $42.375 and Quaker common stock closed at $88.625 on the New York Stock Exchange composite tape. On March 12, 2001, the closing price per share of PepsiCo capital stock was $45.55 and the closing price per share of Quaker common stock was $98.00 on the New York Stock Exchange composite tape.

LISTING OF PEPSICO COMMON STOCK

The shares of PepsiCo common stock to be issued to holders of Quaker common stock in the merger will be listed on the New York Stock Exchange and the

Chicago Stock Exchange under the ticker symbol "PEP".

OWNERSHIP OF PEPSICO AFTER THE MERGER

PepsiCo estimates that it will issue approximately 315 million shares of PepsiCo common stock to Quaker shareholders in the merger, assuming that 2.3 shares of PepsiCo common stock are issued for each share of Quaker common stock. These PepsiCo common shares will represent approximately 18% of the outstanding shares of PepsiCo common stock after the merger. This information is based on the number of shares of PepsiCo capital stock and Quaker common stock expected to be outstanding at the effective time of the merger.

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CHAPTER ONE - THE MERGER

SHAREHOLDER VOTE REQUIRED TO APPROVE THE MERGER

FOR PEPSICO SHAREHOLDERS: Approval of the merger agreement, the merger and related matters as described beginning on page II-1 requires the vote of a majority of all outstanding shares entitled to vote at the special shareholders' meeting. On the record date, directors and executive officers of PepsiCo and their affiliates were entitled to vote 613,840 shares of PepsiCo capital stock, representing less than one-tenth of 1.0% of the shares of PepsiCo capital stock outstanding on the record date.

FOR QUAKER SHAREHOLDERS: Approval of the merger and the merger agreement requires the vote of two-thirds of the votes cast by the holders of Quaker common stock and Quaker Series B ESOP convertible preferred stock, voting as a single class. On the record date, directors and executive officers of Quaker and their affiliates were entitled to vote 314,242 shares of Quaker common stock, representing less than three-tenths of 1.0% of the shares of Quaker common stock outstanding on the record date, and 8,514 shares of Quaker Series B ESOP convertible preferred stock or approximately 1.0% of the shares of Quaker Series B ESOP convertible preferred stock outstanding on the record date.

DISSENTERS' RIGHTS (SEE PAGE I-43)

The holders of PepsiCo capital stock and Quaker common stock do not have any right to an appraisal of the value of their shares in connection with the merger. We provide on page I-43 in the section captioned "The Merger--Dissenters' Rights" information regarding the dissenters' rights available to the trustee of the Quaker ESOP, the sole record holder of Quaker Series B ESOP convertible preferred stock, in connection with the merger. The trustee may exercise dissenters' rights as directed by participants in the Quaker ESOP.

INTERESTS OF CERTAIN PERSONS IN THE MERGER (SEE PAGE I-72)

When you consider the Quaker and PepsiCo board of directors' recommendations that shareholders vote in favor of the merger agreement, the merger and related proposals, you should be aware that some Quaker and PepsiCo executive officers and directors may have interests in the merger that may be different from, or in addition to, your own.

ACCOUNTING TREATMENT (SEE PAGE I-39)

We expect the merger to qualify as a "pooling-of-interests," which means that PepsiCo and Quaker will be treated as if they had always been combined for accounting and financial reporting purposes.

MATERIAL FEDERAL INCOME TAX CONSEQUENCES (SEE PAGE I-40)

The merger has been structured as a "tax-free reorganization" for federal income tax purposes. Accordingly, holders of Quaker common stock generally will not recognize any gain or loss for federal income tax purposes on the exchange of their Quaker common stock for PepsiCo common stock in the merger, except for any gain or loss that may result from the receipt of cash instead of a fractional share of PepsiCo common stock. The companies themselves, as well as the current holders of PepsiCo capital stock, will not recognize gain or loss as a result of the merger. It is a condition to the obligations of Quaker and PepsiCo to complete the merger that each receive an opinion from its outside tax counsel that the merger will be a tax-free reorganization for federal income tax purposes.

THE FEDERAL INCOME TAX CONSEQUENCES DESCRIBED ABOVE MAY NOT APPLY TO SOME HOLDERS OF QUAKER STOCK, INCLUDING SOME TYPES OF HOLDERS SPECIFICALLY REFERRED TO ON PAGE I-40. YOUR TAX CONSEQUENCES WILL DEPEND UPON YOUR OWN PERSONAL SITUATION. ACCORDINGLY, WE STRONGLY URGE YOU TO CONSULT YOUR TAX ADVISOR FOR A FULL UNDERSTANDING OF THE PARTICULAR TAX CONSEQUENCES OF THE MERGER TO YOU.

REGULATORY MATTERS (SEE PAGE I-42)

Under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, the merger cannot be completed until we have made required notifications, we have given certain information and materials to the Federal Trade Commission and the Antitrust Division of the United States Department of Justice and specified waiting period requirements have been satisfied. Each

company submitted pre-merger notification and report forms during the week of January 8, 2001.

On February 7, 2001, the Federal Trade Commission requested additional information and materials from PepsiCo and Quaker. The merger may not be completed until 30 days after both parties have substantially complied with this request for additional information or unless the waiting period is terminated earlier. Prior to the expiration of the waiting period, the Federal Trade Commission may challenge the merger on antitrust grounds by seeking a federal court order enjoining the transaction.

The merger is also subject to review under the competition laws of the European Union. We informally notified the European Commission of the merger on December 7, 2000, and made the required pre-merger filing in February 2001.

The merger is also subject to regulatory review in jurisdictions other than the U.S. and the European Union.

PepsiCo and Quaker are working to obtain the required regulatory approvals and consents. However, we can give no assurance as to when or whether any of these approvals and consents will be obtained or the terms and conditions that may be imposed.

As described beginning on page I-83, PepsiCo and Quaker are not required to close unless the regulatory conditions to completion of the merger are satisfied.

PRINCIPAL CONDITIONS TO THE COMPLETION OF THE MERGER (SEE PAGE I-83)

We will complete the merger only if specific conditions are satisfied or, in some cases, waived, including the following:

- approval by the shareholders of PepsiCo and Quaker;

- approval for listing of the PepsiCo common shares to be issued or reserved for issuance in connection with the merger on the New York Stock Exchange;

- expiration or termination of the relevant waiting period under the Hart-Scott-Rodino Act;

- approval by the European Commission of the merger;

- absence of any law or order by a court or other governmental entity prohibiting the merger or having a material adverse effect on PepsiCo after giving effect to the merger;

- the registration statement of which this joint proxy statement/prospectus forms a part having been declared effective and no stop order suspending its effectiveness being in effect; and

- all actions by or filings with governmental entities required for the merger having been taken, made or obtained, subject to certain levels of materiality.

In addition, the obligation of PepsiCo to complete the merger is subject to the following conditions:

- accuracy as of closing of the representations and warranties made by Quaker, subject to certain levels of materiality;

- performance and compliance by Quaker with its obligations and covenants under the merger agreement through the closing, subject to certain levels of materiality;

- receipt of an opinion from PepsiCo's outside tax counsel that the merger will qualify as a tax-free reorganization;

- no third party having acquired beneficial ownership of or initiated a tender or exchange offer for more than 15% of the outstanding Quaker common stock;

- no change in law or U.S. generally accepted accounting principles having occurred that would prevent the merger from being accounted for as a "pooling-of-interests;"

- receipt of a letter from PepsiCo's independent accountants addressed to PepsiCo, dated approximately the date of this joint proxy statement/prospectus, concurring with PepsiCo's conclusion that:

  - no conditions exist that would preclude PepsiCo from being a party to a

business combination to be accounted for as a "pooling-of-interests," except for such actions, facts or circumstances that will be corrected or cured prior to the closing date of the merger by PepsiCo; and

  - assuming such cure or correction, the merger will be accounted for as a "pooling-of-interests;" and

- receipt of copies of letters addressed to Quaker from Quaker's independent accountants concluding that Quaker qualifies as a combining company that is eligible to participate in a business combination to be accounted for

as a "pooling-of-interests" and copies of letters addressed to Quaker's independent accountants from Quaker to the same effect, in each case, dated approximately the date of this joint proxy statement/ prospectus and as of the closing date of the merger.

Additionally, the obligation of Quaker to complete the merger is subject to the following conditions:

- accuracy as of closing of the representations and warranties made by PepsiCo and BeverageCo, Inc., subject to certain levels of materiality;

- performance and compliance by PepsiCo and BeverageCo, Inc. with their respective obligations and covenants under the merger agreement through the closing, subject to certain levels of materiality; and

- receipt of an opinion from Quaker's outside tax counsel that the merger will qualify as a tax-free reorganization.

TERMINATION OF THE MERGER AGREEMENT (SEE PAGE I-84)

PEPSICO OR QUAKER TERMINATION PROVISIONS. Either PepsiCo or Quaker can terminate the merger agreement if any of the following occurs:

- the merger is not completed by June 2, 2001--however, that date becomes September 2, 2001 if the only reason for not closing by June 2, 2001 relates to U.S. and European Union antitrust matters;

- the Department of Justice, Federal Trade Commission or European Commission permanently restrains, enjoins or prohibits the merger or fails to approve the merger, in each case, in a final and nonappealable manner;

- PepsiCo or Quaker shareholders fail to give the required approvals;

- the other party materially breaches any of its representations, warranties, covenants or obligations under the merger agreement, and the breach is incapable of being cured or is not cured within 45 days; or

- the Quaker board of directors authorizes Quaker to enter into a written agreement concerning an alternative transaction that the Quaker board of directors has determined is superior to the merger.

PEPSICO TERMINATION PROVISIONS. PepsiCo can terminate the merger agreement if the Quaker board of directors:

- fails to call the Quaker shareholder meeting in accordance with the merger agreement;

- fails to recommend the merger or the merger agreement to the Quaker shareholders; or

- withdraws, modifies or qualifies its recommendation of the merger or the merger agreement to its shareholders in a manner adverse to PepsiCo.

QUAKER TERMINATION PROVISIONS. Quaker can terminate the merger agreement if the PepsiCo board of directors:

- fails to call the PepsiCo shareholder meeting in accordance with the merger agreement;

- fails to recommend the merger or the related matters to the PepsiCo shareholders; or

- withdraws, modifies or qualifies its recommendation of the merger or the related matters to its shareholders in a manner adverse to Quaker.

In addition, Quaker may terminate the merger agreement if the PepsiCo market price (determined as described above) is less than $40.00, subject to PepsiCo's right to avoid such termination, within 24 hours of a termination notice from Quaker, by adjusting the exchange ratio to a number equal to (1) $92.00, DIVIDED BY (2) the PepsiCo market price.

Finally, PepsiCo and Quaker can mutually agree to terminate the merger agreement.

TERMINATION FEES PAYABLE BY QUAKER (SEE PAGE I-85)

Quaker must pay PepsiCo a termination fee of $420 million in cash if:

- the merger agreement is terminated by PepsiCo or Quaker in circumstances where Quaker's shareholders fail to approve the merger and, within twelve months of the termination, Quaker enters into an agreement with respect to a business combination with a third party, including a sale of Quaker's beverage business;

- the merger agreement is terminated by PepsiCo as described in "PepsiCo Termination Provisions" above;

- the merger agreement is terminated by PepsiCo on the basis of a material breach by Quaker of its representations, warranties, covenants or obligations under the merger agreement and, within twelve months of the termination, Quaker enters into an agreement with respect to a business combination with a third party, including a sale of Quaker's beverage business; or

- the merger agreement is terminated by PepsiCo or Quaker after the Quaker board of directors authorizes Quaker to enter into a written agreement concerning an alternative transaction that the Quaker board of directors has determined is superior to the merger.

STOCK OPTION AGREEMENT

In connection with the merger agreement, PepsiCo and Quaker entered into a stock option agreement under which Quaker granted to PepsiCo an option to purchase approximately 19.9% of Quaker's outstanding common stock, at a price of $95.00 per share, which is adjustable in the event of changes in the outstanding Quaker common stock. The option is exercisable upon the occurrence of any of the events referred to above in "Termination Fees Payable by Quaker." PepsiCo's total profit under the stock option agreement, when added to any termination fee paid by Quaker pursuant to the merger agreement, cannot exceed $460 million. The stock option agreement is attached as Annex B to this joint proxy statement/prospectus. We encourage you to read this agreement carefully.

OPINIONS OF FINANCIAL ADVISORS (SEE PAGES I-53 TO I-71)

In deciding to approve the merger, each of Quaker's and PepsiCo's board of directors considered the opinion(s) of its respective financial advisor(s) as to the fairness from a financial point of view of the exchange ratio. These opinions were directed to Quaker's and PepsiCo's respective boards of directors and do not constitute recommendations to shareholders with respect to the merger. Quaker has received opinions from Goldman, Sachs & Co. and J.P. Morgan

Securities Inc. PepsiCo has received an opinion from Merrill Lynch, Pierce, Fenner & Smith Incorporated. These opinions, which are attached as Annexes C, D and E, set forth the assumptions made, matters considered and limitations on the review undertaken in connection with these opinions. We encourage you to read these opinions carefully in their entirety.

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CHAPTER ONE - THE MERGER

SELECTED HISTORICAL AND PRO FORMA COMBINED FINANCIAL INFORMATION

WHERE WE OBTAINED THE FINANCIAL INFORMATION

The following information is provided to aid in the analysis of the financial aspects of the merger. We derived this information from the audited financial statements of PepsiCo and Quaker for the years 1996 through 2000. The information is a summary and should be read together with our historical financial statements and related notes contained in the annual reports and other information that we have filed with the SEC and incorporated by reference. See "Where You Can Find More Information" on page IV-1.

"POOLING-OF-INTERESTS" ACCOUNTING TREATMENT

The management of PepsiCo and Quaker expect that the merger will qualify as a "pooling-of-interests" business combination for accounting purposes. Under this method of accounting, the historical cost basis of the assets and liabilities of PepsiCo and Quaker will be carried forward to the combined company. Results of operations of the combined company will include the income of PepsiCo and Quaker for the entire fiscal period in which the combination occurs. The results of operations of the separate companies for fiscal years before the merger will be combined and reported as the results of operations of the combined company.

We have presented unaudited pro forma condensed combined financial information that reflects the "pooling-of-interests" method of accounting to provide a better picture of what our businesses might have looked like had they been combined as of and for the periods indicated. We prepared the pro forma condensed combined statements of income and balance sheet by combining the historical amounts of each company and adjusting share information for an assumed exchange ratio of 2.3. The actual exchange ratio to be used in the merger is subject to adjustment based on an average of closing prices of PepsiCo capital stock prior to the closing of the merger as further described in "The Merger Agreement--Merger Consideration" on page I-76. The accounting policies of PepsiCo and Quaker are substantially comparable. Consequently, we did not make adjustments to the unaudited pro forma condensed combined financial information to conform the accounting policies of the combining companies. As further described in Note 4 to "Unaudited Pro Forma Condensed Combined Financial Information" on page I-52, reclassifications of certain Quaker financial statement amounts have been made to conform with the financial statement presentation of PepsiCo. Upon consummation of the merger, further review of Quaker's accounting policies and financial statements may require restatements of the combined entity's financial statements to conform to those policies and classifications that are deemed most appropriate.

The companies may have performed differently had they always been combined. The unaudited pro forma condensed combined financial information is not necessarily indicative of the historical results that would have occurred had the companies always been combined or the future results that the combined company will experience after the merger. See "Unaudited Pro

Forma Condensed Combined Financial Information" on page I-47.

MERGER-RELATED EXPENSES

We estimate that merger-related fees and expenses, consisting primarily of fees and expenses of investment bankers, attorneys and accountants, SEC filing fees, stock exchange listing fees, and financial printing and other related charges, will be approximately $100 million. See Note 1 to "Unaudited Pro Forma Condensed Combined Financial Information" on page I-52.

INTEGRATION-RELATED EXPENSES

We expect to incur costs subsequent to the merger for integration-related expenses necessary to reduce costs and operate efficiently. These costs will be charged to operations subsequent to the merger and, therefore, are not reflected in the unaudited pro forma condensed combined financial information.

PERIODS COVERED

The unaudited pro forma condensed combined statements of income combine PepsiCo's results for the fiscal years 2000, 1999 and 1998 with Quaker's results for the years 2000, 1999 and 1998 giving effect to the merger as if it had occurred on December 28, 1997. The unaudited pro forma condensed combined balance sheet combines the balance sheets of PepsiCo as of December 30, 2000 and Quaker as of December 31, 2000, giving effect to the merger as if it had occurred on December 30, 2000.

SELECTED HISTORICAL FINANCIAL INFORMATION OF PEPSICO

The following selected historical financial information has been derived from PepsiCo's audited consolidated financial statements as of and for each of the fiscal years ended December 30, 2000, December 25, 1999, December 26, 1998, December 27, 1997 and December 28, 1996. This information is a summary and should be read together with PepsiCo's historical financial statements and related notes contained in the annual reports as well as other information that PepsiCo has filed with the SEC and incorporated by reference. See "Where You Can Find More Information" on page IV-1.

	YEARS ENDED			
	DECEMBER 30, 2000(1)	DECEMBER 25, 1999(2)(3)	DECEMBER 26, 1998(3)(4)	DECEMBER 1997(3
	(IN MILLIONS, EXCEPT PER SHARE AMOUNT			
Net sales................................	$ 20,438	$ 20,367	$ 22,348	$ 20,9
Income from continuing operations.........	2,183	2,050	1,993	1,4
Income per share--continuing operations-- basic..................................	1.51	1.40	1.35	0.
Income per share--continuing operations--				

assuming dilution......................	1.48	1.37	1.31	0.
Cash dividends declared per share.........	0.555	0.535	0.515	0.
Total assets(5)..........................	18,339	17,551	22,660	20,1
Long-term debt...........................	2,346	2,812	4,028	4,9

As a result of the deconsolidation of The Pepsi Bottling Group and other bottling operations in 1999 and PepsiCo's acquisition of Tropicana Products, Inc. late in 1998, the data provided above is not comparable.

In 1997, PepsiCo disposed of its restaurants segment and accounted for the disposal as discontinued operations. Accordingly, all information has been restated for 1997 and 1996.

All per share amounts assume dilution.

(1) The 2000 fiscal year consisted of fifty-three weeks versus fifty-two weeks in our normal fiscal year. The fifty-third week increased 2000 net sales by an estimated $294 million and net income by an estimated $44 million or $0.03 per share.

(2) 1999 operating results include a net gain on bottling transactions of $1.0 billion ($270 million after-tax or $0.18 per share) and a tax provision related to PepsiCo's business venture with PepCom Industries, Inc. of $25 million ($0.02 per share).

(3) Operating results include asset impairment and restructuring charges of $65 million ($40 million after-tax or $0.03 per share) in 1999, $288 million ($261 million after-tax or $0.17 per share) in 1998, $290 million ($239 million after-tax or $0.15 per share) in 1997 and $576 million ($527 million after-tax or $0.33 per share) in 1996.

(4) 1998 operating results include a tax benefit of $494 million ($0.32 per share) from a settlement of prior year tax claims relating to PepsiCo's concentrate operations in Puerto Rico.

(5) Total assets include net assets of discontinued operations of $4.5 billion in 1996.

SELECTED HISTORICAL FINANCIAL INFORMATION OF QUAKER

The following selected historical financial information has been derived from Quaker's audited consolidated financial statements as of and for each of the years ended December 31, 1996 through 2000. This information is a summary and should be read together with Quaker's historical financial statements and related notes contained in the annual reports and other information that Quaker has filed with the SEC and incorporated by reference. See "Where You Can Find More Information" on page IV-1.

	YEARS ENDED DECEMBER 31,			
	2000(1)	1999(2)	1998(3)	1997(
	(IN MILLIONS, EXCEPT PER SHARE A			

Net sales	$ 5,041	$ 4,725	$ 4,843	$ 5,0
Net income (loss)	360	455	284	(9
Net income (loss) per common share--basic	2.71	3.36	2.04	(6.
Net income (loss) per common share--diluted	2.61	3.23	1.97	(6.
Dividends declared:				
Per common share	1.14	1.14	1.14	1.
Convertible preferred and redeemable preference stock	4	4	4	
Total assets	2,419	2,396	2,510	2,6
Long-term debt	664	715	795	8

Notes below refer to amounts per share-basic, unless otherwise stated.

(1) 2000 operating results include pre-tax restructuring charges of $74.2 million, or $0.33 per share ($0.31 per diluted share); pre-tax income of $11.8 million, or $0.05 per share, to reduce prior year restructuring and divestiture reserves; and pre-tax asset impairment losses of $120.1 million, or $0.55 per share ($0.53 per diluted share).

(2) 1999 operating results include pre-tax restructuring charges of $12.7 million, or $0.06 per share; a pre-tax divestiture gain of $5.1 million, or $0.03 per share; pre-tax income of $9.9 million, or $0.04 per share, to reduce prior restructuring and divestiture reserves; and reductions in the provision for income taxes of $59.3 million, or $0.44 per share ($0.42 per diluted share), related to previously recorded tax accruals and tax assets.

(3) 1998 operating results include pre-tax restructuring charges of $89.7 million, or $0.38 per share; pre-tax asset impairment losses of $38.1 million, or $0.18 per share; and a combined pre-tax divestiture loss of $0.7 million, or a gain of $0.20 per share, due to certain tax benefits.

(4) 1997 operating results include pre-tax restructuring charges of $65.9 million, or $0.27 per share, and a combined pre-tax loss of $1.42 billion, or $8.41 per share, for business divestitures.

(5) 1996 operating results include pre-tax restructuring charges of $23.0 million, or $0.14 per share, and pre-tax gains of $136.4 million, or $0.60 per share, for business divestitures.

CHAPTER ONE - THE MERGER

SELECTED UNAUDITED PRO FORMA COMBINED FINANCIAL INFORMATION

The following selected unaudited pro forma combined financial information has been derived from and should be read together with the unaudited pro forma condensed combined financial information and related notes on pages I-47 through I-52. This information is based on the historical consolidated balance sheets and statements of income of PepsiCo and Quaker giving effect to the merger using the "pooling-of-interests" method of accounting for business combinations as described on I-39. This information is for illustrative purposes only. The companies may have performed differently had they always been combined. The selected unaudited pro forma combined financial information is not necessarily indicative of the historical results that would have occurred had the companies always been combined, or the future results that the combined company will experience after the merger.

	YEARS ENDED		
	DECEMBER 30, 2000	DECEMBER 25, 1999	DECEMBER 1998
	(IN MILLIONS, EXCEPT PER SHARE AMOUNTS		
Net sales	$ 25,479	$ 25,092	$ 27,19
Net income	2,543	2,505	2,27
Net income per common share--basic	1.44	1.39	1.2
Net income per common share--assuming dilution	1.40	1.36	1.2
Dividends declared on convertible preferred and redeemable preference stock	4	4	
Total assets	21,605		
Long-term debt	3,010		

COMPARATIVE PER SHARE DATA

Set forth below are the net income, cash dividends and book value per common share data for PepsiCo and Quaker separately on a historical basis, on a pro forma combined basis and on a pro forma combined basis per Quaker equivalent share.

The PepsiCo pro forma data gives effect to the merger using the "pooling-of-interests" method of accounting as if the transaction had occurred for the statement of income information as of December 28, 1997, and for the balance sheet information as of December 30, 2000. For a more detailed description of "pooling-of-interests" accounting, see "The Merger--Accounting Treatment" on page I-39. We have presented the PepsiCo pro forma data by combining the historical amounts of each company. The share information was adjusted for an assumed exchange ratio of 2.3 shares of PepsiCo common stock for each share of Quaker common stock and for the issuance of an estimated 20 million shares of PepsiCo repurchased capital stock in order to qualify for "pooling-of-interests" accounting treatment. The actual exchange ratio to be used in the merger is subject to an adjustment based on an average of closing prices of PepsiCo capital stock prior to the merger as further described in "The Merger Agreement--Merger Consideration" on page I-76.

The pro forma balance sheet information reflects estimated direct transaction costs of approximately $100 million associated with the merger. These costs consist primarily of fees and expenses of investment bankers, attorneys and accountants, SEC filing fees, stock exchange listing fees, and financial printing and other related charges. These expenses have not been reflected in the pro forma statement of income information as they are considered to be nonrecurring.

The Quaker equivalent share pro forma information shows the effect of the merger from the perspective of an owner of Quaker common shares. The information was computed by multiplying the unrounded PepsiCo pro forma combined information by the assumed exchange ratio of 2.3.

The information below should be read together with our historical financial statements and related notes contained in the annual reports and

other information that we have filed with the SEC and incorporated by reference and with the unaudited pro forma condensed combined financial information beginning on page I-47. See "Where You Can Find More Information" on page IV-1. The unaudited pro forma combined data below is for illustrative purposes only. This information is not necessarily indicative of the historical results that would have occurred had the companies always been combined or the future results that the combined company will experience after the merger. Further, amounts based on the actual exchange ratio to be used in the merger could differ from the unaudited pro forma combined data below.

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CHAPTER ONE - THE MERGER

	YEARS ENDED		
	DECEMBER 30, 2000	DECEMBER 25, 1999	DECEMB 19
PEPSICO PRO FORMA COMBINED PER COMMON SHARE DATA:			
Net income--basic	$ 1.44	$ 1.39	$ 1
Net income--assuming dilution	1.40	1.36	1
Cash dividends (1)			
Book value	4.72		
PEPSICO HISTORIC PER SHARE DATA:			
Net income--basic	1.51	1.40	1
Net income--assuming dilution	1.48	1.37	1
Cash dividends (1)	0.555	0.535	0
Book value	5.01	4.73	4
PEPSICO PRO FORMA COMBINED PER QUAKER EQUIVALENT COMMON SHARE DATA:			
Net income--basic	3.30	3.21	2
Net income--assuming dilution	3.23	3.13	2
Cash dividends (1)			
Book value	10.85		

	YEARS ENDED DECEMBER 31,		
	2000	1999	19
QUAKER HISTORIC PER COMMON SHARE DATA:			
Net income--basic	$ 2.71	$ 3.36	$ 2
Net income--assuming dilution	2.61	3.23	1
Cash dividends (1)	1.14	1.14	1
Book value	2.69	1.50	1

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(1) PepsiCo's current quarterly dividend is $0.14 ($0.56 per share annualized). Future dividends are subject to approval and declaration by PepsiCo's board of directors. Quaker's current quarterly dividend is $0.285 ($1.14 per share annualized). Future dividends are subject to

approval and declaration by Quaker's board of directors. The dividend policy of the combined company will be determined by its board of directors following consummation of the merger.

COMPARATIVE MARKET PRICE INFORMATION

The following table sets forth the closing prices per share of PepsiCo capital stock and Quaker common stock on the New York Stock Exchange composite tape on December 1, 2000, the last trading day prior to the public announcement of the proposed merger, and on March 12, 2001. The table also sets forth the value of the PepsiCo common shares that a Quaker shareholder would have received for one Quaker common share, assuming that the merger had taken place on those dates and assuming an exchange ratio of 2.3 shares of PepsiCo common stock for each share of Quaker common stock in the merger. These numbers have been calculated by multiplying the assumed exchange ratio of 2.3 by the closing price per share of PepsiCo capital stock on those dates. The actual value of the PepsiCo common shares a Quaker shareholder will receive on the date of the merger may be higher or lower than the prices set forth below.

	CLOSING PRICE OF PEPSICO CAPITAL STOCK	CLOSING PRICE OF QUAKER COMMON STOCK	VALUE PEPSI COMMON RECEI
December 1, 2000	$ 42.375	$ 88.625	$97.4
March 12, 2001	$ 45.55	$ 98.00	1$04.7

See "Comparative Per Share Market Price and Dividend Information" on page I-46 for additional market price information.

RISK FACTORS

In addition to the other information contained in or incorporated by reference into this joint proxy statement/prospectus, including the matters addressed under the caption "Information Regarding Forward-Looking Statements," you should carefully consider the following risk factors in deciding whether to vote for approval of the merger, the merger agreement, and the other related matters.

THE VALUE OF PEPSICO SHARES TO BE RECEIVED IN THE MERGER WILL FLUCTUATE. YOU MAY RECEIVE MORE OR LESS VALUE OR FEWER OR MORE SHARES DEPENDING ON FLUCTUATIONS IN THE PRICE OF PEPSICO CAPITAL STOCK. If the average closing price of PepsiCo capital stock on the New York Stock Exchange composite tape for the ten trading days randomly selected by lot by PepsiCo and Quaker together from the thirty trading days ending on and including the third New York Stock Exchange trading day preceding the closing date is greater than or equal to $40.00 and less than or equal to $45.6522, the exchange ratio will be fixed at 2.3 shares of PepsiCo common stock for every share of Quaker common stock. If the average closing price is less than $40.00, Quaker will have the right to terminate the merger

agreement, subject to PepsiCo's right to avoid such termination by adjusting the exchange ratio to equal a quotient of $92.00 divided by that average closing price. If the average closing price of PepsiCo capital stock is greater than $45.6522, the exchange ratio will be adjusted to equal a quotient of $105.00 divided by that average closing price. The market prices of PepsiCo capital stock and Quaker common stock when the merger is completed may vary from their market prices at the date of this document and at the date of the special shareholder meetings of PepsiCo and Quaker. For example, during the 12 month period ending on March 12, 2001, the price of PepsiCo capital stock varied from a low of $30.125 to a high of $49.9375 and ended that period at $45.55, and the closing price of Quaker common stock varied from a low of $45.9375 to a high of $99.33 and ended that period at $98.00. See "Comparative Per Share Market Price and Dividend Information" on page I-46 for more detailed share price information.

These variations may be the result of various factors including:

- changes in the business, operations or prospects of PepsiCo, Quaker or the combined company;
- governmental and/or litigation developments and/or regulatory considerations;
- market assessments as to whether and when the merger will be consummated;
- the timing of the merger; and
- general stock market and economic conditions.

The merger may not be completed and the exchange ratio may not be determined until a significant period of time has passed after the PepsiCo and Quaker special shareholder meetings. Therefore, at the time of their respective special shareholder meetings, PepsiCo and Quaker shareholders may not know the number of shares of PepsiCo common stock that will be issued for each share of Quaker common stock or the exact value of the PepsiCo common stock that will be issued in connection with the merger. Shareholders of PepsiCo and Quaker are urged to obtain current market quotations for PepsiCo capital stock and Quaker common stock.

WE MAY BE UNABLE TO SUCCESSFULLY INTEGRATE OUR OPERATIONS AND REALIZE THE FULL COST SAVINGS WE ANTICIPATE. The merger involves the integration of two companies that have previously operated independently. The difficulties of combining the companies' operations include:

- the necessity of coordinating geographically separated organizations; and
- integrating personnel with diverse business backgrounds.

The process of integrating operations could cause an interruption of, or loss of momentum in, the activities of one or more of the combined companies' businesses and the loss of key personnel. The diversion of management's attention and any delays or difficulties encountered in connection with the merger and the integration of the two companies' operations could have an adverse effect on the business, results of operations, financial condition or prospects of the combined company after the merger.

Among the factors considered by the PepsiCo board of directors and the Quaker board of directors in connection with their respective approvals of the

merger agreement were the opportunities for economies of scale, as well as operating efficiencies that could result from the merger. We cannot give any assurance that these savings will be realized within the time periods contemplated or even if they will be realized at all.

WE WILL INCUR SIGNIFICANT TRANSACTION EXPENSES AND INTEGRATION-RELATED COSTS IN CONNECTION WITH THE MERGER TRANSACTION. PepsiCo and Quaker expect to incur charges to operations to reflect costs associated with combining the operations of the two companies and transaction fees and other costs related to the merger. The majority of these costs will be expensed subsequent to the consummation of the merger and will adversely affect the results of the combined company and could adversely impact the market price of PepsiCo common stock. These costs include an anticipated one-time charge of approximately $100 million for transaction- and merger-related costs, which will be expensed at the date of the merger. Integration-related costs will be recognized as those actions take place subsequent to the merger. Although PepsiCo and Quaker expect that the elimination of duplicative costs, as well as the realization of other efficiencies related to the integration of the businesses, may offset additional expenses over time, we cannot give any assurance that a net benefit will be achieved in the near term, or at all.

THE MERGER MAY CAUSE DILUTION TO PEPSICO EARNINGS PER SHARE. The merger and the transactions contemplated by the merger agreement may have a dilutive effect on earnings per common share of PepsiCo due to the additional shares of PepsiCo that will be issued in the merger, the transaction and integration-related costs or other factors such as the failure to realize any benefit from synergies anticipated from the merger. This could adversely affect the market price of PepsiCo common stock. On a historical basis for PepsiCo, earnings per share--assuming dilution was $1.48 for the year ended December 30, 2000, as compared to $1.40, on a pro forma basis for the combined company. The pro forma figure does not include any benefits from synergies anticipated from the merger. See "Unaudited Pro Forma Condensed Combined Financial Information" beginning on page I-47 for additional pro forma financial information for the combined company after the merger.

OBTAINING REQUIRED REGULATORY APPROVALS AND SATISFYING CLOSING CONDITIONS MAY DELAY OR PREVENT COMPLETION OF THE MERGER. Completion of the merger is conditioned upon the receipt of all material governmental authorizations, consents, orders and approvals, including the expiration or termination of the applicable waiting periods, and any extension of the waiting periods, under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and approval by the European Commission. PepsiCo and Quaker intend to pursue all required regulatory approvals. The requirement for these approvals could delay the completion of the merger for a significant period of time after PepsiCo and Quaker shareholders have approved the proposals relating to the merger at their respective special shareholder meetings. See "The Merger Agreement--Principal Conditions to the Completion of the Merger" on page I-83 for a discussion of the conditions to the completion of the merger and "The Merger--Regulatory Matters" beginning on page I-42 for a description of the regulatory approvals necessary in connection with the merger. No assurance can be given, however, that these approvals will be obtained or that the required conditions to closing will be satisfied, and, if all such approvals are obtained and

the conditions are satisfied, no assurance can be given as to the terms, conditions and timing of the approvals.

EXECUTIVE OFFICERS OF QUAKER MAY RECEIVE CHANGE OF CONTROL BENEFITS EVEN IF THE MERGER IS NOT CONSUMMATED. Executive officers of Quaker participate in equity-based long-term incentive plans that have change of control provisions

that will be triggered if the Quaker shareholders approve the merger and the merger agreement. The unvested stock options and restricted stock held by executive officers under these plans will become fully vested at the time the Quaker shareholders approve the merger and the merger agreement. These stock options and shares of restricted stock will remain fully vested even if the merger is not consummated.

INFORMATION REGARDING FORWARD-LOOKING STATEMENTS

We have made forward-looking statements in this joint proxy statement/prospectus and in documents that are incorporated by reference in this joint proxy statement/prospectus about PepsiCo, Quaker and the combined company that are subject to risks and uncertainties. Forward-looking statements include the information regarding:

- synergies
- efficiencies
- cost savings
- revenue enhancements
- capital productivity
- returns on capital employed
- capital spending
- the timetable for closing the merger
- projections
- merger and integration-related expenses
- income and margins
- earnings per share
- growth
- economies of scale
- the economy
- future economic performance
- future acquisitions
- management's plans
- business portfolios
- future dividends

The sections in this document which contain forward-looking statements include "Questions and Answers About the Merger," "Summary," "Selected Historical and Pro Forma Combined Financial Information--Merger-Related

Expenses," "Selected Historical and Pro Forma Combined Financial Information--Integration-Related Expenses," "Risk Factors," "The Merger--Background of the Merger," "The Merger--PepsiCo's Reasons for the Merger," "The Merger--Quaker's Reasons for the Merger," "Unaudited Pro Forma Condensed Combined Financial Information" and "Opinions of Financial Advisors." Our forward-looking statements are also identified by words such as "believes," "expects," "anticipates," "intends," "estimates," "plans" or other similar expressions.

For those statements, we claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995.

In making these statements, we believe that our expectations are based on reasonable assumptions. Yet you should understand that the following important factors (many of which are beyond PepsiCo's and Quaker's control), in addition to those discussed elsewhere in this joint proxy statement/prospectus and in documents that we have incorporated by reference in this joint proxy statement/prospectus, could affect the future results of PepsiCo and Quaker, and of the combined company after completion of the merger. These factors could also cause those results or other outcomes to differ materially from those expressed in our forward-looking statements:

ECONOMIC AND INDUSTRY CONDITIONS

- materially adverse changes in economic or industry conditions generally or in the markets served by our companies

- access to capital markets

- the effect of economic conditions, inflation and interest rates

- the effect of changes in currency exchange rates and political and economic conditions worldwide

- the effect of changes in laws and regulations, including changes in accounting standards, trade, tax, price controls and other regulatory matters

OPERATING OR COMMERCIAL FACTORS

- supply disruptions

- technical difficulties

- changes in operating conditions and costs

- capital expenditure requirements

- the ability to generate cash flows or obtain financing to fund growth

- the ability to complete and integrate appropriate acquisitions, strategic alliances and joint ventures

- weather

- unfavorable publicity or reports concerning genetically-engineered foods

- changes in demographics and consumer preferences

TRANSACTION FACTORS

- our ability to integrate the businesses of PepsiCo and Quaker successfully after the merger

- the challenges inherent in diverting management's focus and resources from other strategic opportunities and from operational matters during the integration process

- the process of, or conditions imposed in connection with, obtaining regulatory approvals for the merger

- the outcome of negotiations with partners, governments, suppliers, customers or others

COMPETITIVE FACTORS

- the actions of competitors

- the financial resources of competitors

- the ability to respond to technological advances attained by competitors and patents granted to competitors

- the ability to manufacture products competitively and cost-effectively

POLITICAL/GOVERNMENTAL FACTORS

- political stability or changes in government in parts of the world where we do business

THE MERGER

GENERAL

We are furnishing this document to holders of PepsiCo capital stock and holders of Quaker common stock and Quaker Series B ESOP convertible preferred stock in connection with the solicitation of proxies by PepsiCo's board of directors and by Quaker's board of directors at their respective special shareholder meetings, and at any adjournments or postponements of either meeting.

PEPSICO PROPOSALS

At the PepsiCo special shareholders' meeting, PepsiCo will ask its shareholders to vote on:

- a proposal to approve the Agreement and Plan of Merger, dated as of December 2, 2000, as amended as of March 15, 2001, among PepsiCo, BeverageCo, Inc., a wholly owned subsidiary of PepsiCo, and Quaker, and the merger contemplated by that agreement;

- an amendment to PepsiCo's restated articles of incorporation authorizing PepsiCo convertible preferred stock to be issued in connection with the merger and changing the designation of PepsiCo "capital stock" to PepsiCo "common stock;" and

- the issuance of shares of PepsiCo common stock and PepsiCo convertible preferred stock in connection with the merger.

We sometimes refer to the foregoing collectively as the "PepsiCo merger proposals." The merger and the related share issuance will not be completed and the amendment to PepsiCo's restated articles of incorporation will not be effected unless each is approved by PepsiCo shareholders.

QUAKER PROPOSAL

At the Quaker special shareholders' meeting, Quaker will ask its shareholders to vote on a proposal to approve the Agreement and Plan of Merger, dated as of December 2, 2000, as amended as of March 15, 2001, among PepsiCo, BeverageCo, Inc., a wholly owned subsidiary of PepsiCo, and Quaker, and the merger contemplated by that agreement. We sometimes refer to the foregoing as the "Quaker merger proposal." The merger will not be completed unless Quaker shareholders approve the merger and the merger agreement.

The merger agreement provides for the merger of BeverageCo, Inc. with and into Quaker, with Quaker surviving the merger as a wholly-owned subsidiary of PepsiCo. The merger will become effective when the certificate of merger is filed with the Secretary of State of the State of New Jersey or at such other time as PepsiCo and Quaker agree. We anticipate that the parties will make this filing as soon as practicable after the last of the conditions precedent to the merger contained in the merger agreement has been satisfied or waived. We have attached copies of the merger agreement and an amendment to the merger agreement as Annex A to this document. We urge shareholders to read the merger agreement in its entirety because it is the legal document governing the merger.

BACKGROUND OF THE MERGER

On October 5, 2000, representatives of Merrill Lynch, Pierce, Fenner & Smith Incorporated, PepsiCo's financial advisor with respect to the merger, met with Roger A. Enrico, PepsiCo's Chairman of the Board and Chief Executive Officer, Steven S Reinemund, PepsiCo's President and Chief Operating Officer, Indra K. Nooyi, PepsiCo's Chief Financial Officer, and Robert F. Sharpe, Jr., PepsiCo's General Counsel, and presented their preliminary analysis of a possible business combination between PepsiCo and Quaker.

In the second week of October 2000, Mr. Enrico contacted Robert S. Morrison, Chairman, President and Chief Executive Officer of Quaker, and indicated an interest in meeting to discuss a possible business combination with Quaker.

On October 15, 2000, Messrs. Enrico, Reinemund, Sharpe, Ms. Nooyi and Matthew McKenna, PepsiCo's Treasurer, met with representatives of PepsiCo's financial advisor to discuss the opportunities presented by a merger between PepsiCo and Quaker.

On October 17, 2000, Messrs. Enrico and Reinemund had dinner in Chicago with Mr. Morrison and Terence D. Martin, Quaker's Senior Vice President and Chief Financial Officer, to discuss PepsiCo's interest in Quaker. Mr. Enrico expressed confidence that PepsiCo would be able to make a proposal for a stock merger. He outlined a number of factors that he believed would lead to greater value after a business combination. Mr. Enrico suggested that PepsiCo would likely be able to make a definitive merger proposal that would value each share of Quaker common stock in excess of $100 following a joint meeting of top operating management of the two companies. Mr. Morrison advised Messrs. Enrico and Reinemund that he would consider the request and respond to Mr. Enrico.

On October 19, 2000, Mr. Morrison advised Mr. Enrico that Quaker believed the proposed meeting of operating managers would be worthwhile, subject to negotiation of a satisfactory confidentiality agreement. A confidentiality agreement dated October 23, 2000 was signed on October 25, 2000.

On October 26, 2000, Messrs. Enrico, Reinemund, Ms. Nooyi, Massimo d'Amore, PepsiCo's Senior Vice President, Corporate Development, and senior operating and purchasing heads of PepsiCo's Tropicana, Frito-Lay and Frito-Lay International businesses met in Chicago with Messrs. Morrison and Martin, and Quaker's operating division and purchasing heads, to discuss their respective businesses and possible synergies between them.

On October 27, 2000, Mr. Sharpe contacted Mr. Martin and John G. Jartz, Quaker's Senior Vice President--General Counsel, Business Development and Corporate Secretary, to request additional information on Quaker's general and administrative expenses, which was provided.

On October 27, 2000, Mr. Enrico advised members of PepsiCo's board of directors regarding a possible merger with Quaker.

On October 30, 2000, Messrs. Enrico, Reinemund, Sharpe, McKenna and Ms. Nooyi met to develop a specific proposal to be presented to Mr. Morrison.

During the last two weeks of October 2000, Mr. Morrison individually updated each member of the Quaker board of directors regarding discussions with PepsiCo.

On the morning of November 1, 2000, Mr. Enrico called Mr. Morrison and stated that PepsiCo was prepared to make a proposal to acquire Quaker for 2.1 shares of PepsiCo capital stock for each share of Quaker common stock in a merger to be accounted for as a "pooling-of-interests." Mr. Enrico stated that PepsiCo would want a termination fee in certain events and an option on shares of Quaker common stock if the transaction proceeded. No price protection was provided for Quaker's shareholders in the event of a decline in PepsiCo's stock price. Mr. Morrison advised that the proposal would likely not be acceptable to Quaker and suggested that representatives of Goldman, Sachs & Co., Quaker's financial advisor, should meet with representatives of PepsiCo's financial advisor and senior PepsiCo representatives to discuss Quaker's particular concerns.

On November 1, 2000, at Quaker's request, representatives of Goldman, Sachs & Co. met with representatives from PepsiCo and a representative of PepsiCo's financial advisor, to advise them that Quaker believed that PepsiCo's proposal was insufficient. On behalf of Quaker, Goldman, Sachs & Co. requested that PepsiCo consider including a price protection provision to ensure that the value of the transaction would remain the same in the event of fluctuations within defined parameters in the price

of PepsiCo capital stock, commonly known as a collar provision, and that they address Quaker's desire to ensure certainty of completion of any transaction agreed to by Quaker.

On November 2, 2000, Mr. Enrico contacted Mr. Morrison and proposed a 2.3 to 1 fixed exchange ratio. He indicated that PepsiCo was not prepared to provide a collar provision. Mr. Enrico stated that Quaker had until 4:00 p.m. that day to respond to the proposal. At Quaker's request, Goldman, Sachs & Co. contacted Merrill Lynch, Pierce, Fenner & Smith Incorporated and proposed a transaction with a 2.33 to 1 fixed exchange ratio, as long as the value to Quaker's shareholders was between $102.50 and $117.50. This would have provided for a

value of approximately $110 per Quaker share based on PepsiCo's closing stock price on November 2, 2000. If the value to Quaker's shareholders was between $95 and $102.50 the proposal required PepsiCo to increase the exchange ratio to provide for a value of $102.50 per share of Quaker common stock, and if the value to Quaker's shareholders exceeded $117.50, the proposal would permit PepsiCo to decrease the exchange ratio to provide for a value of $117.50 per share of Quaker common stock. In addition, the proposal gave Quaker a right to terminate if the value per share of Quaker common stock was below $95.

Later in the day on November 2, 2000, Merrill Lynch, Pierce, Fenner & Smith Incorporated called Goldman, Sachs & Co. and indicated that PepsiCo would not increase its exchange ratio above the proposed 2.3 to 1 fixed exchange ratio and would not offer a collar provision. Quaker responded that the proposal was insufficient. Shortly thereafter, details of PepsiCo's proposal and Quaker's response were reported by the news media.

On November 3, 2000, the chief executive officer of Groupe Danone, which we refer to as Danone, called Quaker and expressed an interest in pursuing a possible business combination with Quaker. Danone's call followed news media disclosure as well as a July 21, 2000 meeting between Quaker, Danone and J.P. Morgan Securities Inc. during which Danone's chief executive officer expressed a broad interest in exploring a business combination, joint venture or other strategic alliance with Quaker.

Separately, on November 3, 2000, a representative of the financial advisor to The Coca-Cola Company, which we refer to as Coca-Cola, contacted Quaker expressing Coca-Cola's interest in a possible business combination with Quaker.

Between November 1, 2000 and November 5, 2000, Mr. Morrison had separate conversations with each member of the Quaker board of directors regarding the status of discussions with interested parties. On November 5, 2000, Quaker's board of directors held a telephonic meeting during which the directors were updated on the status of discussions with PepsiCo, Danone and Coca-Cola.

On November 6, 2000, Quaker and Coca-Cola entered into a confidentiality agreement. On November 7, 2000 senior management of Coca-Cola and Quaker met to discuss the details of Quaker's businesses and the synergies and opportunities that would arise from a possible business combination involving Quaker and Coca-Cola.

On November 8, 2000, J.P. Morgan Securities Inc. was added as a financial advisor to Quaker.

On November 8, 2000, Quaker's board of directors met and was briefed by representatives of Goldman, Sachs & Co. and Cadwalader, Wickersham & Taft, Quaker's outside legal counsel, regarding the status of the various merger and acquisition transactions that had been proposed by PepsiCo, Danone and Coca-Cola. Representatives of Cadwalader, Wickersham & Taft also briefed Quaker's board of directors on its related obligations. It was determined that Quaker would continue to conduct discussions with all parties.

On November 8, 2000, Quaker and Danone entered into a confidentiality agreement. Senior management of Danone and Quaker then met to discuss the details of Quaker's businesses and the

synergies and opportunities that would arise from a possible business combination between Quaker and Danone.

On November 12, 2000, Quaker, through its financial advisors, advised

Ms. Nooyi that the Quaker board of directors would meet to consider indications of interest from other parties concerning a merger transaction with Quaker. Ms. Nooyi was asked whether PepsiCo was willing to restate or improve upon its prior statement of interest.

On November 12, 2000, Cadwalader, Wickersham & Taft distributed a proposed merger agreement to each of PepsiCo, Coca-Cola and Danone with instructions to provide written comments to the agreement by November 17, 2000.

Later on November 12, 2000, during a meeting between Messrs. Morrison and Martin of Quaker and Douglas Daft, Chairman and Chief Executive Officer of Coca-Cola, and James Chestnut, Executive Vice President of Coca-Cola, Quaker received a written proposal from Coca-Cola to enter into a business combination. The proposal provided for an exchange ratio of 1.86 shares of Coca-Cola common stock for each share of Quaker common stock (which, based on the Coca-Cola closing price on November 10, 2000, represented a value in excess of $115 per Quaker share) and was subject to a symmetrical 10% collar provision, which provided that the exchange ratio would vary from a maximum of 2.046 to a minimum of 1.674.

On November 13, 2000, Quaker's board of directors held a telephonic meeting and Mr. Morrison provided an update regarding Coca-Cola's proposal and contacts that had been made with representatives of Goldman, Sachs & Co. by another strategic buyer. They also discussed the status of the PepsiCo and Danone discussions. Representatives of Goldman, Sachs & Co. reviewed each proposal received to date and representatives of Cadwalader, Wickersham & Taft discussed the legal aspects of each potential transaction.

On November 13, 2000, Quaker received a written proposal from Danone to enter into a business combination. The proposal provided that each share of Quaker common stock would be exchanged for 3.8 Danone American Depositary Shares. This proposal represented a value of approximately $113 per Quaker common share. Such a transaction would result in Quaker common shareholders holding approximately 40% of the outstanding shares of Danone. No collar provision was included in the proposal.

On November 13, 2000, following internal discussions, Ms. Nooyi advised a representative of Goldman, Sachs & Co. that PepsiCo was restating its interest in a merger with Quaker at an exchange ratio of 2.3 shares with no collar provision, but with the right for Quaker to terminate the transaction if PepsiCo stock traded below $40 per share.

On November 14, 2000, Coca-Cola began a detailed due diligence review of Quaker. This review included a review of data room materials in Chicago and meetings with Quaker's management and accountants.

On November 14, 2000 representatives of Cadwalader, Wickersham & Taft met with representatives of Wachtell, Lipton, Rosen & Katz and King & Spalding, outside legal counsel to Coca-Cola, to discuss Coca-Cola's initial comments on the merger agreement. At this meeting representatives of Cadwalader, Wickersham & Taft explained that the proposed merger agreement had been distributed to other interested parties.

Coca-Cola continued its due diligence in Chicago during the morning of November 15, 2000. Later that day, Allen & Company Incorporated, Coca-Cola's financial advisor, contacted representatives of Goldman, Sachs & Co. and indicated that Coca-Cola would withdraw its proposal if Quaker did not immediately terminate other negotiations and negotiate exclusively with Coca-Cola. Coca-Cola subsequently withdrew its proposal.

Later on November 15, 2000, Quaker's board of directors held a telephonic meeting at which Mr. Morrison updated the directors on developments regarding the ongoing discussions with Coca-Cola, Danone and PepsiCo. During this meeting, representatives of Goldman, Sachs & Co. reviewed discussions with Coca-Cola's financial advisor. Later that day, Coca-Cola was advised that at that time Quaker would not terminate its discussions with other interested parties.

On November 16, 2000, representatives of Quaker and Danone along with their financial advisors met in New York to discuss Danone's merger agreement comments and to begin Danone's review of Quaker's data room diligence materials. Later in the day, Quaker's board of directors held a telephonic meeting during which representatives of Cadwalader, Wickersham & Taft and Goldman, Sachs & Co. updated the directors regarding recent discussions with Coca-Cola, PepsiCo and Danone.

Danone's due diligence in New York continued through November 17, 2000 and included a detailed review of data room materials and meetings between senior management of Danone and Quaker. Quaker also began a due diligence review of Danone, including meetings and interviews with senior Danone management.

On November 16, 2000, on Quaker's behalf, a representative of Goldman, Sachs & Co. advised Ms. Nooyi that, in order to be competitive with the other proposals, PepsiCo would have to increase its bid, and reiterated the need to revise and return the draft merger agreement.

On November 16, 2000, at a regularly scheduled PepsiCo board of directors meeting, Mr. Enrico and Ms. Nooyi briefed the PepsiCo board of directors on the status of merger discussions with Quaker and the valuation underlying PepsiCo's offer. They also reviewed in detail the benefits to PepsiCo and its shareholders of a possible transaction.

On November 17, 2000, Ms. Nooyi and Mr. Sharpe informed a representative of Goldman, Sachs & Co. that it did not seem useful to provide a revised merger agreement until there was an understanding with Quaker on proposed pricing and other key terms. The representative reiterated Quaker's request for proposed merger agreement revisions. After discussions with Messrs. Enrico and Reinemund, Mr. Sharpe then called the representative and advised him that PepsiCo would not be providing comments on the merger agreement and that, accordingly, PepsiCo was not making a proposal.

Later on November 17, 2000, Mr. Enrico spoke to Mr. Morrison to confirm that PepsiCo would not be submitting a proposal.

In the meantime, in several separate conversations with Quaker management and representatives of Goldman, Sachs & Co. and Cadwalader, Wickersham & Taft occurring on November 16, 2000 and November 17, 2000, Coca-Cola management and representatives indicated their willingness to resume discussions of a business combination on terms described in Coca-Cola's November 12, 2000 letter, provided Quaker discontinued all discussions with other interested parties.

In the early morning of November 18, 2000, Quaker received a revised proposal from Danone which was approved by the Danone board of directors. The proposal contained two alternate structures. The first structure was a fixed exchange ratio of 3.95 Danone American Depositary Shares for each share of Quaker common stock, equivalent to approximately $111 per share of Quaker common stock, without any adjustment to the exchange ratio if Danone's stock price declined. The second structure was an exchange ratio determined by dividing $106 by the average daily price of a Danone American Depositary Share, except that if such average price was equal to or less than $26.010, the exchange ratio would be set at 4.075 and if such average price was equal to or greater than $31.790,

the exchange ratio would be set at 3.334. The proposal by its terms would terminate if not accepted by 5:00 p.m. that evening.

Later that morning Mr. Jartz and representatives from Cadwalader, Wickersham & Taft met with Coca-Cola's legal representatives from Wachtell, Lipton, Rosen & Katz and King & Spalding to discuss Coca-Cola's position on key merger agreement issues. At this meeting, Coca-Cola's representatives reiterated Coca-Cola's strong desire to work with Quaker only on an exclusive basis.

In the afternoon of November 18, 2000, Quaker's board of directors met in New York. The purpose of the meeting was to provide a full update on the competing Danone and Coca-Cola proposals. At the meeting, representatives of Cadwalader, Wickersham & Taft provided a detailed comparison of the Danone and Coca-Cola merger agreements, representatives of J.P. Morgan Securities Inc. provided a review of Danone and Danone's proposal and representatives of Goldman, Sachs & Co. provided a review of Coca-Cola and Coca-Cola's proposal. After extensive discussions, the Quaker board of directors decided to pursue a business combination with Coca-Cola, so long as Douglas Daft, Coca-Cola's Chairman and Chief Executive Officer, would provide assurances that Coca-Cola's board of directors would support the transaction based on terms already discussed by the parties if acceptable merger agreement terms could be agreed upon. To this end, immediately following the Quaker board of directors meeting, a conference call was held among Mr. Daft and Donald Keough, President of Allen & Company Incorporated, Messrs. Morrison, Martin and Jartz of Quaker, Dennis J. Block of Cadwalader, Wickersham & Taft and two of Quaker's outside directors, W. James Farrell and J. Michael Losh. The purpose of the call was for Quaker to obtain assurances regarding the support and commitment of Coca-Cola's board of directors to consummate a transaction upon the terms set forth in Coca-Cola's letter dated November 12, 2000. During the call, Quaker advised Coca-Cola's representatives that Quaker would forego other proposals in order to satisfy Coca-Cola's requirement of exclusivity. Messrs. Daft and Keough provided assurances that the Coca-Cola board of directors had been informed regarding the proposed transaction. Messrs. Daft and Keough also indicated that Coca-Cola's management was committed to finalizing a transaction and obtaining the approval of Coca-Cola's board of directors on November 21, 2000 so that the transaction could be announced on November 22, 2000 before the Thanksgiving holiday.

Based upon the assurances of Messrs. Daft and Keough, Quaker instructed J.P. Morgan Securities Inc. to inform Danone that Quaker would allow Danone's proposal to lapse and that Quaker intended to pursue a transaction with another party.

Between November 18, 2000 and November 20, 2000 market rumors regarding a Quaker and Coca-Cola transaction surfaced. Coca-Cola's stock fell by $4.875 per share on November 20, 2000 and fell an additional $1.3125 per share on November 21, 2000. At the close of business on November 20, 2000, Coca-Cola released a statement confirming its discussions with Quaker regarding a possible business combination.

On November 19, 2000, Coca-Cola resumed its due diligence review in Chicago and its meetings with Quaker's senior management. Coca-Cola and Quaker also continued detailed negotiations regarding the proposed merger agreement, disclosure schedules and other ancillary agreements. Coca-Cola provided a revised draft of the merger agreement to Quaker's attorneys and the parties met to discuss the merger agreement and the open issues in detail.

Coca-Cola continued its due diligence review and its management meetings through November 20, 2000. Goldman, Sachs & Co. also conducted due diligence on

Coca-Cola for purposes of a possible fairness opinion it would deliver to Quaker. Detailed negotiations continued on the merger agreement, disclosure schedules and a joint defense and confidentiality agreement relating to regulatory approvals necessary to consummate the merger.

On November 21, 2000, Coca-Cola completed its due diligence review of Quaker. Messrs. Daft and Morrison met at Coca-Cola's New York City offices to take care of details regarding the announcement of the merger transaction. Discussions on all merger documents continued and the joint defense and confidentiality agreement was executed by all parties, including Coca-Cola and its counsel. Arthur Andersen LLP, Quaker's independent accountants, delivered a final "poolability" letter to Coca-Cola and Quaker.

Both Quaker and Coca-Cola had scheduled board of directors meetings for 4:00 p.m. that afternoon. In the late afternoon of November 21, 2000, legal representatives of Quaker and Coca-Cola met at the offices of King & Spalding and finalized all merger documentation.

The Quaker board of directors held a telephonic meeting which began at 4:00 p.m. that afternoon. At the meeting, representatives of Cadwalader, Wickersham and Taft discussed the board's fiduciary duties in considering a business combination and fully discussed the terms of the merger agreement and related documents. Representatives of Goldman, Sachs & Co. and J.P. Morgan Securities Inc. each reviewed their firm's respective financial analyses related to the proposed transaction. The Quaker board of directors unanimously approved the business combination with Coca-Cola, conditioned upon approval of the transaction by the Coca-Cola board of directors. The Quaker board of directors also approved Amendment No. 1 to the Rights Agreement dated as of May 8, 1996 between Quaker and Harris Trust and Savings Bank providing that the business combination with Coca-Cola would not trigger any rights under the Rights Agreement.

After 9:00 p.m. on November 21, 2000, Mr. Daft called Mr. Morrison and advised him that the Coca-Cola board of directors had unanimously rejected the business combination. Later that night, Coca-Cola issued a press release setting forth its determination not to pursue an acquisition of Quaker.

On November 22, 2000, Danone publicly announced, and participated in, an analyst call to discuss its continued interest in acquiring Quaker. Danone's stock price fell by 9.4% that day. On November 23, 2000, Danone's chief executive called Mr. Morrison to inform him that Danone would no longer pursue an acquisition of Quaker. Later that day, Danone publicly announced its decision not to pursue a transaction with Quaker.

On November 24, 2000, Quaker's board of directors held a telephonic meeting during which the directors were updated on the discussions with Danone. The board of directors was informed that Danone had decided not to pursue a transaction with Quaker. Mr. Morrison reviewed his prior discussions with PepsiCo and the directors agreed that Quaker should attempt to renew discussions with PepsiCo.

On November 24, 2000, a representative of Goldman, Sachs & Co., at the request of Quaker, contacted PepsiCo to determine if PepsiCo continued to be interested in pursuing a business combination with Quaker. PepsiCo indicated that it was still interested in pursuing a business combination.

On November 25, 2000, Mr. Morrison and Mr. Enrico discussed PepsiCo's interest in a possible business combination with Quaker.

On November 26, 2000, following internal discussions among Messrs. Enrico, Reinemund, Sharpe, Ms. Nooyi and Karl von der Heyden, PepsiCo's Vice Chairman, Mr. Enrico called Mr. Morrison to indicate that PepsiCo was willing to move ahead with a bid based on an exchange ratio of 2.3 PepsiCo shares for each share of Quaker common stock, a $103.50 cap on the value of PepsiCo shares to be exchanged for each Quaker share, a termination right for Quaker if PepsiCo stock traded at less than $40 per share, availability of Mr. Morrison to continue as Quaker's Chief Executive Officer for a period of time following the closing acceptable to PepsiCo and an option on Quaker common shares.

During the week of November 27, 2000, Messrs. Sharpe, McKenna and other PepsiCo employees and representatives of PepsiCo's financial advisor and its legal counsel conducted a detailed due diligence review of Quaker which included a review of data room materials in Chicago and meetings with Quaker's management and accountants. Quaker's financial advisors conducted due diligence on PepsiCo in connection with their financial analyses and a possible fairness opinion each would be asked to deliver to Quaker.

On November 27, 2000, a representative of Goldman, Sachs & Co. called Ms. Nooyi on behalf of Quaker to request an increase in the cap, and Mr. Morrison called Mr. Enrico with the same request. Later on November 27, Mr. Sharpe and Ms. Nooyi stated to a representative of Goldman, Sachs & Co. that PepsiCo would not increase the cap.

On November 27, 2000, Messrs. Reinemund and Morrison met in Westchester County, New York to discuss potential employment for Mr. Morrison.

On November 28, 2000, Davis Polk & Wardwell, PepsiCo's legal counsel, delivered written comments on the proposed merger agreement to Cadwalader, Wickersham & Taft.

On November 28, 2000, Quaker's board of directors held a telephonic meeting during which the directors reviewed the proposal made by PepsiCo on November 26, 2000. After discussions with representatives of Cadwalader, Wickersham & Taft and J.P. Morgan Securities Inc., the board of directors determined that Quaker should continue discussions with PepsiCo.

On November 30, 2000, Quaker's financial advisors conducted a review in Purchase, New York of PepsiCo's business and financial condition.

On November 30, 2000, representatives of Quaker, Cadwalader, Wickersham & Taft, PepsiCo and Davis Polk & Wardwell met at Cadwalader, Wickersham & Taft's offices in New York City to discuss open issues regarding the merger agreement. PepsiCo committed to divest its ALL SPORT business if required to gain antitrust approval of a transaction with Quaker and a number of other issues were resolved. However, no agreement was reached on the nature or amount of the price cap.

On December 1, 2000, Mr. Sharpe and Ms. Nooyi met with a representative of Goldman, Sachs & Co. and advised him that PepsiCo would raise its price cap to $105 but that otherwise PepsiCo would not change its proposal.

On December 1, 2000, Cadwalader, Wickersham & Taft delivered a revised merger agreement to Davis Polk & Wardwell. Both PepsiCo and Quaker scheduled board of directors meetings for December 2, 2000.

Later on December 1, 2000, Mr. Sharpe called a representative of Goldman,

Sachs & Co. and informed him that PepsiCo needed to be advised on the progress of the transaction during that afternoon.

At 5:15 p.m. on December 1, 2000, a conference call took place between Messrs. Morrison and Jartz, Quaker's accountants and representatives of Cadwalader, Wickersham & Taft and, for PepsiCo, Messrs. Reinemund and Sharpe and PepsiCo's accountants, to discuss certain issues relating to the transaction. At the conclusion of the discussion, Mr. Morrison indicated to Messrs. Reinemund and Sharpe that he was willing to recommend the merger transaction to his board of directors on the basis of the PepsiCo proposal.

On the morning of December 2, 2000, representatives of Quaker, Cadwalader, Wickersham & Taft, PepsiCo and Davis Polk & Wardwell met at Cadwalader, Wickersham & Taft's midtown conference center in New York City to finalize the merger agreement.

At 3:00 p.m. on December 2, 2000, the PepsiCo board of directors held a telephonic meeting to consider the proposed transaction. Mr. Enrico and other members of PepsiCo's management reviewed with the board of directors the principal terms of the transaction, Quaker's financial condition and business operations, the strategic reasons for the transaction, and the financial implications of the transaction. Mr. Sharpe discussed the terms of the merger agreement and option agreement and the terms of Mr. Morrison's proposed new employment agreement with PepsiCo. Representatives of Merrill Lynch, Pierce, Fenner & Smith Incorporated presented to the board of directors its financial analyses relating to the transaction and delivered Merrill Lynch's opinion that as of that date the ratio for exchanging shares of PepsiCo capital stock for shares of Quaker common stock pursuant to the merger agreement was fair, from a financial point of view, to PepsiCo.

Upon completion of its deliberations, the PepsiCo board of directors determined that the proposed transaction was fair and in the best interests of PepsiCo and its shareholders, and unanimously approved the merger agreement, the option agreement, the amendment to its restated articles of incorporation relating to the creation of convertible preferred stock and the redesignation of the PepsiCo "capital stock" to PepsiCo "common stock," and recommended that PepsiCo shareholders approve the merger agreement, the merger, the amendment to PepsiCo's restated articles of incorporation and the issuance of PepsiCo common stock and convertible preferred stock in the merger.

At 4:00 p.m., Quaker held a telephonic board of directors meeting. At the meeting, representatives of Cadwalader, Wickersham and Taft described the terms of the merger agreement and discussed the board's fiduciary duties in considering a business combination and further discussed the terms of the merger agreement and related documents. Representatives of Quaker's financial advisors presented a summary of their respective financial analyses related to the proposed transaction and delivered their respective oral opinions, which were subsequently confirmed in writing, that as of such date and based upon and subject to the factors and assumptions set forth in their respective opinions, the exchange ratio in the merger was fair from a financial point of view to the common shareholders of Quaker. After discussion and due consideration, the Quaker board of directors unanimously approved the merger transaction with PepsiCo and recommended that Quaker shareholders approve the merger agreement and the merger. The Quaker board of directors also approved Amendment No. 2 to the Rights Agreement dated May 8, 1996 between Quaker and Harris Trust and Savings Bank which rescinded Amendment No. 1 to the Rights Agreement and provided that the business combination with PepsiCo would not trigger any rights under the Rights Agreement.

After the board of directors meetings of Quaker and PepsiCo were concluded, Mr. Morrison's employment agreement was executed by Mr. Morrison, PepsiCo and Quaker, and Quaker and PepsiCo executed and delivered a definitive merger agreement and stock option agreement.

Before the opening of trading on December 4, 2000, PepsiCo and Quaker issued a joint press release announcing the execution of the merger agreement.

Effective March 15, 2001, PepsiCo and Quaker executed an amendment to the merger agreement. The amendment conforms the merger agreement's requirement for presentation of matters to PepsiCo shareholders to that provided for in this joint proxy statement/prospectus and provides for an amendment to the Quaker Retirement Plan so that certain amendments to this plan can be made after the effective time of the merger.

PEPSICO'S REASONS FOR THE MERGER

Quaker's existing beverage and snack food businesses align with PepsiCo's strategy to remain highly focused on growth through the sale of convenient foods and beverages. The strong,

complementary brands and scale warehouse distribution system that Quaker's businesses bring to PepsiCo broaden the platforms available for long-term growth. PepsiCo believes that the proposed merger with Quaker will solidify and enhance its top and bottom line growth prospects and improve its return on invested capital over time, thereby creating significant value for PepsiCo's shareholders.

BEVERAGES. Gatorade is a strong brand, which historically has sustained a high rate of growth. Over the last three years, Gatorade's sales have grown at an annual rate of approximately 12% and profits have grown at approximately 15%. PepsiCo believes Gatorade is well positioned to sustain revenue growth at an annual rate of more than 9% over the next three to five years.

PepsiCo expects the addition of the Gatorade active thirst quencher business to its portfolio of carbonated and non-carbonated refreshment beverages and juices to enhance PepsiCo's strategic position as a total beverage company and to improve its sales and profit growth rates over time. Gatorade's thirst quenching products are well positioned in the fast-growing non-carbonated refreshment and functional beverages segment. This segment, which includes juices and juice-based beverages, packaged water, tea and coffee based beverages and other beverages, is expected to grow faster than carbonated soft-drinks.

PepsiCo also believes that the addition of the Gatorade business will benefit the Twister and Season's Best ambient juice business of its Tropicana division. Tropicana's ambient juice business, which represents approximately 20% of total Tropicana sales, and Gatorade are sold through similar distribution systems and frequently are found in the same part of the store. PepsiCo believes that utilizing Gatorade's broker warehouse and selling organization and its presence in the ambient aisle of the store will increase annual revenues from Tropicana's ambient business by an incremental $400 million after five years.

In addition, while Gatorade has a very effective warehouse distribution system, PepsiCo believes there may be opportunities to use the Pepsi bottling system to increase Gatorade's penetration in areas that historically have been underserved by warehouse distribution, such as vending machines, schools and smaller, non-chain convenience stores.

Over the longer term, PepsiCo believes an opportunity exists to increase the revenues of Gatorade outside the United States by using the existing sales and distribution organizations of Pepsi-Cola International and Frito-Lay International. The ability to offer Gatorade as well as other ambient beverages through these distribution systems might also make it attractive for PepsiCo or co-packers to expand local hot-fill bottling capacity.

In addition to revenue opportunities, PepsiCo expects to realize cost synergies from the combination. Procurement savings of approximately $60 million per year are expected after five years from reductions in the costs of raw materials such as plastic bottles, packaging and the costs of other significant goods and services.

Cost savings are also expected to result from the alignment of Tropicana's ambient broker warehouse and selling systems with Gatorade's. In addition, Gatorade is "hot-filled," which means it is produced in a semi-pasteurized environment. PepsiCo beverage products such as Twister, Lipton Original tea, Frappuccino and SoBe beverages are also "hot-filled." PepsiCo believes that there is opportunity for better system capacity rationalization, both in the "hot-fill" manufacturing facilities and in the related warehouse, delivery and logistics systems. Collectively, these cost savings are expected to reach $65 million after five years.

PepsiCo believes the merger will benefit the combined company over the longer term because it will enhance overall innovation capabilities. The research and development capabilities of the Gatorade Sports Science Institute, with its expertise in sports physiology, can be aligned with the capabilities of

the Tropicana Nutrition Center, with its nutrition expertise, to develop innovative, functional products that will meet the refreshment and nutrition needs of the consumer.

SNACKS. PepsiCo believes that the combination with Quaker will enhance the strategy of its Frito-Lay snack business to "grow the core" and "add more." "Grow the core" refers to growing Frito-Lay's core salty snack and fun food business. With "add more," Frito-Lay intends to add products such as snack bars that are not "core" now, but that are similar to its core products, i.e. convenient, good-tasting products and packages that can be purchased and consumed on-the-go, but which are not salty snacks. In support of its "add more" initiative, Frito-Lay has been re-engineering its system to increase the number of units that it can handle through its direct store delivery distribution system.

Quaker has a $380 million snack business, which includes granola bars, rice snacks and fruit and oatmeal bars. Quaker's snack business already has a leading position in the fast growing bar segment of the snack category. The profits of Quaker's snack business have grown at a rate of 10% annually over the past three years.

In addition to the strong growth it expects from Quaker's base business, PepsiCo believes that it can use Frito-Lay's distribution system to increase the annual revenues of the base snack business by an incremental $200 million after five years.

PepsiCo also believes that, as with beverages, its "add more" efforts will benefit from the strong brands that Quaker will bring to the combination. The Quaker brand name gives Frito-Lay access to consumption occasions that existing Frito-Lay brands such as Ruffles, Doritos or Tostitos do not serve. For example, the Quaker brand platform allows Frito-Lay to develop and deliver snacks that

are more suitable to consumption in the morning (when consumers typically do not crave salty snacks) or even mid-afternoon (when consumers who had a sandwich with chips might want a different type of snack). The Quaker brand also connotes nutrition and health, supporting products that offer nutrition benefits as well as good taste and fun. In addition to the Quaker brand, PepsiCo believes that it may benefit from the use of some other Quaker brands for convenient snack products, including Gatorade, which already brands an energy bar, Life and Cap'n Crunch. PepsiCo also believes there is an opportunity to use Quaker's snack business and brand platform through sales outside of the United States.

OTHER FOODS. After the merger, Quaker's non-sn