

SECURITIES AND EXCHANGE COMMISSION

FORM 10-12B/A

Initial general form for registration of a class of securities pursuant to Section 12(b) [amend]

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TRICON GLOBAL RESTAURANTS INC

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Amendment No. 2

FORM 10/A

GENERAL FORM FOR
REGISTRATION OF SECURITIES

Pursuant to Section 12(b) or (g) of
the Securities Exchange Act of 1934

TRICON GLOBAL RESTAURANTS, INC.
Incorporated in North Carolina

1441 Gardiner Lane
Louisville, Kentucky 40213

(502) 456-8300
(Address of Principal Executive Offices)

13-3951308
(I.R.S. Employer Identification No.)

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

Title of Each Class to be so Registered	Name of Each Exchange on Which Each Class is to be Registered
Common Stock, (without par value)	New York Stock Exchange

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

EXPLANATORY NOTE

This amended Form 10 Registration Statement has been prepared on a prospective basis on the assumption that, among other things, the Distribution (as hereinafter defined) and the related transactions contemplated to occur prior to or contemporaneously with the Distribution will be consummated as contemplated by the Information Statement which is a part of this amended Registration Statement. There can be no assurance, however, that any or all of such transactions will occur or will occur as so contemplated. Any significant

modifications or variations in the transactions contemplated will be reflected in a further amendment or supplement to this amended Registration Statement.

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CROSS REFERENCE

TRICON GLOBAL RESTAURANTS, INC.

INFORMATION INCLUDED IN INFORMATION STATEMENT
AND INCORPORATED IN FORM 10 BY REFERENCE

CROSS-REFERENCE SHEET BETWEEN INFORMATION STATEMENT
AND ITEMS OF FORM 10

Item 1. Business.

The information required by this item is contained under the sections entitled "Introduction," "Business of TRICON," "Selected Combined Financial Data," "Management's Discussion and Analysis," "Combined Financial Statements" and "Condensed Combined Financial Statements" in the Information Statement dated _____, 1997 attached hereto as Annex A (the "Information Statement") and such sections are incorporated herein by reference.

Item 2. Financial Information.

The information required by this item is contained under the sections entitled "Selected Combined Financial Data" and "Management's Discussion and Analysis" in the Information Statement and such sections are incorporated herein by reference.

Item 3. Properties.

The information required by this item is contained under the section entitled "Business of TRICON - Other" in the Information Statement and such section is incorporated herein by reference.

Item 4. Security Ownership of Certain Beneficial Owners and Management.

The information required by this item is contained under the sections entitled "Management of TRICON - Board Compensation and Benefits," "Management of TRICON - Stock Ownership of Executive Officers and Directors," and "New Stock-Based and Incentive Plans of TRICON" in the Information Statement and such sections are incorporated herein by reference.

Item 5. Directors and Executive Officers.

The information required by this item is contained under the sections entitled "Management of TRICON - Directors" and "Management of TRICON - Executive Officers" in the Information Statement and such sections are incorporated herein by reference.

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Item 6. Executive Compensation.

The information required by this item is contained under the sections entitled "Management of TRICON - Board Compensation and Benefits," "Executive Compensation" and "New Stock-Based and Incentive Plans of TRICON" in the Information Statement and such sections are incorporated herein by reference.

Item 7. Certain Relationships and Related Transactions.

The information required by this item is contained under the sections entitled "The Distribution - Results of the Distribution," and "The Distribution - Relationship between PepsiCo and TRICON after the Distribution" in the Information Statement and such sections are incorporated herein by reference.

Item 8. Legal Proceedings.

The information required by this item is contained under the section entitled "Business of TRICON - Other" in the Information Statement and such section is incorporated herein by reference.

Item 9. Market Price of and Dividends on the Registrant's Common Equity and Related Stockholder Matters.

The information required by this item is contained under the sections entitled "Management of TRICON - Stock Ownership of Executive Officers and

Directors," and "Description of TRICON Capital Stock" in the Information Statement and such sections are incorporated herein by reference.

Item 10. Recent Sales of Unregistered Securities.

On May 30, 1997, as part of its original incorporation, TRICON issued 100 shares of its Common Stock, for a total consideration of \$5.00, to PepsiCo, which is and will be TRICON's sole shareholder until the Distribution has been completed as of the Distribution Date as defined and described in the section "The Distribution" of the Information Statement, which section is incorporated herein by reference. Subsequent to the Distribution, PepsiCo will hold no equity interest in TRICON. However, immediately after the Distribution Date, TRICON shares will be owned by PepsiCo's pension trust on behalf of PepsiCo's employees.

Item 11. Description of Registrant's Securities to be Registered.

The information required by this item is contained under the section entitled "Description of TRICON Capital Stock" in the Information Statement and such section is incorporated herein by reference. Reference is also made to the Restated Articles of Incorporation and Bylaws of TRICON Global Restaurants, Inc. which are set forth as Exhibits 3.01 and 3.02 hereto.

Item 12. Indemnification of Directors and Officers.

The information required by this item is contained under the section entitled "Indemnification of Directors" in the Information Statement and such section is incorporated herein by reference.

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Item 13. Financial Statements and other Supplementary Data.

The information required by this item is contained under the sections entitled "Combined Financial Statements," "Condensed Combined Financial Statements" and "Pro Forma Condensed Combined Financial Statements" on pages F-1 through F-34 of the Information Statement and such sections are incorporated herein by reference.

Item 14. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

Not Applicable.

Item 15. Financial Statements and Exhibits.

(a) Financial Statements.

The information required by this item is contained in the "Index to Financial Statements" on Page F-1 of the Information Statement and such information is incorporated herein by reference.

(b) Exhibits.

The following documents are filed as exhibits hereto:

Exhibit No.	Description	Page No.
2.01	Form of Separation Agreement	
3.01	Restated Articles of Incorporation	
3.02*	Bylaws	
10.01	Form of Tax Separation Agreement	
10.02	Form of Employee Programs Agreement	
10.03*	Form of Telecommunications, Software and Computing Services Agreement.....	
10.04**	Employment Agreement between TRICON Global Restaurants, Inc. and Andrall E. Pearson.....	
10.05**	Sales and Distribution Agreement between PFS, Pizza Hut, Taco Bell and KFC.....	
21.01**	Active Subsidiaries of TRICON as of October 6, 1997.....	
27.01	Financial Data Schedule For Year-End 1996.....	
27.02	Financial Data Schedule For Second Quarter 1997.....	

* Previously filed.

** Filed with this amendment.

SIGNATURES

Pursuant to the requirements of Section 12 of the Securities Exchange Act of 1934, the registrant has duly caused this amendment to the registration statement to be signed on its behalf by the undersigned, thereunto duly authorized.

TRICON GLOBAL RESTAURANTS, INC.

August 20, 1997

By ANDRALL E. PEARSON

Andrall E. Pearson
Chairman of the Board

ANNEX A

SUBJECT TO COMPLETION DATED AUGUST 20, 1997

INFORMATION STATEMENT

TRICON GLOBAL RESTAURANTS, INC.
Common Stock
(without par value)

This Information Statement is being furnished by PepsiCo, Inc. ("PepsiCo") in connection with the distribution (the "Distribution") to holders of record of PepsiCo Capital Stock at the close of business on September 19, 1997 of one share of common stock, without par value (the "Common Stock"), of TRICON Global Restaurants, Inc. ("TRICON" or the "Company"), for every ten shares of PepsiCo Capital Stock held of record as of that date. Fractional shares, other than those held by participants in certain PepsiCo plans, will be aggregated into whole shares of TRICON Common Stock and sold on the open market by the Distribution Agent (as hereinafter defined), with the proceeds thereof distributed to holders who would otherwise be entitled to receive such fractional shares. See "The Distribution - Manner of Effecting the Distribution."

The Company is a wholly-owned subsidiary of PepsiCo. As a result of transactions entered into in connection with the Distribution, as of 11:59:59 E.D.T. on October 6, 1997 (the "Distribution Date"), TRICON will own substantially all of the businesses and assets of, and will be responsible for substantially all of the liabilities associated with, PepsiCo's core restaurant businesses.

The Distribution will be effective on the Distribution Date. No consideration will be paid by PepsiCo's shareholders for shares of TRICON Common Stock. There is no current public market for the TRICON Common Stock, although it is expected that a "when issued" trading market will develop prior to the

Record Date (as hereinafter defined). Application has been made to list the TRICON Common Stock on the New York Stock Exchange (the "NYSE").

NO VOTE OF SHAREHOLDERS IS REQUIRED IN CONNECTION WITH THIS DISTRIBUTION. NO PROXIES ARE BEING SOLICITED, AND YOU ARE REQUESTED NOT TO SEND US A PROXY.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS INFORMATION STATEMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

THIS INFORMATION STATEMENT DOES NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY ANY SECURITIES.

The date of this Information Statement is _____, 1997.

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INFORMATION STATEMENT

This Information Statement is being furnished solely to provide information to shareholders of PepsiCo who will receive shares of TRICON Common Stock in the Distribution. It is not, and is not to be construed as, an inducement or encouragement to buy or sell any securities of PepsiCo or TRICON. The information contained in this Information Statement is believed to be accurate as of the date set forth on its cover. Changes may occur after that date, and neither PepsiCo nor TRICON will update the information except in the normal course of their respective public disclosures.

SUMMARY

This summary is qualified by the more detailed information set forth elsewhere in this Information Statement, which should be read in its entirety. Unless the context otherwise requires, (i) references in this Information Statement to PepsiCo shall include PepsiCo's subsidiaries, (ii) references to TRICON or the Company shall include TRICON's subsidiaries, and (iii) references to TRICON or the Company prior to the Distribution Date shall refer to the core restaurant businesses, KFC, Pizza Hut and Taco Bell, as operated by PepsiCo.

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THE DISTRIBUTION

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Distributing Company.....

PepsiCo, Inc.

TRICON Global Restaurants, Inc.....

TRICON Global Restaurants, Inc., a North Carolina corporation, is the world's largest quick service restaurant business in terms of the number of units, with more than 29,000 KFC, Pizza Hut and Taco Bell system units generating over \$20 billion in annual worldwide system sales.

Distribution Ratio.....

One share of TRICON Common Stock for every ten shares of PepsiCo Capital Stock. Fractional shares, other than those held by participants in certain PepsiCo plans, will be aggregated into whole shares of TRICON Common Stock and sold on the open market by the Distribution Agent, with the proceeds thereof distributed to holders who would otherwise be entitled to receive such fractional shares. See "The Distribution - Manner of Effecting the Distribution." No payment need be made by PepsiCo shareholders for the shares of TRICON Common Stock to be received by them, nor will they be required to surrender or exchange

PepsiCo Capital Stock in order to receive TRICON Common Stock.

Shares to be Distributed.....

Approximately 152 million shares of TRICON Common Stock, based on the number of shares of PepsiCo Capital Stock outstanding as of July 11, 1997. PepsiCo will retain no ownership in TRICON. However, immediately after the Distribution Date, TRICON shares will be owned by PepsiCo's pension trust on behalf of PepsiCo's employees.

Conditions to the Distribution.....

The Distribution is subject to a number of conditions, including (i) a favorable ruling of the Internal Revenue Service concerning the tax-free nature of the Distribution, (ii) appropriate stock market conditions for the Distribution, (iii) various regulatory approvals, and (iv) approval by

PepsiCo's Board of Directors of the final terms of the Distribution, including, without limitation, the formal declaration of a dividend to PepsiCo's shareholders and other specific actions necessary to the Distribution. The conditions in clauses (i), (ii) and (iv) above have been satisfied. The only significant pending regulatory approval is the SEC's declaration of the effectiveness of the Form 10, and the PepsiCo Board of Directors does not intend to waive this condition. The PepsiCo Board of Directors may amend, modify or abandon the Distribution at any time prior to the Distribution Date.

Trading Market and Symbol.....

There is currently no public market for the TRICON Common Stock. Application has been made to list the TRICON Common Stock on the NYSE under the symbol "YUM". It is presently anticipated that the TRICON Common Stock will be approved for listing on the NYSE prior to the Distribution Date, and trading is expected to commence on a "when issued" basis prior to the Record Date.

Record Date.....

September 19, 1997.

Distribution Agent.....

BankBoston, N.A.

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Distribution Date.....

October 6, 1997. PepsiCo will transfer shares of TRICON to the Distribution Agent for the benefit of the record holders of PepsiCo Capital Stock at the close of business on the Record Date. TRICON will participate in the Direct Registration System to effect the Distribution, and shares of TRICON Common Stock will be distributed to PepsiCo shareholders in book-entry form. Commencing on or about the Distribution Date, the Distribution Agent will begin mailing account statements reflecting ownership of shares of TRICON Common Stock to such holders of record of PepsiCo Capital Stock. See "The Distribution-Manner of Effecting the Distribution."

Tax Consequences.....

PepsiCo received a ruling from the Internal Revenue Service to the effect that the Distribution will be tax free to PepsiCo and its shareholders for U.S. Federal income tax purposes. See "The Distribution - Certain U.S. Federal Income Tax Consequences of the Distribution" for a more detailed description of the Federal income tax consequences of the Distribution.

Reasons for the Distribution.....

PepsiCo's management and Board of Directors have concluded that the Distribution is in the best interests of PepsiCo and its shareholders. They believe that the Distribution will (i) help to alleviate competitive barriers to expanding PepsiCo's fountain beverage business, (ii) allow PepsiCo to focus its attention on its packaged goods businesses, Pepsi-Cola and Frito-Lay, by creating a separate company focused on PepsiCo's core restaurant businesses, and (iii) permit PepsiCo and TRICON to offer management incentives more directly tied to the performance of their respective businesses. PepsiCo management also believes that a separate restaurant company with strategies, organizational goals and employee incentives more narrowly focused will be best able to maximize its financial performance.

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Relationship between PepsiCo and TRICON after the Distribution.....

After the Distribution, PepsiCo will have no ownership interest in TRICON, and TRICON will be an independent publicly-owned company. However, immediately after the Distribution Date, TRICON shares will be owned by PepsiCo's pension trust on behalf of PepsiCo's employees. PepsiCo and TRICON will enter into certain agreements governing their relationship subsequent to the Distribution. The agreements will provide for each party to make

certain services, records and personnel available to the other. They will also provide for allocation of assets, liabilities and responsibilities between them with respect to employee benefits and compensation and for allocation of tax and certain other liabilities between them for periods prior to and after the Distribution.

TRICON Dividend Policy.....

The payment and level of cash dividends by TRICON after the Distribution will be subject to the discretion of the TRICON Board of Directors. Dividend decisions will be based on a number of factors including TRICON's operating results and financial requirements on a stand-alone basis as well as credit agreement and legal restrictions relating thereto. See "Description of TRICON Capital Stock - Dividends."

Principal Office of TRICON.....

1441 Gardiner Lane
Louisville, KY 40213
(502) 456 - 8300

</TABLE>

SHAREHOLDERS WITH QUESTIONS MAY CALL:

For questions relating to the Distribution and delivery of TRICON stock certificates, call BankBoston, N.A. at:

(800) 226-0083

For other questions, call PepsiCo's Manager, Shareholder Relations at:

(914) 253-3055

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NO PERSON IS AUTHORIZED BY PEPSICO OR TRICON TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS OTHER THAN THOSE CONTAINED IN THIS INFORMATION STATEMENT, AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED.

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INTRODUCTION

TRICON Global Restaurants, Inc., a North Carolina corporation originally organized in May 1997, is currently a wholly-owned subsidiary of PepsiCo, Inc. The management and Board of Directors of PepsiCo, after careful review and analysis, have concluded that the Distribution is in the best interests of PepsiCo and its shareholders. They believe that the Distribution will (i) help to alleviate competitive barriers to expanding PepsiCo's fountain beverage business, (ii) allow PepsiCo to focus its attention on its packaged goods businesses, Pepsi-Cola and Frito-Lay, by creating a separate company focused on PepsiCo's core restaurant businesses, and (iii) permit PepsiCo and TRICON to offer management incentives more directly tied to the performance of their respective businesses. PepsiCo management also believes that a separate restaurant company with strategies, organizational goals and employee incentives more narrowly focused will be best able to maximize its financial performance. To effect the Distribution, PepsiCo will distribute all the outstanding Common Stock of TRICON to PepsiCo shareholders.

Merrill Lynch & Co. ("Merrill Lynch") has served as financial advisor to PepsiCo's management in connection with the Distribution. Merrill Lynch will receive customary fees including expenses for its services as financial advisor. PepsiCo has also agreed to indemnify Merrill Lynch against certain liabilities and expenses in connection with its services as financial advisor. In addition, Merrill Lynch and its affiliates have acted, and may in the future act, as an underwriter for, and have participated as members of underwriting syndicates with respect to, offerings of PepsiCo securities, and Merrill Lynch has effected securities transactions for PepsiCo and performed financial advisory services in connection with certain acquisitions and dispositions by PepsiCo. Merrill Lynch has received fees from PepsiCo in the past for these services. Merrill Lynch may in the future serve as an underwriter of TRICON securities.

Upon completion of the Distribution, TRICON will be the world's largest quick service restaurant ("QSR") company based on units, with more than 29,000 units in 95 countries and territories. TRICON will use three of the most recognized restaurant concepts, Pizza Hut, Taco Bell and KFC, to sell its products through a system of both Company-operated and franchised units. In 1996, TRICON's worldwide system sales exceeded \$20 billion. As one of only two major global players, TRICON will have the advantage of significant scale in activities ranging from purchasing to technology. In addition, the Company has a solid track record of operating innovation, strong cash generation capabilities and clear areas of growth potential.

TRICON's business, including background on the concepts, its operating systems, management and its strategy for managing the refranchising of the store portfolio, is described below, followed by a discussion of the industry and how TRICON fits into the industry today, and then by a discussion of the competitive advantages available to TRICON. See "Business of TRICON."

From time to time, in both written and oral statements, TRICON and PepsiCo may discuss expectations regarding TRICON's future performance. These "forward-looking statements" are based on currently available competitive, financial and economic data and TRICON's operating plans. They are also inherently uncertain and

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investors must recognize that actual results could turn out to be significantly different than what was expected. Among the many factors that can cause actual results to differ are economic and political conditions in the countries and territories where TRICON operates, the impact of such conditions on consumer spending, pricing pressures resulting from competitive discounting, new product and concept development by other food industry competitors, and fluctuations in commodity prices.

BUSINESS OF TRICON

Concepts

The TRICON organization is currently made up of four operating divisions organized around its three core concepts, KFC, Pizza Hut and Taco Bell. KFC is based in Louisville, Kentucky; Pizza Hut and TRICON Restaurants International ("TRICON International") are headquartered in Dallas, Texas; and Taco Bell is based in Irvine, California.

Each of TRICON's four operating divisions is engaged in the operation, development, franchising and licensing of a system of both traditional and non-traditional QSR units. Non-traditional units include express units and kiosks which have a more limited menu and operate in non-traditional locations like airports, gas and convenience stores, stadiums, amusement parks and colleges, where a full-scale traditional outlet would not be practical or efficient. In addition, there are approximately 367 units housing more than one concept ("2nls"). Of these, approximately 354 units offer both the full KFC menu and a limited menu of Taco Bell products, and approximately 13 units offer both the full KFC menu and a limited menu of Pizza Hut products.

In each concept, consumers can either dine in or carry out food. In addition, Taco Bell and KFC offer a drive-through option in many stores. Pizza Hut and, on a much more limited basis, KFC offer delivery service.

Each concept has proprietary menu items and emphasizes the preparation of food with high quality ingredients as well as unique recipes and special seasonings to provide appealing, tasty and attractive food at competitive prices.

KFC

KFC operates in 74 countries and territories throughout the world under the name "Kentucky Fried Chicken" and/or "KFC." It was founded in Corbin, Kentucky by Colonel Harland D. Sanders, an early developer of the quick service food business and a pioneer of the restaurant franchise concept. The Colonel perfected his secret blend of 11 herbs and spices for Kentucky Fried Chicken in 1939 and signed up his first franchisee in 1952. By the time KFC was acquired by PepsiCo in 1986, it had grown to approximately 6,600 units in 55 countries and territories.

KFC restaurants offer fried chicken products and some also offer non-fried chicken-on-the-bone products, with the principal entree items sold in pieces under the names Original Recipe, Extra Tasty Crispy and Tender Roast. Other principal entree items include Chunky Chicken Pot Pies, Colonel's Crispy Strips, and various chicken

sandwiches. KFC restaurants also offer a variety of side items, such as biscuits, mashed potatoes and gravy, cole slaw and corn, as well as desserts and non-alcoholic beverages. Their decor is characterized by the image of the Colonel and distinctive packaging includes the "Bucket" of chicken.

In 1996, KFC's worldwide system sales of over \$8 billion grew faster than the industry average even though the number of restaurants in its global system did not materially increase. This growth was largely due to the impact of new products as shown by the fact that same store sales in Company-operated stores in the U.S. increased 6%. In 1995, same store sales for Company-operated stores in the U.S. were also strong, increasing 7%. For the first half of 1997, KFC same store sales growth for Company-operated units in the U.S. was consistently positive resulting in a 4% growth rate for the 24 week period. Average U.S. system-wide sales per traditional unit in 1996 were \$775,000.

Pizza Hut

Pizza Hut operates in 84 countries and territories throughout the world under the name "Pizza Hut" and features a variety of pizzas with different toppings as well as pasta, salads, sandwiches and other food items and beverages. The distinctive decor features a bright red roof.

The first Pizza Hut restaurant was opened in 1958 in Wichita, Kansas, and within a year, the first franchise unit was opened. By 1977, when Pizza Hut was acquired by PepsiCo, its U.S. restaurant system had grown to nearly 3,200 units. Today, Pizza Hut is the largest restaurant chain in the world specializing in the sale of ready-to-eat pizza products. As of year-end 1996, the concept had grown to more than 12,300 units.

In 1996, worldwide system sales exceeded \$7.4 billion; however, U.S. same store sales at Company-operated units decreased 4% reflecting fewer transactions. In contrast, U.S. same store sales at Company-operated units had increased a solid 4% in 1995 driven by the introduction of new products, such as Stuffed Crust Pizza. In the first half of 1997, same store sales at Company-operated units in the U.S. declined 7% at Pizza Hut. This reflects an 8% decline in the first quarter and a 5% decline in the second. In the first four weeks of the third quarter, however, same store sales were once again achieving positive growth over the prior year. Average U.S. system-wide sales per unit in 1996 were \$620,000.

For ten of the last twelve years, Pizza Hut was named Best Pizza Chain in America in the "Choice in Chains" national consumer survey published annually by RESTAURANTS & INSTITUTIONS MAGAZINE. Also, the January 1997 CONSUMER REPORTS named Pizza Hut as the best pizza chain in America.

Taco Bell

Taco Bell operates under the name "Taco Bell" and specializes in Mexican style food products, including various types of tacos and burritos, salads, nachos and other related items. The first Taco Bell restaurant was opened in 1962 by Glen Bell in Downey, California, and in 1964 the first Taco Bell franchise was sold. By 1978, when it was acquired by PepsiCo, the Taco Bell system had grown to approximately 1,000 units.

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Today, Taco Bell dominates the U.S. Mexican QSR segment. Taco Bell units feature a distinctive bell logo on their signage.

By year-end 1996, there were more than 6,800 Taco Bell units in 17 countries and territories, with system-wide sales of \$4.7 billion. After several years of having achieved above industry average growth rates, U.S. same store sales at Company-operated Taco Bell units declined 2% and 4% in 1996 and 1995, respectively, as a result of lower transaction counts. For each of the first two quarters of 1997, however, same store sales growth for Company-operated units in the U.S. was positive resulting in a 3% growth rate for the entire 24 week period. Average U.S. system-wide sales per unit in 1996 were \$886,000.

Operating Structure

For all three of its concepts, TRICON structures its sales operations in two primary ways. The units are either owned and operated by the Company or they are owned and operated by independent franchisees which can range in size from individuals owning just a few units to large publicly-traded companies. In addition, TRICON has established international joint ventures between itself and third parties. As of year-end 1996, 44% of TRICON's worldwide units were operated by the Company and joint ventures in which the Company participates,

45% by franchisees, and 11% by licensees.

[GRAPHIC OMITTED] Pie chart showing the following:

TRICON's Worldwide System Units by Ownership
as of Year-End 1996 (1)

Company & Joint Venture 44%

Franchise 45%

License 11%

	Company- Operated and Joint Venture	Franchised	Licensed	Total
	-----	-----	-----	-----
KFC	3,624	6,078	161	9,863
Pizza Hut	6,477	4,700	1,211	12,388
Taco Bell	2,782	2,288	1,775	6,845
Total	12,883	13,066	3,147	29,096

(1) Includes traditional and non-traditional units.

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Although the margins on the franchise side of the business are significantly higher than on the Company-operated side of the business, the owner-operator can also enjoy significant upside opportunities when average sales per store are growing. TRICON believes that one of the key factors in driving up average sales per store is the ability of the restaurant general manager (the "RGM"), whether a TRICON employee or a franchisee, to remain close to his customer and his restaurant crew.

In order to ensure that RGMs can achieve this, there are two important initiatives underway at TRICON. The first is a program to sell selected Company-operated restaurants to franchisees ("refranchising"). Two years ago it was determined that there was a need to rebalance the system more toward franchisees. As of year-end 1996, over 900 stores had been refranchised as a part of that program, the large majority to franchisees that were already in the TRICON system. The second initiative, called "RGM is No. 1", is a program to focus the Company-operated system to more consciously support the effort of the RGM. See "Business of TRICON - Human Resources and Management."

It is critical to TRICON to maintain strong and open relationships with its franchisees and their representatives. To this end, TRICON invests a significant amount of time working with the franchisee community and their representative organizations on all aspects of the business, ranging from new products to new equipment to new management techniques. As the Company continues to refranchise Company-operated units and franchisees play a larger and larger role in the growth of the business, it is expected that these activities will continue to grow in importance.

Human Resources and Management

Led by Andrall Pearson and David Novak, TRICON has a strong management team with a proven track record in the food service industry. Mr. Pearson most recently served as an operating partner of Clayton Dubilier & Rice where he played an important role in the performance improvement of a number of portfolio companies. From 1985 to 1993 Mr. Pearson was a tenured professor at Harvard Business School and from 1971 to 1984 he was President and Chief Operating Officer of PepsiCo where he was instrumental in acquiring and expanding the Pizza Hut and Taco Bell restaurant chains.

David Novak most recently served as Group President and Chief Executive Officer of KFC and Pizza Hut where he led a significant turnaround of KFC which has now had ten consecutive quarters of same store sales growth at Company-operated units. See "Management of TRICON - Executive Officers" and "Management of TRICON - Senior Operating Management" for a description of the experience of other members of the TRICON management team.

TRICON believes that high quality, customer-focused restaurant management is critical to its long-term success. It also believes that its

leadership position, strong results-oriented and recognition culture, and various training and incentive programs help attract and retain highly motivated RGM's who are committed to providing superior customer satisfaction and outstanding business results. The Company believes that having a high quality restaurant manager in a unit for a meaningful tenure is probably the single largest factor in a unit's achieving excellent results in the areas of sales, profits and overall guest satisfaction.

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The Company's restaurant management structure varies by concept and unit size. Generally, each restaurant is led by an RGM, together with one or more additional assistant managers, depending on the operating complexity and sales volume of the restaurant. Each restaurant usually has between 10 and 35 hourly employees, most of whom work part-time. The Company's four operating divisions each issue detailed manuals covering all aspects of their respective operations, including food handling and product preparation procedures, safety and quality issues, equipment maintenance, facility standards and accounting procedures. The restaurant management teams are responsible for the day-to-day operation of each unit and for ensuring compliance with operating standards. RGMs report to area managers, who are each responsible for approximately nine to eleven restaurants. The Company's restaurants are visited from time to time by various higher level supervisors within their respective organizations to help ensure adherence to system standards.

RGMs are required to attend and complete their respective division's training programs. These programs consist of initial training, as well as additional continuing development and training programs that may be offered or required from time to time. Initial manager training programs generally last at least six weeks, and emphasize leadership, business management, supervisory skills (including training, coaching, and recruiting), product preparation and production, safety, quality control, customer service, labor management, and equipment maintenance.

At year-end 1996, TRICON employed approximately 335,000 persons, approximately 245,000 of whom were part-time employees. Approximately 75% of TRICON's employees are employed in the United States. The Company believes that it provides working conditions and compensation that compare favorably with those of its principal competitors. Employees, other than restaurant management and corporate management, are paid on an hourly basis. Less than 1% of TRICON's U.S. employees are covered by collective bargaining agreements. TRICON's non-U.S. employees are subject to numerous labor council relationships which vary due to the diverse cultures in which the Company operates. The Company considers its employee relations to be good.

Industry Overview

Worldwide

The food service industry is defined as food fully prepared away from home. The categories included within this industry are QSRs, full service restaurants, other commercial restaurants (including cafeterias) and non-commercial restaurants such as those in schools and hospitals. In 1996, the QSR segment of the industry, which is the one in which TRICON operates, was estimated to be \$160 billion.

TRICON is the world's leading restaurant company in units and second in system-wide sales. Based on the number of units, TRICON's worldwide system is about 40% larger than McDonald's and more than three times the size of Burger King's. In 1996, TRICON's worldwide system sales exceeded \$20 billion, accounting for 13% of the estimated \$160 billion global QSR market. In addition, TRICON's brands are leaders in units and sales in their respective food categories.

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[GRAPHIC OMITTED] Bar chart with the following points:

Largest Worldwide Restaurant Systems
as of Year-End 1996

	Units
TRICON.....	29,096
McDonald's.....	21,022
Subway.....	12,516

Burger King..... 7,874
 Wendy's..... 6,343
 Dairy Queen..... 5,665
 Domino's..... 5,460
 Little Caesars..... 4,881

Source: Technomic

Worldwide Quick Service Restaurant Sales
 as of Year-End 1996

 TRICON 13%
 McDonald's 20%
 Other 67%

Source: Technomic; PepsiCo; Euromonitor

United States

In the U.S., one of the most important factors affecting the food service industry has been consumers' growing desire for meals that are quick, easy and convenient, which often means food prepared and consumed outside of the home. According to McKinsey & Company, Inc., in the U.S. today almost 45 cents of the consumer's food dollar goes to meals prepared and served ready-to-eat away from home, up from 38 cents ten years ago. By year-end 1996, the food service industry had reached \$321 billion in sales. The QSR segment of the food service industry has been growing rapidly, with a ten year compound annual growth rate of more than 6%. The main driver of growth over the last two years has been new unit expansion, primarily on the part of the major chains, which increased at a rate of 4% annually.

[GRAPHIC OMITTED] Pie Chart showing the following:

1996 U.S. Food Service Industry System Sales:

 Quick Service Restaurants 32%
 Full Service Restaurants 29%
 Non-Commercial 25%
 Other Commercial 14%

Source: Technomic

As a result of new unit expansion in excess of population growth, the number of QSR restaurants has increased from 1 for every 1,672 people in 1986 to 1 for every 1,343 people in 1996. Consumer demand as measured by eating occasions has not

kept pace with unit expansion which has resulted in pressure on same store sales. The competitive QSR segment of the food service industry has therefore become increasingly challenging and store level margins are being pressured, not only from the lack of sales growth, but also from increasing commodity costs and higher wage rates due to low unemployment and increased minimum wages.

In the United States, TRICON is the largest restaurant company in terms of number of units. It has over 20,000 system-wide units located in all 50 states. As of year-end 1996, the composition by concept was 25% KFC, 43% Pizza Hut and 32% Taco Bell. Over the past five years, TRICON's units in the U.S. and U.S. system-wide sales have both grown at a compound annual growth rate of 6%.

[GRAPHIC OMITTED] Pie chart showing the following:

TRICON's U.S. System Units by Concept
as of Year-End 1996

Pizza Hut	43%
Taco Bell	32%
KFC	25%

The following table ranks the 10 largest QSR chains by 1996 United States system-wide sales. Pizza Hut, Taco Bell, and KFC rank 3,4, and 6, respectively. Together, they are number two with over \$13 billion in system-wide sales.

<TABLE>
<CAPTION>

Rank	Restaurant Chain	Concept	1996 System Sales (\$MM)	1996 System Units (1)	1996 System Sales Per Unit (\$M) (1) (2)
<S>	<C>	<C>	<C>	<C>	<C>
1	McDonald's	Sandwich	16,370	12,094	1,354
2	Burger King	Sandwich	7,485	7,057	1,061
3	Pizza Hut	Pizza	4,900	8,755	560
4	Taco Bell	Mexican	4,600	6,642	693
5	Wendy's	Sandwich	4,284	4,369	981
6	KFC	Chicken	3,900	5,079	768
7	Hardee's	Sandwich	2,989	3,225	927
8	Subway	Sandwich	2,700	10,848	249
9	Dairy Queen	Ice Cream	2,603	5,035	517
10	Domino's	Pizza	2,300	4,300	535

Source: 1996 Technomic Top 100 and PepsiCo
</TABLE>

(1) TRICON numbers include traditional and non-traditional units where applicable.

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(2) Excluding sales from non-traditional units, 1996 system sales per unit at Pizza Hut, Taco Bell and KFC were \$620,000, \$886,000 and \$775,000 respectively.

International

Outside the United States, sales in the QSR segment of the food service industry are estimated to be \$62 billion. Industry conditions vary by country, with many local restaurants and fast food options present, but on average competition is less than in the United States as internationally branded competition is generally limited to McDonald's and, in certain markets, Domino's, Wendy's and Burger King.

In addition, branded QSR units per population in most countries are generally well below that of the United States.

[GRAPHIC OMITTED] Bar chart showing the following points:

TRICON Units per Million People
as of Year-End 1996
Selected Countries

Country	Units
United States.....	78
Australia.....	47
Singapore.....	29
Canada.....	19
UK.....	14

Japan.....	10
South Korea.....	5
Thailand.....	4
Mexico.....	3
France.....	2
Germany.....	2
Brazil.....	1
Argentina.....	1
Poland.....	1
China.....	0
India.....	0
Russia.....	0

Source: PepsiCo; 1996 World Almanac

Reflecting the broad geographic consumer appeal of TRICON's concepts, over 35% of TRICON International's restaurants are located in Asia Pacific, followed by the Americas (Canada, the Caribbean, Latin America and South America) with 29%, Europe with 19% and the South Pacific with 16%.

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TRICON International System Units
as of Year-End 1996 (1)

[GRAPHIC OMITTED] Pie charts showing the following:

Concept

KFC	56%
Pizza Hut	42%
Taco Bell	2%

Ownership

Franchise/Licensed	59%
Company	29%
Joint Venture	12%

Region

Asia Pacific	36%
Americas	29%
Europe	19%
S. Pacific	16%

<TABLE>
<CAPTION>

	Company	Joint Venture	Franchised and Licensed	Total	Countries and Territories
<S>	<C>	<C>	<C>	<C>	<C>
KFC	1,235	432	3,117	4,784	73
Pizza Hut	1,183	575	1,875	3,633	83
Taco Bell	95	--	108	203	16
	-----	-----	-----	-----	
Total	2,513	1,007	5,100	8,620	94

(1) Includes traditional and non-traditional units.

Since late 1994, the international operations of TRICON's three restaurant concepts have been consolidated into a separate international division to improve focus and scale. TRICON International has redirected its focus to generate more system growth through franchisees and concentrate its development of Company-operated stores in those markets with sufficient scale. TRICON International has developed new global systems and tools designed to improve marketing, operations consistency, product delivery, market planning and development, franchise support, and store-level team building capability.

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Competitive Advantages

Global Scale

Powerful Concepts in Growing Food Categories. KFC, Pizza Hut and Taco Bell are three of the most recognized restaurant concepts, each having significant value. Each is the U.S. leader in units and sales in its respective food category. TRICON believes that the near universal appeal of chicken and the enormous variety of pizzas provide a strong foundation for global concept expansion, and the emerging trend towards Mexican-style foods may provide additional growth opportunities.

Worldwide Capabilities. TRICON has global scale and capabilities in marketing, advertising, purchasing, research and development ("R&D"), and site selection. TRICON believes that its worldwide network of Company and franchise operations provides a strong foundation from which to expand in existing markets, enter new markets, launch new products and marketing campaigns and introduce new concepts. In many countries and regions TRICON has the scale to use extensive television advertising, an important factor in increasing brand awareness. TRICON's scale enables it to negotiate superior marketing promotions and real estate transactions compared to many of its competitors.

Purchasing/Distribution. The Company is a substantial purchaser of a number of food products, and it believes its scale purchasing capabilities provide it with competitive advantages, such as its ability to ensure a consistent supply of high quality food, ingredients and other supplies at competitive prices to all of its restaurant concepts. To ensure reliable sources, in 1996, the Company consolidated most of its worldwide food and supply procurement activities under a new organization called SmartSourcing, which sources, negotiates and buys specified food and supplies from hundreds of suppliers in over 70 countries and territories. The SmartSourcing staff develops long-term relationships or partnerships with key vendors. They monitor market trends and seek to identify and capitalize on purchasing opportunities that will enhance the Company's competitive position. The principal products purchased include beef, cheese, chicken products, cooking oils, corn, flour, lettuce, pinto beans, pork, seasonings, tomato products, and paper and packaging materials.

To ensure the wholesomeness of all food products, suppliers are required to meet or exceed strict quality control standards. Competitive bids, long-term contracts and long-term vendor relationships have been used to ensure availability of products. TRICON has also entered into commodity futures contracts traded on national exchanges with the objective of reducing food costs. While such hedging activity has historically been done on a limited basis, hedging activity could increase in the future if TRICON believes it would result in lower total costs. The Company has not experienced any significant continuous shortages of supplies. Prices paid for these supplies may be subject to fluctuation; when prices increase, the Company may be able to pass on such increases to its customers, although there is no assurance this can be done in the future.

Many food products, paper and packaging supplies, and equipment used in the operation of the Company's restaurants, have been distributed to individual Company-operated units by PFS, which had been PepsiCo's restaurant distributor operation. PFS

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also sold and distributed these same items to many franchised and licensed units that operate in the three restaurant systems, though principally to Pizza Hut and Taco Bell franchised/licensed units in the United States. In May 1997, KFC, Pizza Hut and Taco Bell entered into a five year Sales and Distribution Agreement with PFS to purchase the majority of their food and supplies for Company-operated stores, subject to PFS maintaining certain quality and performance levels. The Sales and Distribution Agreement became effective upon the closing of the sale by PepsiCo of the assets and business of PFS to

AmeriServe Food Distribution, Inc. ("AmeriServe"), a subsidiary of Holberg Industries, Inc., pursuant to a definitive agreement dated as of May 23, 1997, as amended. KFC, Pizza Hut and Taco Bell have also entered into multi-year agreements with Pepsi-Cola Company regarding the sale of Pepsi-Cola beverage products at U.S. Company-operated units. See "The Distribution - Relationship Between PepsiCo and TRICON after the Distribution."

Management Information Systems. TRICON considers itself a leader in the utilization of technology to help manage its restaurants. Systems targeted at improving financial controls, cost management, product inventory, consumer service and employee effectiveness have been implemented in all Company-operated units. In the U.S., communication networks transmit critical business data to and from the Company-operated units. These networks provide timely information on daily business activity. The Company uses proprietary software as well as purchased software to simplify the restaurants' processes and administrative requirements. The leveraging of technology allows the RGMs to focus on customers and operations.

Proven Operating Record

Core Competence in Marketing. TRICON has strong marketing teams and strong agencies as its partners. In 1996, TRICON and its franchisees invested more than \$745 million in the U.S. and more than \$310 million in international markets in advertising and marketing programs.

TRICON believes that it has developed significant advertising capabilities, and has been able to generate substantial interest in and excitement around its brands. Many of the Company's advertising campaigns have been recognized in the past with awards acknowledging their creativity, execution or achievements in creating or maintaining brand awareness. The Company's size enables it to be a leading advertiser in the food service industry, which it can leverage to achieve efficiency of national network television advertising, supplemented with local market television advertising. TRICON's four operating divisions implement periodic promotions as they deem appropriate or desirable in order to maintain and increase their sales and unit profits. They also rely on radio, newspaper and other print advertising, in-store point of purchase advertising, and direct mail and newspaper couponing programs, to attract customers and encourage the purchase of their products. The Company has developed and utilizes sophisticated marketing research techniques to measure customer satisfaction and consumer trends.

Quality Assurance. The Quality Assurance Departments at each of TRICON's four operating divisions help ensure that the systems' restaurants provide high quality, wholesome food products in clean and safe environments. The systems' restaurants

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are required to buy food supplies, ingredients, seasonings, and equipment only from approved suppliers, who are required to meet or exceed system standards designed to ensure product quality, safety and consistency. From time to time, the Quality Assurance Departments inspect the facilities of their suppliers and request samples for testing and other quality control monitoring and measures. Many of these suppliers, such as poultry producers, are also subject to some government inspection. In addition, representatives of the Quality Assurance Departments visit restaurants from time to time to ensure that food is properly stored, handled and prepared in accordance with prescribed standards and specifications, as well as to provide training in food safety and sanitation measures to the restaurant operators. The Quality Assurance Departments are also responsible for remaining current on issues related to food safety, and interacting with regulatory agencies as may be required or desirable on these matters.

Strong Free Cash Flow

TRICON has generated significant free cash flow through its operations and global refranchising program under which it sells Company-operated restaurants to current and new franchisees. Since the strategy began in mid-1995, TRICON refranchised 264 and 640 units in 1995 and 1996, respectively. In June 1997, TRICON International sold 77 KFCs, 43 Pizza Huts and two joint KFC and Pizza Hut delivery/carryout units in New Zealand in an initial public offering. As a result of TRICON's refranchising activity, coupled with new points of distribution added by franchisees and licensees and the program to upgrade the asset portfolio by closing under-performing stores, the Company's overall ownership of total system units (i.e. Company-operated and joint venture units in which the Company participates) declined six percentage points in two years from 50% at year-end 1994 to 44% at year-end 1996. The refranchising program is expected to continue. However, the continuation of the program depends on the Company's ability to find qualified franchisees to purchase Company-operated restaurants at prices considered by the Company to be appropriate.

TRICON's operations generated free cash flow of almost \$465 million in 1996, allowing it to increase its rate of investment in the following: product innovation and quality; improved operating platforms leading to improved service; store-level human resources including recruiting and training; testing alternative modes of distribution; and creative marketing programs. See "Management's Discussion and Analysis."

United States Growth Opportunities

TRICON believes it has many opportunities to achieve same store sales growth at Company-operated units in its U.S. business due to the following:

Daypart Expansion. TRICON's strengths in market research and R&D, combined with underdeveloped dayparts in all three core concepts give it an opportunity to increase the average sales per unit. According to CREST, in 1996 in the U.S. almost two-thirds of KFC and approximately three-quarters of Pizza Hut Company-operated store sales occurred during the dinner occasion. At Taco Bell approximately half of U.S. Company-operated store sales occurred during the lunch occasion, with about 44% occurring at dinner and the remainder during snacking hours.

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Channel Expansion. TRICON's products, especially chicken and pizza, are well suited to delivery because their relatively long holding times allow them to be delivered hot and ready to eat. Today, Pizza Hut has a well-developed delivery system and almost 500 KFC units currently offer some delivery services. In addition, the Company believes there is opportunity to innovate with respect to the type of unit that best meets consumer needs. Some of the alternative channels that are being developed include non-traditional units such as Taco Bell Express in venues like shopping malls, food courts, airports, gas and convenience stores and schools.

International Growth Opportunities

Underdeveloped Presence in Many Countries. Although TRICON has established a presence in many countries, the majority of those countries are still underpenetrated considering not only population size and growth but also in terms of per capita purchasing power. TRICON has demonstrated considerable success in Asian emerging markets with some of the largest stores in the world on a sales per store basis being operated by it in China. In countries which are more developed, the ratio of stores per million people is still far below that found in the U.S. and there is still tremendous opportunity to leverage an increasing demand for convenient, fully prepared foods.

Scale Advantages. TRICON has the ability to leverage not only the scale advantages of purchasing and R&D but also the experience of its U.S. business to quickly identify new product opportunities for local markets. As of year-end 1996, TRICON's international system-wide sales accounted for approximately 11% of all international QSR sales.

Other

Properties

As of year-end 1996, KFC, Pizza Hut and Taco Bell owned approximately 3,200 and leased approximately 6,200 restaurants, delivery/carryout units and other food service units in the United States; and TRICON International owned approximately 1,000 and leased approximately 1,500 additional units outside the United States. KFC, Pizza Hut and Taco Bell restaurants in the United States which are not owned are generally leased for initial terms of 15 or 20 years, and generally have renewal options, while Pizza Hut delivery/carryout units in the United States generally are leased for significantly shorter initial terms with short renewal options. Joint ventures in which KFC, Pizza Hut or Taco Bell are partners and other consolidated entities own or lease approximately 1,000 restaurants or units outside the United States. TRICON leases Pizza Hut's corporate headquarters in Dallas, Texas. Taco Bell leases its corporate headquarters in Irvine, California and KFC owns its corporate headquarters and a research facility in Louisville, Kentucky. In addition, TRICON owns major office facilities in Wichita, Kansas and leases an office facility for accounting services in Albuquerque, New Mexico.

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Competition

The overall food service industry and the QSR segment are intensely competitive with respect to food quality, price, service, convenience, restaurant location and concept. The restaurant business is often affected by changes in consumer tastes; national, regional or local economic conditions; demographic trends; traffic patterns; the type, number and location of competing restaurants; and disposable purchasing power. TRICON competes within each market with national and regional chains as well as locally-owned restaurants, not only for customers, but also for management and hourly personnel and suitable real estate sites. For additional information on competition, see "Business of TRICON - Industry Overview."

Trademarks

TRICON regards its Kentucky Fried Chicken (Registered Trademark), KFC (Registered Trademark), Pizza Hut (Registered Trademark) and Taco Bell (Registered Trademark) trademarks as having significant value and as being important in marketing to consumers. The Company's policy is to pursue registration of its important trademarks whenever possible and to oppose vigorously any infringement of its trademarks. The use of the foregoing trademarks by franchisees and licensees has been authorized in KFC, Pizza Hut and Taco Bell franchise and license agreements. Under current law and with proper use, the Company's rights in its trademarks can last indefinitely.

Government Regulation

United States. TRICON is subject to various Federal, state and local laws affecting its business. Each of the Company's restaurants must comply with licensing and regulation by a number of governmental authorities, which include health, sanitation, safety and fire agencies in the state or municipality in which the restaurant is located. To date, the Company has not been significantly affected by any difficulty, delay or failure to obtain required licenses or approvals.

A small portion of Pizza Hut's net sales are attributable to the sale of beer and wine. A license is required for each site that sells alcoholic beverages (in most cases, on an annual basis) and licenses may be revoked or suspended for cause at any time. Regulations governing the sale of alcoholic beverages relate to many aspects of restaurant operations, including the minimum age of patrons and employees, hours of operation, advertising, wholesale purchasing, inventory control and handling, storage and dispensing of alcoholic beverages. The failure of a restaurant which sells alcoholic beverages to obtain or retain these licenses may adversely affect such restaurant's operations.

The Company is also subject to Federal and state minimum wage laws governing such matters as overtime, tip credits and working conditions. Since the bulk of the Company's employees are paid on an hourly basis at rates related to the Federal minimum wage, increases in the minimum wage could significantly increase the Company's labor costs.

The Company is also subject to Federal and state child labor laws which, among other things, prohibit the use of certain "hazardous equipment" by employees 18 years

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of age or younger. The Company has not to date been materially adversely affected by such laws.

The Company is subject to Federal and state environmental regulations, but these rules have not had a material effect on the Company's operations. The Company continues to monitor its facilities for compliance with the Americans With Disabilities Act ("ADA") in order to conform to its requirements. Under the ADA, the Company could be required to expend funds to modify its restaurants to better provide service to, or make reasonable accommodation for the employment of, disabled persons.

International. Internationally, the Company's restaurants are subject to national and local laws and regulations which are similar to those affecting the Company's domestic restaurants, including laws and regulations concerning labor, health, sanitation and safety. The international restaurants are also subject to tariffs and regulations on imported commodities and equipment and laws regulating foreign investment.

Worldwide compliance with environmental regulations has not had a material adverse effect on the Company's earnings, capital expenditures or competitive position.

Legal Proceedings

The Company is subject to various claims and contingencies related to lawsuits, taxes, real estate, the environment and other matters arising out of

the normal course of business. Management believes that the ultimate liability, if any, in excess of amounts already provided for, is not likely to have a material adverse effect on the Company's annual results of operations or financial condition.

Sale of Non-Core Concepts

In late 1996, TRICON set a strategy to focus human and financial resources on growing the sales and profitability of its three core QSR concepts - KFC, Pizza Hut and Taco Bell. The non-core restaurant businesses of Hot 'n Now ("HNN"), East Side Mario's ("ESM") and Chevys Mexican Restaurants ("Chevys") were sold in 1997, and two other non-core restaurant businesses, D'Angelo Sandwich Shops ("D'Angelo") and California Pizza Kitchen ("CPK"), are expected to be sold prior to the Distribution Date. These five "non-core" chains represented approximately 4% of TRICON's worldwide sales at Company-operated units in 1996. See "Combined Financial Statements."

SELECTED COMBINED FINANCIAL DATA

For purposes of the following selected combined financial data, TRICON includes the worldwide operations of KFC, Pizza Hut and Taco Bell (its core business), and its non-core U.S. businesses through their respective dates of disposal.

The following selected combined financial data of TRICON should be read in conjunction with, and is qualified in its entirety by reference to, the audited Combined Financial Statements and the unaudited Condensed Combined Financial Statements and the related notes thereto included on pages F-2 to F-29.

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The pro forma selected financial data set forth below is derived from the unaudited Pro Forma Condensed Combined Financial Information included on pages F-30 to F-34. The pro forma data does not purport to represent what TRICON's financial position or results of operations would have been had it operated as a separate, independent company nor does it give effect to any events other than those discussed in the related notes. The pro forma data also does not purport to project TRICON's financial position or results of operations as of any future date or for any future period.

The capital structure that existed when the Company's businesses operated as part of PepsiCo is not relevant because it does not reflect TRICON's expected future capital structure as a separate, independent company. Accordingly, per share data for earnings and cash dividends declared has not been presented except for pro forma earnings per share for the year-ended December 28, 1996 and the 24 weeks ended June 14, 1997, which was based on 155 million shares and equivalents.

<TABLE>
<CAPTION>

Selected Combined Financial Data (Page 1 of 5)
(in millions except per share data, unaudited)
TRICON Global Restaurants, Inc.

	Pro forma 1996 (a)	1996 (b) (c)	1995 (c)	1994 (c) (d) (e)
<S>	<C>	<C>	<C>	<C>
Summary of Operations				
Revenues.....	\$9,838	10,232	10,250	9,565
Income/(loss) before cumulative effect of accounting changes.....	\$ 131	(53)	(132)	119
Cumulative effect of accounting changes (h).....	\$ -	-	-	(1)
Net income/(loss) (i).....	\$ 131	(53)	(132)	118
Earnings per share (j).....	\$ 0.85	N.R.	N.R.	N.R.
Balance Sheet				
Total assets.....	N.R.	\$ 6,520	6,908	7,387
Long-term debt (k).....	N.R.	\$ 231	260	267
Investments by and advances from PepsiCo.....	N.R.	\$ 4,266	4,604	4,962

N.R. - Not Required
</TABLE>

<TABLE>

<CAPTION>

Selected Combined Financial Data		(Page 2 of 5)
(in millions, unaudited)		
TRICON Global Restaurants, Inc.		
	1993 (f)	1992
<S>		
Summary of Operations		
Revenues.....	\$ 8,462	7,335
Income before cumulative effect of accounting changes.....	\$ 238	245
Cumulative effect of accounting changes (h).....	\$ -	(19)
Net income (i).....	\$ 238	226
Balance Sheet		
Total assets.....	\$ 6,526	5,086
Long-term debt (k).....	\$ 290	257
Investments by and advances from PepsiCo	\$ 4,366	3,506

</TABLE>

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<TABLE>

<CAPTION>

Selected Combined Financial Data		(Page 3 of 5)		
(in millions except per share data, unaudited)				
TRICON Global Restaurants, Inc.				
	24 Weeks Ended(g)			
	Pro forma 6/14/97 (a)	6/14/97	6/15/96	
<S>				
Summary of Operations				
Revenues.....	\$ 4,399	4,590	4,655	
Net income (i).....	\$ 176	173	106	
Earnings per share (j).....	\$ 1.14	N.R.	N.R.	
Balance Sheet				
Total assets.....	\$ 5,976	6,107	N.R.	
Long-term debt (k).....	\$ 4,674	186	N.R.	
Investments by and advances from PepsiCo	\$ -	3,825	N.R.	

N.R. - Not Required

</TABLE>

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Selected Combined Financial Data (Page 4 of 5)
(in millions, unaudited)
TRICON Global Restaurants, Inc.

(a) Reflects the following pro forma adjustments:

1. Elimination of TRICON's non-core U.S. businesses disposed of or expected to be disposed of in 1997;
2. Expected debt to be issued to fund repayment of certain amounts due to PepsiCo and a dividend to PepsiCo;
3. Record TRICON's equity and shares outstanding; and
4. Adjust interest expense to reflect expected debt outstanding as of the Distribution Date.

(b) Included unusual charges of \$246 (\$189 after-tax) related to the decision to dispose of TRICON's non-core U.S. businesses. See Note 3 to the audited Combined Financial Statements on page F-11. Also included the benefit of

reduced depreciation and amortization expense for the first three quarters of 1996 of \$40 (\$26 after-tax) as a result of the initial impact of adopting Statement of Financial Accounting Standards No. 121 (SFAS 121), "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of," at the beginning of the fourth quarter of 1995. See (c) below.

(c) Included net facility actions:

	1996	1995	1994
	----	----	----
Refranchising gains	\$139	\$ 93	\$ -
Store closure costs	(40)	(38)	(10)
SFAS 121 impairment charges	(62)	(457)	
	-----	-----	-----
Net gain/(loss)	\$ 37	\$ (402)	\$ (10)
	=====	=====	=====
After-tax gain/(loss)	\$ 21	\$ (295)	\$ (6)
	=====	=====	=====

The initial, non-cash impairment charge of \$457 (\$324 after-tax) in 1995 was due to the adoption of SFAS 121 at the beginning of the fourth quarter. As a result of the reduced carrying amount of restaurants to be held and used in the business, depreciation and amortization expense for the fourth quarter of 1995 was reduced by \$17 (\$12 after-tax). See Note 3 to the audited Combined Financial Statements on page F-11.

- (d) Included a benefit of changing to a preferable method for calculating the market-related value of pension plan assets used in determining the return-on-asset component of annual pension expense, which reduced full-year pension expense in 1994 by \$5 (\$3 after-tax).
- (e) Fiscal year 1994 consisted of 53 weeks. Normally, fiscal years consist of 52 weeks; however, because the fiscal year ends on the last Saturday in December, a week is added every 5 or 6 years. The fifty-third week increased 1994 revenues by \$172 and earnings by approximately \$23 (\$14 after-tax).
- (f) Included a \$7 charge to increase net deferred tax liabilities as of the beginning of 1993 for a 1% statutory income tax rate increase due to 1993 U.S. Federal tax legislation.

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 Selected Combined Financial Data (Page 5 of 5)
 (in millions, unaudited)
 TRICON Global Restaurants, Inc.

- (g) Included unusual charges of \$39 (\$22 after-tax) in 1997 and \$26 (\$17 after-tax) in 1996 related to the disposal of TRICON's non-core U.S. businesses. Also included net facility actions:

	24 Weeks Ended	
	6/14/97	6/15/96
	-----	-----
Refranchising gains	\$153	\$ 88
Store closure costs	(29)	(4)
Recurring SFAS 121 impairment charges	(39)	(18)
	-----	-----
Net gain	85	66
	=====	=====
After-tax gain	\$ 56	\$37
	=====	=====
After-tax gain - Full Year*	\$ 87	\$41
	=====	=====

* Because TRICON allocates its income tax expense to interim periods based on a forecasted full-year effective tax rate, the tax attributes associated with these net facility actions will continue to be recognized in TRICON's tax expense over the balance of the year. Accordingly, the after-tax gain recognized in the 24 weeks ended 1997 and 1996 is lower than the full-year amount.

The 1997 full-year after-tax gain reflects the tax free gain from the refranchising of TRICON's restaurants in New Zealand to a new, independent publicly-traded company.

- (h) Represented the cumulative effect of adopting in 1994 Statement of

Financial Accounting Standards No. 112 (SFAS 112), "Employers' Accounting for Postemployment Benefits," and changing to a preferable method for calculating the market-related value of pension plan assets used in determining the return-on-asset component of annual pension expense and the cumulative net unrecognized gain or loss subject to amortization (see Notes 13 and 11 to the audited Combined Financial Statements on page F-16) and adopting in 1992 Statement of Financial Accounting Standards No. 106 (SFAS 106), "Employers' Accounting for Postretirement Benefits Other Than Pensions" which reduced earnings by \$31 (\$19 after-tax).

- (i) For the historical results of operations net income included interest expense based upon PepsiCo's weighted average borrowing rate applied to the average balance of investments by and advances from PepsiCo to TRICON and interest on its external third-party debt.
- (j) Pro forma shares and equivalents of 155 million used to compute earnings per share was based on 152 million shares of TRICON common stock adjusted for the dilutive effect of stock options. The 152 million shares reflected an estimate of the shares to be issued at the Distribution Date based on a distribution ratio of one share of TRICON Common Stock for every ten shares of PepsiCo Capital Stock.
- (k) Long-term debt represented external third-party debt.

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FINANCING

PepsiCo's general practice has been to incur debt at the parent company level rather than the subsidiary level, even when the funds obtained from such borrowings have been used in the businesses of its subsidiaries, except in the case of capital leases, assumed debt of acquired businesses and certain international third party debt which generally have been incurred at the subsidiary level. Accordingly, the financing requirements of the restaurant businesses generally have been funded through intercompany accounts with PepsiCo.

Prior to the Distribution, TRICON will incur approximately \$4.5 billion of debt obligations. Substantially all of the proceeds of such debt obligations will be transferred to PepsiCo as repayment of certain amounts due to PepsiCo from TRICON and a dividend. The remainder of any investment in TRICON by PepsiCo will be reclassified from "Investment by and advances from PepsiCo" to "Common Stock and surplus" on the TRICON balance sheet. This remainder will be contributed by PepsiCo to its shareholders in the form of TRICON Common Stock. PepsiCo will retain no equity interest in TRICON. However, immediately after the Distribution Date, TRICON shares will be owned by PepsiCo's pension trust on behalf of PepsiCo's employees.

TRICON has no assurance that, as an independent company, it will be able to obtain financing upon terms as favorable as those historically experienced by PepsiCo.

Commercial Paper Program

TRICON is planning to establish a commercial paper program at such time as TRICON's management believes its credit rating supports such a program. Borrowings under this program may be used to finance a base level of floating rate debt and seasonal borrowing needs.

Bank Credit Facilities

TRICON is planning to establish a senior, unsecured five-year term loan facility in the aggregate amount of \$2 billion and a senior, unsecured five-year revolving credit and multicurrency competitive advance facility in the aggregate amount of \$3.5 billion. A portion of the latter facility will be available in the form of letters of credit. Interest rates are expected to be based on the London interbank offered rate ("LIBOR"). The facilities are expected to have a quarterly facility fee as well as a semi-annual administrative fee. The covenants in the facilities will be carefully negotiated with respect to TRICON's debt and investment requirements. TRICON believes it will have adequate flexibility under the covenants and that they should not impose material restrictions on TRICON's operations.

Long-Term Debt

TRICON's management may refinance a portion of the bank borrowings with long-term financing when market conditions are deemed appropriate following the Distribution. TRICON may file a shelf registration statement with the Securities and Exchange Commission providing for the issuance of debt securities with various terms, conditions and maturities. Interest rates would be expected to be based on market

conditions at the time of the offerings. The covenants in the indenture under which such debt securities would be issued would be carefully negotiated with respect to TRICON's debt and investment requirements.

Derivative Instruments

TRICON is currently planning to enter into agreements with a selected number of creditworthy financial institutions which will enable TRICON to enter into interest rate swap agreements in order to reduce its interest rate exposure. TRICON will likely use interest rate swaps to fix the interest rate on 50% to 80% of the amounts outstanding under its bank facilities.

THE DISTRIBUTION

Reasons for the Distribution

PepsiCo's management has proposed the Distribution to achieve three specific business objectives: (i) to alleviate competitive barriers to expanding its fountain beverage business; (ii) to allow PepsiCo to focus its attention on its packaged goods businesses, Pepsi-Cola and Frito-Lay; and (iii) to permit PepsiCo and TRICON to offer management incentives more directly tied to the performance of their respective businesses. PepsiCo is distributing the shares of TRICON to its shareholders based on its belief that the restaurant businesses, on the one hand, and PepsiCo's packaged goods businesses, on the other hand, represent different business propositions. They involve fundamentally different growth opportunities, financial returns, investment requirements, operating systems and people dynamics. PepsiCo also believes that corporations perform optimally when business strategy, organization and employee incentives are more narrowly focused.

Accordingly, PepsiCo has concluded that the long-term interests of both businesses are best served through the creation of two separate, independent and focused corporations, TRICON focused on restaurants and a "new PepsiCo" focused on packaged goods.

Manner of Effecting the Distribution

On or before the Distribution Date, PepsiCo will transfer to BankBoston, N.A., as Distribution agent (the "Distribution Agent"), for the benefit of holders of record of PepsiCo Capital Stock at the close of business on September 19, 1997 (the "Record Date"), all shares of TRICON Common Stock then owned by PepsiCo.

The Distribution will be made to holders of record of PepsiCo Capital Stock at the close of business on the Record Date, without any consideration being paid by such holders, on the basis of one share of TRICON Common Stock for every ten shares of PepsiCo Capital Stock held on the Record Date. TRICON will participate in the Direct Registration System to effect the Distribution, and shares of TRICON Common Stock will be distributed to PepsiCo shareholders in book-entry form. Commencing on or about the Distribution Date, the Distribution Agent will begin mailing account statements reflecting ownership of shares of TRICON Common Stock to such holders of record of PepsiCo Capital Stock. Any TRICON shareholders that would like to receive a

certificate representing their shares may contact the Distribution Agent. The shares of TRICON Common Stock will be fully paid and nonassessable and the holders thereof will not be entitled to preemptive rights. See "Description of TRICON Capital Stock - TRICON Common Stock."

No fractional shares will be distributed as part of the Distribution, other than fractional shares which will be credited to the accounts of participants in certain PepsiCo plans as described below. The Distribution Agent will aggregate fractional shares, other than those held by participants in such plans, into whole shares of TRICON Common Stock and sell them on the open market at prevailing prices on behalf of holders who would otherwise be entitled to receive such fractional share interests. Any such persons entitled to receive at least \$0.01 will receive a cash payment for their portion of the total sale proceeds. Any persons entitled to receive less than \$0.01 will have their fractional shares canceled.

Distribution of TRICON Common Stock with respect to PepsiCo Capital Stock held in the PepsiCo Capital Stock Purchase Plan, the PepsiCo SaveUp Plan (formerly 401(k) or Long-Term Savings), the PepsiCo Dividend Reinvestment Plan and the PepsiCo Employees' Stock Ownership Plan will be credited to participants' accounts. Fractional shares will be credited with respect to each of these plans other than the PepsiCo Dividend Reinvestment Plan. Fractional shares with respect to the PepsiCo Dividend Reinvestment Plan will be cashed out

as described in the previous paragraph.

The Distribution is subject to a number of conditions, including (i) a favorable ruling of the Internal Revenue Service concerning the tax-free nature of the Distribution, (ii) appropriate stock market conditions for the Distribution, (iii) various regulatory approvals, and (iv) approval by PepsiCo's Board of Directors of the final terms of the Distribution, including, without limitation, the formal declaration of a dividend to PepsiCo's shareholders and other specific actions necessary to the Distribution. The conditions in clauses (i), (ii) and (iv) above have been satisfied. The only significant pending regulatory approval is the SEC's declaration of the effectiveness of the Form 10, and the PepsiCo Board of Directors does not intend to waive this condition.

The PepsiCo Board of Directors may amend, modify or abandon the Distribution at any time prior to the Distribution Date.

Results of the Distribution

Subsequent to the Distribution, which will be effective at 11:59:59 p.m. E.D.T. on the Distribution Date, TRICON will operate as an independent restaurant company, and PepsiCo will continue to conduct its packaged goods businesses.

Relationship between PepsiCo and TRICON after the Distribution

After the Distribution, PepsiCo will have no ownership interest in TRICON, and TRICON will be an independent, publicly-owned company. However, immediately after the Distribution Date, TRICON shares will be owned by PepsiCo's pension trust on behalf of PepsiCo's employees. TRICON and PepsiCo will enter into certain agreements, described below, governing their relationship subsequent to the Distribution and providing for the allocation of tax and certain other liabilities and

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obligations arising from periods prior to and after the Distribution. Copies of the forms of such agreements are filed as exhibits to the Registration Statement of which this Information Statement is a part. The following summarizes the material terms of such agreements, but is qualified by reference to the text of such agreements.

Separation Agreement

PepsiCo and TRICON will enter into a Separation Agreement (the "Separation Agreement"), which will provide for, among other things, certain services, records and personnel which PepsiCo and TRICON will make available to each other after the Distribution Date. To facilitate an orderly transition, PepsiCo may continue to provide, for up to 12 months, certain services to TRICON, with the related costs and expenses being paid by TRICON. TRICON will nonetheless have to utilize additional personnel to perform certain services previously provided by PepsiCo, such as treasury management and investor relations. The Separation Agreement also will provide for the assumption by TRICON of liabilities relating to PepsiCo's restaurant businesses and the indemnification of PepsiCo with respect to such liabilities. At June 14, 1997, there were approximately \$2.35 billion of liabilities reflected on TRICON's balance sheet. The Separation Agreement provides that, prior to the Distribution, TRICON will pay to PepsiCo \$4.5 billion as repayment of certain amounts due to PepsiCo from TRICON and a dividend.

Tax Separation Agreement

PepsiCo and TRICON will enter into a Tax Separation Agreement (the "Tax Separation Agreement"), on behalf of themselves and their respective consolidated groups, that reflects each party's rights and obligations with respect to payments and refunds of taxes that are attributable to periods beginning prior to and including the Distribution Date and taxes resulting from transactions effected in connection with the Distribution. The Tax Separation Agreement also expresses each party's intention with respect to certain tax attributes of TRICON after the Distribution. The Tax Separation Agreement provides for payments between the two companies for certain tax adjustments made after the Distribution that cover pre-Distribution tax liabilities. Other provisions cover the handling of audits, settlements, stock options, elections, accounting methods and return filing in cases where both companies have an interest in the results of these activities.

Pursuant to the Tax Separation Agreement, TRICON will agree to refrain from engaging in certain transactions for two years following the Distribution Date without the prior written consent of PepsiCo. Transactions subject to this restriction will include, among other things, the liquidation, merger or consolidation with another company, certain issuances and redemptions of TRICON

Common Stock, the granting of stock options, the sale, refranchising, distribution or other disposition of assets in a manner that would adversely affect the tax consequences of the Distribution or any transaction effected in connection with the Distribution, and the discontinuation of certain businesses.

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Employee Programs Agreement

PepsiCo and TRICON will enter into an Employee Programs Agreement (the "Employee Programs Agreement"), which allocates assets, liabilities and responsibilities between them with respect to certain employee compensation and benefit plans and programs and certain other related matters.

Telecommunications, Software and Computing Services Agreement

PepsiCo and TRICON will also enter into a Telecommunications, Software and Computing Services Agreement (the "TS&C Agreement") setting forth the arrangements between the parties with respect to internal software, third-party agreements, telecommunications services and computing services.

Beverage Agreements

KFC, Pizza Hut and Taco Bell have each entered into a multi-year agreement with Pepsi-Cola Company regarding the sale of Pepsi-Cola beverage products at U.S. Company-operated units.

Certain Letters of Credit, Guarantees and Contingent Liabilities

Pursuant to the Separation Agreement, TRICON will agree to use its best efforts to release, terminate or replace, prior to the Distribution Date, all letters of credit, guarantees and contingent liabilities relating to PepsiCo's restaurant businesses under which PepsiCo is liable. Nevertheless, after the Distribution Date, PepsiCo may remain liable on certain of such letters of credit, guarantees and contingent liabilities which were not able to be released, terminated or replaced prior to the Distribution Date. Pursuant to the Separation Agreement, from and after the Distribution Date TRICON will pay a fee to PepsiCo with respect to any such letters of credit, guarantees and contingent liabilities until such time as they are released, terminated or replaced by a qualified letter of credit with a maximum drawing amount equal to the full amount of all remaining obligations and foreseeable claims under such letters of credit, guarantees and contingent liabilities. At all times TRICON will be required to indemnify PepsiCo with respect to such letters of credit, guarantees and contingent liabilities.

Certain U.S. Federal Income Tax Consequences of the Distribution

PepsiCo has received a ruling from the Internal Revenue Service to the effect that the Distribution will qualify as a tax-free Distribution under Sections 355 and 368 of the Internal Revenue Code of 1986, as amended (the "Code"), and, accordingly, that (i) except as described below with respect to fractional shares, PepsiCo's shareholders will not recognize income, gain or loss upon the receipt of shares of TRICON Common Stock; (ii) the aggregate tax basis of the shares of PepsiCo Capital Stock and TRICON Common Stock (including any fractional share interests to which a PepsiCo shareholder is entitled) held by a PepsiCo shareholder after the Distribution will be the same as the tax basis of the shares of PepsiCo Capital Stock held by such shareholder immediately before the Distribution, and will be allocated between the shares of TRICON Common Stock and PepsiCo Capital Stock in proportion to their relative fair market values on the Distribution Date; (iii) the holding period of the shares of TRICON Common Stock

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received by a PepsiCo shareholder (including any fractional share interests to which a PepsiCo shareholder is entitled) will include the holding period of the shares of PepsiCo Capital Stock with respect to which the Distribution was made, provided that the shares of PepsiCo Capital Stock are held as a capital asset by such shareholder on the Distribution Date; and (iv) cash received in lieu of fractional share interests in TRICON Common Stock will give rise to gain or loss equal to the difference between the amount of cash received and the tax basis allocable to such fractional share interests. Such gain or loss will be capital gain or loss if the shares of PepsiCo Capital Stock are held as a capital asset on the Distribution Date.

U.S. Treasury regulations require each PepsiCo shareholder that receives shares of TRICON Common Stock in the Distribution to attach to the holder's U.S. Federal income tax return for the year in which such stock is received a detailed statement setting forth such data as may be appropriate in

order to show the applicability of Section 355 of the Code to the Distribution. Within a reasonable time after the Distribution, PepsiCo will provide each PepsiCo shareholder of record as of the Record Date with the information necessary to comply with that requirement, and will provide information regarding the allocation of basis described in clause (ii) above.

The foregoing is a summary of the material U.S. Federal income tax consequences of the Distribution under the law in effect as of the date of this Information Statement. IT DOES NOT PURPORT TO COVER ALL INCOME TAX CONSEQUENCES AND MAY NOT APPLY TO SHAREHOLDERS WHO ACQUIRED THEIR PEPSICO SHARES IN CONNECTION WITH A GRANT OF SHARES AS COMPENSATION, WHO ARE NOT CITIZENS OR RESIDENTS OF THE UNITED STATES, OR WHO ARE OTHERWISE SUBJECT TO SPECIAL TREATMENT UNDER THE CODE. All PepsiCo shareholders should consult their own tax advisors regarding the appropriate income tax treatment of their receipt of TRICON Common Stock, including the application of Federal, state, local and foreign tax laws, and the effect of possible changes in tax law that may affect the tax consequences described above.

MANAGEMENT OF TRICON

Directors

TRICON's Restated Articles of Incorporation provide that the number of Directors may be altered from time to time, by resolution adopted by the Company's Board of Directors. However, the number of Directors may not be less than three nor more than fifteen.

Provided that the number of Directors equals or exceeds the number required under North Carolina Law to stagger the terms of directors (currently nine), from and after the Company's 1997 annual shareholders' meeting, the Board of Directors shall be divided into three classes, to serve respectively until the annual meetings in 1998, 1999 and 2000, and until their successors shall be elected and shall qualify. Thereafter, their successors shall be elected for three year terms and until their successors shall be elected and shall qualify.

The following individuals have agreed to serve as Directors of TRICON following the Distribution. It is anticipated that additional persons will agree prior to the

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Distribution Date to serve as Directors. These Directors will hold office until the first annual meeting of TRICON's shareholders after the Distribution, which is expected to be held in May, 1998.

Andrall E. Pearson, age 72, has been elected a Director and Chairman of the Board of TRICON, and will be elected Chief Executive Officer prior to the Distribution Date. Prior thereto, Mr. Pearson served as an operating partner of Clayton, Dubilier & Rice, a leveraged buy-out firm. He was PepsiCo's President and Chief Operating Officer from 1971 through 1984 and served on PepsiCo's Board of Directors for 26 years, retiring in April 1996. From 1985 to 1993 he was a tenured professor at Harvard Business School. Mr. Pearson is Chairman of the Board of Alliant Food Services, and a director of Kinko's Inc., May Department Stores Company and Travelers Group.

David C. Novak, age 44, will be elected a Director, Vice Chairman of the Board and President of TRICON prior to the Distribution Date. Prior thereto, Mr. Novak served as Group President and Chief Executive Officer, KFC and Pizza Hut, a position he has held since August 1996. Mr. Novak joined Pizza Hut in 1986 as Senior Vice President, Marketing. In 1990, he became Executive Vice President, Marketing and National Sales, for Pepsi-Cola Company. In 1992 he became Chief Operating Officer, Pepsi-Cola North America. In 1994 he became President and Chief Executive Officer of KFC North America.

D. Ronald Daniel, age 67, will be elected to TRICON's Board of Directors effective on the Distribution Date. Mr. Daniel has been a director of McKinsey & Company since 1968. He joined McKinsey & Company in 1957 and held various positions with the firm, including Managing Director from 1976 to 1988. Mr. Daniel is a member of the Board of WNET/Thirteen, New York's public television station.

James Dimon, age 41, will be elected to TRICON's Board of Directors effective on the Distribution Date. Mr. Dimon is President, Chief Operating Officer and a director of Travelers Group. He was appointed President in 1991, and became Chief Operating Officer in 1993. Previously he had been Executive Vice President and Chief Financial Officer of Primerica Corporation, the predecessor company of Travelers Group. He is also Chairman and Chief Executive Officer of Smith Barney Inc., a subsidiary of Travelers Group, and has held this position since 1996.

Massimo Ferragamo, age 39, will be elected to TRICON's Board of Directors effective on the Distribution Date. Mr. Ferragamo is President and Vice Chairman of Moda Imports, Inc., a subsidiary of Salvatore Ferragamo Italia,

which controls sales and distribution of Ferragamo products in North America. Mr. Ferragamo has held this position since 1985.

Robert Holland, Jr., age 56, will be elected to TRICON's Board of Directors effective on the Distribution Date. Mr. Holland is the owner and Chief Executive Officer of Workplace Integrators, Michigan's largest Steelcase office furniture dealer. Prior to his current position, he was President and Chief Executive Officer of Ben & Jerry's Homemade, Inc. from 1995 through 1996. From 1981 to 1984 and from 1991 to 1995, Mr. Holland

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served as Chairman and CEO of Rokher-J, Inc., which participates in business development projects and provides strategy development assistance to senior management of major corporations. From 1984 to 1987, he was Chairman and Chief Executive Officer of City Marketing, a beverage distribution company in Detroit, Michigan. From 1987 to 1990, he was Vice President, and from 1990 to 1994 he was Chairman, of Gilreath Manufacturing, Inc., a full-service custom plastic injection molding company. Mr. Holland is a director of Mutual of New York, TruMark Inc., Frontier Corporation, A C Nielsen Corporation and Olin Corporation.

Kenneth G. Langone, age 61, will be elected to TRICON's Board of Directors effective on the Distribution Date. Mr. Langone is the founder, and, since 1974, has been Chairman of the Board, Chief Executive Officer and President, of Invemed Associates, Inc., a New York Stock Exchange firm engaged in investment banking and brokerage. He is a founder of Home Depot, Inc., and has been a director since 1978. He is also a director of DBT Online, Inc., St. Jude Medical, Inc., Unifil, Inc. and United States Satellite Broadcasting Co.

Jackie Trujillo, age 61, will be elected to TRICON's Board of Directors effective on the Distribution Date. Ms. Trujillo is Chairman of the Board of Harman Management Corporation, one of KFC's largest franchisees. She joined the KFC organization in 1953 and held various positions, becoming Executive Vice President of Operations in 1983, with responsibility for operations of KFC restaurants in Utah, Colorado, Washington and Northern California. In 1987, she became Executive Vice Chairman of Harman Management Corporation, assuming her present position in 1995.

Robert J. Ulrich, age 54, will be elected to TRICON's Board of Directors effective on the Distribution Date. Mr. Ulrich is Chairman and Chief Executive Officer of Dayton Hudson Corporation and Target Stores. He became President of Dayton Hudson Department Store Company in 1984, and President of Target Stores in late 1984. He became Chairman and Chief Executive Officer of Target Stores in 1987, and assumed his additional present position at Dayton Hudson Corporation in 1994. Mr. Ulrich is also a director of Dayton Hudson Corporation.

Jeanette S. Wagner, age 68, will be elected to TRICON's Board of Directors effective on the Distribution Date. Ms. Wagner is President of Estee Lauder International, Inc., the largest subsidiary of The Estee Lauder Companies Inc. Ms. Wagner's career at Estee Lauder has included marketing and general management assignments domestically and internationally. She assumed her present position in 1986. Ms. Wagner is also a director of American Greetings Corp. and Stride Rite Corporation.

John L. Weinberg, age 72, will be elected to TRICON's Board of Directors effective on the Distribution Date. Mr. Weinberg is Senior Chairman of Goldman, Sachs & Co., a position he has held since 1990. Mr. Weinberg has served as an investment banker with Goldman, Sachs & Co. since 1950. He became a Partner in 1956, Senior Partner and Co-Chairman of the Management Committee in 1976, and was Senior Partner and Chairman of

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the Management Committee from 1984 until 1990. He is a director of Champion International Corporation, Knight-Ridder, Inc. and Providian Financial Corp.

Board Compensation and Benefits

Employee Directors will not receive additional compensation for serving on the Board of Directors. Non-employee Directors will receive an annual cash retainer of \$50,000 and an annual grant of options to buy \$50,000 worth of TRICON Common Stock. Non-employee Directors will also receive a one-time stock grant of \$25,000 upon joining the Board, payment of which will be deferred until termination from the Board. Directors may also defer payment of their retainers. Deferrals may not be made for less than one year. For the first year only, non-employee Directors will receive a Board meeting fee of \$1,500 for each Board meeting in excess of eight during such year and a Committee meeting fee of \$1,000 for each Committee meeting in excess of eight during such year. TRICON will also pay the premiums on directors' and officers' liability and business travel accident insurance policies covering the Directors.

Committees of the Board

It is anticipated that TRICON will establish Audit, Compensation and Nominating Committees of the Board. It is also anticipated that all members will be non-employee Directors.

Audit Committee. The Audit Committee will: (i) recommend to the Board the selection, retention or termination of TRICON's independent auditors; (ii) approve the level of non-audit services provided by the independent auditors; (iii) review the scope and results of the work of TRICON's internal auditors; (iv) review the scope and approve the estimated cost of the annual audit; (v) review the annual financial statements and the results of the audit with management and the independent auditors; (vi) review with management and the independent auditors the adequacy of TRICON's system of internal accounting controls; (vii) review with management and the independent auditors the significant recommendations made by the auditors with respect to changes in accounting procedures and internal accounting controls; and (viii) report to the Board on the results of its review and make such recommendations as it may deem appropriate.

Compensation Committee. The Compensation Committee will: (i) administer TRICON's Long-Term Incentive Plan, Executive Incentive Compensation Plan and related plans; (ii) approve, or refer to the Board of Directors for approval, changes in such plans and the compensation programs to which they relate; and (iii) review and approve the compensation of senior executives of TRICON.

Nominating Committee. The Nominating Committee will: (i) identify suitable candidates for Board membership; (ii) propose to the Board a slate of directors for election by the shareholders at each annual meeting; and (iii) propose candidates to fill vacancies on the Board based on qualifications it determines to be appropriate.

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Executive Officers

In addition to Messrs. Pearson and Novak (see "Management of TRICON - Directors"), the following persons are expected to serve as executive officers of TRICON as of the Distribution Date:

Peter A. Bassi, age 48, will be elected President, International Restaurants prior to the Distribution Date. Prior thereto, Mr. Bassi served as Executive Vice President, Asia, of PepsiCo Restaurants International, a position he assumed in 1996. He joined Pepsi-Cola Company in 1972, and served in various management positions at Frito-Lay, Pizza Hut and PepsiCo Food Service International. He served as Senior Vice President, Finance and Chief Financial Officer at Taco Bell Corp. from 1987 to 1994. From 1995 to 1996 he served as Senior Vice President and Chief Financial Officer at PepsiCo Restaurants International.

Robert C. Lowes, age 51, has been elected Chief Financial Officer of TRICON. Mr. Lowes is the former Chief Executive Officer of Burger King, a subsidiary of Grand Metropolitan, a food and consumer products company. Before becoming Burger King's Chief Executive Officer, Mr. Lowes held several positions with Grand Metropolitan, including Deputy Chief Financial Officer, Chief Financial Officer of its Food Sector, and Chief Executive Officer of its European Foods division. Mr. Lowes joined Grand Metropolitan from Philip Morris and General Foods, where he served in a number of senior finance capacities, including Vice President, Controller of Philip Morris, and Group Vice President and Chief Financial Officer at Oscar Mayer.

Jeffrey A. Moody, age 39, will be elected President and Chief Concept Officer, KFC U.S.A., prior to the Distribution Date. Prior thereto, Mr. Moody served as Senior Vice President, Operations, for PepsiCo Restaurants International, a position he assumed in 1996. Previously, he was Vice President, Operations for PepsiCo Restaurants International. Mr. Moody joined Pizza Hut in 1987, and held various management positions prior to those mentioned above.

Michael S. Rawlings, age 42, will be elected President and Chief Concept Officer, Pizza Hut U.S.A., prior to the Distribution Date. Prior thereto, Mr. Rawlings served as Chairman, President and Chief Executive Officer of DDB Needham Worldwide Dallas Group, a position he held following the merger of Tracy-Locke, Inc. into DDB Needham in 1992. Previously, Mr. Rawlings was General Manager and Chief Operating Officer of Tracy-Locke, Inc., a position he assumed in 1989.

Peter C. Waller, age 43, will be elected President and Chief Concept Officer, Taco Bell U.S.A., prior to the Distribution Date. Prior thereto, Mr. Waller served as Senior Vice President of Marketing of Taco Bell, a position he assumed in the beginning of 1996, following 18 months as a Senior Vice President of Marketing for KFC-USA. He joined PepsiCo in 1990 as Managing Director for Western Europe, and subsequently spent two years as Regional Marketing Director

for KFC for the South Pacific and South Africa.

Sandra S. Wijnberg, age 41, has been elected Treasurer of TRICON. Prior thereto, she served as Senior Vice President of Finance and

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Chief Financial Officer of KFC, a position she held since 1996. Ms. Wijnberg joined PepsiCo in 1994, and served as Vice President, Corporate Finance and Assistant Treasurer until joining KFC. She was previously a Principal, Investment Banking Division, of Morgan Stanley & Co., and, prior to that, was an Associate, Corporate Finance, at Shearson Lehman Brothers.

Senior Operating Management

Jonathan D. Blum, age 39, will be elected Senior Vice President, Public Affairs, of TRICON prior to the Distribution Date. Prior thereto, Mr. Blum served as Vice President of Public Affairs for Taco Bell Corp., a position he has held since joining Taco Bell in 1993.

Thomas E. Davin, age 39, will be elected Chief Operating Officer, Taco Bell U.S.A. prior to the Distribution Date. Prior thereto, Mr. Davin served as Vice President, Operations Services, a position he assumed in 1996. Mr. Davin joined PepsiCo in 1991 as Director, Mergers and Acquisitions. He served as a Zone Vice President at Taco Bell from 1993 to 1996.

Gregg Dedrick, age 38, will be elected Chief People Officer of TRICON prior to the Distribution Date. Prior thereto, Mr. Dedrick served as Senior Vice President, Human Resources, for Pizza Hut and KFC, a position he assumed in 1996. Mr. Dedrick joined Pepsi-Cola Company in 1981 and held various personnel-related positions with Pepsi-Cola from 1981 to 1994. In 1994 he became Vice President, Human Resources, Pizza Hut, and in 1995 he became Senior Vice President Human Resources, KFC.

Aylwin B. Lewis, age 43, will be elected Chief Operating Officer, Pizza Hut U.S.A., prior to the Distribution Date. Prior thereto, Mr. Lewis served as Senior Vice President, Operations, a position he assumed in 1996. Mr. Lewis joined KFC in 1991 as a Regional General Manager. He served in various positions at KFC, including Senior Director of Franchising and Vice President of Restaurant Support Services, becoming Division Vice President, Operations in 1993, and Senior Vice President, New Concepts, in 1995.

Charles E. Rawley, age 47, is Chief Operating Officer, KFC U.S.A., and will continue to hold that position at the Distribution Date. Mr. Rawley joined KFC in 1985 as a Director of Operations. He served as Vice President of Operations for the Southwest, West, Northeast, and Mid-Atlantic Divisions from 1988 to 1994 when he became Senior Vice President, Concept Development. Mr. Rawley assumed his current position in 1995.

Stock Ownership of Executive Officers and Directors

The following table sets forth information concerning the TRICON Common Stock that is expected to be beneficially owned by each of TRICON's proposed directors, by each of the five named executive officers of TRICON and by all directors and executive officers as a group. The projections are based upon the number of shares of PepsiCo Capital Stock held by the individuals and the group at August 15, 1997, and do not include any options granted under PepsiCo plans. Effective on the Distribution Date, certain executive officers of TRICON will have certain PepsiCo stock

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options converted into options to acquire TRICON Common Stock. See "PepsiCo Stock Option and Performance Share Conversion." In addition, certain executive officers of TRICON will be granted options to acquire TRICON Common Stock on or about the Distribution Date. These converted options and new grants are not reflected in this table. None of the following persons will hold in excess of 1% of TRICON Common Stock.

Beneficial Owner	Projected Number of Shares
Andrall E. Pearson.....	15,403
David C. Novak.....	246
R. Ronald Daniel.....	-0-
James Dimon.....	-0-
Massimo Ferragamo.....	-0-
Robert Holland, Jr.	-0-
Kenneth G. Langone.....	-0-
Jackie Trujillo.....	480(1)

Robert J. Ulrich.....	-0-
Jeanette S. Wagner.....	-0-
John L. Weinberg.....	12,100
Peter A. Bassi.....	3
Peter C. Waller.....	-0-
Sandra S. Wijnberg.....	-0-
All Directors and Executive Officers as a Group (17 persons)	28,662

(1) Ms. Trujillo shares voting and investment power with respect to 4,800 shares of PepsiCo Capital Stock with other members of the Board of Trustees of Harman Cafes Employee Profit Sharing Trust.

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EXECUTIVE COMPENSATION

<TABLE>

<CAPTION>

Name and Principal Position (1)	Year	Annual Compensation			Long-Term Compensation		
		Salary (\$)	Bonus (\$)	Other Annual Compensation (\$)	Awards	Payouts	All Other Compensation (\$)
					Securities Underlying Options (#) (2)	Long-Term Incentive Plan Payouts (\$)	
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Andrall E. Pearson Chairman of the Board and Chief Executive Officer	1996	--	--	--	--	--	--
David C. Novak Vice Chairman of the Board and President	1996	433,650	515,200	9,068	888,861	0	0
Peter A. Bassi President, International Restaurants	1996	316,150	297,210	8,840	114,130	0	0
Peter C. Waller President and Chief Concept Officer, Taco Bell U.S.A.	1996	230,860	114,180	7,384	111,125	0	0
Sandra S. Wijnberg Treasurer	1996	224,660	132,190	58,771	64,126	0	0

(1) The principal position set forth for each named executive officer reflects their position as of the Distribution Date. Compensation disclosed in this table was paid by certain of TRICON's subsidiaries during the relevant periods. Messrs. Pearson, Lowes and Rawlings were not previously employed by TRICON or its subsidiaries (see "Management of TRICON - Executive Officers" for biographies of named executive officers). Mr. Pearson served as a Director of PepsiCo in 1994, 1995 and 1996, and received an annual retainer of \$70,000 and an annual stock grant with a value of \$30,000 on the grant date in 1994 and 1995. In 1996, Mr. Pearson received an annual retainer of \$70,000 until his retirement in April 1996.

(2) The options listed in this column are PepsiCo options and do not reflect the adjustments discussed in the section entitled "PepsiCo Stock Option and Performance Share Conversion."

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<TABLE>

<CAPTION>

PepsiCo Option Grants in Last Fiscal Year (1)

Potential Realizable Value
at Assumed Annual Rates
of Stock Price Appreciation for
Option Term

Individual Grants

Name	Number of Securities Underlying Options Granted (#)	% of Total Options Granted to Employees in Fiscal Year	Exercise or Base Price (\$/Share)	Expiration Date	Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for Option Term	
					5% (\$)(2)	10% (\$)(2)
<S>	<C>	<C>	<C>	<C>	<C>	<C>
David C. Novak	1,749(3)	0.003	35.50	6/30/06	39,048	98,955
	300,000(6)	0.590	29.46875	1/25/06	5,559,822	14,089,679
	300,000(7)	0.590	29.46875	1/25/11	9,538,399	28,088,860
	190,032(4)	0.374	29.46875	1/25/06	3,521,813	8,924,967
	68,572(4)	0.135	28.4375	1/25/06	1,075,099	2,648,020
	17,804(5)	0.035	28.4375	1/27/04	206,115	480,337
	10,704(5)	0.021	28.03125	1/27/04	143,259	343,130
Peter A. Bassi	1,194(3)	0.002	35.50	6/30/06	26,657	67,554
	11,840(4)	0.023	31.6875	1/25/06	228,540	575,027
	6,080(5)	0.012	31.6875	1/27/04	88,536	210,600
	95,016(4)	0.187	29.46875	1/25/06	1,760,907	4,462,483
Peter C. Waller	765(3)	0.001	35.50	6/30/06	17,079	43,282
	95,016(4)	0.187	29.46875	1/25/06	1,760,907	4,462,483
	15,344(5)	0.030	28.03125	1/27/04	205,359	491,871
Sandra S. Wijnberg	9,844(4)	0.019	35.56250	1/25/06	206,419	515,677
	2,744(5)	0.005	35.56250	1/27/04	43,117	101,861
	634(3)	0.001	35.50	6/30/06	14,155	35,870
	50,904(4)	0.100	29.46875	1/25/06	943,391	2,390,737

</TABLE>

(1) See "PepsiCo Stock Option and Performance Share Conversion" for a discussion of the treatment of these options as a result of the Distribution. The options listed in this table do not reflect the adjustments discussed in such section.

(2) The 5% and 10% rates of appreciation were set by the Securities and Exchange Commission and are not intended to forecast future appreciation, if any, of PepsiCo's stock. If PepsiCo's stock does not increase in value, then the option grants described in the table will be valueless.

(3) Twenty percent of these options becomes exercisable one year after the grant date, July 1, 1996, and an additional twenty percent becomes exercisable each year thereafter.

(4) These options become exercisable on February 1, 2000.

(5) These options become exercisable on February 1, 1998.

(6) These options become exercisable on January 25, 2001.

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(7) These options become exercisable on January 25, 2006.

<TABLE>

Aggregated PepsiCo Option Exercises in Last Fiscal Year and Fiscal Year-End Option Values (1)

<CAPTION>

Name	Shares Acquired on Exercise (#)	Value Realized	Number of Securities Underlying Unexercised Options at Fiscal Year-End		Value of Unexercised In-the-Money Options at FY-End(2)	
			Exercisable	Unexercisable	Exercisable	Unexercisable
<S>	<C>	<C>	<C>	<C>	<C>	<C>
David C. Novak	60,000	\$1,594,551	342,152	1,062,806	\$6,036,052	\$2,011,962
Peter A. Bassi	53,100	1,390,173	212,598	215,598	3,554,777	1,005,862

Peter C. Waller	0	0	41,526	169,747	493,177	736,550
Sandra S. Wijnberg	0	0	19,144	118,822	247,423	714,574

</TABLE>

(1) See "PepsiCo Stock Option and Performance Share Conversion" regarding the effect of the Distribution on PepsiCo stock options. The options listed in this table do not reflect the adjustments discussed in such section.

(2) The closing price of PepsiCo Capital Stock on December 27, 1996, the last trading day prior to PepsiCo's fiscal year-end, was \$29.625.

Pension Plan Table

Many of TRICON's salaried employees have been participants in PepsiCo's Salaried Employees Retirement Plan and PepsiCo's Pension Equalization Plan. On or prior to the Distribution Date, the Company and its participating subsidiaries intend to adopt a TRICON Salaried Employees Retirement Plan and TRICON Pension Equalization Plan on terms substantially similar to the comparable PepsiCo plans. The annual benefits payable under these two pension plans to employees with five or more years of service at age 65 are, for the first ten years of credited service, 30% of the employee's highest consecutive five-year average annual earnings plus an additional 1% of the employee's highest consecutive five-year average annual earnings for each additional year of credited service over ten years, less .43% of final average earnings not to exceed Social Security covered compensation multiplied by years of service (not to exceed 35 years).

Under the TRICON plans, when an executive retires at the normal retirement age (65), the approximate annual benefits payable after January 1, 1997 for the following pay classifications and years of service are expected to be:

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<TABLE>

<CAPTION>

Remuneration	Years of Service				
	25	30	35	40	45
<S>	<C>	<C>	<C>	<C>	<C>
\$250,000	\$109,280	\$121,130	\$132,990	\$145,490	\$160,790
\$500,000	\$221,780	\$246,130	\$270,490	\$295,490	\$329,540
\$750,000	\$334,280	\$371,130	\$407,990	\$445,490	\$498,290
\$1,000,000	\$446,780	\$496,130	\$545,490	\$595,490	\$667,040
\$1,250,000	\$559,280	\$621,130	\$682,990	\$745,490	\$835,790

</TABLE>

The pay covered by the pension plans referred to above is based on the salary and bonus shown in the Summary Compensation Table on page 42 for each of the named executive officers. The years of credited service as of January 1, 1997 for the following named executive officers are: David C. Novak, 10 years; Peter A. Bassi, 24 years; Peter C. Waller, 6 years; and Sandra S. Wijnberg, 2 years.

Employment Agreement

The Company has entered into an employment agreement with Mr. Pearson under which he will serve as Chairman of the Board and Chief Executive Officer of TRICON until July 1, 2000. The agreement provides for an annual salary of \$900,000; and annual incentive compensation awards to be determined by the TRICON Board of Directors. However, the bonus for 1997 (payable in 1998) will be \$450,000. TRICON will also pay Mr. Pearson, by year-end 1997, a one-time bonus of \$850,000. In addition, TRICON will make a \$1,000,000 retirement payment to Mr. Pearson at the end of his employment term. As soon as practicable after the Distribution Date, Mr. Pearson will be granted options to purchase 1,050,000 shares of TRICON Common Stock. The exercise price of these options will be based on the closing price of TRICON Common Stock for the fifth through the twentieth trading days after the Distribution. One third of the options will vest on each of July 1, 1998, July 1, 1999 and July 1, 2000. They will be exercisable for a period of ten years from the grant date.

NEW STOCK-BASED AND INCENTIVE PLANS OF TRICON

TRICON Long-Term Incentive Plan

Generally. The TRICON Long-Term Incentive Plan (the "TRICON LTIP") is expected to be approved prior to the Distribution Date by the TRICON Board of Directors and by PepsiCo as the sole shareholder of TRICON. The TRICON LTIP is expected to provide for the grant of various types of long-term incentive awards to key employees, consistent with the objectives and limitations of the TRICON LTIP. These awards may include non-qualified options to purchase shares of TRICON Common Stock, performance units, incentive stock options, stock appreciation rights and restricted stock grants. The term of the TRICON LTIP is expected to be ten years.

Administration. The TRICON LTIP is expected to vest broad powers in the Compensation Committee (the "Compensation Committee") of TRICON's Board of Directors to administer and interpret the TRICON LTIP. The Compensation Committee's powers are expected to include authority, within the limitations set forth in the TRICON LTIP, to select the persons to be granted awards, to determine terms and conditions of awards, including but not limited to the type, size and term of awards, to determine the time when awards will be granted and any conditions for receiving awards, to establish objectives and conditions for earning awards, to determine whether

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such conditions have been met and whether payment of an award will be made at the end of an award period, or at the time of exercise, or deferred, to determine whether payment of an award should be reduced or eliminated, and to determine whether such awards should be intended to qualify, regardless of their amount, as deductible for U.S. Federal income tax purposes. The TRICON LTIP is also expected to generally vest broad powers in the Compensation Committee to amend and terminate the TRICON LTIP.

Eligibility. Key employees of TRICON and its divisions, subsidiaries and affiliates are expected to be eligible to be granted awards under the TRICON LTIP. The Compensation Committee may also grant awards to employees of a joint venture or other business in which TRICON has a substantial investment, and may make awards to non-executive employees who are in a position to contribute to the success of TRICON.

TRICON Executive Incentive Compensation Plan

Generally. TRICON's Executive Incentive Compensation Plan (the "TRICON Incentive Plan") is expected to be approved prior to the Distribution Date by the TRICON Board of Directors and by PepsiCo as the sole shareholder of TRICON. The TRICON Incentive Plan is expected to provide for officers of TRICON and its divisions and subsidiaries to be granted annual cash incentive awards consistent with the objectives and limitations of the TRICON Incentive Plan. The term of the TRICON Incentive Plan is expected to be ten years.

Administration. The TRICON Incentive Plan is expected to vest broad powers in the Compensation Committee to administer and interpret the TRICON Incentive Plan. The Compensation Committee's powers are expected to include authority, within the limitations set forth in the TRICON Incentive Plan, to select the persons to be granted awards, to determine the time when awards will be granted, to determine and certify whether objectives and conditions for earning awards have been met, to determine whether payment of an award will be made at the end of an award period or deferred, and to determine whether an award or payment of an award should be reduced or eliminated. The TRICON Incentive Plan is also expected to generally vest broad powers in the Compensation Committee to amend and terminate the TRICON Incentive Plan.

Eligibility. At the discretion of the Compensation Committee, executive officers of TRICON are expected to be granted, and other officers of TRICON, its divisions and subsidiaries may be granted, annual incentive awards under the TRICON Incentive Plan.

Successor Plans

On or prior to the Distribution Date, the Company intends to adopt plans with terms substantially similar to the PepsiCo Stock Option Incentive Plan (the "PepsiCo SOIP") and the PepsiCo SharePower Stock Option Plan ("PepsiCo SharePower") for the purpose of continuing TRICON stock options which were converted from options granted under such PepsiCo plans. See "PepsiCo Stock Option and Performance Share Conversion." It has not yet been determined whether any new grants will be made under these plans. TRICON stock options and performance share units ("PSUs") which were converted from options or PSUs, as the case may be, awarded under the

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PepsiCo Long-Term Incentive Plan ("PepsiCo LTIP") will be considered to have been awarded under the TRICON LTIP described above.

Effective on the Distribution Date, holders of outstanding options to purchase PepsiCo Capital Stock and holders of unvested PepsiCo PSUs will have their interests adjusted as described below. The Compensation Committee of PepsiCo's Board of Directors has approved formulas to adjust the exercise price and award size of PepsiCo stock options and PSUs pursuant to the terms and provisions of each such grant and the relevant plan. TRICON employees who hold PepsiCo awards will receive either an award of TRICON stock options or PSUs or an adjusted PepsiCo award, in accordance with the formulas described below. The adjustment formulas are intended to maintain the value of the outstanding PepsiCo stock options at the time of adjustment.

Stock Options. Employees of TRICON who received PepsiCo stock options in connection with the 1996 grants and any 1997 grants under the PepsiCo LTIP and the PepsiCo SOIP, and employees of TRICON who received PepsiCo stock options under PepsiCo SharePower which have not become exercisable prior to the Distribution Date, shall have such PepsiCo stock options entirely converted into TRICON stock options. For these converted options, the exercise price of each such TRICON stock option shall equal the exercise price of the corresponding PepsiCo stock option prior to the Distribution, multiplied by a factor (the "TRICON Stock Conversion Ratio") where the numerator is the composite volume weighted average price of the TRICON Common Stock for the trading days during a pricing period to be determined at a future date (the "Per Share TRICON Stock Price") and the denominator is the composite volume weighted average price of PepsiCo Capital Stock trading with TRICON for the trading days during the pricing period (the "Per Share Pre-Split PepsiCo Stock Price"). The number of shares of TRICON Common Stock subject to each such TRICON stock option shall equal the number of shares subject to the corresponding PepsiCo stock option prior to the Distribution divided by the TRICON Stock Conversion Ratio. All other terms of such TRICON stock options shall be the same as the terms of the PepsiCo stock options from which they were converted.

Employees of TRICON who received PepsiCo stock options in connection with grants made prior to 1996 under the PepsiCo LTIP and the PepsiCo SOIP, and employees of TRICON who received PepsiCo stock options under PepsiCo SharePower which have become exercisable prior to the Distribution Date, shall retain such options to purchase PepsiCo Capital Stock, subject to the following adjustments to the exercise price and number of shares subject to each such option (each, an "Adjusted PepsiCo Stock Option"). The exercise price of each Adjusted PepsiCo Stock Option shall be determined by multiplying the PepsiCo stock option exercise price prior to the Distribution by a factor (the "PepsiCo Stock Conversion Ratio") where the numerator is the composite volume weighted average price of PepsiCo Capital Stock trading without TRICON for the trading days during the pricing period (the "Per Share Post-Split PepsiCo Stock Price") and the denominator is the Per Share Pre-Split PepsiCo Stock Price. The number of shares of PepsiCo Capital Stock subject to each Adjusted PepsiCo Stock Option shall equal the number of shares subject to such PepsiCo stock option prior to the Distribution divided by the PepsiCo Stock Conversion Ratio. All other

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terms of the Adjusted PepsiCo Stock Options shall be the same as the terms of the pre-adjustment PepsiCo stock options.

Employees of PepsiCo who will continue to be employed by PepsiCo after the Distribution Date and hold any PepsiCo stock options, and holders of any PepsiCo stock options who retire or have retired from PepsiCo on or prior to the Distribution Date, regardless of whether such holder has retired from PepsiCo's packaged goods or restaurant businesses and regardless of whether such options were granted under the PepsiCo LTIP, the PepsiCo SOIP, PepsiCo SharePower or otherwise, shall retain such options to purchase PepsiCo Capital Stock, subject to the adjustments to the exercise price and number of shares subject to each such option described in the previous paragraph. All other terms of such Adjusted PepsiCo Stock Options shall be the same as the terms of the pre-adjustment PepsiCo stock options.

Performance Share Units. Performance share units awarded in 1994 will remain unchanged for employees of TRICON and post-split PepsiCo. These awards will continue to earn out against the pre-established earnings per share target ("EPS") and are expected to be paid out on schedule in 1998. EPS results will be measured on a consolidated basis (including the restaurant businesses) through the end of 1997, provided that forecasted restaurant earnings will be used for the period between the Distribution Date and year-end in the EPS calculation.

Performance share units awarded in 1996 will have their target EPS adjusted, but vesting, the measurement period and the payout date of such awards will remain unchanged for employees of TRICON and post-split PepsiCo. For TRICON employees, the TRICON Board of Directors is expected to determine the appropriate four year cumulative EPS target for such awards based on TRICON's business plans. For employees of post-split PepsiCo, the current four year EPS target will be adjusted to reflect the exclusion of the restaurant businesses

while maintaining the original annual growth rate amounts.

DESCRIPTION OF TRICON CAPITAL STOCK

Under TRICON's Restated Articles of Incorporation (the "TRICON Articles"), which have been filed as an exhibit to the Registration Statement of which this Information Statement forms a part, TRICON's authorized Capital Stock consists of 1,000,000,000 shares, without par value, of which 750,000,000 shall be Common Stock and 250,000,000 shall be preferred stock ("Preferred Stock"). Based on 1.53 billion shares of PepsiCo Capital Stock outstanding as of July 11, 1997, estimates of the number of shares of PepsiCo Capital Stock which will be (i) repurchased by PepsiCo prior to the Distribution Date and (ii) issued upon the exercise of options prior to the Distribution Date, and a distribution ratio of one share of TRICON Common Stock for every ten shares of PepsiCo Capital Stock, it is expected that approximately 152 million shares of TRICON Common Stock will be distributed to holders of PepsiCo Capital Stock. No Preferred Stock will be distributed to PepsiCo shareholders in connection with the Distribution.

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TRICON Common Stock

The holders of TRICON Common Stock will be entitled to one vote for each share on all matters voted on by shareholders, including the election of directors. Except as provided with respect to any series of Preferred Stock authorized by TRICON's Board of Directors, the exclusive voting power with respect to all matters to be voted on by shareholders shall be vested in the holders of Common Stock. The TRICON Articles do not provide for cumulative voting in the election of directors. The holders of TRICON Common Stock will be entitled to such dividends as may be declared from time to time by the TRICON Board from funds available therefor, and upon liquidation will be entitled to receive, pro rata, all the net assets of TRICON available for distribution to such holders. All of the shares of TRICON Common Stock distributed by PepsiCo will be fully paid and nonassessable. The holders of TRICON Common Stock will have no preemptive right to subscribe for or purchase any securities of any kind or class of TRICON.

TRICON Preferred Stock

Under the TRICON Articles, the Company's Board of Directors is empowered, subject to limitations prescribed by North Carolina law, to amend the TRICON Articles to authorize the issuance of Preferred Stock. The Preferred Stock may be divided into two or more series, with such preferences, limitations and relative rights as the Board may determine. However, no holder of Preferred Stock shall be authorized or entitled to receive upon an involuntary liquidation of the Company an amount in excess of \$100 per share of Preferred Stock.

Dividends

The payment and level of cash dividends, if any, declared by TRICON after the Distribution will be subject to the discretion of the TRICON Board. Dividend decisions will be based on a number of factors, including TRICON's operating results and financial requirements on a stand-alone basis as well as credit agreement and legal restrictions relating thereto.

Transfer Agent and Registrar

The Transfer Agent and Registrar for the TRICON Common Stock will be BankBoston, N.A., P.O. Box 9155, Boston, MA 02205-9155, (800) 226-0083.

Listing and Trading of TRICON Common Stock

Prior to the date hereof, there has not been any established trading market for TRICON Common Stock. Application is expected to be made to list the TRICON Common Stock on the NYSE under the symbol "YUM." It is presently anticipated that the TRICON Common Stock will be approved for listing on the NYSE prior to the Distribution Date, and trading is expected to commence on a "when issued" basis prior to the Record Date. The term "when issued" indicates a conditional transaction in a security authorized for issuance but not as yet actually issued. All "when issued" transactions are on an "if" basis, to be settled if and when the actual security is issued and the NYSE directs that the transactions are to be settled.

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There can be no assurance as to the prices at which the TRICON Common

Stock will trade before, on or after the Distribution Date. Until the TRICON Common Stock is fully distributed and an orderly trading market develops in the TRICON Common Stock, the price at which such stock trades may fluctuate significantly and may be lower or higher than the respective price that would be expected for a fully distributed issue. Prices for the TRICON Common Stock will be determined in the marketplace and may be influenced by many factors, including (i) the depth and liquidity of the market for TRICON Common Stock, (ii) developments affecting TRICON's business, (iii) investor perception of TRICON, and (iv) general economic and market conditions. As of August 15, 1997, there were 222,345 record holders of PepsiCo Capital Stock, which approximates the number of prospective record holders of TRICON Common Stock.

Shares of TRICON Common Stock distributed in the Distribution will be freely transferable, except for securities received by persons who may be deemed to be affiliates of TRICON ("Affiliates") under the Securities Act of 1933, as amended (the "Securities Act"). Affiliates would generally include individuals or entities that control, are controlled by, or are under common control with TRICON and will include certain officers and Directors of TRICON. Persons who are Affiliates of TRICON will be permitted to sell their shares of TRICON Common Stock only pursuant to an effective registration statement under the Securities Act or an exemption from the registration requirements of the Securities Act.

NORTH CAROLINA LAW - SHARE ACQUISITIONS

North Carolina law includes two provisions relating to changes in control of a public company as a result of share acquisitions. The first is The North Carolina Control Share Acquisition Act, which requires an acquiror to obtain the favorable vote of a company's other shareholders before it is allowed to vote shares acquired in excess of certain statutory percentages. As permitted by the Act, the TRICON Articles provide that this Act shall not be applicable to TRICON. The second is The North Carolina Shareholder Protection Act, which establishes minimum safeguards for a company's public shareholders in the event another entity first acquires more than 20% of the stock and then wishes to accomplish a second-step combination of the two businesses. Such safeguards relate to the minimum value to be paid to the company's remaining shareholders in any such business combination; preservation of board of directors representation for the publicly-owned shares and of the dividend rate; limitations on certain intercorporate transactions prior to the consummation of such business combination; and requirements as to disclosure to remaining shareholders in connection with any such proposed business combination. Unless these minimum safeguards are observed, any such business combination would require the affirmative vote of the holders of 95% of the voting shares of a corporation.

INDEMNIFICATION OF DIRECTORS

A provision of the TRICON Articles (the "Provision") provides that to the full extent from time to time permitted by law, no Director shall be personally liable in any action for monetary damages for breach of any duty as a Director, whether such action is brought by or in the right of the Company or otherwise. Neither the amendment nor repeal of the Provision, nor adoption of any provision of the TRICON Articles which is

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inconsistent with the Provision, shall eliminate or reduce the protection afforded by the Provision with respect to any matter which occurred, or any cause of action, suit or claim which, but for the Provision would have accrued or arisen, prior to such amendment, repeal or adoption.

While the TRICON Articles provide Directors with protection from awards for monetary damages for breaches of their duty of care, they do not eliminate such duty. Accordingly, the TRICON Articles will have no effect on the availability of equitable remedies such as an injunction or rescission based on a Director's breach of his or her duty of care.

The TRICON Articles provide that the Company shall, to the fullest extent from time to time permitted by law, indemnify its Directors and officers against all liabilities and expenses in any suit or proceeding, whether civil, criminal, administrative or investigative, and whether or not brought by or on behalf of the Company, including all appeals therefrom, arising out of their status as such or their activities in any of the foregoing capacities, unless the activities of the person to be indemnified were at the time taken known or believed by him to be clearly in conflict with the best interests of the Company. The Company shall likewise and to the same extent indemnify any person who, at the request of the Company, is or was serving as a Director, officer, partner, trustee, employee or agent of another foreign or domestic corporation, partnership, joint venture, trust or other enterprise, or as a trustee or administrator under any employee benefit plan. The right to be indemnified shall include, without limitation, the right of a Director or officer to be paid

expenses in advance of the final disposition of any proceeding upon receipt of an undertaking to repay such amount unless it shall ultimately be determined that he or she is entitled to be indemnified. A person entitled to indemnification shall also be paid reasonable costs, expenses and attorneys' fees (including expenses) in connection with the enforcement of rights to the indemnification granted. The foregoing rights of indemnification shall not be exclusive of any other rights to which those seeking indemnification may be entitled and shall not be limited by the provisions of the North Carolina Business Corporation Act or any successor statute. The Board of Directors may take such action as it deems necessary or desirable to carry out the foregoing indemnification provisions, including adopting procedures for determining and enforcing the rights guaranteed thereby, and the Board of Directors is expressly empowered to adopt, approve and amend from time to time such Bylaws, resolutions or contracts implementing such provisions or such further indemnification arrangement as may be permitted by law. Neither the amendment or repeal of the foregoing indemnification provisions, nor the adoption of any provision of the TRICON Articles inconsistent with the foregoing indemnification provisions, shall eliminate or reduce any rights to indemnification afforded by the foregoing indemnification provisions to any person with respect to their status or any activities in their official capacities prior to such amendment, repeal or adoption.

1998 ANNUAL MEETING AND SHAREHOLDER PROPOSALS

TRICON's first annual shareholders meeting after the Distribution is expected to be held on May 13, 1998. If a shareholder wishes to have a proposal considered at the 1998 meeting and included in the Proxy Statement for that meeting, the proposal must be received by TRICON in writing on or before November 30, 1997.

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AVAILABLE INFORMATION

When this Form 10 becomes effective, TRICON will be subject to the reporting requirements of the Securities Exchange Act of 1934, as amended, and, in accordance therewith, will file reports, proxy statements and other information with the Securities and Exchange Commission (the "Commission"). Copies of the Form 10, including the exhibits thereto, and the reports, proxy statements and other information filed by TRICON with the Commission can then be inspected and copied at the public reference facilities of the Commission, 450 Fifth Street N.W., Room 1024, Washington D.C. 20549 and at the Commission's Regional Offices: 7 World Trade Center, 13th floor, New York, NY 10048 and 500 West Madison Street, Suite 1400, Chicago, IL 60661. Copies of such material can be obtained at prescribed rates from the Public Reference Section of the Commission, 450 Fifth Street N.W., Room 1024, Washington D.C. 20549. Copies may also be obtained from the Commission's Web Site (<http://www.sec.gov>). Following the listing of TRICON Common Stock on the NYSE, TRICON will be required to file with that exchange copies of such reports, proxy statements and other information which then can be inspected at the offices of such exchange at 20 Broad Street, New York, NY 10005.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis
for Fiscal Years Ended December 28 1996, December 30, 1995
and December 31, 1994

For purposes of this Management's Discussion and Analysis, TRICON includes the worldwide operations of KFC, Pizza Hut and Taco Bell (its core businesses) and the non-core U.S. businesses held for disposal: CPK, Chevys, D'Angelo, ESM and HNN.

The following Management's Discussion and Analysis should be read in conjunction with the audited Combined Financial Statements on pages F-2 - F-24 and the Cautionary Statements on page 69. The audited Combined Financial Statements included herein may not necessarily be indicative of the results of operations, financial position and cash flows of TRICON in the future or had it operated as a separate, independent company during the periods presented. The audited Combined Financial Statements included herein do not reflect any changes that may occur in the financing and operations of TRICON as a result of the Distribution.

This Management's Discussion and Analysis is presented in five sections. The first section discusses TRICON's ownership strategy and portfolio management (pages 52-53). The second section analyzes the combined results of operations and provides a perspective on operations outside of the United States (pages 53-59). The third and fourth sections address TRICON's combined cash flows (pages 59-61) and financial condition (page 61), respectively. The final

section summarizes TRICON's use of derivatives (page 62).

Ownership Strategy and Portfolio Management

TRICON continues to execute the initiatives started two years ago to reduce its percentage ownership of total system units by selling Company-operated restaurants to

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existing and new franchisees and closing underperforming units. Although these initiatives reduce reported revenues, the refranchising initiative is intended to improve returns by eliminating the capital investment in units while generating franchise fees. In addition, margins and cash flows benefit from the one-time impact of refranchising gains and the ongoing impact of closing underperforming Company-operated units. As a result of these initiatives, coupled with net new points of distribution by TRICON's franchisees and licensees, TRICON's overall ownership percentage (including joint venture units) of its core businesses' total system units declined by 2 percentage points to 48% at year-end 1995 and 4 percentage points to 44% at year-end 1996, both driven by declines in the U.S. TRICON refranchised 264 and 640 Company-operated units in 1995 and 1996, respectively. Total system units grew 6% and 4% in 1995 and 1996, respectively, driven by net new points of distribution by TRICON's franchisees and licensees. At year-end 1995 and 1996 TRICON had 293 and 296 Company-operated non-core U.S. restaurants, respectively.

Results of Operations

The table in Note 3 on page F-11 summarizes significant items impacting comparability.

Revenues declined \$18 million in 1996. Company-operated restaurants revenues decreased \$75 million or 1%. The decrease was driven by volume declines, partially due to lapping the strong volume increases in the second quarter of 1995 because of the successful introduction of Stuffed Crust Pizza in the U.S., and the unfavorable impact of fewer net Company-operated units. These declines were partially offset by higher effective net pricing and the consolidation of CPK at the end of the second quarter of 1996 (see Note 16 on page F-20). The \$57 million or 13% increase in franchise and license fees primarily reflected new franchise and license units and the continuing franchise fees from refranchised restaurants.

In 1996, same store sales for Company-operated units increased 6% at KFC U.S. due primarily to the impact of new products such as Tender Roast Chicken, Colonel's Crispy Strips and Chunky Chicken Pot Pies. Same store sales for Company-operated units decreased 4% and 2% at Pizza Hut U.S. and Taco Bell U.S., respectively, reflecting fewer customer transaction counts.

Revenues increased \$685 million or 7% in 1995. The fifty-third week in 1994 (see Note 3 on page F-11) reduced the 1995 revenue growth rate by approximately 2 percentage points. Company-operated restaurants revenues grew \$643 million or 7%. The growth reflected net additional Company-operated units and higher effective net pricing, partially offset by a decline in volume. Franchise and license fees increased \$42 million or 11%, primarily driven by the net new points of distribution by TRICON's franchisees and licensees.

In 1995, same store sales for Company-operated units increased 4% and 7% at Pizza Hut U.S. and KFC U.S., respectively, driven by new product offerings. Same store sales for Company-operated units declined 4% at Taco Bell U.S. due to fewer customer transaction counts. Same store sales growth has been adjusted to exclude the impact of the fifty-third week in 1994 (see Note 3 on page F-11).

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Company-Operated Restaurant Margins and Profit

	1996	1995	1994
Revenues from Company-operated restaurants	100.0%	100.0%	100.0%
Food and paper	33.0%	33.1%	32.8%
Payroll and employee benefits	28.7%	28.4%	28.8%
Occupancy and other operating expenses	27.8%	27.6%	27.4%
Margins	10.5%	10.9%	11.0%
Profit	\$1,019	\$1,074	\$1,012

In 1996, Company-operated restaurant margins declined .4 percentage points. The decline primarily reflected an increase in operating costs as a percent of revenues due to lower revenues caused by decreased customer transaction counts in Pizza Hut U.S. and Taco Bell U.S. (i.e., "deleveraging"). The margin decline was moderated by the fact that higher effective net pricing exceeded increases in the costs of labor, food (led by cheese) and occupancy and other operating expenses. The increased labor costs reflected increases in wage rates and benefits as well as increased staffing due to TRICON's customer service improvement initiatives. Increased occupancy and other operating expenses included higher refurbishment expenses at Pizza Hut U.S.

Company-operated restaurant margins declined .1 percentage point in 1995. The deleveraging effect of reduced revenues at Taco Bell U.S. due to decreased customer transaction counts coupled with increased occupancy and other operating expenses, were substantially offset by reduced food costs (led by beef), labor efficiencies resulting from reduced restaurant management staffing and higher effective net pricing.

General, administrative and other expenses ("G&A") comprises general and administrative expenses, other income and expense and equity income or loss from investments in unconsolidated affiliates. The \$75 million or 9% growth in G&A in 1996 reflected increased spending, led by multiple U.S. initiatives to improve customer service and to support international growth. Customer service initiatives included expanding the number and training of personnel supervising the restaurant managers, as well as project spending against market-related programs. These increased expenses were offset by equity income in 1996 compared to losses in 1995, due in part to the absence of CPK's losses as a result of its consolidation in 1996 (see Note 16 on page F-20). In 1995, G&A grew \$42 million or 5% primarily reflecting a \$17 million charge in 1995 to move Pizza Hut's headquarters from Wichita to Dallas, spending to support U.S. field operations and international development. Included in G&A is an allocated amount reflecting TRICON's share of overhead costs related to PepsiCo's shared administrative expenses of \$53 million, \$52 million and \$50 million in 1996, 1995 and 1994, respectively. The amounts allocated to TRICON were based on the ratio of TRICON's revenues to PepsiCo's revenues. They are not necessarily indicative of the expenses that TRICON would have incurred for these services had it been a separate, independent company.

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Net facility actions (\$ in millions)	1996	1995	1994
Refranchising gains*	\$ (139)	\$ (93)	\$ -
Store closure costs	40	38	10
SFAS 121 impairment charges	62	457	-
Net (gains)/losses from facility actions	\$ (37)	\$ 402	\$ 10
After-tax	\$ (21)	\$ 295	\$ 6

* Included initial franchise fees of \$22 and \$8 in 1996 and 1995, respectively.

Net gains and losses from facility actions result from TRICON executing its initiatives to rebrand units and

close underperforming units, and its impairment evaluations for restaurants to be used in the business under SFAS 121. TRICON early adopted SFAS 121 as of the beginning of the fourth quarter of 1995. The initial, noncash charge of \$457 million in 1995, \$120 million of which related to the non-core U.S. businesses, resulted from TRICON evaluating and measuring impairment of restaurants to be used in the business at the individual restaurant level. Previously, impairment was evaluated and measured if a restaurant concept was incurring operating losses and was expected to incur operating losses in the future. Because of the strong operating profit history or prospects for each concept, no impairment evaluation had been required in 1994. The recurring SFAS 121 impairment charge in 1996 resulted from the semi-annual impairment evaluations of each restaurant to be used in the business that either initially met TRICON's "two-year history of operating losses" impairment indicator or was previously evaluated for impairment and, due to changes in circumstances, a current forecast of future cash flows would be expected to be significantly lower than the forecast used in the prior evaluation.

Unusual disposal charges of \$246 million (\$189 million after-tax) in 1996 were associated with a fourth quarter decision to dispose of TRICON's remaining non-core U.S. businesses, CPK, Chevys, D'Angelo and ESM, and a first quarter decision to dispose of the operating assets of HNN. These charges were on top of the \$120 million of impairment charges incurred for these businesses in 1995.

The additional impairment charges recognized in 1996 reflect both a different assessment of the future prospects of the businesses compared to 1995 and the different requirements under SFAS 121 for determining impairment for assets to be sold (1996 basis) compared to assets to be held and used in the business (1995 basis). For an asset to be disposed of, SFAS 121 requires the asset be recorded at the lower of its carrying amount or fair market value, i.e., the amount a third party would be willing to pay, less costs to sell. For an asset to be held and used, an asset can not be impaired when the related estimated nominal, undiscounted future cash flows, before interest and income taxes, are equal to or greater than the carrying amount of the asset. Thus, an asset to be held and used cannot be impaired even though its estimated future cash flows may not provide a normal return on TRICON's investment.

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Reported operating profit increased \$120 million in 1996. Ongoing operating profit, which was adjusted to exclude the unusual disposal charges in 1996 and the initial impact of adopting SFAS 121 in 1995 (see Note 3 on page F-11), decreased \$91 million or 13%. The decline reflected the increased G&A expenses and reduced profit from Company-operated restaurants, partially offset by increased profit from franchise and license fees.

Reported operating profit decreased \$330 million in 1995. Ongoing operating profit, which was adjusted to exclude the initial impact of adopting SFAS 121 in 1995 (see Note 3 on page F-11), grew \$127 million or 22%. The fifty-third week in 1994 (see Note 3 on page F-11) reduced the ongoing operating profit growth rate by approximately 5 percentage points. The increase was due to net refranchising gains in 1995, compared to store closure costs in 1994, higher profits from Company-operated restaurants and increased franchise and license fees. These improvements were partially offset by increased G&A expenses.

Interest expense, net

(\$ in millions)	1996	1995	1994	% Growth Rates	
				1996	1995
PepsiCo allocation	\$ (275)	\$ (316)	\$ (300)	(13)	5
External debt	(35)	(52)	(49)	(33)	6
Interest expense	(310)	(368)	(349)	(16)	5
Interest income	10	13	8	(23)	63
Interest expense, net	\$ (300)	\$ (355)	\$ (341)	(15)	4

TRICON's operations have been financed through its operating cash flows, refranchising of restaurants and

investments by and advances from PepsiCo. TRICON's interest expense includes an allocation of PepsiCo's interest expense (PepsiCo's weighted average interest rate applied to the average balance of investments by and advances from PepsiCo to TRICON) and interest expense on its external debt. TRICON's external debt is primarily limited to capital lease obligations associated with real estate and, to a much lesser extent, assumed debt of acquired businesses and international third-party debt. TRICON is expected to have a capital structure different from the capital structure in the Combined Financial Statements (see Pro Forma Condensed Combined Balance Sheet on page F-32) and accordingly, interest expense is not necessarily indicative of the interest expense that TRICON would have incurred as a separate, independent company or will incur in future periods.

Interest expense, net declined 15% in 1996 primarily reflecting a lower average balance of net investments by and advances from PepsiCo, coupled with PepsiCo having a lower weighted average interest rate. Interest expense, net in 1995 increased 4%, reflecting an increase in PepsiCo's weighted average interest rate, coupled with a higher average balance of investments by and advances from PepsiCo.

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Income Taxes

(\$ in millions)	1996	1995	1994
Reported			
Income Taxes	\$ 125	\$ 29	\$ 122
Effective Tax Rate	173.6%	(28.2)%	50.6%
Ongoing*			
Income Taxes	\$ 182	\$ 162	\$ 122
Effective Tax Rate	57.2%	45.8%	50.6%

* Adjusted to exclude the effects of the unusual disposal charges in 1996 and the initial impact of adopting SFAS 121 in 1995 (See Note 3 on page F-11).

The 1996, 1995 and 1994 reported effective tax rates were 173.6%, (28.2%) and 50.6%, respectively. The following reconciles the U.S. Federal statutory tax rate to TRICON's ongoing effective rate:

	1996	1995	1994
U.S. Federal statutory tax rate	35.0%	35.0%	35.0%
State income tax, net of Federal tax benefit	2.2%	2.1%	4.9%
Foreign and U.S. tax effects attributable to foreign operations	17.0%	7.1%	11.3%
Other, net	3.0%	1.6%	(0.6)%
Ongoing effective tax rate	57.2%	45.8%	50.6%

The 1996 ongoing effective tax rate increased 11.4 percentage points to 57.2% while the 1995 ongoing effective tax rate declined 4.8 percentage points to 45.8%. The effective tax rate attributable to foreign operations varied from year-to-year but in each year was higher than the U.S. Federal statutory tax rate. This was primarily due to foreign tax rate differentials, including foreign withholding tax paid without benefit of the related foreign tax credit for U.S. income tax purposes, and losses of foreign operations for which no tax benefit could be currently recognized.

The increase in the 1996 ongoing effective tax rate related to an increase in tax effects attributable to foreign operations, due in part to adjustments related to prior tax years, and the establishment of a valuation allowance due to a change in judgment as to the expected realization of certain foreign deferred tax assets resulting from a larger than expected net operating loss during 1996 and forecasted continuing operating losses for the next several years in a foreign jurisdiction.

The decrease in the 1995 ongoing effective tax rate principally reflected a reduction in tax effects

attributable to foreign operations and reduced state income taxes.

Income tax expense was calculated as if TRICON filed separate income tax returns. As PepsiCo manages its tax position on a consolidated basis, which takes into

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account the results of all of its businesses, TRICON's effective tax rate in the future could vary from its historical effective tax rates. TRICON's future effective tax rate will largely depend on its structure and tax strategies as a separate, independent company.

(Loss)/Income Before Cumulative Effect of Accounting Changes

(\$ in millions)				% Growth Rates	
	1996	1995	1994	1996	1995
Reported	\$ (53)	\$ (132)	\$ 119	(60)	NM
Ongoing*	\$ 136	\$ 192	\$ 119	(29)	61

NM - Not Meaningful

* Adjusted to exclude the unusual disposal charges in 1996 and the initial impact of adopting SFAS 121 in 1995 (see Note 3 on page F-11).

International Operations

(\$ in millions)				% Growth Rates	
	1996	1995	1994	1996	1995
Revenues	\$ 2,308	\$ 2,087	\$ 1,794	11	16
Operating Profit*					
Reported	\$ 144	\$ (26)	\$ 79	NM	NM
Ongoing**	\$ 144	\$ 111	\$ 79	30	41

NM - Not Meaningful

* Includes equity income/(loss) but excludes foreign exchange gains/(losses).

** Adjusted to exclude the initial impact of adopting SFAS 121 in 1995 (see Note 3 on page F-11).

In 1996, TRICON's international business represented about 20% of its revenues and its ongoing operating profits. As currency exchange rates change, translation of the income statements of TRICON's international operations into U.S. dollars could affect year-over-year comparability of operating results. To the extent that translation effects are material, they are discussed herein.

International Operations Review

1996 vs. 1995

Revenues increased \$221 million driven by the favorable impact of net additional Company-operated units, higher effective net pricing and increased volumes.

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Reported operating profit increased \$170 million. Ongoing operating profit increased \$33 million reflecting increased franchise and license fees due to new unit activity, net additional Company-operated units, increased volumes and profits from net facility actions compared to losses in 1995 (see below). These benefits were partially offset by increased administrative costs for systems initiatives and standardization of operational processes to support growth.

(\$ in millions)	Net Facility Actions	
	1996	1995
Refranchising gains	\$ (5)	\$ (4)
Store closure costs	(5)	12

Net (gains)/losses from facility actions \$(2) \$ 8

1995 vs. 1994

Revenues increased \$293 million or 16%. The fifty-third week in 1994 (see Note 3 on page F-11) reduced the 1995 revenue growth rate by approximately 2 percentage points. The revenue increase primarily reflected additional Company-operated units.

Reported operating profit decreased \$105 million. Ongoing operating profit increased \$32 million or 41%. The fifty-third week in 1994 (see Note 3 on page F-11) reduced the ongoing operating profit growth rate by approximately 7 percentage points. The increased ongoing operating profit reflected additional Company-operated units, increased franchise and license fees primarily from net new units and a net favorable currency translation impact. These gains were partially offset by increased administrative expenses and \$8 million of net facility losses in 1995. A reduction in volume was substantially offset by higher prices, which exceeded increased costs.

Combined Cash Flows

TRICON's capital investments and acquisitions have been financed by cash flow from operations, refranchising of restaurants, or investments by and advances from PepsiCo. Under PepsiCo's centralized cash management system, PepsiCo deposits to TRICON's bank accounts sufficient cash to meet TRICON's daily obligations and withdraws excess funds from those accounts. These transactions are included in investments by and advances from PepsiCo in the Combined Balance Sheet.

The debt levels prior to the Distribution are not indicative of the debt levels of TRICON as a separate, independent entity. As an independent company, TRICON expects to obtain initial debt funding of approximately \$4.5 billion through a \$2 billion senior, unsecured five-year term loan facility and \$2.5 billion under a senior, unsecured five-year \$3.5 billion revolving credit facility. A portion of the latter facility will be available in the form of letters of credit. Interest rates are expected to be based on LIBOR. The facilities are expected to have a quarterly facility fee as well as a semi-annual administrative fee. TRICON expects to use substantially all of the initial debt proceeds to settle certain amounts due to PepsiCo from TRICON and to declare and

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pay a dividend to PepsiCo just prior to the Distribution. Management believes that cash flows from its refranchising initiatives and from its operating activities in excess of capital spending will be sufficient to fund its debt payments and future growth.

Combined cash flow activity in 1996 reflected cash flows from operating activities of \$713 million which, coupled with cash inflows from refranchising of restaurants of \$355 million, funded capital spending of \$620 million and reduced investments by and advances from PepsiCo by \$285 million and third-party debt by \$137 million.

Net cash provided by operating activities decreased \$100 million or 12% to \$713 million in 1996. The decrease was due to reduced income before noncash charges and credits of \$76 million and lower working capital cash inflows of \$24 million. The decline in working capital cash inflows was primarily due to an unfavorable swing in income taxes payable partially offset by faster growth in accounts payable and other current liabilities and a favorable swing in inventories. The change in accounts payable and other current liabilities was primarily due to timing of payments.

Net cash provided by operating activities in 1995

declined \$81 million or 9% versus 1994 to \$813 million. The decline primarily reflected lower working capital cash inflows in 1995 of \$113 million partially offset by increased income before noncash charges and credits of \$32 million. The decline in working capital cash inflows was primarily due to a slower rate of growth in accounts payable and other current liabilities in 1995 partially offset by a favorable swing in income taxes payable. The change in accounts payable and other current liabilities primarily reflected timing of payments and a reduced level of purchases.

Net cash used for investing activities decreased \$348 million or 58% to \$249 million in 1996 and \$667 million or 53% to \$597 million in 1995. The 1996 decline was principally due to increased proceeds from refranchising of restaurants, coupled with reduced capital spending and the absence of acquisitions. The 1995 decline was primarily due to reduced capital spending and acquisitions, proceeds from 1995 refranchisings and reduced loans to unconsolidated affiliates, which are classified in other, net.

The decreased capital spending of \$81 million in 1996 and \$337 million in 1995 primarily reflected a slow down of new unit development by TRICON as part of its initiative to reduce its percentage ownership of total system units. Capital spending outside of the U.S. represented 26% of total capital spending in 1996 and 1995 and 32% in 1994.

Net cash used for financing activities almost doubled in 1996 to \$422 million primarily reflecting debt payments in 1996 compared to proceeds in 1995 and a greater decline in investments by and advances from PepsiCo. Net cash used for financing activities of \$218 million in 1995 compared to a cash inflow of \$388 million in 1994. This change was primarily due to a swing in investments by and advances from PepsiCo.

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Free cash flow is the key internal measure used to evaluate cash flow that investors may want to consider as an indication of cash available for debt repayment and to fund additional investments. Free cash flow is not a measure defined by generally accepted accounting principles. This measure is provided as a supplement, and not as an alternative to cash flows from operating, investing and financing activities as defined by generally accepted accounting principles.

(\$ in millions)	1996	1995	1994
Net cash provided by operating activities	\$ 713	\$ 813	\$ 894
Investing activities			
Capital spending	(620)	(701)	(1,038)
Refranchising of restaurants	355	165	-
Sales of property, plant & equipment	45	43	21
Other, net	(29)	(38)	(134)
	\$ 464	\$ 282	\$ (257)

In 1996, free cash flow increased \$182 million or 65% to \$464 million. The increase reflected the higher proceeds from refranchising of restaurants and lower capital spending, partially offset by reduced cash flow from operating activities. In 1995, the favorable free cash flow swing of \$539 million was due primarily to lower capital spending, 1995 refranchising of restaurants and the reduced loans to unconsolidated affiliates, which are classified in other, net. These cash inflows were partially offset by reduced cash flow from operating activities.

Combined Financial Condition

Assets at year-end 1996 decreased \$388 million or 6% to \$6.5 billion. The decline reflected the impact of the unusual disposal charges of \$246 million (see Note 3 on page F-11). The increase in prepaid expenses, deferred income taxes and other current assets principally reflected a

reclassification of the reduced carrying amount (which reflects estimated fair market value) of the non-core U.S. restaurant assets which are held for disposal and a related increase in current deferred income tax assets.

TRICON's negative operating working capital position, which reflects the cash sales nature of TRICON's operations, effectively provides additional capital for investment. Operating working capital, which excludes short-term investments and short-term borrowings, was a negative \$445 million and negative \$831 million at year-end 1996 and 1995, respectively. The \$386 million decrease in negative working capital in 1996 primarily reflected the reclassification of the non-core U.S. restaurant assets held for disposal to other current assets and the increase in current deferred income taxes.

See the Pro Forma Condensed Combined Balance Sheet on page F-32, which gives effect to TRICON's anticipated capital structure.

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Derivative Instruments

TRICON's policy prohibits the use of derivative instruments for trading purposes and TRICON has procedures in place to monitor and control their use.

TRICON's use of derivative instruments is currently limited to commodity futures contracts traded on national exchanges, which are entered into with the objective of reducing food costs. While such hedging activity has historically been limited, hedging activity could increase in the future if TRICON believes it would result in lower total costs. Open contracts and deferred gains and losses at year-end 1996 and 1995, as well as gains and losses recognized as part of cost of sales in 1996, 1995 and 1994, were not significant.

Management's Discussion and Analysis for the 12 and 24 Weeks Ended June 14, 1997 and June 15, 1996

The following Management's Discussion and Analysis should be read in conjunction with the unaudited Condensed Combined Financial Statements on pages F-25 - F-29 and the Cautionary Statements on page 69. For purposes of this Management's Discussion and Analysis, TRICON includes the worldwide operations of KFC, Pizza Hut and Taco Bell, its core businesses. In addition, the U.S. information includes TRICON's non-core businesses consisting of Chevys, ESM, and HNN through their respective dates of disposal, and CPK and D'Angelo, which are held for disposal.

Ownership Initiatives

As a result of TRICON's initiative to rebrand units and close underperforming units, coupled with net new points of distribution by TRICON's franchisees and licensees, TRICON's overall ownership percentage (including joint venture units) of its core businesses' total system units since year-end 1996 declined 2% to 42% at June 14, 1997, driven by declines in the U.S. TRICON rebranded 261 and 355 Company-operated units in the quarter and year-to-date, respectively. Total system units declined less than half a percentage point from the end of 1996. At June 14, 1997 and December 28, 1996 TRICON had 166 and 296 Company-operated non-core U.S. restaurants, respectively.

Results of Operations

Revenues decreased \$29 million in the quarter and \$65 million year-to-date, or 1% for both periods. Company-operated restaurants revenue decreased \$57 million or 3% in the quarter and \$105 million or 2% year-to-date. The declines primarily reflected fewer net Company-operated units as a result of TRICON's initiatives to reduce its ownership of the restaurant system. In addition, the decrease in sales was the result of transaction declines primarily due to

lapping a high level of transactions in 1996 because of the successful introduction of Triple Decker Pizza. These declines were partially offset by higher effective net pricing and increased revenue from TRICON's non-core U.S. businesses of \$14 million and \$50 million for the quarter and year-to-date, respectively. The non-core increase was primarily a result of the consolidation of CPK at the end of the second quarter of 1996. The \$28 million or 25% increase in the quarter and \$40 million or 19% increase year-to-date in franchise and license fee

revenues included \$19 million of initial fees under a special KFC franchise renewal program, which will continue into the third quarter. Including the initial franchise renewal fees expected to be received in the third quarter, 96% of KFC's franchisees are expected to renew their franchise agreements during 1997, covering the next 20 years. In addition, TRICON continues to benefit from net new points of distribution by TRICON's franchisees and licensees and the continuing franchise fees from refranchised restaurants.

TRICON measures same store sales for U.S. Company-operated units. Same store sales at Pizza Hut decreased 5% for the quarter and 7% year-to-date reflecting fewer customer transaction counts and in the quarter, reduced pricing. At Taco Bell, same store sales increased 2% for the quarter and 3% year-to-date reflecting mix shifts into higher-priced products such as Border Select Combos, Grilled Steak Tacos and Fajita Wraps and higher pricing taken in late 1996. The year-to-date same store sales growth benefited from the very successful first quarter Star Wars promotion. Same store sales at KFC increased 3% for the quarter and 4% year-to-date due to a higher average guest check, reflecting both pricing and new products, as well as increased customer transactions.

Company-Operated Restaurant Margins and Profit

(\$ in millions)	12 Weeks Ended		24 Weeks Ended	
	6/14/97	6/15/96	6/14/97	6/15/96
Revenues from Company-operated restaurants	100.0%	100.0%	100.0%	100.0%
Food and paper	32.5%	32.6%	32.4%	32.7%
Payroll and employee benefit	28.1%	28.3%	28.9%	28.7%
Occupancy and other operating expenses	26.8%	27.3%	26.8%	27.6%
Margins	12.6%	11.8%	11.9%	11.0%
Profit	\$ 280	\$ 268	\$ 514	\$ 487

Company-operated restaurant margins increased almost 1 percentage point in the quarter and year-to-date primarily due to higher effective pricing in excess of cost increases and the favorable effects of net facility actions. These margin improvements were partially offset by an increase in operating costs as a percent of revenues due to the effects of decreased customer transaction counts at Pizza Hut U.S. and Taco Bell U.S. The effects of the increase in the minimum wage were partially offset by favorable recurring actuarial adjustments to prior years' casualty claim liabilities.

General, administrative and other expenses grew \$5 million in the quarter and \$8 million year-to-date, or 2% for both periods. G&A comprises general and administrative expenses, other income and expense and equity income or loss from investments in unconsolidated affiliates. Included in G&A is an allocated amount reflecting TRICON's share of overhead costs related to PepsiCo's shared administrative expenses (see below). The amounts allocated to TRICON were based on the ratio of TRICON's revenues to PepsiCo's revenues. They are not necessarily indicative of the

expenses that TRICON would have incurred had it been a separate, independent company.

(\$ in millions)	Allocated G&A		
	1997	1996	B/(W)
12 weeks ended	\$12	\$12	\$ -
24 weeks ended	\$24	\$21	\$(3)

Excluding the allocated G&A, G&A increased \$5 million or 2% in the quarter and \$5 million or 1% year-to-date. These increases reflected increased field spending, the effect of consolidating CPK and increased foreign exchange losses, partially offset by equity income from TRICON's investments in unconsolidated affiliates in 1997 compared to losses in 1996. Increased field spending primarily reflected continued customer service improvement initiatives. The favorable swing in equity income primarily reflected the absence of CPK's losses due to its consolidation.

Net facility actions

(\$ in millions)	12 Weeks Ended		24 Weeks Ended	
	6/14/97	6/15/96	6/14/97	6/15/96
Refranchising gains*	\$(137)	\$(42)	\$(153)	\$(88)
Store closure costs	25	4	29	4
SFAS 121 recurring impairment charges	39	18	39	18
Net gains from facility actions	(73)	(20)	(85)	(66)
After-tax net gains	\$(53)	\$(11)	\$(56)	\$(37)
After-tax net gains - Full-Year**	\$(79)	\$(13)	\$(87)	\$(41)

* Included initial franchise fees of \$9 and \$4 for the 12 weeks ended 6/14/97 and 6/15/96, respectively, and \$12 and \$9 for the 24 weeks ended 6/14/97 and 6/15/96, respectively.

** Because TRICON allocates its income tax expense to interim periods based on a forecasted full-year effective tax rate, the tax attributes associated with these net facility actions will continue to be recognized in TRICON's tax expense over the balance of the year. Accordingly, the after-tax gain recognized in the 12 and 24 week periods is lower than the full-year amount. The 1997 full-year after-tax gain reflects the tax free gain from the refranchising of TRICON's restaurants in New Zealand to a new, independent publicly-traded company.

Unusual disposal charges of \$39 million (\$22 million after-tax) in the second quarter of 1997 and \$26 million (\$17 million after-tax) in the first quarter of 1996 related to disposal of the non-core U.S. businesses. The 1997 charge adjusted the carrying amount of the non-core U.S. businesses to their estimated fair market value based on the actual selling price of three businesses and current negotiations with probable

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buyers for the two remaining businesses. The 1996 charge adjusted the carrying amount of HNN, a non-core U.S. business, based upon a first quarter 1996 decision to dispose of its operating assets. The adjustment was based on internal estimates.

Reported operating profit increased \$49 million or 27% in the quarter and \$65 million or 20% year-to-date. Ongoing operating profit, which was adjusted to exclude the unusual disposal charges, increased \$88 million or 48% in the quarter and \$78 million or 22% year-to-date. The increase in ongoing operating profit in the quarter primarily reflected the higher gains from net facility actions and the increased franchise and license fees, primarily driven by the initial KFC franchise renewal fees. The year-to-date gain was led by the increased franchise and license fees and profit growth from Company-operated restaurants.

Interest Expense, net

(\$ in millions)	12 Weeks Ended			24 Weeks Ended		
	6/14/97	6/15/96	% Change	6/14/97	6/15/96	% Change

PepsiCo allocation	\$ (58)	\$ (63)	(8)	\$ (118)	\$ (130)	(9)
External debt	(9)	(8)	13	(17)	(17)	-
Interest expense	\$ (67)	\$ (71)	(6)	\$ (135)	\$ (147)	(8)
Interest income	2	2	-	4	4	-
Interest expense, net	\$ (65)	\$ (69)	(6)	\$ (131)	\$ (143)	(8)

TRICON's operations have been financed through its operating cash flows, refranchising of restaurants and investments by and advances from PepsiCo. TRICON's interest expense includes an allocation of PepsiCo's interest expense (PepsiCo's weighted average interest rate applied to the average balance of investments by and advances from PepsiCo to TRICON) and interest expense on its external debt. TRICON's external debt is primarily limited to capital lease obligations associated with real estate and, to a much lesser extent, assumed debt of acquired businesses and international third-party debt. TRICON is expected to have a capital structure different from the capital structure in the Condensed Combined Financial Statements (see Pro Forma Condensed Combined Balance Sheet on page F-32) and accordingly, the interest expense is not necessarily indicative of the interest expense that TRICON would have incurred as a separate, independent company or will incur in future periods. Interest expense, net declined 6% and 8% in the quarter and year-to-date, respectively, reflecting a lower average balance of net investments by and advances from PepsiCo.

Income Taxes

The 1997 reported effective tax rates of 27.5% in the quarter and 34.2% year-to-date decreased 14.6 percentage points and 8.8 percentage points over 1996, respectively. The 1997 ongoing effective tax rates of 30.4% in the quarter and 35.3% year-to-date decreased 12.2 percentage points and 7.5 percentage points compared to the 1996 ongoing effective tax rates. The decline in the ongoing effective tax rate was primarily due to the tax free gain from the refranchising of TRICON's restaurants in New

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Zealand to a new, independent publicly-traded company in which TRICON has no ownership interest. Excluding the New Zealand gain, TRICON's ongoing effective tax rate would have been 39.9% and 42.6% in the quarter and year-to-date, respectively.

Income tax expense was calculated as if TRICON filed separate income tax returns. As PepsiCo manages its tax position on a consolidated basis, which takes into account the results of all of its businesses, TRICON's effective tax rate in the future could vary from its historical effective tax rates. TRICON's future effective tax rate will largely depend on its structure and tax strategies as a separate, independent company.

Net Income

(\$ in millions)	12 Weeks Ended			24 Weeks Ended		
	6/14/97	6/15/96	% Change	6/14/97	6/15/96	% Change
Reported	\$121	\$66	83	\$173	\$106	63
Ongoing*	\$143	\$66	NM	\$195	\$123	59

NM - Not Meaningful

* Adjusted to exclude the effect of the unusual disposal charges described on page 64 - 65.

International Operations

(\$ in millions)	12 Weeks Ended			24 Weeks Ended		
	6/14/97	6/15/96	% Change	6/14/97	6/15/96	% Change
Revenues	\$555	\$526	6	\$1,069	\$1,023	4
Operating profit*	\$ 99	\$ 26	NM	\$ 142	\$ 60	NM

NM - Not Meaningful

* Includes equity income/(loss) but excludes foreign exchange gains/(losses).

Revenues increased \$29 million for the quarter and \$46 million year-to-date. The growth was driven by net additional Company-operated units and higher effective net pricing. These gains were partially offset by the effects of unfavorable currency translation and year-to-date, one less four-week accounting period for Canada and Korea in the first quarter of 1997. Canada and Korea conformed their reporting cycle to facilitate the quarterly closing process.

Operating profit increased \$73 million and \$82 million for the quarter and year-to-date, respectively. The profit growth primarily reflected increased net gains from facility actions as summarized below, driven by the refranchising of TRICON's restaurants in New Zealand.

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The positive impact of the higher effective net pricing, the net additional Company-operated units and higher franchise fees was partially offset by higher store operating costs, reflecting increased incentive-based compensation.

Net Facility Actions

(\$ in millions)	12 Weeks Ended			24 Weeks Ended		
	6/14/97	6/15/96	Change	6/14/97	6/15/96	Change
Refranchising gains	\$ (89)		\$ (89)	\$ (89)	\$ (2)	\$ (87)
Store closure costs	22		22	23	(2)	25
Recurring impairment charges	1	\$ 2	(1)	1	2	(1)
Net (gains)/losses from facility actions	\$ (66)	\$ 2	\$ (68)	\$ (65)	\$ (2)	\$ (63)

Combined Cash Flows

TRICON's capital investments and acquisitions have been financed by cash flow from operations, refranchising of restaurants, or investments by and advances from PepsiCo. Under PepsiCo's centralized cash management system, PepsiCo deposits to TRICON's bank accounts sufficient cash to meet TRICON's daily obligations and withdraws excess funds from those accounts. These transactions are included in investments by and advances from PepsiCo in the Condensed Combined Balance Sheet.

The debt levels prior to the Distribution are not indicative of the debt levels of TRICON as a separate, independent company. As an independent company, TRICON expects to obtain initial debt funding of approximately \$4.5 billion through a \$2 billion senior, unsecured five-year term loan facility and \$2.5 billion under a senior, unsecured five-year \$3.5 billion revolving credit facility. A portion of the latter facility will be available in the form of letters of credit. Interest rates are expected to be based on LIBOR. The facilities are expected to have a quarterly facility fee as well as a semi-annual administrative fee. TRICON expects to use substantially all of the initial debt proceeds to settle certain amounts due to PepsiCo from TRICON and to declare and pay a dividend to PepsiCo just prior to the Distribution. Management believes that cash flows from its refranchising initiatives and from its operating activities in excess of capital spending will be sufficient to fund its debt payments and future growth.

Combined cash flow activity in 1997 primarily reflected a greater reduction in investments by and advances from PepsiCo of \$388 million and reduced cash inflows from operating activities of \$64 million, partially offset by increased cash proceeds from refranchising of restaurants of \$184 million, a favorable swing in net debt activities of \$126 million, as well as proceeds of \$91 million from the sale of non-core businesses.

Net cash provided by operating activities decreased \$64 million to \$231 million in 1997. The decrease was due to increased working capital cash outflows of \$63 million. The increased working capital cash outflows primarily reflected an unfavorable swing in accounts payable and other current liabilities and increased cash outflows related to prepaid

These cash outflows were partially offset by a favorable swing in income taxes payable. The unfavorable swing in accounts payable and other current liabilities was primarily due to the absence of casualty insurance liabilities in 1997 resulting from a change to premium-based insurance in 1997 compared to being largely self-insured in 1996. The increase in prepaid expenses, deferred income taxes and other current assets reflected a 1997 premium deposit for U.S. casualty insurance. A comparable premium deposit was not made in 1996 because TRICON was largely self-insured.

Net cash provided by investing activities increased \$297 million to \$315 million primarily reflecting increased proceeds from refranchising of restaurants, proceeds from the sale of non-core businesses and reduced capital spending.

Net cash used for financing activities increased \$262 million to \$572 million in 1997. This reflected a greater reduction in investments by and advances from PepsiCo, partially offset by the favorable swing in net debt activities in 1997.

Free cash flow is the key internal measure used to evaluate cash flow that investors may want to consider as an indication of cash available for debt repayment and to fund additional investments. Free cash flow is not a measure defined by generally accepted accounting principles. This measure is provided as a supplement, and not as an alternative to cash flows from operating, investing and financing activities as defined by generally accepted accounting principles.

(\$ in millions)	24 Weeks Ended	
	6/14/97	6/15/96
Net cash provided by operating activities	\$ 231	\$ 295
Investing activities		
Capital spending	(175)	(206)
Refranchising of restaurants	384	200
Sale of non-core businesses	91	-
Sales of property, plant and equipment	34	11
Other, net	(19)	13
	\$ 546	\$ 313

The increase in free cash flow primarily reflected the increased proceeds from refranchising of restaurants, the sale of non-core businesses in 1997 and reduced capital spending. These cash increases were partially offset by reduced cash provided by operating activities.

Combined Financial Condition

TRICON's negative operating working capital position, which reflects the cash sales nature of TRICON's restaurant operations, effectively provides additional capital for investment. Operating working capital, which excludes short-term investments and short-term borrowings, was a negative \$403 million and \$445 million for 1997 and 1996, respectively.

The \$42 million decrease primarily reflected a decline in accounts payable and other current liabilities and an increase in inventories partially offset by reduced cash and cash equivalents and increased income taxes payable. The lower accounts payable and other current liabilities was due to a reduction in days payable outstanding and the sale of non-core businesses, as well as lower insurance accruals reflecting TRICON's 1997 decision to change to premium-based U.S. casualty insurance coverage compared to self-insuring in 1996.

Prepaid expenses, deferred income taxes and other current assets declined slightly reflecting the sale of three non-core U.S. businesses held for disposal and a further reduction in the carrying amount of the two non-core businesses to be sold. These were partially offset by a reclassification of amounts to prepaid taxes and the 1997 premium deposit for U.S. casualty insurance.

The declines in Property, Plant and Equipment and Intangible Assets included the effects of facility actions, in addition to depreciation and amortization in excess of capital spending.

See the Pro Forma Condensed Combined Balance Sheet on page F-32, which gives effect to TRICON's anticipated capital structure.

Cautionary Statements

From time to time, in both written reports and oral statements, PepsiCo and TRICON may discuss expectations regarding TRICON's future performance. These "forward-looking statements" are based on currently available competitive, financial and economic data and TRICON's operating plans. They are also inherently uncertain and investors must recognize that events could turn out to be significantly different than what was expected. In addition, as discussed in Management's Discussion and Analysis:

- TRICON's ability to execute its refranchising initiatives (pages 52-53 and 62) is subject to the continued interest and ability of existing and new franchisees to purchase TRICON's restaurants at prices TRICON considers appropriate.
- TRICON has never operated as a separate, independent entity and as a result, future performance will be impacted significantly by actions of a newly-formed management team and the implementation of its strategic objectives.

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GLOSSARY

CONCEPTS - TRICON restaurant concepts, including the franchise business and Company-operated restaurants of KFC, Pizza Hut and Taco Bell and the non-core U.S. businesses of California Pizza Kitchen, Chevys Mexican Restaurants, D'Angelo Sandwich Shops, East Side Mario's and Hot 'n Now.

CONTINUING FRANCHISE AND LICENSE FEES - Fees paid to franchisor/licensor by franchisee/licensee based upon a percentage of the franchisee/licensee's sales.

CORE RESTAURANT BUSINESSES - TRICON's worldwide KFC, Pizza Hut and Taco Bell businesses.

EFFECTIVE NET PRICING - The change in sales or operating profit due to price increases/decreases and the effect of product and country mix. It is not generally practicable to separate price changes from the effect of mix.

EQUITY INCOME/(LOSS) - TRICON's share of earnings or losses from its investments in unconsolidated affiliates.

FRANCHISE RENEWAL FEE - A fee paid by a franchisee to the franchisor upon renewal of an existing franchise agreement.

INITIAL FRANCHISE/LICENSE FEE - One time fee paid to franchisor/licensor by franchisee/licensee upon opening of the unit.

LICENSING - Similar to a franchise arrangement except that the contractual period is shorter, rights are not as broad, it may not require an initial fee and the continuing fees are generally at a higher rate. Licensing is used for non-traditional points of distribution, e.g., airports, schools, gas and convenience stores, hotels and stadiums. In general, licensing arrangements do not require payment of a marketing fee to the national marketing fund.

NET FACILITY ACTIONS - The net gain/(loss) from refranchising gains (including initial franchise fees), store closure costs and SFAS 121 impairment charges for restaurants to be used in the businesses.

NET REFRANCHISING GAINS/(LOSSES) - Gains/losses from refranchising (including initial franchise fees) net of store closure costs.

NON-CORE U.S. BUSINESSES - California Pizza Kitchen, Chevys Mexican Restaurants, D'Angelo Sandwich Shops, East Side Mario's and Hot 'n Now businesses in the U.S. which were or are expected to be sold in 1997.

POINTS OF DISTRIBUTION - Traditional restaurant facilities, including dine-in, delivery and take-out, and non-traditional sites such as airports, gas and convenience stores and schools.

REFRANCHISING GAINS - Gains arising from the sale of Company-operated restaurants to franchisees, including initial franchise fees.

RESTAURANTS, UNITS, STORES - Terms are interchangeable.

SAME STORE SALES - The average sales per store calculated using U.S. Company-operated stores that have been open for the past twelve months.

STORE CLOSURE COSTS - The cost of writing-down the carrying amount of a Company-operated restaurant's assets to estimated fair market value less costs of disposal, and the net present value of any remaining operating lease payments after the estimated closure dates net of estimated sub-lease income.

SYSTEM-WIDE SALES - The combined sales of Company-operated, joint ventured, franchised and licensed units.

VOLUME - Measured by the year-over-year change in customer transaction counts of Company-operated units.

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All other financial statements and schedules have been omitted since the required information is not present or not present in amounts sufficient to require submission of the schedule, or because the information required is included in the above listed financial statements or the notes thereto.

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Report of Independent Auditors

Board of Directors and Shareholders
TRICON Global Restaurants, Inc.

We have audited the accompanying combined balance sheet of TRICON Global Restaurants, Inc. ("TRICON") as of December 28, 1996 and December 30, 1995 and the related combined statements of operations, cash flows and shareholder's equity for each of the years in the three-year period ended December 28, 1996. These combined financial statements are the responsibility of TRICON's management. Our responsibility is to express an opinion on these combined financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of TRICON as of December 28, 1996 and December 30, 1995, and the results of its operations and its cash flows for each of the years in the three-year period ended December 28, 1996, in conformity with generally accepted accounting principles.

As discussed in Note 3 to the combined financial statements, TRICON in 1995 adopted the provisions of the Financial Accounting Standards Board's Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of." As discussed in Notes 11 and 13 to the combined financial statements, TRICON in 1994 changed its method for calculating the market-related value of pension plan assets used in the determination of pension expense and adopted the provisions of the Financial Accounting Standards Board's Statement of Financial Accounting Standards No. 112, "Employers' Accounting for Postemployment Benefits," respectively.

KPMG Peat Marwick LLP
New York, New York
June 30, 1997

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Combined Statement of Operations			
(in millions)			
TRICON Global Restaurants, Inc.			
Fiscal years ended December 28, 1996, December 30, 1995			
and December 31, 1994			
	1996	1995	1994
	(52 Weeks)	(52 Weeks)	(53 Weeks)
<hr/>			
REVENUES			
Company-operated restaurants	\$ 9,738	\$ 9,813	\$ 9,170
Franchise and license fees	494	437	395
	10,232	10,250	9,565
Costs and Expenses, net			
Company-operated restaurants			
Food and paper	3,215	3,242	3,009

Payroll and employee benefits	2,793	2,784	2,642
Occupancy and other operating expenses	2,711	2,713	2,507
	8,719	8,739	8,158
General, administrative and other expenses	932	857	815
Net facility actions	(37)	402	10
Unusual disposal charges	246	-	-
Total costs and expenses	9,860	9,998	8,983
Operating Profit	372	252	582
Interest expense, net	300	355	341
Income/(Loss) Before Income Taxes and Cumulative Effect of Accounting Changes	72	(103)	241
Income Taxes	125	29	122
(Loss)/Income Before Cumulative Effect of Accounting Changes	(53)	(132)	119
Cumulative Effect of Accounting Changes			
Postemployment benefits (net of income tax benefit of \$3)	-	-	(4)
Pension assets (net of income tax expense of \$2)	-	-	3
Net (Loss)/Income	\$ (53)	\$ (132)	\$ 118

See accompanying Notes to Combined Financial Statements.

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Combined Statement of Cash Flows (page 1 of 2)			
(in millions)			
TRICON Global Restaurants, Inc.			
Fiscal years ended December 28, 1996, December 30, 1995 and December 31, 1994			
	1996 (52 Weeks)	1995 (52 Weeks)	1994 (53 Weeks)
Cash Flows - Operating Activities			
(Loss)/income before cumulative effect of accounting changes	\$ (53)	\$ (132)	\$ 119
Adjustments to reconcile (loss)/income before cumulative effect of accounting changes to net cash provided by operating activities			
Depreciation and amortization	621	671	622
Impairment charges	62	457	-
Noncash portion of unusual disposal charges	235	-	-
Deferred income taxes	(150)	(233)	(68)
Other noncash charges and credits, net	(15)	13	71
Changes in operating working capital, excluding effects of acquisitions			
Accounts and notes receivable	(16)	(12)	(5)
Inventories	27	(22)	(12)
Prepaid expenses, deferred income taxes and other current assets	(2)	10	(30)
Accounts payable and other current liabilities	85	25	228
Income taxes payable	(81)	36	(31)
Net change in operating working capital	13	37	150
Net Cash Provided by Operating Activities	713	813	894
Cash Flows - Investing Activities			
Capital spending	(620)	(701)	(1,038)
Acquisitions and investments in unconsolidated affiliates	-	(66)	(113)

Refranchising of restaurants	355	165	-
Sales of property, plant and equipment	45	43	21
Other, net	(29)	(38)	(134)
Net Cash Used for Investing Activities	(249)	(597)	(1,264)

(Continued on following page)

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Combined Statement of Cash Flows (page 2 of 2)

(in millions)

TRICON Global Restaurants, Inc.

Fiscal years ended December 28, 1996, December 30, 1995

and December 31, 1994

	1996 (52 Weeks)	1995 (52 Weeks)	1994 (53 Weeks)
Cash Flows - Financing Activities			
(Decrease)/increase in investments by and advances from PepsiCo	(285)	(226)	453
Payments of long-term debt	(57)	(17)	(71)
Short-term borrowings-three months or less, net	(80)	25	6
Net Cash (Used for)/Provided by Financing Activities	(422)	(218)	388
Effect of Exchange Rate Changes on Cash and Cash Equivalents	1	(2)	1
Net Increase/(Decrease) in Cash and Cash Equivalents	43	(4)	19
Cash and Cash Equivalents - Beginning of Year	94	98	79
Cash and Cash Equivalents - End of Year	\$ 137	\$ 94	\$ 98
Supplemental Cash Flow Information			
Cash Flow Data			
Interest paid	\$ 34	48	55
Income taxes paid	\$ 325	253	266
Schedule of Noncash Investing and Financing Activity			
Liabilities assumed in connection with acquisitions	\$ 26	17	112
PepsiCo stock issued in connection with acquisitions	\$ -	-	25

See accompanying Notes to Combined Financial Statements.

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Combined Balance Sheet

(in millions)

TRICON Global Restaurants, Inc.

December 28, 1996 and December 30, 1995

	1996	1995
ASSETS		
Current Assets		

Cash and cash equivalents	\$ 137	\$ 94
Short-term investments, at cost	50	11
	187	105
Accounts and notes receivable, less allowance \$9 in 1996 and \$6 in 1995	125	121
Inventories	88	127
Prepaid expenses, deferred income taxes and other current assets	562	161
Total Current Assets	962	514
Property, Plant and Equipment, net	4,050	4,448
Intangible Assets, net	1,100	1,386
Investments in Unconsolidated Affiliates	228	382
Other Assets	180	178
Total Assets	\$6,520	\$6,908

LIABILITIES AND SHAREHOLDER'S EQUITY

Current Liabilities		
Accounts payable and other current liabilities	\$1,200	\$1,099
Income taxes payable	157	235
Short-term borrowings	59	144
Total Current Liabilities	1,416	1,478
Long-term Debt	231	260
Other Liabilities	434	325
Deferred Income Taxes	200	270
Shareholder's Equity		
Investments by and advances from PepsiCo	4,266	4,604
Currency translation adjustment	(27)	(29)
Total Shareholder's Equity	4,239	4,575
Total Liabilities and Shareholder's Equity	\$6,520	\$6,908

See accompanying Notes to Combined Financial Statements.

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Combined Statement of Shareholder's Equity
(in millions)
TRICON Global Restaurants, Inc.
Fiscal years ended December 28, 1996, December 30, 1995
and December 31, 1994

	Investments by and ad- vances from PepsiCo	Currency Translation Adjustment	Total
Shareholder's Equity, December 25, 1993	\$4,366	\$ 12	\$4,378
1994 Net income	118	-	118
Currency translation adjustment	-	28	28
Net investments by and advances from PepsiCo	478	-	478
Shareholder's Equity, December 31, 1994	\$4,962	\$ 40	\$5,002
1995 Net loss	(132)	-	(132)
Currency translation adjustment	-	(69)	(69)
Net investments by and advances from PepsiCo	(226)	-	(226)
Shareholder's Equity, December 30, 1995	\$4,604	\$ (29)	\$4,575
1996 Net loss	(53)	-	(53)
Currency translation adjustment	-	2	2
Net investments by and advances from PepsiCo	(285)	-	(285)
Shareholder's Equity, December 28, 1996	\$4,266	\$ (27)	\$4,239

See accompanying Notes to Combined Financial Statements.

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Notes to Combined Financial Statements
(tabular dollars in millions)

Note 1 - PepsiCo, Inc.'s Proposed Spin-Off of its Restaurant Businesses

In 1997, the Board of Directors of PepsiCo, Inc. ("PepsiCo") approved the spin-off of its core restaurant businesses to its shareholders as an independent, publicly-traded company (the "Distribution"). The Distribution is subject to a tax ruling by the Internal Revenue Service that would allow it to be tax-free to shareholders subject to U.S. Federal income taxes, various regulatory approvals, appropriate stock market conditions and approval of a definitive plan by PepsiCo's Board of Directors. TRICON Global Restaurants, Inc. ("TRICON"), the new company, is composed of the worldwide operations of Pizza Hut, Taco Bell and KFC and the non-core U.S. businesses held for disposal (see Note 3 on page F-11). Immediately following the Distribution, PepsiCo will no longer have a financial investment in TRICON. However, TRICON shares will be owned by PepsiCo's pension trust on behalf of PepsiCo's employees. PepsiCo will remain liable on certain existing contingent liabilities relating to TRICON's businesses which were not able to be released, terminated or replaced prior to the Distribution Date ("unreleased contingent liabilities"). After the Distribution, TRICON will pay a fee to PepsiCo for any unreleased contingent liabilities until they are released or replaced by a qualified letter of credit. TRICON will also fully indemnify PepsiCo for any payments made under the unreleased contingent liabilities.

TRICON expects to obtain initial debt funding and use substantially all of the proceeds to settle certain amounts due to PepsiCo from TRICON and to declare and pay a dividend to PepsiCo just prior to the Distribution. In addition, TRICON and PepsiCo will enter into several agreements providing for the separation of the companies and governing various relationships between TRICON and PepsiCo, including a Separation Agreement, Tax Separation Agreement, Employee Programs Agreement and Telecommunications, Software and Computing Services Agreement.

The Combined Financial Statements included herein may not necessarily be indicative of the results of operations, financial position and cash flows of TRICON in the future or had it operated as a separate, independent company during the periods presented. The Combined Financial Statements included herein do not reflect any changes that may occur in the financing and operations of TRICON as a result of the Distribution.

Note 2 - Summary of Significant Accounting Policies

The preparation of the Combined Financial Statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Basis of Combination and Preparation. The accompanying Combined Financial Statements of TRICON include the results of operations and assets and liabilities directly related to TRICON's operations. TRICON's intercompany accounts and transactions have been eliminated. Investments in unconsolidated affiliates in which TRICON exercises significant

influence but not control are accounted for by the equity method and TRICON's share of the net income or loss of its unconsolidated affiliates is included in general, administrative and other expenses in the Combined Statement of Operations.

TRICON was allocated \$53 million, \$52 million and \$50 million of

overhead costs related to PepsiCo's shared administrative functions in 1996, 1995 and 1994, respectively. The allocation was based on TRICON's revenue as a percent of PepsiCo's total revenue and the allocated costs are included in general, administrative and other expenses in the Combined Statement of Operations. Management believes that such allocation methodology is reasonable. The expenses allocated to TRICON for these services are not necessarily indicative of the expenses that would have been incurred if TRICON had been a separate, independent entity and had otherwise managed these functions. Subsequent to the Distribution, TRICON will be required to manage these functions and will be responsible for the expenses associated with the management of a public corporation.

TRICON's operations have been financed through its operating cash flows, refranchising of restaurants and investments by and advances from PepsiCo. TRICON's interest expense includes an allocation of PepsiCo's interest expense (PepsiCo's weighted average interest rate applied to the average balance of investments by and advances from PepsiCo to TRICON) and interest expense on its external debt. TRICON was allocated \$275 million, \$316 million and \$300 million of interest expense reflecting PepsiCo's average interest rates of 6.2%, 6.6% and 6.4% in 1996, 1995 and 1994, respectively. TRICON's external debt is primarily limited to capital lease obligations associated with real estate and, to a much lesser extent, assumed debt of acquired businesses and international third-party debt. TRICON is expected to have a capital structure different from the capital structure in the Combined Financial Statements and accordingly, interest expense is not necessarily indicative of the interest expense that TRICON would have incurred as a separate, independent company.

Income tax expense was calculated as if TRICON filed separate income tax returns. As PepsiCo manages its tax position on a consolidated basis, which takes into account the results of all of its businesses, TRICON's effective tax rate in the future could vary from its historical effective tax rates. TRICON's future effective tax rate will largely depend on its structure and tax strategies as a separate, independent company.

Fiscal Year. TRICON's fiscal year ends on the last Saturday in December and, as a result, a fifty-third week is added every five or six years. The fiscal year ending December 31, 1994 consisted of 53 weeks.

Direct Marketing Costs. Direct marketing costs are reported in occupancy and other operating expenses in the Combined Statement of Operations and include costs of advertising and other marketing activities. Direct marketing costs are charged to expense ratably in relation to revenues over the year in which incurred. Advertising expenses were \$571 million, \$570 million and \$556 million in 1996, 1995 and 1994, respectively.

Research and Development Expenses. Research and development expenses, which are expensed as incurred, were \$20 million, \$17 million and \$22 million in 1996, 1995 and 1994, respectively.

Stock-Based Employee Compensation. TRICON measures stock-based employee compensation cost in accordance with APB Opinion No. 25, "Accounting for Stock Issued to Employees," and its related interpretations. Accordingly, compensation cost for PepsiCo stock option

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grants to TRICON employees is measured as the excess of the quoted market price of PepsiCo's capital stock at the grant date over the amount the employee must pay for the stock. PepsiCo's policy is to grant stock options at fair market value at the date of grant.

Derivative Instruments. Gains and losses on futures contracts that are designated and are effective as hedges of future commodity purchases are deferred and included in the cost of the related raw materials when purchased. Changes in the value of futures contracts that TRICON uses to hedge commodity purchases are highly correlated to the changes in the value of the purchased commodity. If the degree of correlation between the futures contracts and the purchase contracts were to diminish such that the two were no longer considered highly correlated, subsequent changes in the value of the futures contracts would be recognized in income.

Cash Equivalents. Cash equivalents represent funds temporarily invested (with original maturities not exceeding three months) as part of managing day-to-day operating cash receipts and disbursements.

Inventories. Inventories are valued at the lower of cost (computed on the first-in, first-out method) or net realizable value.

Property, Plant and Equipment. Property, plant and equipment (PP&E) are stated at cost, except for PP&E that have been impaired, for which the carrying amount is reduced to estimated fair market value. Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows: 5 to 25 years for buildings and improvements and 3 to 20 years for machinery and equipment. Depreciation expense was \$521 million, \$555 million, and \$519 million in 1996, 1995 and 1994, respectively.

Intangible Assets. Intangible assets are amortized on a straight-line basis as follows: 20 years for reacquired franchise rights, 3 to 34 years for trademarks and other identifiable intangibles and 20 years for goodwill. Amortization expense was \$95 million, \$109 million and \$103 million in 1996, 1995 and 1994, respectively.

Recoverability of Long-Lived Assets to be Held and Used in the Business. TRICON reviews its long-lived assets related to each restaurant to be held and used in the business semi-annually for impairment, or whenever events or changes in circumstances indicate that the carrying amount of a restaurant may not be recoverable. TRICON evaluates restaurants using a "two-year history of operating losses" as its primary indicator of potential impairment. An impaired restaurant is written down to its estimated fair market value based on the best information available. TRICON generally measures estimated fair market value by discounting estimated future cash flows. Considerable management judgment is necessary to estimate discounted future cash flows. Accordingly, actual results could vary significantly from such estimates.

TRICON's methodology for determining and measuring impairment of its investments in unconsolidated affiliates and enterprise-level goodwill was changed in 1996 to conform with the methodology it uses for its restaurants except (a) the recognition test for an investment in an unconsolidated affiliate compares the investment to a forecast of TRICON's share of the unconsolidated affiliate's undiscounted cash flows including interest and taxes, compared to undiscounted cash flows before interest and taxes used for restaurants and (b) enterprise-level goodwill is evaluated at a country level instead of by individual restaurant. The change in methodology had no impact in 1996.

Pre-opening Costs. Costs associated with opening a new restaurant are expensed as incurred.

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Refranchising Gains. Refranchising gains include gains on sales of Company-operated restaurants to new and existing franchisees and the related initial franchise fees. Gains on restaurant refranchisings are recognized when the sale transaction closes, the franchisee has a minimum amount of the purchase price in at-risk equity and TRICON is satisfied that the franchisee can meet its financial obligations. Otherwise, refranchising gains are deferred until those criteria have been met.

Store Closure Costs. Store closure costs are recognized when a decision is made to close a restaurant within the next twelve months.

Store closure costs include the cost of writing-down the carrying amount of a restaurant's assets to estimated fair market value less costs of disposal, and the net present value of any remaining operating lease payments after the expected closure date net of estimated sub-lease income.

Franchise and License Fees. Franchise and license agreements are executed for each point of distribution and provide the terms of the arrangement between TRICON and the franchisee/licensee. The franchise and certain license agreements require the franchisee/licensee to pay an initial, non-refundable fee. The agreements also require continuing fees based upon a percentage of sales. Subject to franchisor approval, a franchise agreement may be renewed upon expiration.

Initial fees are recognized as revenue when TRICON has substantially performed all initial services required by the franchising/licensing agreement, which is generally upon opening. Continuing fees are recognized as earned with an appropriate provision for estimated uncollectible amounts. Renewal fees are recognized in earnings when a renewal agreement becomes effective.

Territorial franchise agreements stipulate the area, number of restaurants and the time frame for development in exchange for a territorial franchise fee. These fees are amortized on a straight line basis over the life of the territory agreement.

Direct costs incurred to secure and perform the required services under the franchise and license agreements, which are not material, are charged to expense as incurred.

Note 3 - Items Affecting Comparability of Income Before Cumulative Effect of Accounting Changes

	1996		1995		1994	
	Pre-Tax	After-Tax	Pre-Tax	After-Tax	Pre-Tax	After-Tax
Disposal of non-core U.S. businesses	\$246	\$189	-	-	-	-
Net facility actions	\$(37)	\$(21)	\$402	\$295	\$10	\$ 6
Reduced depreciation and amortization	\$(40)	\$(26)	\$(17)	\$(12)	-	-
Fifty-third week	-	-	-	-	\$(23)	\$(14)

The non-core U.S. businesses charge of \$246 million was a result of a fourth quarter 1996 decision to dispose of TRICON's remaining non-core U.S. businesses: California Pizza Kitchen ("CPK"), Chevys, D'Angelo Sandwich

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Shops ("D'Angelo"), and East Side Mario's ("ESM") and a first quarter 1996

decision to dispose of the operating assets of Hot 'n Now ("HNN"). The charge represented a reduction of the carrying amounts of the non-core U.S. businesses to estimated fair market value, less costs to sell. The estimated fair market value was determined by using estimated selling prices, based primarily upon the opinion of an investment banking firm retained to assist in the selling activity. The remaining carrying amount of the non-core U.S. restaurant assets of \$333 million was included in prepaid expenses, deferred income taxes and other current assets in the 1996 Combined Balance Sheet. The non-core U.S. businesses contributed \$394 million, \$297 million and \$281 million to revenues in 1996, 1995 and 1994, respectively. Excluding the unusual disposal charges in 1996 and the \$120 million initial impact of adopting Statement of Financial Accounting Standard No. 121 ("SFAS 121"), "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of" in 1995, the non-core U.S. businesses incurred losses of \$15 million (\$12 million after-tax), \$45 million (\$37 million after-tax) and \$42 million (\$35 million after-tax) in 1996, 1995 and 1994, respectively.

Net facility actions reflected TRICON's initiatives to reduce its percentage ownership of total system units by selling Company-operated restaurants to new and existing franchisees and closing underperforming stores, and impairment charges under SFAS 121:

	1996	1995	1994
U.S.			
Refranchising gains*	\$ (134)	\$ (89)	\$ -
Store closure costs	45	26	10
SFAS 121 impairment charges	54	320	-
(Gains)/losses from net facility actions	\$ (35)	\$ 257	\$ 10
International			
Refranchising gains	\$ (5)	\$ (4)	-
Store closure costs	(5)	12	-
SFAS 121 impairment charges	8	137	-
(Gains)/losses from net facility actions	\$ (2)	\$ 145	-
Worldwide			
Refranchising gains*	\$ (139)	\$ (93)	\$ -
Store closure costs	40	38	10
SFAS 121 impairment charges	62	457	-
(Gains)/losses from net facility actions	\$ (37)	\$ 402	\$ 10

* Included initial franchise fees for both the U.S. and Worldwide of \$22 million in 1996 and \$8 million in 1995. See Note 4.

TRICON early adopted SFAS 121 as of the beginning of the fourth quarter of 1995. The initial, noncash charge of \$457 million (\$324 million after-tax), \$120 million (\$82 million after-tax) of which related to non-core U.S. businesses, resulted from TRICON evaluating and measuring impairment of restaurants to be used in the business at the individual restaurant level. Previously, impairment was evaluated and

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measured if a restaurant concept was incurring operating losses and was expected to incur operating losses in the future. Because of the strong operating profit history or prospects for each concept, no impairment evaluation had been required in 1994.

As a result of the reduced carrying amount of restaurants due to the adoption of SFAS 121, depreciation and amortization expense was reduced by \$40 million for the first three quarters of 1996 and by \$17 million for the fourth quarter of 1995.

The recurring SFAS 121 impairment charge in 1996 resulted from the semi-annual impairment evaluations of each restaurant to be used in the business that either initially met the "two-year history of operating losses" impairment indicator or was previously evaluated for impairment and, due to changes in circumstances, a current forecast of future cash flows would be expected to be significantly lower than the forecast used in the prior evaluation.

The fifty-third week in 1994 increased 1994 revenues and operating profit by an estimated \$172 million and \$23 million, respectively.

Note 4 - Franchise and License Fees

Franchise and certain license arrangements for TRICON's traditional and non-traditional points of distribution, respectively, provide for initial fees. The agreements also require continuing fees based upon a percentage of sales. Initial franchise fees from refranchising activities arise from an initiative adopted by TRICON in late 1994 to reduce its percentage ownership of total system units by selling Company-operated units to new and existing franchisees. As disclosed in Note 2 on page F-10, initial

franchise fees from the refranchising activities are included as part of refranchising gains.

	1996	1995	1994
Initial fees	\$ 43	\$ 28	\$ 18
Initial franchise fees from refranchising activities	(22)	(8)	-
	21	20	18
Continuing fees	473	417	377
	\$494	\$437	\$395

Note 5 - Property, Plant and Equipment, net

	1996	1995
Land	\$ 933	\$ 990
Buildings and improvements	3,394	3,452
Capital leases, primarily buildings	206	309
Machinery and equipment	2,319	2,370
	6,852	7,121
Accumulated depreciation	(2,802)	(2,673)
	\$4,050	\$4,448

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Note 6 - Intangible Assets, net

	1996	1995
Reacquired franchise rights	\$ 767	\$ 817
Trademarks and other identifiable intangibles	190	214
Goodwill	143	355
	\$1,100	\$1,386

Identifiable intangible assets primarily arose from the allocation of purchase prices of businesses acquired. Amounts assigned to such identifiable intangibles were based on independent appraisals or internal estimates. Goodwill represents the residual purchase price after allocation to all identifiable net assets.

Accumulated amortization, included in the amounts above, was \$603 million and \$521 million at year-end 1996 and 1995, respectively.

Note 7 - Accounts Payable and Other Current Liabilities

	1996	1995
Accounts payable	\$ 526	\$ 516
Accrued compensation and benefits	261	243
Other accrued taxes	121	94
Other current liabilities	292	246
	\$1,200	\$1,099

Note 8 - Short-term Borrowings and Long-term Debt

	1996	1995
Short-term Borrowings		
Current maturities of long-term debt issuances	\$26	\$ 27
Other due 1997	33	117
	\$59	\$144
Long-term Debt		
Capital lease obligations (see Note 9)	\$222	\$246
Other, due 1997-2010 (8.2% and 8.1%)	35	41
	257	287
Less current maturities of long-term debt issuances	(26)	(27)
	\$231	\$260

Interest expense includes an allocation of a portion of PepsiCo's interest expense. See Note 2.

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Note 9 - Leases

TRICON has noncancellable commitments under both capital and long-term operating leases, primarily for Company-operated restaurants. Capital and operating lease commitments expire at various dates through 2087 and, in many cases, provide for rent escalations and renewal options. Most leases require payment of related executory costs, which include property taxes, maintenance and insurance.

Future minimum commitments and sublease receivables under noncancelable leases are set forth below:

	Commitments		Sublease Receivables	
	Capital	Operating	Direct Financing	Operating
1997	\$ 39	\$ 258	\$ 3	\$ 14
1998	37	225	3	13
1999	34	194	2	11
2000	32	168	2	10
2001	30	150	2	8
Later years	231	930	17	44
	\$403	\$1,925	\$ 29	\$100

At year-end 1996, the present value of minimum payments under capital leases was \$222 million, after deducting \$181 million representing imputed interest.

The details of rental expense and income are set forth below:

	1996	1995	1994
Rental expense			
Minimum	\$299	\$309	\$303
Contingent	25	27	32
	\$324	\$336	\$335
Minimum rental income	\$ 16	\$ 8	\$ 12

Contingent rentals are based on sales in excess of levels stipulated in the lease agreements.

Note 10 - Financial Instruments

Derivative Instruments

TRICON's policy prohibits the use of derivative instruments for trading purposes and TRICON has procedures in place to monitor and control their use.

TRICON's use of derivative instruments is currently limited to commodity futures contracts traded on national exchanges, which are entered into with the objective of reducing food costs. Open contracts and deferred gains and losses at year-end 1996 and 1995, as well as gains and losses recognized as part of cost of sales in 1996, 1995 and 1994 were not significant.

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Fair Value

Except for guarantees issued by TRICON, the carrying amounts of TRICON's financial instruments approximated market value. The fair value of guarantees issued by TRICON was \$13 million in 1996 and \$1 million in 1995 compared to a carrying amount of \$0 for both years. The fair values were estimated using market quotes and calculations based on market rates.

Note 11 - Pension Plans

U.S. employees participate in PepsiCo sponsored noncontributory defined benefit pension plans which cover substantially all full-time salaried employees, as well as certain hourly employees. Benefits generally are based on years of service and compensation or stated amounts for each year of service. All plans but one are funded and contributions are made in amounts not less than minimum statutory funding requirements nor more than the maximum amount that can be deducted for U.S. income tax purposes.

It is intended that TRICON will assume the existing defined benefit pension plan obligations for TRICON's U.S. employees as of the Distribution Date and trust assets from the funded plans will be transferred based upon actuarial determinations in accordance with regulatory requirements.

Net periodic U.S. pension expense allocated to TRICON was \$10 million

in 1996, \$5 million in 1995 and \$5 million in 1994. Net periodic pension expense for the defined benefit pension plans for TRICON's foreign operations was not significant. TRICON will assume the foreign defined benefit pension plan obligations as of the Distribution Date. Any related assets will be transferred.

In 1994, PepsiCo changed the method for calculating the market-related value of plan assets used in determining the return-on-assets component of net periodic pension cost and the cumulative net unrecognized gain or loss subject to amortization. This change resulted in a noncash benefit in 1994 for TRICON of \$5 million (\$3 million after-tax) representing the cumulative effect of the change related to TRICON for years prior to 1994.

Note 12 - Postretirement Benefits Other Than Pensions

TRICON provides postretirement health care benefits to eligible retired employees and their dependents, principally in the U.S. Salaried retirees who have 10 years of service and attain age 55 are eligible to participate in the postretirement benefit plans. The plans are not funded and since 1994 have included retiree cost sharing. Postretirement benefit expense was \$3 million in 1996, \$2 million in 1995 and \$3 million in 1994.

Note 13 - Postemployment Benefits Other Than to Retirees

Effective the beginning of 1994, TRICON adopted Statement of Financial Accounting Standards No. 112 ("SFAS 112"), "Employers' Accounting for Postemployment Benefits." The principal effect to TRICON resulted from accruing disability medical benefits to be provided to employees upon the occurrence of an event. Previously, these benefits were expensed when incurred. The cumulative effect charge upon adoption of SFAS 112, which relates to years prior to 1994, was \$7 million (\$4 million after-tax).

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Note 14 - Employee Stock Option Plans

TRICON employees were granted stock options under PepsiCo's three long-term incentive plans - the SharePower Stock Option Plan ("SharePower"), the Long-Term Incentive Plan ("LTIP"), and the Stock Option Incentive Plan ("SOIP"). Prior to 1997, SharePower options were granted annually to essentially all full-time employees. SharePower options generally become exercisable ratably over 5 years from the grant date and must be exercised within 10 years from the grant date. Most LTIP options were granted every other year to senior management employees. Most of these options become exercisable after 4 years and must be exercised within 10 years from the grant date. In addition, the LTIP allows for grants of performance share units ("PSU"s). The maximum value of a PSU is fixed at the value of a share of PepsiCo stock at the grant date and vests in 4 years from the grant date. Payment of PSUs are made in cash and/or stock and the payment amount is determined based on the attainment of prescribed performance goals. Amounts expensed for PSUs for TRICON employees were \$.9 million in 1996, \$.6 million in 1995 and \$1.8 million in 1994. SOIP options are for middle-management employees and, prior to 1997, were granted annually. SOIP options are exercisable after one year and must be exercised within 10 years after their grant date. The total number of options granted to TRICON employees under the PepsiCo stock option plans was 13.4 million in 1996, 7.2 million in 1995 and 14.1 million in 1994.

Immediately following the Distribution, nonvested SharePower stock options and 1996 and 1997 option grants under LTIP and SOIP held by TRICON employees will be replaced with TRICON stock option awards. The TRICON awards will have the same ratio of the exercise price per option to the market value per share, the same aggregate difference between market value and exercise price and the same vesting provisions, option periods and other terms and conditions as the PepsiCo options they replace. Vested SharePower options and options granted under LTIP and SOIP before 1996 held by TRICON employees will remain as PepsiCo stock options. The number of options and exercise prices will be adjusted to compensate for the market value of TRICON shares distributed to PepsiCo shareholders. At December 28, 1996, there were approximately 38 million PepsiCo stock options held by TRICON employees. That amount includes an aggregate of approximately 16 million options that are subject to replacement with TRICON stock option awards. TRICON cannot currently determine the number of shares of its common stock that will be subject to substitute awards after the Distribution.

TRICON adopted the disclosure provisions of Statement of Financial Accounting Standards No. 123 (SFAS 123), "Accounting for Stock-Based Compensation," but continues to measure stock-based compensation cost in accordance with Accounting Principles Board Opinion No. 25 and its related interpretations. If TRICON had measured compensation cost for the PepsiCo stock options granted to its employees in 1996 and 1995 under the fair value based method prescribed by SFAS 123, the net loss would have been changed to the pro forma amounts set forth below:

1996	1995
------	------

Net Loss		
Reported	\$53	\$132
Pro forma	\$70	\$136

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The fair value of PepsiCo stock options granted to TRICON employees used to compute pro forma net income disclosures were estimated on the date of grant using the Black-Scholes option-pricing model based on the following weighted average assumptions used by PepsiCo:

	1996	1995
Risk free interest rate	6.0%	6.2%
Expected life	6 years	5 years
Expected volatility	20%	20%
Expected dividend yield	1.5%	1.75%

The weighted-average fair value of PepsiCo stock options granted to TRICON employees during 1996 was \$8.87 and during 1995 was \$5.54.

The pro forma amounts above are not necessarily representative of the effects of stock-based awards on future pro forma net income because (1) future grants of employee stock options by TRICON management may not be comparable to awards made to employees while TRICON was a part of PepsiCo, (2) the assumptions used to compute the fair value of any stock option awards will be specific to TRICON and therefore may not be comparable to the PepsiCo assumptions used and (3) they exclude the pro forma compensation expense related to unvested stock options granted before 1995.

Note 15 - Income Taxes

The details of the provision for income taxes on income before cumulative effect of accounting changes are set forth below:

	1996	1995	1994
Current:			
Federal	\$ 154	\$179	\$134
Foreign	93	59	31
State	28	24	25
	275	262	190
Deferred:			
Federal	(127)	(168)	(50)
Foreign	(5)	(55)	(7)
State	(18)	(10)	(11)
	(150)	(233)	(68)
	\$ 125	\$ 29	\$122

U.S. and foreign income before income taxes and cumulative effect of accounting changes are set forth below:

	1996	1995	1994
U.S.	\$ (21)	\$ 72	\$285
Foreign	93	(175)	(44)
	\$ 72	\$(103)	\$241

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A reconciliation of income taxes calculated at the U.S. Federal tax statutory rate to TRICON's provision for income taxes is set forth below:

	1996	1995	1994
Income taxes computed at the U.S.			
Federal statutory rate of 35%	\$ 25	\$(36)	\$ 84
State income tax, net of Federal tax benefit	7	7	12
Foreign and U.S. tax effects attributable to foreign operations	49	26	27
Adjustment to the beginning-of-the-year foreign deferred tax assets valuation allowance	5	(1)	-
Effect of unusual disposal charges	28	-	-
Initial impact of adopting SFAS 121	-	28	-
Nondeductible amortization of U.S. goodwill	9	11	4

Federal tax credits	(2)	(8)	(14)
Equity (income)/loss of CPK	1	8	7
Other, net	3	(6)	2
Total income taxes	\$125	\$ 29	\$122
Effective income tax rate	173.6%	(28.2)%	50.6%

The details of the 1996 and 1995 deferred tax liabilities (assets) are set forth below:

	1996	1995
Intangible assets and property, plant and equipment	\$ 222	\$ 392
Other	43	3
Gross deferred tax liabilities	\$ 265	\$ 395
Net operating loss carryforwards	\$(111)	\$(89)
Employee benefits	(56)	(46)
Casualty claims	(69)	(47)
Various liabilities and other	(132)	(134)
Gross deferred tax assets	(368)	(316)
Deferred tax assets valuation allowance	138	82
Net deferred tax assets	(230)	(234)
Net deferred tax liability	\$ 35	\$ 161
Included in Prepaid expenses, deferred income taxes and other current assets	\$(165)	\$(109)
Deferred income taxes	200	270
	\$ 35	\$ 161

The valuation allowance related to deferred tax assets increased by \$56 million in 1996 primarily due to additions related to current year operating losses and temporary differences in a number of foreign and state jurisdictions.

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The determination of the unrecognized deferred tax liability for temporary differences related to investments in foreign subsidiaries and foreign corporate joint ventures that are essentially permanent in duration is not practicable.

Net operating loss carryforwards totaling \$374 million at year-end 1996 are available to reduce future tax of certain subsidiaries and are related to a number of foreign and state jurisdictions. Of these carryforwards, \$4 million expire in 1997, \$316 million expire at various times between 1998 and 2010 and \$54 million may be carried forward indefinitely.

Note 16 - Business Segments

TRICON is engaged principally in developing, operating, franchising and licensing the worldwide Pizza Hut, Taco Bell and KFC concepts. TRICON also operates other non-core U.S. concepts, including CPK, Chevys, D'Angelo, ESM and HNN, which were held for disposal at the end of 1996 (see Note 3).

Pizza Hut, Taco Bell and KFC operate throughout the U.S. and in 83, 16 and 73 countries and territories outside the U.S, respectively. Principal international markets include Australia, Canada, Japan, Korea, Mexico, New Zealand, Spain and the U.K. At year-end 1996, TRICON has investments in several unconsolidated affiliates outside the U.S. which operate KFC and Pizza Hut restaurants, the most significant of which are located in Japan and the U.K.

TRICON year-end investments in unconsolidated affiliates totaled \$228 million in 1996 and \$382 million in 1995. The decrease in 1996 reflected the consolidation of CPK, previously an unconsolidated equity investment, at the end of the second quarter of 1996. CPK was consolidated as a result of PepsiCo obtaining majority control of CPK's Board of Directors at the end of the second quarter of 1996.

GEOGRAPHIC AREAS

	Revenues		
	1996	1995	1994
International	\$ 2,308	\$ 2,087	\$1,794
United States	7,924	8,163	7,771
	\$10,232	\$10,250	\$9,565

	Operating Profit/(Loss)		
	1996 (a)	1995 (a)	1994
International	126	(26)	66
United States	286	354	578
Equity income/(loss) and foreign exchange	13	(24)	(12)
Allocation of PepsiCo shared corporate expenses	(53)	(52)	(50)
	\$ 372	\$ 252	\$ 582

	Identifiable Assets		
	1996	1995	1994
International	\$ 1,726	\$ 1,643	\$1,780
United States	4,566	4,883	5,211
Investments in Unconsolidated Affiliates	228	382	396
	\$ 6,520	\$ 6,908	\$7,387

	Depreciation and Amortization		
	1996	1995	1994
International	\$ 149	\$ 152	\$ 116
United States	472	519	506
	\$ 621	\$ 671	\$ 622

	Capital Spending		
	1996	1995	1994
International	\$ 161	\$ 184	\$ 335
United States	466	530	714
	\$ 627	\$ 714	\$1,049

(a) The unusual disposal charge in 1996 of \$246 in the United States and the initial impact of adopting SFAS 121 in 1995 of \$457 (United States - \$305, International - \$135 and equity income/(loss) - 17) reduced combined operating profit (see Note 3 on page F-11).

Note 17 - Related Party Transactions

TRICON purchases beverage products from the Pepsi-Cola Company and equipment, food and paper from PepsiCo Food Systems (PFS), both operating divisions of PepsiCo. The amounts purchased in 1996, 1995 and 1994 were \$2.5 billion, \$2.7 billion and \$2.6 billion, respectively. In May 1997, TRICON entered into a five-year Sales and Distribution Agreement with PFS to purchase the majority of its food and supplies for Company-operated stores, subject to PFS maintaining certain quality and service performance levels. The Sales and Distribution Agreement becomes effective upon the closing of the sale by PepsiCo of the assets and business of PFS to AmeriServe Food Distribution, Inc. ("AmeriServe"), pursuant to a definitive agreement dated as of May 23, 1997.

KFC, Pizza Hut and Taco Bell are each expected to enter into a multi-year agreement with Pepsi-Cola regarding the sale of Pepsi-Cola's brands of beverage products to TRICON's U.S. Company-operated units.

PepsiCo will remain liable on certain existing contingent liabilities relating to TRICON's businesses which were not able to be released, terminated or replaced prior to the Distribution Date ("unreleased contingent liabilities"). After the Distribution, TRICON will pay a fee to PepsiCo for any unreleased contingent liabilities until they are released or replaced by a qualified letter of credit. TRICON will also fully indemnify PepsiCo for any payments made under the unreleased contingent liabilities.

In contemplation of the Distribution, TRICON and PepsiCo will enter into certain agreements providing for the separation of the companies. See Note 1 on page F-8.

Note 18 - Contingencies

TRICON is subject to various claims and contingencies related to lawsuits, taxes, environmental and other matters arising out of the normal course of business. Management believes that the ultimate liability, if any, in excess of amounts already recognized arising from such claims or contingencies is not likely to have a material adverse effect on TRICON's annual results of operations or financial condition. TRICON was directly or indirectly contingently liable under guarantees for \$150 million and \$77 million at year-end 1996 and 1995, respectively. At year-end 1996, \$74 million represented contingent liabilities to lessors as a result of TRICON assigning its interest in and obligations under real estate leases as a condition to the franchising of Company-operated restaurants. The \$74 million represented the present value of the minimum payments of the assigned leases, excluding any renewal option periods, discounted at PepsiCo's pre-tax cost of debt. PepsiCo's pre-tax cost of debt is not necessarily indicative of TRICON's pre-tax cost of debt as a separate, independent company. On a nominal basis, the contingent liability resulting from the assigned leases was \$115 million. The balance of the contingent liabilities primarily reflected guarantees to support financial arrangements of certain unconsolidated affiliates and other restaurant franchisees.

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Note 19 - Selected Quarterly Financial Data

(unaudited)

	First Quarter (12 Weeks)	
	1996 (a)	1995 (a)
Revenues:		
Company-operated restaurants	\$ 2,171	2,090
Franchise and license fees	\$ 102	90
Operating profit related to:		
Company-operated restaurants	\$ 219	189
Franchise and license fees	\$ 99	88
Unusual disposal charges (b)	\$ 26	-
Operating profit	\$ 146	114
Net income	\$ 40	16
Second Quarter (12 Weeks)		
	1996 (a)	1995 (a)
Revenues:		
Company-operated restaurants	\$ 2,271	2,329
Franchise and license fees	\$ 111	101
Operating profit related to:		
Company-operated restaurants	\$ 268	257
Franchise and license fees	\$ 108	98
Operating profit	\$ 183	146
Net income	\$ 66	36
Third Quarter (12 Weeks)		
	1996 (a)	1995 (a)
Revenues:		
Company-operated restaurants	\$ 2,329	2,383
Franchise and license fees	\$ 119	106
Operating profit related to:		
Company-operated restaurants	\$ 259	295

Franchise and license fees	\$	113	103
Operating profit	\$	196	207
Net income	\$	60	64

	Fourth Quarter (16 Weeks)	
	1996 (a)	1995 (a)
Revenues:		
Company-operated restaurants	\$ 2,967	3,011
Franchise and license fees	\$ 162	140
Operating profit related to:		
Company-operated restaurants	\$ 273	333
Franchise and license fees	\$ 158	136
Unusual disposal charges (b)	\$ 220	-
Operating profit	\$ (153)	(215)
Net loss	\$ (219)	(248)

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(unaudited)

	Full Year (52 Weeks)	
	1996 (a)	1995 (a)
Revenues:		
Company-operated restaurants	\$ 9,738	9,813
Franchise and license fees	\$ 494	437
Operating profit related to:		
Company-operated restaurants	\$ 1,019	1,074
Franchise and license fees	\$ 478	425
Unusual disposal charges (b)	\$ 246	-
Operating profit	\$ 372	252
Net loss	\$ (53)	(132)

Notes:

(a) Operating profit included certain items affecting comparability as summarized below. Net facility actions represent the net gains/(losses) from sales of restaurants to new and existing franchisees, closing other restaurants and SFAS 121 impairment charges for restaurants to be used in the business. The SFAS 121 impairment charges represent the ongoing application of SFAS 121 in 1996 and the initial impact of adopting it in 1995 (see Note 3). The depreciation and amortization reduction for the first three quarters of 1996 arose from the adoption of SFAS 121 at the beginning of the fourth quarter of 1995, which reduced the carrying amount of certain restaurants to be held and used in the business.

	1996		1995	
	Pre-Tax	After-Tax	Pre-Tax	After-Tax
Net facility actions (gains/(losses))				
First quarter	\$ 46	\$28	\$ 3	\$ 2
Second quarter	20	13	-	-
Third quarter	25	15	(3)	(2)
Fourth quarter	(54)	(35)	(402)	(295)
Full year	\$ 37	\$21	\$ (402)	\$ (295)
Depreciation and amortization reduction				
First quarter	\$ 13	\$ 9		
Second quarter	16	11		
Third quarter	11	6		
Full year	\$ 40	\$26		

(b) Included unusual disposal charges in 1996 (see Note 3) as follows:

	Pre-Tax	After-Tax
First quarter	\$ 26	\$ 17
Fourth quarter	220	172
Full year	\$246	\$189

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Condensed Combined Statement of Operations
(in millions, unaudited)
TRICON Global Restaurants, Inc.
12 and 24 weeks ended June 14, 1997 and June 15, 1996

	12 Weeks Ended		24 Weeks Ended	
	6/14/97	6/15/96	6/14/97	6/15/96
REVENUES				
Company-operated restaurants	\$2,214	\$2,271	\$4,337	\$4,442
Franchise and license fees	139	111	253	213
	2,353	2,382	4,590	4,655
Costs and Expenses, net				
Company-operated restaurants				
Food and paper	720	741	1,404	1,455
Payroll and employee benefits	622	641	1,255	1,275
Occupancy and other operating expenses	592	621	1,164	1,225
	1,934	2,003	3,823	3,955
General, administrative and other expenses	221	216	419	411
Net facility actions	(73)	(20)	(85)	(66)
Unusual disposal charges	39	-	39	26
Total costs and expenses	2,121	2,199	4,196	4,326
Operating Profit	232	183	394	329
Interest expense, net	65	69	131	143
Income Before Income Taxes	167	114	263	186
Income Taxes	46	48	90	80
Net Income	\$ 121	\$ 66	\$ 173	\$ 106

See accompanying Notes to Unaudited Condensed Combined Financial Statements.

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Condensed Combined Statement of Cash Flows (page 1 of 2)
(in millions, unaudited)
TRICON Global Restaurants, Inc.
24 Weeks ended June 14, 1997 and June 15, 1996

	1997	1996
Cash Flows - Operating Activities		
Net income	\$ 173	\$ 106
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	257	288
Unusual disposal charges	39	26
Deferred income taxes	(36)	(15)
Other noncash charges and credits, net	(60)	(31)
Changes in operating working capital, excluding effects of acquisitions and dispositions		
Accounts and notes receivable	4	(8)
Inventories	(18)	4
Prepaid expenses, deferred income taxes and other current assets	(88)	(38)
Accounts payable and other current liabilities	(69)	12
Income taxes payable	29	(49)
Net change in operating working capital	(142)	(79)
Net Cash Provided by Operating Activities	231	295

Cash Flows - Investing Activities		
Capital spending	(175)	(206)
Refranchising of restaurants	384	200
Sale of non-core businesses	91	-
Sales of property, plant and equipment	34	11
Other, net	(19)	13
Net Cash Provided by Investing Activities	315	18

(Continued on following page)

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Condensed Combined Statement of Cash Flows (page 2 of 2)
(in millions, unaudited)
TRICON Global Restaurants, Inc.
24 Weeks ended June 14, 1997 and June 15, 1996

	1997	1996
Cash Flows - Financing Activities		
Short-term borrowings-three months or less, net	52	(55)
Net proceeds from long-term debt	(10)	(29)
Decrease in investments by and advances from PepsiCo	(614)	(226)
Net Cash Used for Financing Activities	(572)	(310)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(1)	(4)
Net Decrease in Cash and Cash Equivalents	(27)	(1)
Cash and Cash Equivalents - Beginning of Year	137	94
Cash and Cash Equivalents - End of Quarter	\$ 110	\$ 93
Supplemental Cash Flow Information		
Cash Flow Data		
Interest paid	\$ 14	\$ 16
Income taxes paid	\$ 59	\$173

See accompanying Notes to Unaudited Condensed Combined Financial Statements.

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Condensed Combined Balance Sheet
(in millions)
TRICON Global Restaurants, Inc.
June 14, 1997 and December 28, 1996

6/14/97 (unaudited) 12/28/96
Historical Pro Forma

ASSETS			
Current Assets			
Cash and cash equivalents	\$ 110		\$ 137
Short-term investments, at cost	47		50
	157		187
Accounts and notes receivable, less allowance: \$12 in 1997 and \$9 in 1996	131		125
Inventories	103		88
Prepaid expenses, deferred income taxes and other current assets	559		562
Total Current Assets	950		962
Property, Plant and Equipment, net	3,780		4,050
Intangible Assets, net	982		1,100
Investments in Unconsolidated Affiliates	223		228
Other Assets	172		180
Total Assets	\$6,107		\$6,520
LIABILITIES AND SHAREHOLDER'S EQUITY/ (DEFICIT)			
Current Liabilities			
Accounts payable and other current liabilities	\$1,121		\$1,200
Income taxes payable	185		157
Short-term borrowings	107		59
Total Current Liabilities	1,413		1,416
Long-term Debt	186		231
Other Liabilities	455		434
Deferred Income Taxes	295		200
Shareholder's Equity/Deficit			
Investments by and advances from PepsiCo	3,825	\$(675)	4,266
Currency translation adjustment	(67)	(67)	(27)
Total Shareholder's Equity/(Deficit)	3,758	\$(742)	4,239
Total Liabilities and Shareholder's Equity/(Deficit)	\$6,107		\$6,520

See accompanying Notes to Unaudited Condensed Combined Financial Statements.

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12 and 24 Weeks ended June 14, 1997 and June 15, 1996
Notes to Unaudited Condensed Combined Financial Statements

- The Condensed Combined Balance sheet at June 14, 1997 and the Condensed Combined Statements of Operations and Cash Flows for the 12 and 24 weeks ended June 14, 1997 and June 15, 1996 have not been audited, but have been prepared in conformity with the accounting principles applied in the TRICON audited combined financial statements for the year ended December 28, 1996. In the opinion of management, this information includes all material adjustments necessary for a fair presentation. The results for the 12 and 24 weeks are not necessarily indicative of the results expected for the year.
- During the first half of 1997, TRICON sold ESM, Chevys and HNN for \$105 million, composed of \$91 million in cash and a \$14 million note.
- TRICON recorded an unusual charge of \$39 million (\$22 after-tax) in the second quarter of 1997 to adjust the carrying amounts of the non-core U.S. businesses and \$26 million (\$17 million after-tax) related to the first quarter 1996 decision to dispose of HNN's operating assets. The adjustment was based on the actual selling prices of the three businesses and current negotiations with probable buyers for the two remaining businesses, CPK and D'Angelo. As of June 14, 1997, the carrying amount of the assets held for disposal was \$131 million. We anticipate that CPK and D'Angelo will be sold by the end of 1997.

Excluding the unusual charges of \$39 million and \$26 million described above, the non-core U.S. businesses sold or held for disposal contributed the following:

(\$ in millions)	12 Weeks Ended		24 Weeks Ended	
	6/14/97	6/15/96	6/14/97	6/15/96
Net Revenues	\$88	\$74	\$191	\$141
Net Income/(Loss)	\$ 4	\$(2)	\$ 6	\$(7)

4. Included in net facility actions were recurring impairment charges of \$39 million (\$25 million after-tax) and \$18 million (\$12 million after-tax) in the second quarter of 1997 and 1996 to reduce the carrying amounts of certain restaurants to be held and used. These charges resulted from the semi-annual impairment evaluation of all restaurants that either initially met the "two-year history of operating losses" impairment indicator that is used to identify potentially impaired restaurants or were previously evaluated for impairment and, due to changes in circumstances, a current forecast of future cash flows would be expected to be significantly lower than the forecast used in the prior evaluation.
5. The unaudited pro forma shareholder's equity/(deficit) gives effect to a \$4.5 billion cash distribution to PepsiCo in repayment of certain amounts due and a dividend.
6. On August 14, 1997 PepsiCo, Inc. ("PepsiCo") announced its Board of Directors approved a formal plan to spin-off TRICON to shareholders. PepsiCo also announced that it received a ruling from the Internal Revenue Service that the spin-off would be tax free to PepsiCo and its shareholders.

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Pro Forma Condensed Combined Statement of Operations
(in millions except per share amounts, unaudited)
TRICON Global Restaurants, Inc.
Fiscal year ended December 28, 1996

	1996	Pro Forma Adjustments	Pro Forma 1996
REVENUES			
Company-operated restaurants	\$9,738	\$(391) (a)	\$9,347
Franchise and license fees	494	(3) (a)	491
	10,232	(394) (a)	9,838
Costs and Expenses, net			
Company-operated restaurants			
Food and paper	3,215	(123) (a)	3,092
Payroll and employee benefits	2,793	(130) (a)	2,663
Occupancy and other operating expenses	2,711	(112) (a)	2,599
	8,719	(365)	8,354
General, administrative and other expenses	932	(39) (a)	893
Net facility actions	(37)	-	(37)
Unusual disposal charges	246	(246) (a)	-
Total costs and expenses	9,860	(650) (a)	9,210
Operating Profit	372	256 (a)	628
Interest expense, net	300	(5) (a) 25 (b)	320
Income Before Income Taxes	72	236	308
Income Taxes	125	52 (c)	177
Net (Loss)/Income	\$ (53)	\$ 184	\$ 131
Pro Forma Net Income Per Share	\$ -		\$ 0.85
Pro Forma shares and equivalents (d)	-		155

See accompanying Notes to Unaudited Pro Forma Condensed Combined Financial Statements.

Pro Forma Condensed Combined Statement of Operations
(in millions except per share amounts, unaudited)
TRICON Global Restaurants, Inc.
24 Weeks ended June 14, 1997

	1997	Pro Forma Adjustments	Pro Forma 1997
REVENUES			
Company-operated restaurants	\$4,337	\$ (190) (a)	\$4,147
Franchise and license fees	253	(1) (a)	252
	4,590	(191) (a)	4,399
Costs and Expenses, net			
Company-operated restaurants			
Food and paper	1,404	(58) (a)	1,346
Payroll and employee benefits	1,255	(66) (a)	1,189
Occupancy and other operating expenses	1,164	(41) (a)	1,123
	3,823	(165) (a)	3,658
General, administrative and other expenses			
	419	(16) (a)	403
Net facility actions	(85)	-	(85)
Unusual disposal charges	39	(39)	-
Total costs and expenses	4,196	(220) (a)	3,976
Operating Profit	394	29 (a)	423
Interest expense, net	131	(2) (a) 20 (b)	149
Income Before Income Taxes	263	11	274
Income Taxes	90	8 (c)	98
Net Income	\$ 173	\$ 3	\$ 176
Pro Forma Net Income Per Share			\$ 1.14
Pro Forma shares and equivalents(d)			155

See accompanying Notes to Unaudited Pro Forma Condensed Combined Financial Statements.

Pro Forma Condensed Combined Balance Sheet
(in millions except per share amount, unaudited)
TRICON Global Restaurants, Inc.
June 14, 1997

	1997	Pro Forma Adjustments	Pro Forma 1997
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 110	\$ -	\$ 110
Short-term investments, at cost	47	-	47
	157	-	157
Accounts and notes receivable, less allowance: \$12	131	-	131
Inventories	103	-	103
Prepaid expenses, deferred income taxes and other current assets	559	(131) (a)	428
Total Current Assets	950	(131)	819
Property, Plant and Equipment, net	3,780	-	3,780

Intangible Assets, net	982	-	982
Investments in Unconsolidated Affiliates	223	-	223
Other Assets	172	-	172
Total Assets	\$6,107	\$ (131)	\$5,976

LIABILITIES AND SHAREHOLDERS' EQUITY/
(DEFICIT)

Current Liabilities			
Accounts payable and other current liabilities	\$1,121	\$ (24) (a)	\$1,097
Income taxes payable	185	(7) (b)	178
Short-term borrowings	107	-	107
Total Current Liabilities	1,413	(31)	1,382
Long-term Debt			
	186	(12) (a)	4,674
	-	4,500 (b)	-
Other Liabilities	455	-	455
Deferred Income Taxes	295	5 (a)	300
Shareholder's Equity/(Deficit)			
Investments by and advances from PepsiCo	3,825	(100) (a)	-
		(4,500) (b)	
		775 (c)	
Preferred stock, no par value. authorized 250 shares	-	-	-
Common stock, no par value, authorized 750 shares, issued 152 shares	-	- (c)	-
Capital deficit	-	(768) (c)	(768)
Currency translation adjustment	(67)	-	(67)
Total Shareholder's Equity/(Deficit)	3,758	(4,593)	(835)
Total Liabilities and Shareholder's Equity/(Deficit)	\$6,107	\$ (131)	\$5,976

See accompanying Notes to Unaudited Pro Forma Condensed Combined Financial Statements.

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Notes to Unaudited Pro Forma Condensed Combined Financial Statements

The historical combined financial statements reflect periods during which TRICON did not operate as a separate, independent Company; certain estimates, assumptions and allocations were made in preparing such financial statements. Therefore such historical combined financial statements do not necessarily reflect the combined results of operations or financial position that would have existed had TRICON been a separate, independent company.

The Pro Forma Condensed Combined Financial Statements should be read in conjunction with the historical combined financial statements of TRICON and the notes thereto contained in this Information Statement. The pro forma condensed combined financial information is presented for informational purposes only and does not purport to reflect the results of operations or financial position of TRICON or the results of operations or financial position that would have occurred had TRICON been operated as a separate, independent company.

Note 1 - The pro forma adjustments to the accompanying historical combined statements of operations for the fiscal year ended December 28, 1996 and for the 24 weeks ended June 14, 1997 were:

- To eliminate the effect of TRICON's non-core U.S. businesses composed of CPK, Chevys, D'Angelo, ESM and HNN. TRICON has disposed of or expects to dispose of these businesses in 1997.
- To record the net effect of eliminating the PepsiCo interest expense allocation and recording interest expense based on \$4.5 billion of external debt TRICON expects to incur prior to the Distribution Date. TRICON's interest expense was calculated using a weighted average expected borrowing rate of 6.67%. The weighted average borrowing rate assumed approximately 40% of the borrowings were effectively converted to fixed rate debt through interest rate swaps, with the balance indexed to LIBOR. TRICON's actual borrowing rate may vary based upon TRICON's credit rating, changes in market rates and potential long-term debt issuances. A 1/8 percentage point change in the assumed financing rate would change interest expense by \$5.6 million annually and \$2.6 million for the 24 weeks ended June 14, 1997.
- To reflect the estimated tax impact for the pro forma adjustments (a) and (b).
- Pro Forma shares and equivalents used to compute pro forma net income per share was based upon 152 million shares of TRICON common stock adjusted for the dilutive effect of TRICON stock options. The 152 million shares reflected an estimate of the shares to be issued at the Distribution Date based on a distribution ratio of one share of TRICON stock for every 10 shares of PepsiCo stock.

Note 2 - The pro forma adjustments to the accompanying historical combined balance sheet at June 14, 1997 were:

- (a) To eliminate the effect of TRICON's non-core U.S. businesses held for disposal, composed of CPK and D'Angelo. TRICON expects to dispose of these businesses in 1997.
- (b) To record the estimated \$4.5 billion of external debt TRICON expects to incur prior to the Distribution Date to fund a \$4.5 billion cash

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distribution to PepsiCo in repayment of certain amounts due and a dividend. TRICON plans to establish a \$2 billion senior, unsecured five-year term loan facility and \$2.5 billion under a senior, unsecured five-year revolving credit facility. Interest rates are expected to be based on LIBOR. Income taxes payable reflects the estimated tax impact of interest expense described in Note 1(b) above.

- (c) To record the issuance of 152 million shares of TRICON common stock with no par value (at a distribution ratio of one share of TRICON stock for every 10 shares of PepsiCo stock held on the Record Date) and the elimination of PepsiCo's investment.

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EXHIBIT INDEX

2.01	Form of Separation Agreement
3.01	Restated Articles of Incorporation
3.02*	Bylaws
10.01	Form of Tax Separation Agreement
10.02	Form of Employee Programs Agreement
10.03*	Form of Telecommunications, Software and Computing Services Agreement.....
10.04**	Employment Agreement between TRICON Global Restaurants, Inc. and Andrall E. Pearson.....
10.05**	Sales and Distribution Agreement between PFS, Pizza Hut, Taco Bell and KFC.....
21.01**	Active Subsidiaries of TRICON as of October 6, 1997.....
27.01	Financial Data Schedule For Year-End 1996.....
27.02	Financial Data Schedule For Second Quarter 1997.....

* Previously filed.
 ** Filed with this amendment.

SEPARATION AGREEMENT

SEPARATION AGREEMENT, dated as of _____, 1997 (as amended, supplemented or otherwise modified, this "Agreement"), by and between PepsiCo, Inc., a North Carolina corporation ("PepsiCo"), and TRICON Global Restaurants, Inc., a North Carolina corporation ("TRICON") and, as of the date hereof, a wholly-owned subsidiary of PepsiCo.

W I T N E S S E T H:

WHEREAS, PepsiCo has engaged in the restaurant business through various of its subsidiaries and affiliates (PepsiCo and its subsidiaries and affiliates (other than the members of the TRICON Group (as such term is hereinafter defined)) are collectively referred to herein as the "PepsiCo Group");

WHEREAS, PepsiCo has decided to consolidate the assets and operations of its worldwide KFC, Pizza Hut and Taco Bell businesses (collectively, the "Restaurant Businesses") into TRICON and TRICON's subsidiaries and affiliates (TRICON and its subsidiaries and affiliates are collectively referred to herein as the "TRICON Group"), and to distribute the Common Stock of TRICON on a ten-for-one basis to the holders of PepsiCo Capital Stock (the "Distribution"); and

WHEREAS, on or before October 6, 1997 (the "Distribution Date"), PepsiCo will transfer to the Agent (as such term is hereinafter defined), for the benefit of the holders of record of PepsiCo Capital Stock at the close of business on September 19, 1997 (the "Record Date"), without any consideration being paid by such holders, the shares of TRICON Common Stock then owned by PepsiCo;

NOW, THEREFORE, in consideration of the mutual promises contained herein, the Parties (as such term is defined in Section 16 hereof) hereby agree as follows:

Section 1. The Distribution. On or prior to the Distribution Date, PepsiCo will transfer to BankBoston, N.A., as distribution agent (the "Agent"), for the benefit of holders of record of PepsiCo Capital Stock at the close of business on the Record Date, the shares of TRICON Common Stock then owned by PepsiCo, together with an irrevocable voting rights proxy in favor of the Agent. Prior to the Distribution Date, the Parties shall take such action with respect to the TRICON Common Stock as is required to complete the Distribution on the basis of one share of TRICON Common Stock for every ten shares of PepsiCo Capital Stock outstanding at the close of business on the Record Date. PepsiCo shall instruct the Agent to distribute such TRICON shares to the holders of record of PepsiCo Capital Stock at the close of business on the Record Date. All of the shares of TRICON so issued shall be fully paid and nonassessable. The Distribution shall be effective as of 11:59:59 p.m. on the Distribution Date.

Section 2. Governance Documents. TRICON shall take all action necessary such that, on the Distribution Date, the Restated Articles of Incorporation and Bylaws of TRICON, and all benefit plans of TRICON, shall be substantially in the forms filed with the Securities and Exchange Commission as exhibits to the Form 10 relating to the Distribution (as amended, supplemented or otherwise modified,

the "Form 10").

Section 3. Books, Records, Services and Access to Information. (a) Except as otherwise provided in the attachments hereto, for a period of up to twelve months from and after the Distribution Date (or such shorter period as set forth on Schedule A hereto), each Party shall make available to the other, during normal business hours and in a manner which will not unreasonably interfere with such Party's business, the services set forth on Schedule A hereto (collectively "Transitional Services") to the extent that the same are reasonably required to assist in effecting an orderly transition following the Distribution. Except as otherwise provided in the attachments hereto, the initial terms upon which Transitional Services shall be provided to TRICON or PepsiCo, as the case may be, are set forth on Schedule A hereto.

(b) From and after the Distribution Date, PepsiCo shall afford TRICON and its authorized employees and representatives reasonable access (including access to persons or firms possessing relevant information and records) and reasonable duplicating rights during normal business hours to, or, at PepsiCo's option, copies of, all records, books, contracts, instruments, data and other information (collectively, "Information") within the PepsiCo Group's possession relating to any member of the TRICON Group, insofar as such access or copies are reasonably required by TRICON.

(c) TRICON shall afford to PepsiCo and its authorized employees and representatives reasonable access (including access to persons or firms possessing relevant information and records) and reasonable duplicating rights during normal business hours to, or, at TRICON's option, copies of, all Information within the TRICON Group's possession relating to any member of the PepsiCo Group, insofar as such access or copies are reasonably required by PepsiCo.

(d) Within 45 days after the Distribution Date, each of PepsiCo and TRICON shall provide the other with such indices or descriptions of Information as it may maintain relating to the other or the other's subsidiaries or affiliates. Information may be required under this Section 3, without limitation, for audit, accounting, claims, litigation and tax purposes, as well as for purposes of fulfilling disclosure and reporting obligations. In lieu of retaining any specific Information, either Party may, in writing, offer to deliver such Information to the other Party. If such offer is not accepted within 90 days, the Information so offered shall be retained or destroyed in accordance with PepsiCo's Record Retention Policy. If such offer is accepted, the Party accepting delivery shall pay the reasonable out-of-pocket costs of the delivery. Each Party shall maintain the Information in accordance with the manner it treats similar material relating to its ongoing business.

(e) At all times from and after the Distribution Date, each Party will use its reasonable best efforts to make available to the other, upon written request, its officers, directors, employees and agents as witnesses to the extent that the same may reasonably be required in connection with any legal, administrative or other proceedings in which the requesting Party may from time to time be involved.

(f) Except as otherwise specifically provided for herein, a Party providing Information, Transitional Services or witnesses to the other hereunder shall be entitled to receive from the recipient, upon the presentation of appropriate invoices therefor, payments for such amounts relating to supplies, disbursements, and such other costs and out-of-pocket expenses as are provided for on Schedule A hereto, or which may be reasonably incurred in providing such Information, Transitional Services or witnesses. Invoices shall be due and payable within thirty (30) days of receipt. Interest shall accrue on any unpaid amount at the rate of eight percent (8%) per annum.

(g) PepsiCo shall arrange for the transportation of existing corporate records in its possession relating exclusively to the Restaurant Businesses, including original corporate minute books, stock ledgers and certificates, and

corporate seals of each corporation included in the group of which TRICON is the parent corporation, and all active agreements, deeds to real property, active litigation files and filings with foreign governments, if any, to TRICON's address set forth in Section 23 hereof. PepsiCo shall provide TRICON with lists of trademarks, patents and copyrights of TRICON and its subsidiaries.

Section 4. Confidentiality. Each member of the PepsiCo Group and the TRICON Group shall hold, and cause each of their respective officers, employees, agents, consultants and advisors to hold, in strict confidence, all non-public Information concerning the other Party furnished it by such other Party or its representatives pursuant to this Agreement, unless compelled to disclose such Information by judicial or administrative process or, in the opinion of counsel, by other requirements of law (in which case such Party shall promptly notify the other Party so that the other Party may seek a protective or other appropriate remedy); and each Party shall not release or disclose such Information to any other person, except its auditors, attorneys, financial advisors, bankers and other consultants and advisors who shall be bound by the provisions of this Section 4. Each Party shall be deemed to have satisfied its obligations hereunder with respect to confidential Information supplied by the other Party if it exercises the same care as it does with respect to preserving the confidentiality of its own similar information.

Section 5. Indemnification. (a) Effective on the Distribution Date, TRICON agrees to indemnify and hold harmless each member of the PepsiCo Group and each of their respective officers, directors, employees and agents from and against any and all losses, liabilities, claims, suits, damages, costs and expenses (including, without limitation, reasonable attorneys' fees and any and all expenses reasonably incurred in investigating, preparing or defending against any pending or seriously threatened litigation or claim) (collectively, "Losses") arising out of or related in any manner to any item set forth on Schedule B hereto. Similarly, effective on the Distribution Date, except as otherwise provided in the attachments hereto, PepsiCo agrees to indemnify and hold harmless each member of the TRICON Group and each of their respective officers, directors, employees and agents from and against any and all Losses arising out of or related in any manner to any item set forth on Schedule C hereto.

(b) If any action is brought or any claim is made against a Party or person in respect of which indemnity may be sought pursuant to subsection 5(a) above (the "Indemnitee"), the Indemnitee shall, within ten days after the receipt of information indicating that an action or claim is likely, notify in writing the Party from whom indemnification is sought (the "Indemnitor") of the institution of the action or the making of the claim, and the Indemnitor shall have the right, and at the request of the Indemnitee, shall have the obligation, to assume the defense of the action or claim, including the employment of counsel. If the Indemnitor assumes the defense of the action or claim, the Indemnitor shall be entitled to settle the action or claim on behalf of the Indemnitee without the prior written consent of the Indemnitee unless such settlement would materially affect the ongoing business or employment of the Indemnitee.

(c) The Indemnitee shall have the right to employ its own counsel, but the fees and expenses of that counsel shall be the responsibility of the Indemnitee unless (i) the employment of that counsel shall have been authorized in writing by the Indemnitor in connection with the defense of the action or claim; (ii) the Indemnitor shall not have employed counsel to have charge of the defense of such action or claim; or (iii) such Indemnitee shall have reasonably concluded that there may be defenses available to it which are different from or additional to those available to the Indemnitor (in which case the Indemnitor shall not have the right to direct any different defense of the action or claim on behalf of the Indemnitee). The Indemnitee shall, in any event, be kept fully informed of the defense of any such action or claim. Except as expressly provided above, in the event that the Indemnitor shall not previously have assumed the defense of an action or claim, at such time as the Indemnitor does

assume the defense of the action or claim, the Indemnitor shall not thereafter be liable to any Indemnitee for legal or other expenses subsequently incurred by the Indemnitee in investigating, preparing or defending against such action or claim.

(d) Anything in this Section 5 to the contrary notwithstanding, the Indemnitor shall not be liable for any settlement of any claim or action effected without its written consent; provided, however, that if after due notice the Indemnitor refuses to defend a claim or action, the Indemnitee shall have the right to defend and/or settle such claim or action, and the Indemnitee shall not be precluded from making a claim against the Indemnitor for reasonable expenses and liabilities resulting from such defense and/or settlement in accordance with this Section 5.

(e) Notwithstanding the foregoing provisions of this Section 5, there may be particular actions or claims which reasonably could result in both Parties being liable to the other under the indemnification provisions of this Agreement. In such events, the Parties shall endeavor, acting reasonably and in good faith, to agree upon a manner of conducting the defense and settlement of the action or claim with a view to minimizing the legal expenses and associated costs that might otherwise be incurred by the Parties, such as, by way of illustration only, agreeing to use the same legal counsel.

(f) The indemnification provisions of this Section 5 shall not inure to the benefit of any third party. By way of illustration only, an insurer who would otherwise be obligated to pay any claim shall not be relieved of the responsibility with respect thereto, or, solely by virtue of the indemnification provisions hereof, have any subrogation rights with respect thereto, it being expressly understood and agreed that no insurer or any other third party shall be entitled to a "windfall" (i.e., a benefit they would not be entitled to receive in the absence of the indemnification provisions) by virtue of these indemnification provisions.

Section 6. Taxes. PepsiCo and TRICON have entered into a Tax Separation Agreement, substantially in the form attached hereto as Attachment 1 (as amended, supplemented or otherwise modified, the "Tax Agreement"), regarding their respective rights and obligations with respect to taxes of the TRICON Group for all periods through the Distribution Date and certain other tax-related matters. In the event of a conflict between the terms of the Tax Agreement and the terms of this Agreement, the terms of the Tax Agreement shall govern.

Section 7. Employee Benefits. PepsiCo and TRICON have entered into an Employee Programs Agreement, substantially in the form attached hereto as Attachment 2 (as amended, supplemented or otherwise modified, the "Employee Programs Agreement"), which allocates assets, liabilities and responsibilities between them with respect to certain employee compensation and benefit plans and programs and certain other related matters. In the event of a conflict between the Employee Programs Agreement and the terms of this Agreement, the terms of the Employee Programs Agreement shall govern.

Section 8. Telecommunications, Software and Computing Services. PepsiCo and TRICON have entered into a Telecommunications, Software and Computing Services Agreement, substantially in the form attached hereto as Attachment 3 (as amended, supplemented or otherwise modified, the "T,S&C Agreement"), setting forth the arrangements between the Parties with respect to internal software, third party agreements, telecommunications services and computing services. In the event of a conflict between the T,S&C Agreement and the terms of this Agreement, the terms of the T,S&C Agreement shall govern.

Section 9. Transfer of Entities, Operations, Assets and Liabilities. (a) Except as set forth on Schedule D hereto, prior to the Distribution Date, PepsiCo and TRICON shall use reasonable efforts to cause the entities, operations, assets and corresponding liabilities of the Restaurant Businesses to be included as part of the TRICON Group. Both Parties agree to take such action as may be necessary or appropriate, prior to the Distribution Date, to cause all

such restaurant-related assets and liabilities (including, without limitation, all agreements relating thereto), except as provided on Schedule D hereto, to be properly conveyed or assigned to TRICON or the appropriate subsidiary or affiliate of TRICON. Except as otherwise provided in this Agreement (including, without limitation, the Schedules and Attachments hereto), PepsiCo shall bear the reasonable costs of such conveyances.

(b) Except as expressly provided herein, TRICON agrees to assume and pay all contracts, obligations and liabilities of each member of the PepsiCo Group associated in any way with the Restaurant Businesses and/or the Casual Dining Businesses (as such term is hereinafter defined), whether accrued, absolute, contingent or otherwise, and whether due or to become due, including, without limitation, all obligations of any member of the PepsiCo Group acting as a guarantor of obligations associated in any way with any of the Restaurant Businesses and/or the Casual Dining Businesses, and all obligations under leases and other executory contracts and liabilities, whether arising as a result of the transactions contemplated hereby, existing on the date hereof, or based on facts or actions arising on or prior to the Distribution Date, whether or not such obligations shall have been disclosed herein, and whether or not reflected on the opening balance sheet of the TRICON Group prepared pursuant to Section 13 hereof (the "Opening Balance Sheet"). For purposes of this Agreement, the term "Casual Dining Businesses" shall mean California Pizza Kitchen, Chevys Mexican Restaurants, Chimayo Grill, D'Angelo Sandwich Shops, East Side Mario's and Hot 'n Now.

(c) In the event that the transfer of all such assets and liabilities is not accomplished by the Distribution Date, the Parties agree that TRICON shall have de facto control and equitable ownership of the entities, operations and assets, and de facto responsibility for the obligations and liabilities, intended to be transferred to the TRICON Group; provided, however, that if any uncompleted steps financially affect either PepsiCo or TRICON, the Parties agree to use their respective best efforts to equitably resolve any such financial impact.

(d) This Section 9 shall not inure to the benefit of any third party.

Section 10. Letters of Credit, Guarantees and Contingent Liabilities.

(a) TRICON shall use its best efforts to cause the beneficiaries of all of the PepsiCo Group's letters of credit, guarantees and other contingent liabilities relating to any of the Restaurant Businesses or the Casual Dining Businesses (including, without limitation, commercial letters of credit, financing guarantees, performance guarantees, lease guarantees, comfort letters, insurance and workers' compensation liabilities, and the letters of credit, guarantees and other contingent liabilities identified on Schedule E hereto) (collectively, the "Restaurant Contingent Liabilities") which will not have expired on or prior to the Distribution Date, to release and terminate all such Restaurant Contingent Liabilities on or prior to the Distribution Date and, where necessary or appropriate, to accept substitute letters of credit, guarantees or contingent liabilities issued for the account of TRICON or to post sufficient cash collateral on behalf of TRICON. TRICON hereby agrees to provide to PepsiCo, prior to the Distribution Date, a schedule (the "PHI Contingent Liability Schedule") listing all of Pizza Hut, Inc.'s letters of credit, guarantees and other contingent liabilities relating to any of the Restaurant Businesses or the Casual Dining Businesses which have not been released, terminated or replaced with a Qualified Letter of Credit (as such term is hereinafter defined). The PHI Contingent Liability Schedule shall supplement, and be incorporated by reference into, Schedule E hereto. From and after the Distribution Date, TRICON will pay a fee based upon the maximum exposure related to any Restaurant Contingent Liabilities which were not released, terminated or replaced prior to the Distribution Date. Such fee will be structured as follows: (i) for the first year following the Distribution Date, the fee will be consistent with the pricing of TRICON's senior credit facility as in effect from time to time and will be expressed as a percentage of the value of the underlying exposure, and (ii) thereafter, the fee will be equal to the current market value, as determined by The Chase Manhattan Bank, for replacing all such Restaurant

Contingent Liabilities that have not yet been released, terminated or replaced by a Qualified Letter of Credit. Such fee shall be payable monthly in advance until such time as each such Restaurant Contingent Liability has been released, terminated or replaced by a Qualified Letter of Credit (as such term is hereinafter defined). Notwithstanding the foregoing, TRICON shall at all times indemnify and hold harmless each member of the PepsiCo Group from and against all losses, liabilities and obligations incurred with respect to such Restaurant Contingent Liabilities. Without limiting the foregoing, TRICON shall, upon demand, reimburse PepsiCo within ten days for any amounts actually paid by any member of the PepsiCo Group with respect to any such Restaurant Contingent Liabilities.

(b) For purposes of this Agreement, the term "Qualified Letter of Credit" shall mean an irrevocable, transferable letter of credit issued to PepsiCo or its relevant subsidiary or affiliate by a bank that is an A Credit (as such term is hereinafter defined), substantially in the form attached as Schedule F hereto, with a term extending to the last possible expiration date of the Restaurant Contingent Liabilities covered thereby and with a maximum drawing amount that shall equal the full amount of all remaining obligations and foreseeable claims under the Restaurant Contingent Liabilities covered thereby (assuming the exercise of all extension options with respect to the underlying obligations). In the event of any change in the law regarding letters of credit generally that affects the language in a Qualified Letter of Credit, TRICON shall, at the request of PepsiCo, provide a new Qualified Letter of Credit containing modifying language as approved by PepsiCo. The language contained in the form of letter of credit attached as Schedule F hereto shall be deemed to be approved by PepsiCo. For purposes of this Agreement, the term "A Credit" shall mean a corporation or banking association whose long-term debt obligations are rated A+ or A1 or better by Standard & Poor's or by Moody's, respectively, or their successors in interest that are "nationally recognized statistical rating organizations."

(c) TRICON agrees that no member of the TRICON Group shall modify, amend or extend (including, without limitation, pursuant to any existing option to extend) any of the leases for property of the TRICON Group which have been guaranteed by a member of the PepsiCo Group (including, without limitation, the leases identified on Schedule G hereto) (collectively, the "Leases") so as to increase or in any way enlarge the duration of any of the obligations or liabilities of any member of the PepsiCo Group pursuant to those guarantees without first obtaining the prior written approval of PepsiCo, which approval may be withheld by PepsiCo in its sole discretion. TRICON hereby agrees to provide to PepsiCo, prior to the Distribution Date, a schedule (the "PHI Lease Schedule") listing each lease for property of the TRICON Group which has been guaranteed by Pizza Hut, Inc. The PHI Lease Schedule shall supplement, and be incorporated by reference into, Schedule G hereto. TRICON further agrees that no member of the TRICON Group shall default under or breach any of the Leases so as to cause or give rise to any claims, actions, suits or proceedings against any member of the PepsiCo Group arising out of such guarantees, and hereby agrees to indemnify and hold harmless each member of the PepsiCo Group from and against all such liabilities, costs and expenses (including, without limitation, reasonable attorneys' fees and any and all expenses reasonably incurred in investigating, preparing or defending against any pending or seriously threatened litigation or claim) associated therewith in accordance with Section 5 hereof. TRICON shall immediately notify PepsiCo, in writing, of any allegation or claim asserted by any person or entity which might give rise to any liability or obligation of any member of the PepsiCo Group under any such guarantee.

Section 11. Insurance. (a) All policies of liability, fire, workers' compensation and other forms of insurance maintained by the PepsiCo Group insuring the products, properties, assets and/or operations of the TRICON Group shall continue in full force and effect up to and through the Distribution Date, and except as set forth on Schedule H hereto, shall be terminated effective 11:59:59 p.m. on the Distribution Date. Any refunds of prepaid premiums with respect to such terminated insurance shall be for PepsiCo's account. PepsiCo shall be responsible for obtaining such initial insurance coverage for TRICON

from and after the Distribution Date in such amounts as are agreed upon by the Parties. TRICON shall be liable for payment of all premiums with respect to such initial insurance coverage and all subsequent coverage which TRICON thereafter elects to obtain. For purposes of this Section, insurance coverage does not include any insurance for plans described in the Employee Programs Agreement, but does include ERISA fidelity bonds and/or fiduciary insurance.

(b) With respect to any insurance programs relating to the TRICON Group (including, without limitation, any casualty insurance programs such as public and products liability insurance, insured or self-insured workers' compensation insurance and automobile liability insurance), TRICON shall be liable for payment of all claims arising out of incidents, known or unknown, reported or unreported, which occur prior to, on or after the Distribution Date. Any reserves under these insurance programs relating to the TRICON Group for periods ending prior to, on or after the Distribution Date shall be for the account of TRICON. Such reserves shall be included as liabilities of TRICON, and any charge or credit to the reserves shall be for TRICON's account.

Section 12. Banking and Other Arrangements. The responsibility for bank accounts used exclusively by the TRICON Group shall be transferred from PepsiCo to TRICON on or prior to the Distribution Date. Normal procedures will be followed for receipts and disbursements funding prior to the Distribution Date as set forth on Schedule I hereto.

Section 13. Procedures for Closing and Delivery of Books and Balance Sheet and Payment of Certain Amounts to PepsiCo. Financial statements of TRICON as of the Distribution Date, which shall be summaries of the combined accounting ledgers of the TRICON Group as of the close of the tenth accounting period of the 1997 fiscal year, and which shall include an Opening Balance Sheet, shall be prepared by PepsiCo within 45 days after the Distribution Date and reviewed and agreed to by TRICON within 15 days after such financial statements are prepared. Each Party shall bear its own expenses in connection with the preparation and review of such financial statements. PepsiCo and TRICON agree that the principles for determining the Opening Balance Sheet are as follows:

(a) Total Assets shall be determined through the normal reporting process using U.S. generally accepted accounting principles ("GAAP") as applied on a basis substantially consistent with the basis used in the preparation of the financial statements of TRICON presented in the Form 10 and standard PepsiCo definitions and accounting practice, consistently applied.

(b) Non-Interest Bearing Liabilities shall be determined through the normal reporting process using GAAP as applied on a basis substantially consistent with the basis used in the preparation of the financial statements of TRICON presented in the Form 10 and standard PepsiCo definitions and accounting practice, consistently applied. Accrued tax liabilities shall be treated in accordance with the provisions of the Tax Agreement.

(c) Net Assets is the sum of total assets less non-interest bearing liabilities. Net Assets shall be determined in accordance with the following capitalization procedure:

(i) Short and Long-Term Debt shall be determined through the normal reporting process using GAAP as applied on a basis substantially consistent with the basis used in the preparation of the financial statements of TRICON presented in the Form 10 and standard PepsiCo definitions and accounting practice, consistently applied. The Opening Balance Sheet will reflect \$4.5 billion of debt obligations to be incurred by TRICON on or prior to the Distribution Date. All of the proceeds of such debt obligations will be transferred to PepsiCo prior to the Distribution Date as repayment of certain amounts due to PepsiCo from the TRICON Group and a dividend.

(ii) Stockholders' Equity of TRICON will equal the difference between the total Net Assets less the Short and Long-Term Debt on TRICON's Opening Balance Sheet as of the Distribution Date.

Any amounts due PepsiCo by the TRICON Group related to intercompany accounts (other than those accounts which are defined as intercompany trade receivables and payables in accordance with PepsiCo financial policies) or other promissory notes in excess of the amount set forth in (i) immediately above, which will cover repayment of certain amounts due to PepsiCo from the TRICON Group, will be capitalized by PepsiCo.

Section 14. Operation Until Closing. TRICON agrees, on behalf of itself and each member of the TRICON Group, that through the Distribution Date the Restaurant Businesses shall be operated in the ordinary course of business, consistent with past practice.

Section 15. De-Identification. As soon as practicable after the Distribution Date, and in no event later than 120 days after such Date, TRICON shall eliminate all exterior and interior signage and other identification in its possession or control, and cease using any letterhead, which identifies TRICON or any other entity within the TRICON Group as a subsidiary or affiliate of PepsiCo.

Section 16. Parties. As used in this Agreement, the term "Parties" shall include the PepsiCo Group and its successors, and the TRICON Group and its successors. Each of PepsiCo and TRICON agrees that it shall cause each of its subsidiaries and affiliates to comply fully with the terms of this Agreement.

Section 17. Expenses. Except as set forth on Schedule J hereto or as otherwise provided in this Agreement (including, without limitation, the Schedules and Attachments hereto), all expenses in connection with the Distribution shall be borne by PepsiCo and all expenses in connection with the ongoing operations and/or businesses of the TRICON Group shall be borne by TRICON.

Section 18. Tax Gross-Up. If any amount paid by any member of the PepsiCo Group or the TRICON Group, as the case may be, pursuant to this Agreement results in any increased Tax liability or reduction of any Tax Asset of the TRICON Group or the PepsiCo Group, respectively, then PepsiCo or TRICON, as appropriate, shall indemnify the other Party and hold it harmless from and against any interest or penalty attributable to such increased Tax liability or the reduction of such Tax Asset and shall pay to the other Party, in addition to amounts otherwise owed, the After-Tax Amount. Capitalized terms used in this Section 18 but not otherwise defined in this Agreement shall have the meanings assigned to such terms in the Tax Agreement.

Section 19. Survival. All of the provisions of this Agreement shall survive the Distribution Date.

Section 20. Other Provisions. This Agreement shall be governed by and construed in accordance with the laws of the State of North Carolina, may not be assigned by either Party without the written consent of the other, and shall bind and inure to the benefit of the Parties hereto and their respective successors and permitted assignees. This Agreement may not be amended, supplemented or otherwise modified except by an agreement in writing signed by PepsiCo and TRICON. This Agreement may be executed in counterparts, each of which shall be deemed to be an original and all of which together shall constitute one and the same instrument.

Section 21. Arbitration. (a) Except as otherwise provided in the attachments hereto, any controversy or claim arising out of or relating to this Agreement, or the breach hereof, shall be settled by arbitration in accordance with the then prevailing Commercial Arbitration Rules of the American Arbitration Association (the "AAA") as such rules may be modified herein.

(b) An award rendered in connection with an arbitration pursuant to this Section shall be final and binding and judgment upon such an award may be entered and enforced in any court of competent jurisdiction.

(c) The forum for arbitration under this Section shall be agreed upon by the Parties, or, failing such agreement, shall be New York, New York.

(d) Arbitration shall be conducted by a single arbitrator selected jointly by PepsiCo and TRICON. If within 30 days after a demand for arbitration is made, PepsiCo and TRICON are unable to agree on a single arbitrator, three arbitrators shall be appointed. Within 30 days after such inability to agree, PepsiCo and TRICON shall each select one arbitrator and those two arbitrators shall then select a third arbitrator unaffiliated with either Party. In connection with the selection of the third arbitrator, consideration shall be given to familiarity with corporate divestiture transactions and experience in dispute resolution between parties, as a judge or otherwise. If the arbitrators selected by PepsiCo and TRICON cannot agree on the third arbitrator within such 30 day period, they shall promptly thereafter discuss the qualifications of such third arbitrator with the AAA prior to selection of such arbitrator, which selection shall be in accordance with the Commercial Arbitration Rules of the AAA.

(e) If an arbitrator cannot continue to serve, a successor to an arbitrator selected by PepsiCo or TRICON, as the case may be, also shall be selected by the same Party, and a successor to the neutral arbitrator shall be selected as specified in subsection (d) of this Section. A full rehearing will be held only if the neutral arbitrator is unable to continue to serve or if the remaining arbitrators unanimously agree that such a rehearing is appropriate.

(f) The arbitrator or arbitrators shall be guided, but not bound, by the Federal Rules of Evidence and by the procedural rules, including discovery provisions, of the Federal Rules of Civil Procedure. Any discovery shall be limited to information directly relevant to the controversy or claim in arbitration.

Section 22. Limitation on Subsequent Activities. PepsiCo agrees, without any separately bargained for consideration, but rather as an integral part of the transfer of the Restaurant Businesses to the TRICON Group and the Distribution provided for in this Agreement, that it shall not directly, through a subsidiary or affiliate, or otherwise, through October 1, 2000, open anywhere in the United States or Canada a restaurant substantially identical to the restaurant concepts operated by the TRICON Group at the opening of business on the day following the Distribution Date. PepsiCo acknowledges that the remedy at law for any breach of the foregoing covenant would be inadequate and in the event of any such breach TRICON shall be entitled to injunctive relief.

Section 23. Notices. Any notice, demand, claim or other communication under this Agreement shall be in writing and shall be deemed to have been given (i) upon the delivery thereof if delivered personally (including, without limitation, by courier), (ii) three days after being sent by certified mail, return receipt requested, postage prepaid, or (iii) upon receipt of confirmation of a telecopy transmission, in each case to the Parties at the following addresses (or at such other address as a Party may specify by notice to the other):

If to PepsiCo:

PepsiCo, Inc.
700 Anderson Hill Road
Purchase, NY 10577-1444
Telecopy No.: (914) 253-3123
Attention: General Counsel

If to TRICON:

TRICON Global Restaurants, Inc.
1441 Gardiner Lane
Louisville, KY 40213
Telecopy No.: (502) 456-8300
Attention: General Counsel

IN WITNESS WHEREOF, each of the parties hereto has caused this Agreement to be duly executed as of the date and year first above written.

PepsiCo, Inc.

By _____
[Name and Title]

TRICON Global Restaurants, Inc.

By _____
[Name and Title]

INDEX TO SCHEDULES AND ATTACHMENTS

SCHEDULES

- Schedule A - Transitional Services
- Schedule B - TRICON Indemnification Obligations
- Schedule C - PepsiCo Indemnification Obligations
- Schedule D - Restaurant Entities, Operations, Assets and Liabilities not being Transferred to the TRICON Group
- Schedule E - Letters of Credit, Guarantees and Other Contingent Liabilities Issued by the PepsiCo Group
- Schedule F - Form of Qualified Letter of Credit
- Schedule G - Restaurant Leases which have been Guaranteed by the PepsiCo Group
- Schedule H - Restaurant Insurance which will not be Terminated as of the Distribution Date
- Schedule I - Restaurant Funding Structure Prior to the Distribution Date
- Schedule J - Expenses

ATTACHMENTS

- Attachment 1 - Tax Separation Agreement
- Attachment 2 - Employee Programs Agreement
- Attachment 3 - Telecommunications, Software and Computing Services Agreement

<TABLE>

TRANSITIONAL SERVICES

<CAPTION>

<S> Department Providing Service	<C> Services Provided to TRICON	<C> Expected Date Service Will Terminate	<C> Cost Estimate or Billing Procedure
Treasury - Global Cash Management and Operations	Cash Desk and Operations training for all software packages and daily transactional activity	10/31/97	T&E Expenses will be charged to TRICON
	Guarantee Tracking	10/31/97	N/A

</TABLE>

SCHEDULE B

TRICON INDEMNIFICATION OBLIGATIONS

Items with respect to which TRICON will indemnify the PepsiCo Group in accordance with Section 5 of this Separation Agreement:

(1) All Losses arising out of or related in any manner to any of the Restaurant Businesses, as such businesses have been conducted in the past, are currently conducted or may in the future be conducted, whether or not such Losses are asserted prior to the Distribution Date and whether or not such Losses are based upon PepsiCo or any of its subsidiaries or affiliates being a direct party to a transaction or agreement.

(2) All Losses arising out of or related in any manner to any of the Casual Dining Businesses and/or any other restaurant business in which PepsiCo or any of its subsidiaries or affiliates has been involved, as such businesses were conducted by any member of the PepsiCo Group or the TRICON Group, whether or not such Losses are asserted prior to the Distribution Date and whether or not such Losses are based upon PepsiCo or any of its subsidiaries or affiliates being a direct party to a transaction or agreement.

(3) All Losses arising out of or related in any manner to any letters of credit, guarantees or contingent liabilities relating to (i) any of the Restaurant Businesses, the Casual Dining Businesses and/or any other restaurant business in which PepsiCo or any of its subsidiaries or affiliates has been involved, or (ii) any obligations of any member of the TRICON Group (including, without limitation, commercial letters of credit, financing guarantees, performance guarantees, lease guarantees, comfort letters, and insurance and workers' compensation liabilities), whether or not such Losses are asserted prior to the Distribution Date.

(4) All Losses arising out of or related in any manner to (i) the Borrower Receivable Purchase and Sale Agreement, dated as of December 13, 1995, among Taco Bell Corp., as Seller, Corporate Asset Funding Company, Inc., as Investor, and Citicorp North America, Inc., as Investor Agent, or (ii) the Parent Undertaking Agreement, dated as of December 13, 1995, related thereto.

(5) All Losses arising out of or related in any manner to (i) the Commitment Letter, dated August __, 1997 (the "Commitment Letter"), among TRICON, PepsiCo, The Chase Manhattan Bank, Chase Securities Inc., Citibank, N.A., Citicorp Securities, Inc., Morgan Guaranty Trust Company of New York, J.P. Morgan Securities, Inc., Nationsbank, N.A., and Nationsbank Capital Markets, Inc., (ii) the Summary of Terms and Conditions referred to therein (the "Term Sheet"), and/or (iii) any of the credit facilities referred to in the Commitment Letter and/or the Term Sheet.

Schedule C

PEPSICO INDEMNIFICATION OBLIGATIONS

Items with respect to which PepsiCo will indemnify the TRICON Group in accordance with Section 5 of this Separation Agreement:

(1) All Losses arising out of or related in any manner to either of the Pepsi-Cola or Frito-Lay businesses as such businesses have been conducted in the past, are currently conducted or may in the future be conducted, whether or not such Losses are asserted prior to the Distribution Date.

(2) All losses arising out of or related in any manner to any contingent liabilities relating to (i) either of the Pepsi-Cola or Frito-Lay businesses, or (ii) any obligations of any member of the PepsiCo Group, whether or not such losses are asserted prior to the Distribution Date.

Schedule D

RESTAURANT ENTITIES, OPERATIONS, ASSETS AND LIABILITIES NOT BEING TRANSFERRED TO THE TRICON GROUP

Entities

Pizza Hut, Inc., a Delaware corporation
Bell Taco Funding Syndicate, an Australian partnership (financing vehicle)
PFS de Mexico S.A.de C.V., a corporation organized under the laws of Mexico
Kentucky Fried Chicken Nederland, B.V., a corporation organized under the laws
of the Netherlands

Operations

None

Assets

None

Liabilities

None

Schedule E

LETTERS OF CREDIT, GUARANTEES AND OTHER CONTINGENT LIABILITIES ISSUED BY THE PEPSICO GROUP

To Be Completed Prior to Execution of this Agreement

Schedule F

<TABLE>
<CAPTION>

FORM OF QUALIFIED LETTER OF CREDIT

<S>

<C>

Date XXXXXXXX

Irrevocable Standby
Letter of Credit

Our No.

XXXXXX

Advising Bank

Applicant

Beneficiary

Amount

XXXXXXXXXXXX*

[PepsiCo, Inc.
700 Anderson Hill Road
Purchase, NY 10577-1444]

Expiry

</TABLE>

Gentlemen: We hereby issue in your favor our Irrevocable Standby Letter of Credit No. XXXXX in an amount not to exceed in the aggregate US \$XXXXXXX, effective immediately, and expiring at the office of [Insert name and address of bank], Attention: _____ at our close of business on XXXXXX.

This Letter of Credit is being issued to secure your obligations under those letter(s) of credit, guarantee(s) and/or other contingent liability(ies) which are listed on the attached Schedule 1, which Schedule forms and integral part of this Letter of Credit.

Funds under this Letter of Credit are available for drawing on any Business Day subject to presentation, at the Bank's office at the address set forth below of the following documents:

- 1) A sight draft substantially in the form of Annex 1 hereto;
- 2) A drawing certificate executed by one of the beneficiary's officials and substantially in the form of Annex 2 hereto, appropriately completed; and
- 3) The original of this Letter of Credit and any amendments thereto.

Such demand shall be dated no later than the date of presentation and shall be made by delivery as indicated below in the paragraph covering notices. As used herein, "Business Day" shall mean any day other than a Saturday, Sunday or other day on which commercial banks in the State of _____ are authorized or required by law or order to be closed.

Partial drawings are permitted.

It is a condition of this Letter of Credit that it shall be reduced automatically and without amendment, from time to time in the following manner:

- A) By any amount claimed by you under this Letter of Credit; or
- B) Upon our receipt of a written statement signed by an officer of PepsiCo, Inc. stating that our Letter of Credit can be reduced by a stated amount, as a result of a cancellation of letter(s) of credit, guarantee(s) or other contingent liability(ies) set forth on Schedule 1.

It is further a condition of this Letter of Credit that it shall be automatically extended for an additional period of one year from the expiration date hereof or any future expiration date, unless at least sixty (60) days prior to such date we send you written notice by certified mail, returned receipt requested mail or hand delivery that we elect not to renew this Letter of Credit for any such additional period.

All notices, demands, presentations and other communications (collectively, "Notices") to us in respect of this Letter of Credit shall be addressed and delivered as follows: [Insert name and address of bank], Attention: _____.

All Notices to you in respect of this Letter of Credit shall be addressed and delivered as follows: PepsiCo, Inc., 700 Anderson Hill Road, Purchase, NY 10577-1444, Attention: XXXXX, or such other address as you may from time to time designate by written notice to us.

All Notices in respect of this Letter of Credit shall be effective upon receipt.

Any and all banking charges associated with this Letter of Credit are for the account of TRICON Global Restaurants, Inc.

This Letter of Credit sets forth in full the terms of our undertaking. Such undertaking shall not in any way be modified, amended or amplified by reference to any document or instrument referred to herein or in which this Letter of Credit is referred to or to which this Letter of Credit relates and any such reference shall not be deemed to incorporate herein by reference any document or instrument.

We hereby undertake to promptly honor your sight drafts(s) drawn on us, indicating our Letter of Credit No. XXXXX, for all or any part of this Letter of Credit if presented at the office of [Insert name and address of bank], Attention: _____ on or before the expiration date or any automatically extended expiry date.

This Letter of Credit is subject to the Uniform Customs and Practice for Documentary Credits (1993 Revision) International Chamber of Commerce Publication No. 500.

Should you have an occasion to communicate with us regarding this credit, kindly direct your communication to the Attention of our _____ Department, (____) ____-____, making specific reference to our Letter of Credit No. XXXXX.

Authorized Signature

Schedule 1
to
Irrevocable Standby Letter of Credit
No. XXXXX

L/C, Guarantee or Contingent Obligation Number	Beneficiary	Amount	Expiry Date
--	-------------	--------	-------------

Annex 1
to
Irrevocable Standby Letter of Credit
No. XXXXX

Form of Sight Draft

[Insert date]

US\$

Pay to the order of the undersigned the amount of \$ _____ drawn on [Insert

name of bank] as issuer of Irrevocable Standby Letter of Credit No. XXXXX, dated XXXXX, to Account No. _____, [Insert name of bank].

PepsiCo, Inc.

By: _____
Title:

Annex 2
to
Irrevocable Standby Letter of Credit
No. XXXXX

Drawing Certificate

[Insert name of bank]
[Insert address of bank]

Attention: _____

Gentlemen:

The undersigned individual, a duly authorized officer of PepsiCo, Inc., hereby certifies as follows with respect to that certain Letter of Credit No. XXXXX ("L/C") dated XXXXXX issued by [Insert name and address of bank] in favor of PepsiCo, Inc.:

The amount of this drawing represents funds due PepsiCo, Inc. as reimbursement for the drawing(s) under the following letter(s) of credit, guarantee(s) or other contingent liability(ies) set forth on Schedule "1" to Letter of Credit No. XXXXX and PepsiCo, Inc. is entitled to receive the amount of the sight draft accompanying this certificate:

L/C, Guarantee or
Contingent Obligation

Number	Beneficiary	Amount	Expiry Date
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[Insert relevant information]

In witness whereof, the beneficiary has executed and delivered this Certificate as of the ___ day of -----, ----.

PepsiCo, Inc.

By: _____
Title:

RESTAURANT LEASES WHICH HAVE BEEN
GUARANTEED BY THE PEPSICO GROUP

Lessee	Guarantee Number	Seq	Maturity Date	Effective Date	Lessor
KFC of California	211	1	10/28/11	10/28/91	Solomon Real Estate
<ul style="list-style-type: none"> - 20 Hempstead Ave., Hempstead, NY, Nassau County - 210 E. Main St, Montauk Hwy, Bayshore, NY, Suffolk, County - 479 N. Main St., Freeport, NY, Nassau County - 1164 Jericho Tnpk, Commack (Smithtown, NY), Suffolk County - 508 E. Main St., Patchogue, NY, Suffok County - 5002 Hempstead Tnpk, Farmingdale, NY, Nassau County - 155 W. Suffolk Ave., Central Islip, NY, Suffolk County - 1453 Forest Park Ave., Staten Island, NY, Richmond, NY - 56 Glen Cove Rd., Greenvale, NY, Nassau County - 221 Jericho Tnpk, Huntington, NY, Suffolk County - 705 Old Country Road, Westbury, LI, Nassau County - 910 Broadway, Amityville, NY, Suffolk County - 1617 Deer Park Ave., Deer Park, NY, Suffolk County - 1550 Straight Path, Nyandanch, NY, Suffolk County 					
Nudelmacher GmbH	1260	3	10/21/97	10/21/96	Volksbank Ludwigsburg eG
-Friedrich-Ebert-Str. 120, 45473 Mulheim, Germany					
Pizza Hut of Cincinnati	87	1	6/30/04	1/25/90	NEK Partners
- 8341 Beechmont Ave., Anderson Township, Hamilton County, Ohio					
Pizza Hut of Cincinnati	203	1	3/25/05	2/1/92	Anthony J. Nickert and Joan A. Nickert
Pizza Hut of Cincinnati	90	1	3/31/09	1/25/90	Patrician Center Associates
- K Mart, Edgewood, KY					
Pizza Hut of Cincinnati	86	1	3/31/14	1/25/90	NEK Partners
- Eight Mile Rd., Anderson Township, Hamilton County, Ohio					
Lessee	Guarantee Number	Seq	Maturity Date	Effective Date	Lessor
Pizza Hut of Cincinnati	91	1	8/31/14	1/25/90	NEK Partners
- Sharon Rd., Sharronville, Hamilton County, OH 45241					
Pizza Hut of Cincinnati	85	1	3/31/15	1/25/90	NEK Partners
- 9115 Winton Rd., Cincinnati, Ohio 45231					
- 1190 Ohio Pike, Amelia, Ohio 45102					
Pizza Hut of Cincinnati	94	1	3/31/15	1/25/90	A.J.N/S.D.K. Realty
- 108 Brookwood Ave., Hamilton, Ohio 45150					

- 9920 Colerain Ave., Cincinnati, Ohio 45239

Pizza Hut of Cincinnati 93 1 3/31/15 1/25/90 NEK Partners
- 801 Main St., Milford, Ohio

Pizza Hut of Cincinnati 89 1 3/31/15 1/25/90 NEK Partners
- 5444 North Bend Rd., Cincinnati, Ohio 45231

Pizza Hut of Cincinnati 96 1 3/31/15 1/25/90 Anthony J. Nickert
and Joan A. Nickert
- 12037 Sheraton Lane, Springdale, Ohio

Pizza Hut of Cincinnati 95 1 3/31/15 1/25/90 A.J.N/S.D.K. Realty
- 1709 Monmouth St., New Port, KY 41071
- 1571 West Galbrath Rd., Cincinnati, Ohio 45239
- 3061 Dixie Highway, Edgewood, KY 41017
- 5365 Ridge Rd., Cincinnati, Ohio 45214
- 8365 Colerain Ave., Cincinnati, Ohio 45231

Pizza Hut of Cincinnati 92 1 8/31/20 1/25/90 NEK Partners
- Zayre Plaza, Fort Wright, KY

Pizza Hut, Inc. 1083 1 12/31/99 2/15/94 Norwest Bank

PRI 1265 4 10/21/97 10/21/96 Dresdner Bank A.G.
- 4330 Mulheim An Der Ruhr 3, Leineweber Strasse, Germany

Lessee	Guarantee Number	Seq	Maturity Date	Effective Date	Lessor
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Taco Bell Corp. - Hilltop Plaza, Bolingbrook, IL	401	1	2/15/99	3/15/79	First National Realty
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Schedule H

RESTAURANT INSURANCE WHICH WILL NOT BE
TERMINATED AS OF THE DISTRIBUTION DATE

Insured	Policy Type	Insurance Company	Policy Number	Policy Term
Taco Bell	Contaminated Products	National Union Fire Insurance	649-6350	2/1/97-2/28/98
Taco Bell	Surety Bond	Travelers/Aetna	86S100605626	Continuous
KFC	Surety Bond	Federal Insurance	All Surety Bonds	Continuous
Pizza Hut	Surety Bond	Firemans Fund	All Surety Bonds	Continuous

RESTAURANT FUNDING STRUCTURE
PRIOR TO THE DISTRIBUTION DATE

[Graphic material omitted] Organizational chart evidencing restaurant funding structure prior to the Distribution Date:

Current Funding Structure:

PepsiCo funds all restaurant disbursements and collects all restaurant sales via the following mechanisms:

1. Cash is automatically collected from restaurant depository accounts into a Concentration Account for each concept. Money is then moved automatically to PepsiCo's Master Concentration Account via PepsiCo's cash concentration system and drawdown wires.

2. Cash required to fund payroll and accounts payable disbursements on behalf of the restaurants is funded by wire transfer from PepsiCo's Master Concentration Account into a PepsiCo Master Disbursement Funding Account on a daily basis. The PepsiCo Master Disbursement Funding Account will then automatically fund checks which have been written off restaurant controlled disbursement accounts.

Funding Structure Just Prior to Distribution Date (on or about 9/22/97):

PepsiCo funds all restaurant disbursements and collects all restaurant sales via the following mechanisms:

1. Cash is automatically collected from restaurant depository accounts into a Concentration Account for each concept. Money is then moved automatically to TRICON's Master Concentration Account via PepsiCo's cash concentration system and drawdown wires and then automatically to PepsiCo's Master Concentration Account via zero balance accounts.

2. Cash required to fund payroll and accounts payable disbursements on behalf of the restaurants is moved automatically to TRICON's Master Concentration Account via zero balance accounts and then is funded by wire transfer from TRICON's Master Concentration Account into a TRICON Master Disbursement Funding Account on a daily basis. The TRICON Master Disbursement Funding Account will then automatically fund checks which have been written off restaurant controlled disbursement accounts.

Anticipated Funding Structure Post Distribution Date:

TRICON funds all restaurant disbursements and collects all restaurant sales via the following mechanisms:

1. Cash is automatically collected from restaurant depository accounts into a Concentration Account for each concept. Money is then moved automatically to TRICON's Master Concentration Account via ACH Debits and drawdown wires.

2. Cash required to fund payroll and accounts payable disbursements on behalf of the restaurants is funded by wire transfer from TRICON's Master Concentration Account into a TRICON Master Disbursement Funding Account on a daily basis. The TRICON Master Disbursement Funding Account will then

automatically fund checks which have been written off restaurant controlled disbursement accounts.

Schedule J

EXPENSES

TRICON shall bear the following expenses in connection with the Distribution:

1. The fees in connection with the TRICON bank credit facilities.
2. Special management incentive arrangements (the Stay/Performance bonuses) for the management of KFC, Pizza Hut, Taco Bell and PRI which are incremental to the regular division bonuses.

RESTATED ARTICLES OF INCORPORATION

OF

TRICON Global Restaurants, Inc.

FIRST: The name of the corporation is TRICON Global Restaurants, Inc., hereinafter referred to as the "Corporation".

SECOND: The Corporation shall have authority to issue 1,000,000,000 shares, without par value, of which 750,000,000 shall be Common Shares, and of which 250,000,000 shares shall be Preferred Shares, with the following powers, preferences and rights, and qualifications, limitations and restrictions:

(a) Except as otherwise provided by law, each Common Share shall have one vote, and, except as otherwise provided in respect of any series of Preferred Shares hereafter classified or reclassified, the exclusive voting power for all purposes shall be vested in the holders of the Common Shares. In the event of any liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, the holders of the Common Shares shall be entitled, after payment or provision for payment of the debts and other liabilities of the Corporation and the amount to which the holders of any series of Preferred Shares hereafter classified or reclassified having a preference on distribution in the liquidation, dissolution or winding up of the Corporation shall be entitled, to share ratably in the remaining net assets of the Corporation.

(b) The Board of Directors is authorized, subject to limitations prescribed by the North Carolina Business Corporation Act ("NCBCA") and these Articles of Incorporation, to adopt and file from time to time articles of amendment that authorize the issuance of Preferred Shares which may be divided into two or more series with such preferences, limitations, and relative rights as the Board of Directors may determine; provided, however, that no holder of any Preferred Share shall be authorized or entitled to receive upon the involuntary liquidation of the Corporation an amount in excess of \$100.00 per Preferred Share.

THIRD: The address of the registered office of the Corporation in the State of North Carolina is 225 Hillsborough Street, Raleigh, Wake County, North Carolina 27603; and the name of its initial registered agent at such address is CT Corporation System.

FOURTH: No holder of any share of the Corporation, whether now or hereinafter authorized, shall have any preemptive right to subscribe for or to

purchase any shares or other securities of the Corporation, nor have any right to cumulate his votes for the election of Directors. At all meetings of the Shareholders of the Corporation, a quorum being present, all matters (other than the election of Directors) shall be decided by the vote of the holders of a majority of the stock of the Corporation, present in person or by proxy, and entitled to vote thereat.

FIFTH: The following provisions are intended for the management of the business and for the regulation of the affairs of the Corporation, and it is expressly provided that the same are intended to be in furtherance and not in limitation of the powers conferred by statute:

(a) The Board of Directors shall have the exclusive power and authority to direct management of the business and affairs of the Corporation and shall exercise all corporate powers, and possess all authority, necessary or appropriate to carry out the intent of this provision, and which are customarily exercised by the board of directors of a public company. In furtherance of the foregoing, but without limitation, the Board of Directors shall have the exclusive power and authority to: (a) elect all executive officers of the Corporation as the Board may deem necessary or desirable from time to time, to serve at the pleasure of the Board; (b) fix the compensation of such officers; (c) fix the compensation of Directors; and (d) determine the time and place of all meetings of the Board of Directors and Shareholders of the Corporation. A scheduled meeting of Shareholders may be postponed by the Board of Directors by public notice given at or prior to the time of the meeting.

(b) The number of Directors constituting the Board of Directors shall not be less than three nor more than fifteen, as may be fixed from time to time by resolution duly adopted by the Board of Directors. Provided that the number of members of the Board of Directors equals or exceeds the number required under the NCBCA to stagger the terms of Directors, from and after the first annual Shareholders' meeting, the Board of Directors shall be divided into three classes, as nearly equal in number as may be possible, to serve respectively until the annual meetings in 1998, 1999, and 2000 in the classes designated by the shareholder of the Corporation at the 1997 Annual Meeting, and until their successors shall be elected and shall qualify, and thereafter the successors shall be elected to serve for terms of three years and until their successors shall be elected and shall qualify. In the event of any increase or decrease in the number of Directors, the additional or eliminated directorships shall be so classified or chosen such that all classes of Directors shall remain or become equal in number, as nearly as may be possible.

(c) A vacancy occurring on the Board of Directors, including, without limitation, a vacancy resulting from an increase in the number of Directors or from the failure by Shareholders of the Corporation to elect the full authorized number of Directors, may only be filled by a majority of the remaining Directors or by the sole remaining Director in office. In the event of the death, resignation, retirement, removal or disqualification of a Director during his elected term of office, his successor shall serve until the next Shareholders'

meeting at which Directors are elected. Directors may be removed from office only for cause.

(d) The Board of Directors may adopt, amend or repeal the Corporation's Bylaws, in whole or in part, including amendment or repeal of any Bylaw adopted by the Shareholders of the Corporation.

(e) The Corporation may in its Bylaws confer upon Directors powers additional to the foregoing and the powers and authorities conferred upon them by statute.

(f) The Corporation reserves the right to amend, alter, change, or repeal any provision herein contained, in the manner now or hereafter prescribed by law, and all the rights conferred upon Shareholders hereunder are granted, and are to be held and enjoyed, subject to such rights of amendment, alteration, change or repeal.

(g) The only qualifications for Directors of the Corporation shall be those set forth in these Articles of Incorporation. Directors need not be residents of the State of North Carolina or Shareholders of the Corporation.

(h) The Board of Directors may create and make appointments to one or more committees of the Board comprised exclusively of Directors who will serve at the pleasure of the Board and who may have and exercise such powers of the Board in directing the management of the business and affairs of the Corporation as the Board may delegate, in its sole discretion, consistent with the provisions of the NCBCA and these Articles of Incorporation. The Board of Directors may not delegate its authority over the expenditure of funds of the Corporation except to a committee of the Board and except to one or more officers of the Corporation elected by the Board. No committee comprised of persons other than members of the Board of Directors shall possess or exercise any authority in the management of the business and affairs of the Corporation.

SIXTH: (a) The Corporation shall, to the fullest extent from time to time permitted by law, indemnify its Directors and officers against all liabilities and expenses in any suit or proceedings, whether civil, criminal, administrative or investigative, and whether or not brought by or on behalf of the Corporation, including all appeals therefrom, arising out of their status as such or their activities in any of the foregoing capacities, unless the activities of the person to be indemnified were at the time taken known or believed by such Director or officer to be clearly in conflict with the best interests of the Corporation. The Corporation shall likewise and to the same extent indemnify any person who, at the request of the Corporation, is or was serving as a Director, officer, partner, trustee, employee or agent of another foreign or domestic corporation, partnership, joint venture, trust or other enterprise, or as a trustee or administrator under any employee benefit plan.

(b) The right to be indemnified hereunder shall include, without limitation, the right of a Director or officer to be paid expenses in advance of the final disposition of any proceedings upon receipt of an undertaking to repay such amount unless it shall ultimately be determined that he or she is entitled

to be indemnified hereunder.

(c) A person entitled to indemnification hereunder shall also be paid reasonable costs, expenses and attorneys' fees (including expenses) in connection with the enforcement of rights to the indemnification granted hereunder.

(d) The foregoing rights of indemnification shall not be exclusive of any other rights to which those seeking indemnification may be entitled and shall not be limited by the provisions of Section 55-8-51 of the NCBCA or any successor statute.

(e) The Board of Directors may take such action as it deems necessary or desirable to carry out these indemnification provisions, including adopting procedures for determining and enforcing the rights guaranteed hereunder, and the Board of Directors is expressly empowered to adopt, approve and amend from time to time such Bylaws, resolutions or contracts implementing such provisions or such further indemnification arrangement as may be permitted by law.

(f) Neither the amendment or repeal of this Article, nor the adoption of any provision of these Articles of Incorporation inconsistent with this Article, shall eliminate or reduce any right to indemnification afforded by this Article to any person with respect to their status or any activities in their official capacities prior to such amendment, repeal or adoption.

SEVENTH: To the full extent from time to time permitted by law, no person who is serving or who has served as a Director of the Corporation shall be personally liable in any action for monetary damages for breach of any duty as a Director, whether such action is brought by or in the right of the Corporation or otherwise. Neither the amendment or repeal of this Article, nor the adoption of any provision of these Articles of Incorporation inconsistent with this Article, shall eliminate or reduce the protection afforded by this Article to a Director of the Corporation with respect to any matter which occurred, or in any cause of action, suit or claim which but for this Article would have accrued or arisen, prior to such amendment, repeal or adoption.

EIGHTH: The provisions of Article 9A of the NCBCA shall not be applicable to the Corporation.

NINTH: Except as may be otherwise determined by the Board of Directors, the Shareholders of the Corporation shall have access as a matter of right only to the books and records of the Corporation as may be required to be made available to qualified shareholders by the NCBCA.

TENTH: To the extent that there ever may be inconsistency between these Articles of Incorporation and the Bylaws of the Corporation as may be adopted or amended from time to time, the Articles of Incorporation shall always control.

TAX SEPARATION AGREEMENT

between

PEPSICO, INC.,
on behalf of itself
and the members
of the PEPSICO GROUP

and

TRICON GLOBAL RESTAURANTS, INC.,
on behalf of itself
and the members
of the TRICON GROUP

TAX SEPARATION AGREEMENT

This Agreement is entered into as of the [] day of [], 1997 between PepsiCo, Inc. ("PepsiCo"), a North Carolina corporation, on behalf of itself and the members of the PepsiCo Group, and TRICON Global Restaurants, Inc. ("TRICON"), a North Carolina corporation, on behalf of itself and the members of the TRICON Group.

W I T N E S S E T H:

WHEREAS, pursuant to the tax laws of various jurisdictions, certain members of the TRICON Group, as defined below, presently file certain

tax returns on an affiliated, consolidated, combined, unitary, fiscal unity or other group basis (including as permitted by Section 1501 of the Internal Revenue Code of 1986, as amended (the "Code")) with certain members of the PepsiCo Group, as defined below (each such group, a "Consolidated Group");

WHEREAS, PepsiCo and TRICON intend to enter into a Separation Agreement dated as of [], 1997 (the "Separation Agreement"), providing for the distribution by PepsiCo to its shareholders of all of the common stock of TRICON that is held by PepsiCo (the "Distribution") and certain other matters;

WHEREAS, PepsiCo and TRICON desire to set forth their agreement on the rights and obligations of PepsiCo, TRICON and the members of the PepsiCo Group and the TRICON Group, respectively, with respect to the handling and allocation of federal, state, local and foreign Taxes incurred in Taxable periods beginning prior to the Distribution Date, Taxes resulting from transactions effected in connection with the Distribution including but not limited to the distribution of certain borrowing proceeds by TRICON to PepsiCo (the "Restructuring") and various other Tax matters;

NOW, THEREFORE, in consideration of the mutual covenants and agreements hereinafter set forth, the parties agree as follows:

1. Definitions

(a) As used in this Agreement:

"Affiliate" of any Person shall mean (i) any individual, corporation, partnership or other entity directly or indirectly owning more than 50 percent (by vote or value) of, owned more than 50 percent (by vote or value) by, or under more than 50 percent (by vote or value) common ownership with, such Person, and (ii) any entity that is entitled to the benefit of any Tax Asset of such Person under applicable law, any entity with any Tax Asset to which such Person is entitled to the benefit of under applicable law, or any entity which is entitled or required to transfer or assign income, revenues, receipts, or gains to such Person under applicable law.

"After-Tax Amount" shall mean an additional amount necessary to reflect the hypothetical Tax consequences of the receipt or accrual of any payment, using the maximum statutory rate (or rates, in the case of an item that affects more than one Tax) applicable to the recipient of such payment for the relevant year, reflecting for example, the effect of the deductions available for interest paid or accrued and for Taxes such as state and local income Taxes.

"Consolidated Group" shall have the meaning ascribed to it in the first "whereas" clause in this Agreement; provided, however, that "Consolidated Group" shall also include (i) any Affiliate of PepsiCo that filed (or will file) any Pre-Distribution Period Returns that reflect the income, assets or operations of a Restaurant Business and (ii) any Affiliate of TRICON that filed (or will file) any Pre-Distribution Period Returns that reflect the income,

assets or operations of a Non-Restaurant Business.

"Distribution" shall mean the distribution by PepsiCo of all of the common stock of TRICON that is held by PepsiCo to PepsiCo's shareholders pursuant to the Separation Agreement.

"Distribution Date" shall mean the date on which the Distribution shall be effected.

"Federal Tax" shall mean any Tax imposed under Subtitle A of the Code and any related penalty imposed under Subtitle F of the Code.

"Final Determination" shall mean (i) with respect to Federal Taxes, (A) a "determination" as defined in Section 1313(a) of the Code, or (B) the date of acceptance by or on behalf of the IRS of Form 870-AD (or any successor form thereto), as a final resolution of Tax liability for any Taxable period, except that a Form 870-AD (or successor form thereto) that reserves the right of the taxpayer to file a claim for refund or the right of the IRS to assert a further deficiency shall not constitute a Final Determination with respect to the item or items so reserved; (ii) with respect to Taxes other than Federal Taxes, any final determination of liability in respect of a Tax that, under applicable law, is not subject to further appeal, review or modification through proceedings or otherwise; (iii) any final disposition by reason of the expiration of the applicable statute of limitations; or (iv) the payment of Tax by PepsiCo, TRICON, or any member of the PepsiCo Group or the TRICON Group, whichever is responsible for payment of such Tax under applicable law, with respect to any item disallowed or adjusted by a Taxing Authority, provided that the provisions of Section 8 hereof have been complied with, or, if such section is inapplicable, that the party responsible under the terms of this Agreement for such Tax is notified by the party paying such Tax that it has determined that no action should be taken to recoup such disallowed item, and the other party agrees with such determination.

"IRS" shall mean the Internal Revenue Service.

"LIBOR" shall be determined on the basis of the offered rates for deposits in U.S. Dollars for a period of 30 days which appear on the Reuters Screen LIBO Page as of 11:00 a.m., London time. If at least two rates appear on the Reuters Screen LIBO Page, the rate will be the arithmetic mean of such rates.

"Non-Restaurant Business" shall mean any business other than a Restaurant Business.

"PepsiCo Group" shall mean, with respect to any Taxable period, PepsiCo and its Affiliates (including their predecessors and successors) at any time prior to the Distribution other than those Affiliates comprising the TRICON Group.

"PepsiCo Tax Liability" shall mean, with respect to any Consolidated Group and any Taxable period, the PepsiCo Group's share of the Tax

liability of such Consolidated Group, computed as if the relevant members of the PepsiCo Group were not and never were part of such Consolidated Group, but rather were a separate affiliated group of corporations filing a similar group Return (provided, however, that transactions with any member of the TRICON Group included in such Consolidated Group shall not be taken into account until the first Taxable period in which such transaction is required to be taken into account for Tax purposes under applicable law). Such computation shall be made (A) without regard to the income, deductions (including net operating loss and capital loss deductions) and credits in any year of any member of the TRICON Group, except to the extent that a payment was made to any member of the TRICON Group with respect thereto, (B) by taking account of any Tax Asset of the PepsiCo Group, (C) with regard to net operating loss and capital loss carryforwards and carrybacks and minimum Tax credits from earlier years of the PepsiCo Group and without reduction for any such losses, carryforwards, carrybacks or credits used by any member of the TRICON Group, (D) by applying the maximum applicable statutory Tax rate in effect under applicable law during the relevant year, and (E) reflecting the positions, elections and accounting methods used by the Consolidated Group in preparing the relevant Return for the Consolidated Group.

"PepsiCo Vice President, Tax" shall include any successor position or title.

"Person" shall have the meaning ascribed to it in Section 7701(a) (1) of the Code.

"Post-Distribution Period" shall mean any taxable period (or portion thereof) beginning after the close of business on the Distribution Date.

"Pre-Distribution Period" shall mean any Taxable period ending on or before the close of business on the Distribution Date; provided that if a Taxable period ending after the Distribution Date contains any days which fall prior to or on the Distribution Date, any portion of such Taxable period up to and including the Distribution Date shall also be included in the Pre-Distribution Period.

"Prime" shall mean the rate announced from time to time as "prime" by Chase Manhattan Bank as its prime rate with respect to the applicable currency.

"Restaurant Business" shall mean any business activity associated with the operation, development, franchising and licensing of restaurants (including the casual dining restaurants and PepsiCo Food Systems), as determined by the PepsiCo Vice President, Tax in accordance with past practice.

"Return" shall mean any Tax return, statement, report, form, election, claim or surrender (including estimated Tax returns and reports, extension requests and forms, and information returns and reports) required to be filed with any Taxing Authority.

"Tax" (and the correlative meaning, "Taxes," "Taxing" and "Taxable") shall mean (A) any tax imposed under Subtitle A of the Code, or any net income, gross income, gross receipts, alternative or add-on minimum, sales, use, business and occupation, value-added, trade, goods and services, ad valorem, franchise, profits, license, business royalty, withholding, payroll, employment, capital, excise, transfer, recording, severance, stamp, occupation, premium, property, asset, real estate acquisition, environmental, custom duty, or other tax, governmental fee or other like assessment or charge of any kind whatsoever, together with any interest and any penalty, addition to tax or additional amount imposed by a Taxing Authority; (B) any liability of a member of the PepsiCo Group or the TRICON Group, as the case may be, for the payment of any amounts of the type described in clause (A) for any Taxable period resulting from such member being a part of a Consolidated Group pursuant to the application of Treasury Regulation Section 1.1502-6 or any similar provision applicable under state, local or foreign law; or (C) any liability of a member of the PepsiCo Group or the TRICON Group for the payment of any amounts described in clause (A) as a result of any express or implied obligation to indemnify any other party.

"Tax Asset" shall mean any net operating loss, net capital loss, investment Tax credit, foreign Tax credit, target jobs Tax credit, low income housing credit, research and experimentation credit, charitable deduction, or any other loss, credit or Tax attribute, including additions to basis of property and attributes which reduce or offset value-added Tax liability, which could reduce any Tax (domestic or foreign), including, without limitation, deductions, credits, or alternative minimum net operating loss carryforwards related to alternative minimum Taxes.

"Tax Packages" shall mean one or more packages of information that are (i) reasonably necessary for the purpose of preparing Returns of any Consolidated Group with respect to a Pre-Distribution Period and (ii) completed in all material respects in accordance with the standards that PepsiCo has established for its subsidiaries with respect to the relevant Pre-Distribution Period.

"Tax Proceeding" shall mean any Tax audit, dispute or proceeding (whether administrative or judicial).

"Taxing Authority" shall mean any governmental authority (domestic or foreign), including, without limitation, any state, municipality, political subdivision or governmental agency, responsible for the imposition of any Tax.

"TRICON Group" shall mean TRICON and its Affiliates immediately after the Distribution Date, including any predecessors thereto; provided, however, that for purposes of determining whether an entity is a member of the TRICON Group, a transfer of beneficial ownership of an entity shall be treated as a transfer of title, regardless of whether title has actually passed; provided further, that to the extent that an affiliate of PepsiCo or TRICON conducted both a Restaurant Business and a Non-Restaurant Business, the

Restaurant Business shall be treated for purposes of this Agreement as a separate corporation that is a member of the TRICON Group and the Non-Restaurant Business shall be treated for purposes of this Agreement as a separate corporation that is a member of the PepsiCo Group; provided further, that if with respect to any Pre-Distribution Period (or portion thereof) any Affiliate of PepsiCo was involved solely in the conduct of a Restaurant Business, such member shall be treated as a member of the TRICON Group for such Pre-Distribution Period (or portion thereof); and provided further, that if with respect to any Pre-Distribution Period (or portion thereof) any Affiliate of TRICON was not involved in the conduct of a Restaurant Business, such member shall not be treated as a member of the TRICON Group for such Pre-Distribution Period (or portion thereof).

"TRICON Tax Liability" shall mean, with respect to any Consolidated Group and any Taxable period, the TRICON Group's share of the Tax liability of such Consolidated Group, computed as if the relevant members of the TRICON Group were not and never were part of such Consolidated Group, but rather were a separate affiliated group of corporations filing a similar group Return (provided, however, that transactions with any member of the PepsiCo Group included in such Consolidated Group shall not be taken into account until the first Taxable period in which such transaction is required to be taken into account for Tax purposes under applicable law). Such computation shall be made (A) without regard to the income, deductions (including net operating loss and capital loss deductions) and credits in any year of any member of the PepsiCo Group, except to the extent that a payment was made to any member of the PepsiCo Group with respect thereto, (B) by taking account of any Tax Asset of the TRICON Group, including net operating loss and capital loss carryforwards and carrybacks and minimum Tax credits from earlier years of the TRICON Group except to the extent that such losses, carryforwards, carrybacks or credits have been used by any member of the PepsiCo Group, (C) by applying the maximum applicable statutory Tax rate in effect under applicable law during the relevant year, and (D) reflecting the positions, elections and accounting methods used by the Consolidated Group in preparing the relevant Return for the Consolidated Group.

(b) Any term used in this Agreement which is not defined in this Agreement shall, to the extent the context requires, have the meaning assigned to it in the Code or the applicable Treasury regulations thereunder (as interpreted in administrative pronouncements and judicial decisions) or in comparable provisions of applicable law.

2. Administrative and Compliance Matters.

(a) Sole Tax Sharing Agreement. Any and all existing Tax sharing agreements or arrangements, written or unwritten, between any member of the PepsiCo Group and any member of the TRICON Group shall be or shall have been terminated as of the date of this Agreement. As of the date of this Agreement, neither the members of the TRICON Group nor the members of the PepsiCo Group shall have any further rights or liabilities thereunder, and this Agreement shall be the sole Tax sharing agreement between the members of the TRICON Group and the members of the PepsiCo Group. Notwithstanding the foregoing, if any such termination is not binding on any Taxing Authority, the TRICON Group shall hold

the affected member of the PepsiCo Group harmless against any adverse effect which would have been avoided if such termination had been given effect by such Taxing Authority.

(b) Designation of Agent. TRICON and each member of the TRICON Group, and PepsiCo and each member of the PepsiCo Group, as the case may be, in each case with respect to any Consolidated Group of which such Person is a member, hereby irrevocably authorize PepsiCo or TRICON, as the case may be, and consistent with past practice and applicable law, to designate a member of the PepsiCo Group or the TRICON Group, as appropriate, or a successor of such member, as its agent, coordinator, and administrator, for the purpose of taking any and all actions (including the execution of waivers of applicable statutes of limitation) necessary or incidental to the filing of any Return, any amended Return, or any claim for refund (even where an item or Tax Asset giving rise to an amended Return or refund claim arises in a Post-Distribution Period), credit or offset of Tax or any other proceedings, and for the purpose of making payments to, or collecting refunds from, any Taxing Authority, in each case relating only to any Pre-Distribution Period. Such designated member of the PepsiCo Group or the TRICON Group, as the case may be, as agent, covenants to TRICON or PepsiCo, respectively, that it shall be responsible to see that all such administrative matters relating thereto shall be handled promptly and appropriately.

(c) Pre-Distribution Period Returns. With respect to a Consolidated Group, the member of the PepsiCo Group or the TRICON Group, as applicable, that is required by applicable law to file the Returns for all Pre-Distribution Periods will prepare such Returns with the assistance of the TRICON Group or the PepsiCo Group, respectively. With respect to each Consolidated Group, either a member of the PepsiCo Group or a member of the TRICON Group, as consistent with past practice and applicable law, will file the Pre-Distribution Period Returns for such Consolidated Group. PepsiCo and the members of the PepsiCo Group shall have the right with respect to any Consolidated Group Returns to determine (x) the manner in which such returns, documents or statements shall be prepared and filed, including, without limitation, the manner in which any item of income, gain, loss, deduction or credit shall be reported, (y) whether any extensions should be requested, and (z) the elections, including claims and surrenders for U.K. group relief and any similar foreign offsetting procedures, that will be made by any member of the PepsiCo Group or the TRICON Group. In addition, with respect to all Pre-Distribution Periods, except as provided in Section 8(b), PepsiCo and the members of the PepsiCo Group shall have the right to (i) contest, compromise or settle any adjustment or deficiency proposed, asserted or assessed as a result of any audit of any consolidated return filed by the PepsiCo Group or the TRICON Group, (ii) file, prosecute, compromise or settle any claim for refund, (iii) determine whether any refunds to which the PepsiCo Group may be entitled shall be received by way of refund or credited against the tax liability of the PepsiCo Group and (iv) determine whether a deposit will be made with a Taxing Authority to stop the running of interest. With respect to the 1997 Tax year, TRICON and the members of the TRICON Group shall prepare and deliver to PepsiCo all Tax Packages within 120 days after the Distribution Date, regardless of whether the member's Taxable year ends on the Distribution Date.

3. Tax Sharing.

(a) General. For each Taxable period of each Consolidated Group during which income, profits, gains, net worth, receipts, sales, loss or credit against Tax of at least one member of each of the TRICON Group and the PepsiCo Group are includible in a Return of such Consolidated Group, the TRICON Group or the PepsiCo Group, as appropriate, shall pay, as provided in this Section 3, to the PepsiCo Group or the TRICON Group, respectively, an amount equal to the TRICON Tax Liability or the PepsiCo Tax Liability, as appropriate, for such Taxable period, if any. Any Return filed by an entity described in clause (i) of the definition of Consolidated Group shall be treated as required to be filed by the PepsiCo Group and any payment made prior to the Distribution with respect to such Return shall be treated as having been made by the PepsiCo Group. Any Return filed by an entity described in clause (ii) of the definition of Consolidated Group shall be treated as required to be filed by the TRICON Group and any payment made prior to the Distribution with respect to such Return shall be treated as having been made by the TRICON Group.

(b) Estimated Payments. Not later than 3 days after a member of the PepsiCo Group or a member of the TRICON Group, as the case may be, makes an estimated Tax payment with respect to a Taxable period of a Consolidated Group, whether or not such payment is made prior to the Distribution, the PepsiCo Group shall (i) in good faith determine the amount of the TRICON Tax Liability or the PepsiCo Tax Liability, as appropriate, pursuant to this Agreement and (ii) deliver a written statement to TRICON reflecting the determination described above. Not later than three days after receipt of such statement, the TRICON Group shall pay to the PepsiCo Group or the PepsiCo Group shall pay to the TRICON Group, as appropriate, the amount so determined in accordance with Section 9 hereof.

(c) Payment of Taxes at Year-End.

(i) Not later than 5 business days before a member of the PepsiCo Group or a member of the TRICON Group, as the case may be, is required to file a Return (after taking extensions into account) with respect to any Consolidated Group for which payments are to be made under this Agreement, whether or not such Return is filed prior to the Distribution, the PepsiCo Group shall deliver to the TRICON Group a written statement setting forth the difference between (x) the TRICON Tax Liability or the PepsiCo Tax Liability, as appropriate, for such Return, and (y) the aggregate amount of payments with respect to the TRICON Tax Liability or the PepsiCo Tax Liability, as appropriate, for such year made pursuant to Section 3(b). Not later than the date such Return is required to be filed, the TRICON Group shall pay to the PepsiCo Group or the PepsiCo Group shall pay to the TRICON Group, as appropriate, in accordance with Section 9 hereof, an amount equal to such difference, if any; provided, however, that to the extent such payment is to be made to the TRICON Group and is attributable to a claim for refund of Taxes previously paid to a Taxing Authority, the PepsiCo Group will not be required to make such payment to the TRICON Group.

(ii) With respect to each Return described in Section 3(a) above

and previously filed by a Consolidated Group, and for which the TRICON Tax Liability or the PepsiCo Tax Liability, as the case may be, has not been satisfied in full or for which the TRICON Group has not paid the PepsiCo Group in full for a benefit derived from the use of a Tax Asset of the PepsiCo Group, the TRICON Group shall pay to the PepsiCo Group or the PepsiCo Group shall pay to the TRICON Group, as appropriate, within 30 days of demand therefor, the amount in respect of such Return as determined by the PepsiCo Vice President, Tax.

(d) Certain Other Matters.

(i) With respect to each Consolidated Group, the TRICON Group shall pay to the PepsiCo Group the actual benefit received by such Consolidated Group from the use of any Tax Asset of the PepsiCo Group or any Tax Asset attributable to the Restaurant Business which is reattributed to PepsiCo pursuant to Treasury Regulation ss.1.1502-20(g) or any comparable provision of applicable law, whether arising in a Pre-Distribution Period or a Post-Distribution Period. Such benefit shall be considered equal to the excess of the amount of Tax that would have been payable to a Taxing Authority (or of the Tax refund that would have been receivable) by such Consolidated Group in the absence of such Tax Asset over the amount of Tax actually payable to a Taxing Authority (or of the Tax refund actually receivable) by such Consolidated Group. Payment of the amount of such benefit shall be made within 30 days of the receipt by any member of the TRICON Group of any refund, credit or other offset attributable thereto from the relevant Taxing Authority and the future Returns of the PepsiCo Group shall be adjusted to reflect such use.

(ii) If, subsequent to the payment by the TRICON Group to the PepsiCo Group of any amount referred to in Section 3(d)(i) above, there shall be (A) a Final Determination which results in a disallowance or a reduction of the Tax Asset so used or (B) a reduction in the amount of the benefit realized by the TRICON Group from such Tax Asset as a result of a Final Determination or the use by the TRICON Group of a Tax Asset of a member of the TRICON Group, the PepsiCo Group shall repay to the TRICON Group the amount which would not have been payable to the PepsiCo Group pursuant to Section 3(d)(i) had the amount of the benefit been determined in light of such event. In addition, the PepsiCo Group shall hold each member of the TRICON Group harmless for any penalty or interest payable by any member of the TRICON Group as a result of any such event referred to in the preceding sentence, unless such event is attributable to any action of any member of the TRICON Group. Any amounts payable under this Section 3(d)(ii) shall be paid by the PepsiCo Group within 30 days after receipt of written notice from the TRICON Group.

(e) Treatment of Adjustments.

(i) Except as provided in clause (iii) below if any adjustment is made in, or if a Taxing Authority assesses any deficiency with respect to, a Return of a Consolidated Group filed by a member of the TRICON Group which would have increased the PepsiCo Tax Liability under Section 3(c)(i), then within 30 days after a Final Determination of the adjustment, the PepsiCo Group shall pay to the TRICON Group the difference between all payments actually made under

Section 3(c)(i) and all payments that would have been made under Section 3(c)(i) taking such adjustment into account.

(ii) If any adjustment is made in, or if a Taxing Authority assesses any deficiency with respect to, a Return of a Consolidated Group filed by a member of the PepsiCo Group which would have increased the TRICON Tax Liability under Section 3(c)(i), then within 30 days after any member of the PepsiCo Group makes a payment to a Taxing Authority or makes a deposit with a Taxing Authority to stop the running of interest with respect to such adjustment, the TRICON Group shall pay to the PepsiCo Group the difference between all payments actually made under Section 3(c)(i) and all payments that would have been made under Section 3(c)(i) taking such adjustment into account.

(iii) If any adjustment made in, or any deficiency assessed with respect to, a Return of a Consolidated Group results in a reduction in the amount of the benefit realized by the PepsiCo Group from a Tax Asset of the TRICON Group (whether or not the TRICON Group was paid in respect of such benefit), the TRICON Group shall, within 30 days after receipt of written notice from the PepsiCo Group, pay to the PepsiCo Group the amount of such reduction. In addition, the TRICON Group shall hold each member of the PepsiCo Group harmless for any penalty or interest payable by any member of the TRICON Group as a result of any such reduction.

(iv) Any refunds or credits of Tax (including a return of a deposit described in Section 3(e)(ii)) received by a member of the TRICON Group relating to a Pre-Distribution Period, shall be paid by such member of the TRICON Group to the PepsiCo Group within 30 days of receipt; provided that no such payment shall be required to the extent such refund or credit is attributable to (x) a Tax Asset of the PepsiCo Group for which payment has previously been made by the TRICON Group, or (y) an adjustment for which payment in respect thereof has previously been made pursuant to Section 3(e)(i) or 3(e)(ii).

4. Certain Representations and Covenants.

(a) (i) TRICON Representations. TRICON and each member of the TRICON Group represent that as of the date hereof, and covenants that on the Distribution Date, there is no plan or intention (A) to liquidate TRICON or to merge or consolidate TRICON, or any member of the TRICON Group conducting an active trade or business relied upon in connection with the Restructuring or the Distribution, with any other person subsequent to the Distribution, (B) to sell, rebrand or otherwise dispose of any asset, or close any restaurant unit, of TRICON or any member of the TRICON Group subsequent to the Distribution, in a manner that would result in any increased Tax liability or reduction of any Tax Asset of the PepsiCo Group or any member thereof, (C) to take any action inconsistent with the information and representations furnished to the IRS or any other Taxing Authority in connection with the request for a private letter ruling (or any comparable pronouncement by a Taxing Authority under applicable law) with respect to the Distribution or the Restructuring, regardless of whether such information and representations were included in the ruling or

pronouncement issued by the IRS or other Taxing Authority, (D) to enter into any negotiations, agreements, or arrangements with respect to transactions or events (including stock issuances, pursuant to the exercise of options or otherwise, option grants, capital contributions, or acquisitions, but not including the Distribution) which, if treated as consummated before the proposed distribution, would result in PepsiCo not having "control" of TRICON within the meaning of sections 355(a)(1)(A) and 368(c) of the Code at the time of the Distribution, (E) to make any change in equity structure that would result in PepsiCo not having such "control" (except for the Distribution), (F) to repurchase stock of TRICON in a manner contrary to the requirements of Revenue Procedure 96-30 or in a manner contrary to the representations made in connection with the request for a private letter ruling with respect to the Distribution, (G) to take any action that contravenes any existing gain recognition agreement or other agreement with a Taxing Authority to which any member of the TRICON Group or the PepsiCo Group is a party or (H) to enter into any negotiations, agreements, or arrangements with respect to transactions or events (including stock issuances, pursuant to the exercise of options or otherwise, option grants, capital contributions, or acquisitions, but not including the Distribution) which may cause the Distribution to be treated as part of a plan pursuant to which one or more Persons acquire directly or indirectly TRICON stock representing a "50-percent or greater interest" within the meaning of Section 355(d)(4) of the Code.

(ii) TRICON and PepsiCo Representations. Each of TRICON, PepsiCo and the members of the TRICON Group and the PepsiCo Group, respectively, represents that as of the date hereof, and covenants that on the Distribution Date, neither TRICON, PepsiCo nor the members of the TRICON Group or PepsiCo Group, respectively (as applicable), is aware of any present plan or intention by the current shareholders of PepsiCo to sell, exchange, transfer by gift, or otherwise dispose of any of their stock in, or securities of, PepsiCo or TRICON subsequent to the Distribution. In making this representation, the parties hereto recognize that the shares of PepsiCo are, and the shares of TRICON will be, listed on certain stock exchanges and regular public trading in such shares can be expected.

(b) TRICON Covenants. TRICON covenants to PepsiCo that, without the prior written consent of the PepsiCo Vice President, Tax, (i) during the two-year period following the Distribution Date neither TRICON, nor any member of the TRICON Group conducting an active trade or business relied upon in connection with the Restructuring or the Distribution, will liquidate, merge or consolidate with any other person, (ii) during the two-year period following the Distribution Date TRICON will not sell, rebrand, exchange, distribute or otherwise dispose of its assets or those of any member of the TRICON Group, or close any of its restaurant units or those of any member of the TRICON Group, in a manner that would result in any increased Tax liability or reduction of any Tax Asset of the PepsiCo Group or any member thereof, (iii) following the Distribution, TRICON will, for a minimum of two years, continue the active conduct of the historic business conducted by TRICON throughout the five year period prior to the Distribution, (iv) during the two-year period following the Distribution Date TRICON will not enter into any transaction affecting, or that

could affect, the ownership of the equity interests in TRICON, or make any change in its equity structure (including stock issuances, pursuant to the exercise of options or otherwise, option grants, the adoption of, or authorization of shares under, a stock option plan, capital contributions, or acquisitions, but not including the Distribution), (v) TRICON will not, nor will it permit any member of the TRICON Group to, take any action inconsistent with the information and representations furnished to the IRS or any other Taxing Authority in connection with the request for a private letter ruling (or any comparable pronouncement by a Taxing Authority under applicable law) with respect to the Distribution or the Restructuring, regardless of whether such information and representations were included in the ruling or pronouncement issued by the IRS or other Taxing Authority, (vi) TRICON will not take any action that contravenes any existing gain recognition agreement or other agreement with a Taxing Authority to which any member of the TRICON Group or the PepsiCo Group is a party, (vii) TRICON will not repurchase stock of TRICON in a manner contrary to the requirements of Revenue Procedure 96-30 or in a manner contrary to the representations made in connection with the request for a private letter ruling with respect to the Distribution, (viii) on or after the Distribution Date TRICON will not, nor will it permit any member of the TRICON Group to, make or change any accounting method, amend any Return or take any Tax position on any Return, take any other action, omit to take any action or enter into any transaction that results in any increased Tax liability or reduction of any Tax Asset of the PepsiCo Group or any member thereof in respect of any Pre-Distribution Period, and (ix) during the applicable period provided in Section 355(e)(2)(B) of the Code with respect to the Distribution, it will not enter into any transaction or make any change equity structure (including stock issuances, pursuant to the exercise of options, option grants or otherwise, capital contributions, or acquisitions, but not including the Distribution) which may cause the Distribution to be treated as part of a plan pursuant to which one or more Persons acquire directly or indirectly TRICON stock representing a "50-percent or greater interest" within the meaning of Section 355(d)(4) of the Code. TRICON agrees that PepsiCo is to have no liability for any tax resulting from any action referred to in the preceding sentence and agrees to indemnify and hold harmless the PepsiCo Group against any such tax. TRICON shall also bear all costs incurred by PepsiCo in connection with PepsiCo's determination of whether or not to grant any written consent required under this Section 4(b). In no event will TRICON enter into any transaction or make any change in equity structure (including stock issuances, pursuant to the exercise of options or otherwise, option grants, capital contributions, or acquisitions, but not including the Distribution) during the two year period following the Distribution which, if treated as consummated before the Distribution, result in PepsiCo not having "control" of TRICON within the meaning of Sections 355(a)(a)(A) and 368(c) of the Code at the time of Distribution. For purposes of the preceding sentence, any option authorized under a stock option plan will be treated as having been granted. TRICON shall provide to PepsiCo, on the first business day of every month, commencing on November 3, 1997, a certificate describing any transaction or change in equity structure described in clause (iv) above which occurred during the preceding month.

(c) Deductions and Certain Taxes Related to Options. The PepsiCo

Vice President, Tax shall determine whether the PepsiCo Group or the TRICON Group shall file Returns claiming (x) the Tax deductions attributable to the exercise of options to purchase stock of PepsiCo which are held by employees or former employees of the TRICON Group and (y) any other similar compensation related Tax deductions. If it is determined that the PepsiCo Group shall claim all such Tax deductions, (i) the PepsiCo Group shall be entitled to any such Tax Deductions, (ii) the Returns of the PepsiCo Group and the TRICON Group shall reflect the entitlement of the PepsiCo Group to such deductions, (iii) to the extent any such deductions are disallowed, the TRICON Group shall pay to the PepsiCo Group an amount equal to the Tax paid by the PepsiCo Group as a result of such disallowance, (iv) within 1 day of the exercise of any option described in clause (x) of the preceding sentence, and within 1 day of any other event that would result in a compensation related Tax deduction, as the case may be, the TRICON Group will pay to the PepsiCo Group an amount equal to the liability of the PepsiCo Group under the Federal Insurance Contributions Act, the Federal Unemployment Tax Act or any state employment tax law in connection with the exercise of such an option, except to the extent such Tax is withheld from a payment to the employee and remitted to a Taxing Authority on the employee's behalf. If it is determined that the TRICON Group shall claim all such Tax deductions, (i) the Returns of the PepsiCo Group and the TRICON Group shall reflect such determination, (ii) within 1 day of the exercise of any such option or the occurrence of any other event that would result in a compensation related Tax deduction, as the case may be, the TRICON Group shall pay to the PepsiCo Group an amount equal to the product of the amount of the related deduction and the PepsiCo Group's effective Tax rate for the relevant Taxable period, as determined by the PepsiCo Vice President, Tax, (iii) TRICON and each member of the TRICON Group will indemnify the PepsiCo Group against any Tax liability of the PepsiCo Group under the Federal Insurance Contributions Act or the Federal Unemployment Tax Act incurred in connection with the exercise of such an option or the occurrence of any other event resulting in a compensation related Tax deduction, as the case may be, except to the extent such Tax is withheld from a payment to the employee and remitted to a Taxing Authority on the employee's behalf, and (iv) to the extent such deduction is disallowed, and if the PepsiCo Vice President, Tax determines that the PepsiCo Group should file an amended Return claiming such deduction, the PepsiCo Group shall pay to the TRICON Group the actual benefit received by the PepsiCo Group in respect of such deduction. For purposes of the immediately preceding clause (iii), such benefit shall be considered equal to the excess of the amount of Tax that would have been payable to a Taxing Authority (or of the Tax refund that would have been receivable) by the PepsiCo Group in the absence of such deduction over the amount of Tax actually payable to a Taxing Authority (or of the Tax refund actually receivable) by the PepsiCo Group. Payment of the amount of such benefit shall be made within 30 days of the receipt by any member of the PepsiCo Group of any refund, credit or other offset attributable thereto from the relevant Taxing Authority.

5. Indemnities.

(a) TRICON Indemnity. TRICON and each member of the TRICON Group will jointly and severally indemnify PepsiCo and the members of the PepsiCo

Group that were members of a Consolidated Group that included such TRICON Affiliate against and hold them harmless from:

(i) any Tax liability of the TRICON Group and any Tax liability attributable to the Restructuring;

(ii) any liability or damage resulting from a breach by TRICON or any member of the TRICON Group of any representation or covenant made by TRICON herein;

(iii) any Tax liability resulting from the Distribution and attributable to any action of TRICON or any member of the TRICON Group, without regard to whether the PepsiCo Vice President, Tax has consented to such action;

(iv) any Tax liability resulting from the recapture, pursuant to Section 904(f) of the Code, of an overall foreign loss for a Pre-Distribution Period to the extent that the PepsiCo Vice President, Tax determines that such loss is attributable to operations of the Restaurant Business in a Pre-Distribution Period; and

(v) all liabilities, costs, expenses (including, without limitation, reasonable expenses of investigation and attorneys' fees and expenses), losses, damages, assessments, settlements or judgments arising out of or incident to the imposition, assessment or assertion of any Tax liability or damage described in (i), (ii), (iii), or (iv) including those incurred in the contest in good faith in appropriate proceedings relating to the imposition, assessment or assertion of any such Tax, liability or damage.

(b) PepsiCo Indemnity. PepsiCo and each member of the PepsiCo Group will jointly and severally indemnify TRICON and the members of the TRICON Group that were members of a Consolidated Group that included such PepsiCo Affiliate against and hold them harmless from:

(i) any Tax Liability of the PepsiCo Group and any Tax liability resulting from the Distribution, other than any such liabilities described in Section 5(a);

(ii) any liability or damage resulting from a breach by PepsiCo or any member of the PepsiCo Group of any representation or covenant made by PepsiCo herein; and

(iii) all liabilities, costs, expenses (including, without limitation, reasonable expenses of investigation and attorneys' fees and expenses), losses, damages, assessments, settlements or judgments arising out of or incident to the imposition, assessment or assertion of any Tax liability or damage described in (i) or (ii) including those incurred in the contest in good faith in appropriate proceedings relating to the imposition, assessment or assertion of any such Tax, liability or damage.

If a member of the PepsiCo Group ceases to be an Affiliate of PepsiCo as a result of a sale of its stock to a third party (whether or not treated as a sale or exchange of stock for Tax purposes), such member of the PepsiCo Group shall be released from its obligations under this Agreement upon such sale and neither PepsiCo nor any member of the PepsiCo Group shall have any obligation to indemnify TRICON or any member of the TRICON Group under Section 5(b)(iii) for any liability or damage attributable to actions taken by such Affiliate after such sale.

(c) Discharge of Indemnity. TRICON, PepsiCo and the members of the TRICON Group and PepsiCo Group, respectively, shall discharge their obligations under Sections 5(a) and 5(b) hereof, respectively, by paying the relevant amount within 30 days of demand therefor. The PepsiCo Group shall be entitled to make such a demand at any time after a member of the PepsiCo Group makes a payment or deposit in respect of a Tax for which any member of the TRICON Group has an obligation under Section 5(a). The TRICON Group shall be entitled to make such a demand at any time after a Final Determination of an obligation of any member of the PepsiCo Group under Section 5(b). Any such demand shall include a statement showing the amount due under Section 5(a) or 5(b), as the case may be. Calculation mechanics relating to items described in Section 5(a)(i) and 5(b)(i) are set forth in Section 3(c). Notwithstanding the foregoing, if either TRICON, PepsiCo or any member of the TRICON Group or PepsiCo Group disputes in good faith the fact or the amount of its obligation under Section 5(a) or Section 5(b), then no payment of the amount in dispute shall be required until any such good faith dispute is resolved in accordance with Section 16 hereof; provided, however, that any amount not paid within 30 days of demand therefor shall bear interest as provided in Section 9.

(d) Tax Benefits. If an indemnification obligation of any member of the PepsiCo Group or any member of the TRICON Group, as the case may be, under this Section 5 with respect to a Consolidated Group arises in respect of an adjustment that makes allowable to a member of the TRICON Group or a member of the PepsiCo Group, respectively, any deduction, amortization, exclusion from income or other allowance (a "Tax Benefit") which would not, but for such adjustment, be allowable, then any payment by any member of the PepsiCo Group or any member of the TRICON Group, respectively, pursuant to this Section 5 shall be an amount equal to (x) the amount otherwise due but for this subsection (d), minus (y) the present value of the product of the Tax Benefit multiplied (i) by the maximum applicable federal, foreign or state, as the case may be, corporate tax rate in effect at the time such Tax Benefit becomes allowable to a member of the TRICON Group or a member of the PepsiCo Group (as the case may be) or (ii) in the case of a credit, by 100 percent. The present value of such product shall be determined by discounting such product from the time the Tax Benefit becomes allowable at a rate equal to Prime.

(e) For purposes of this Section 5, in the case of Taxes that are imposed on a periodic basis and are payable for a Tax period that includes (but does not end on) the Distribution Date, the portion of such Tax related to the portion of such Tax period ending on the Distribution Date shall (x) in the case of any Taxes other than Taxes based upon or related to income, sales, gross receipts, wages, capital expenditures or expenses, be deemed to be the amount of

such Tax for the entire Tax period multiplied by a fraction the numerator of which is the number of days in the Tax period ending on the Distribution Date and the denominator of which is the number of days in the entire Tax period, and (y) in the case of any Tax based upon or related to income, sales, gross receipts, wages, capital expenditures or expenses, be deemed equal to the amount which would be payable if the relevant Tax period ended on the Distribution Date.

6. Guarantees. PepsiCo or TRICON, as the case may be, shall guarantee the obligations of each member of the PepsiCo Group or the TRICON Group, respectively, under this Agreement.

7. Communication and Cooperation.

(a) Consult and Cooperate. TRICON and PepsiCo shall consult and cooperate (and shall cause each member of the TRICON Group or the PepsiCo Group, respectively, to cooperate) fully at such time and to the extent reasonably requested by the other party in connection with all matters subject to this Agreement. Such cooperation shall include, without limitation,

(i) the retention and provision on reasonable request of any and all information including all books, records, documentation or other information pertaining to Tax matters relating to the PepsiCo Group and the TRICON Group, any necessary explanations of information, and access to personnel, until one year after the expiration of the applicable statute of limitation (giving effect to any extension, waiver, or mitigation thereof);

(ii) the execution of any document that may be necessary or helpful in connection with any required Return or in connection with any audit, proceeding, suit or action; and

(iii) the use of the parties' best efforts to obtain any documentation from a governmental authority or a third party that may be necessary or helpful in connection with the foregoing.

(b) Provide Information. PepsiCo and TRICON shall keep each other fully informed with respect to any material development relating to the matters subject to this Agreement.

(c) Tax Attribute Matters. PepsiCo and TRICON shall promptly advise each other with respect to any proposed Tax adjustments relating to a Consolidated Group, which are the subject of an audit or investigation, or are the subject of any proceeding or litigation, and which may affect any Tax liability or any Tax attribute of PepsiCo, TRICON, the PepsiCo Group, the TRICON Group or any member of the TRICON Group or the PepsiCo Group (including, but not limited to, basis in an asset or the amount of earnings and profits).

8. Audits and Contest.

(a) Notwithstanding anything in this Agreement to the contrary,

PepsiCo shall have full control over all matters relating to any Return or any Tax Proceeding relating to any Tax matters of at least one member of the PepsiCo Group. Except as provided in Section 8(b), PepsiCo shall have absolute discretion with respect to any decisions to be made, or the nature of any action to be taken, with respect to any matter described in the preceding sentence.

(b) (i) No settlement of any Tax Proceeding relating to any matter which would cause a payment obligation under Sections 5(a) or 5(b) shall be accepted or entered into by or on behalf of the party entitled to receive a payment under either Section 5(a) or 5(b), whichever is applicable, unless the party ultimately responsible for such payment under either Section 5(a) or 5(b), whichever is applicable (the "Indemnitor"), consents thereto in writing (which consent shall not be unreasonably withheld or delayed); provided, however, that, notwithstanding anything to the contrary in this Agreement, PepsiCo may settle any Tax Proceeding if it determines, in its sole judgment, that TRICON is not cooperating in such Tax Proceeding. If the Indemnitor does not respond to the indemnified party's request for consent within 30 days, the Indemnitor will be deemed to have consented to the settlement.

(ii) Upon request, during the course of any Tax Proceeding relating to a Tax liability or damage described in Section 5(a), TRICON shall from time to time furnish PepsiCo with evidence reasonably satisfactory to PepsiCo of TRICON's ability to pay the amount for which it is responsible pursuant to Section 5(a). If at any time during such Tax Proceeding PepsiCo determines that TRICON could not pay such amount, then TRICON shall be required to furnish a guarantee or performance bond satisfactory to PepsiCo in an amount equal to the amount for which TRICON is responsible pursuant to Section 5(a). If TRICON fails to furnish such guarantee or bond, PepsiCo may settle the Tax proceeding without TRICON's consent, and TRICON shall remain obligated to indemnify PepsiCo pursuant to Section 5(a).

(c) The indemnified party agrees to give notice to the Indemnitor of the assertion of any claim, or the commencement of any suit, action or proceeding in respect of which indemnity may be sought hereunder within 30 days of such assertion or commencement, or such earlier time that would allow the Indemnitor to timely respond to such claim, suit action or proceeding.

(d) With respect to Returns relating to Taxes solely attributable to the TRICON Group, TRICON and the members of the TRICON Group shall have full control over all matters relating to any Tax Proceeding in connection therewith. TRICON and the members of the TRICON Group shall have absolute discretion with respect to any decisions to be made, or the nature of any action to be taken, with respect to any matter described in the preceding sentence.

9. Payments. All payments to be made hereunder shall be made in immediately available funds. Except as otherwise provided, all payments required to be made pursuant to this Agreement will be due 30 days after the receipt of notice of such payment or, where no notice is required, 30 days after the fixing of liability or the resolution of a dispute. Payments shall be deemed made when

received. Any payment that is not made by the PepsiCo Group when due shall bear interest at LIBOR minus 10 basis points, as quoted from time to time, for each day until paid. Any payment that is not made by the TRICON Group when due shall bear interest at LIBOR plus 75 basis points, as quoted from time to time, for each day until paid. If, pursuant to a Final Determination, any amount paid by PepsiCo or the members of the PepsiCo Group or TRICON or the members of the TRICON Group, as the case may be, pursuant to this Agreement results in any increased Tax liability or reduction of any Tax Asset of TRICON or any member of the TRICON Group or PepsiCo or any member of the PepsiCo Group, respectively, then PepsiCo or TRICON, as appropriate, shall indemnify the other party and hold it harmless from any interest or penalty attributable to such increased Tax liability or the reduction of such Tax Asset and shall pay to the other party, in addition to amounts otherwise owed, the After-Tax Amount. With respect to any payment required to be made under this Agreement, the PepsiCo Vice President, Tax has the right to designate, by written notice to TRICON, which member of the TRICON Group or the PepsiCo Group, as the case may be, will make or receive such payment and in which currency such payment will be made.

10. Notices. Any notice, demand, claim, or other communication under this Agreement shall be in writing and shall be deemed to have been given upon the delivery or mailing thereof, as the case may be, if delivered personally or sent by certified mail, return receipt requested, postage prepaid, to the parties at the following addresses (or at such other address as a party may specify by notice to the other):

If to PepsiCo or the PepsiCo Group, to:

Matthew McKenna
Vice President, Tax
PepsiCo, Inc.
700 Anderson Hill Road
Purchase, New York 10577-1444

If to TRICON or the TRICON Group, to:

[name]
[address]

11. Costs and Expenses.

(i) Except as expressly set forth in this Agreement, each party shall bear its own costs and expenses incurred pursuant to this Agreement. For purposes of this Agreement, costs and expenses shall include, but not be limited to, reasonable attorney fees, accountant fees and other related professional fees and disbursements. Notwithstanding anything to the contrary in this Agreement, the TRICON Group will be responsible for its allocable portion, as

determined by the PepsiCo Vice President, Tax, of (i) all costs and expenses attributable to filing any Return that reflects the income, assets or operations of the TRICON Group and any Return required to be filed in connection with the Restructuring, and (ii) all costs and expenses incurred by PepsiCo in complying with the provisions of Section 7 of this Agreement.

(ii) With respect to all Tax Proceedings, including pending litigation with any Taxing Authority, costs shall be allocated in good faith by the PepsiCo Vice President, Tax. Each party hereto shall be liable for its allocable portion of such costs as provided in Section 5.

12. Effectiveness; Termination and Survival. This Agreement shall become effective upon the consummation of the Distribution. All rights and obligations arising hereunder with respect to a Pre-Distribution Tax Period shall survive until they are fully effectuated or performed and, provided, further, that notwithstanding anything in this Agreement to the contrary, this Agreement shall remain in effect and its provisions shall survive for one year after the full period of all applicable statutes of limitation (giving effect to any extension, waiver or mitigation thereof) and, with respect to any claim hereunder initiated prior to the end of such period, until such claim has been satisfied or otherwise resolved.

13. Section Headings. The headings contained in this Agreement are inserted for convenience only and shall not constitute a part hereof or in any way affect the meaning or interpretation of this Agreement.

14. Entire Agreement; Amendments and Waivers.

(a) Entire Agreement. This Agreement contains the entire understanding of the parties hereto with respect to the subject matter contained herein. No alteration, amendment, modification, or waiver of any of the terms of this Agreement shall be valid unless made by an instrument signed by an authorized officer of each of PepsiCo and TRICON, or in the case of a waiver, by the party against whom the waiver is to be effective.

(b) Amendments and Waivers. No failure or delay by any party in exercising any right, power or privilege hereunder shall operate as a waiver hereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any right, power or privilege. This Agreement shall not be waived, amended or otherwise modified except in writing, duly executed by all of the parties hereto.

15. Governing Law and Interpretation. This Agreement shall be construed and enforced in accordance with the laws of the State of North Carolina without giving effect to laws and principles relating to conflicts of law.

16. Dispute Resolution. If the parties hereto are unable to resolve any disagreement or dispute relating to this Agreement, including but not limited to whether a transaction is part of the Restructuring and whether a Tax liability is a PepsiCo Tax Liability or a TRICON Tax Liability, such dispute shall be resolved in good faith by the PepsiCo Vice President, Tax.

17. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same Agreement.

18. Assignments; Third Party Beneficiaries. Except as provided below, this Agreement shall be binding upon and shall inure only to the benefit of the parties hereto and their respective successors and assigns, by merger, acquisition of assets or otherwise (including but not limited to any successor of a party hereto succeeding to the Tax attributes of such party under applicable law). This Agreement is not intended to benefit any person other than the parties hereto and such successors and assigns, and no such other person shall be a third party beneficiary hereof. If, during the period beginning on the Distribution Date and ending upon the expiration of the survival period set forth in Section 12, any corporation becomes an Affiliate of TRICON, such Affiliate shall be bound by the terms of this Agreement and TRICON shall provide evidence to PepsiCo of such Affiliate's agreement to be bound by the terms of this Agreement.

19. Authorization, etc. Each of the parties hereto hereby represents and warrants that it has the power and authority to execute, deliver and perform this Agreement, that this Agreement has been duly authorized by all necessary corporate action on the part of such party, that this Agreement constitutes a legal, valid and binding obligation of each such party, and that the execution, delivery and performance of this Agreement by such party does not contravene or conflict with any provision or law or of its charter or bylaws or any agreement, instrument or order binding on such party.

IN WITNESS WHEREOF, the parties have executed and delivered this Agreement as of the day and year first written above.

PepsiCo on its own behalf and on behalf of the members of the PepsiCo Group.

By: _____

Title: _____

TRICON on its own behalf and on behalf of the members of the TRICON Group.

By: _____

Title: _____

EMPLOYEE PROGRAMS AGREEMENT

between

PepsiCo, Inc.

and

TRICON Global Restaurants, Inc.

Dated as of _____, 1997

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EMPLOYEE PROGRAMS AGREEMENT

This EMPLOYEE PROGRAMS AGREEMENT, dated as of _____, 1997, is by and between PepsiCo, Inc., a North Carolina corporation ("PepsiCo"), and TRICON Global Restaurants, Inc., a North Carolina corporation ("TRICON").

WHEREAS, PepsiCo has decided to consolidate the assets and operations of its worldwide KFC, Pizza Hut and Taco Bell businesses (collectively, the "Restaurant Businesses") into TRICON and TRICON's subsidiaries and affiliates and to distribute the Common Stock of TRICON to the holders of PepsiCo Capital Stock (the "Distribution"); and

WHEREAS, PepsiCo and TRICON have entered into a Separation Agreement, dated as of the date of this agreement (the "Separation Agreement"), and certain other agreements that will govern certain matters relating to the Distribution and the relationship of PepsiCo and TRICON and their respective Subsidiaries following the Distribution; and

WHEREAS, pursuant to the Separation Agreement, PepsiCo and TRICON have agreed to enter into this Agreement for the purpose of allocating assets, liabilities, and responsibilities with respect to certain employee compensation and benefit plans and programs between them;

NOW, THEREFORE, in consideration of the mutual promises contained herein and in the Separation Agreement, the Parties (as that term is defined in the Separation Agreement) agree as follows:

ARTICLE

1

DEFINITIONS AND REFERENCES

1.1 DEFINITIONS

For purposes of this Agreement, capitalized terms used (other than the formal names of PepsiCo Plans (as defined below)) and not otherwise defined shall have the respective meanings assigned to them below or as assigned to them in the Separation Agreement (as defined above):

(a) 414(1)(1) Amount

"414(1)(1) Amount" means, the minimum amount necessary to fund vested benefits under the PepsiCo Pension Plan and the TRICON Pension Plan on a "termination basis" (as that term is defined in Treas. Reg. Sec. 1.414(1)-1(b)(5)) in accordance with the actuarial assumptions described in Section 3.3.

(b) Action

"Action" means any demand, action, cause of action, suit, countersuit, arbitration, inquiry, proceeding, or investigation by or before any Governmental Authority or any arbitration or mediation tribunal, pending or threatened, known or unknown.

(c) Agreement

"Agreement" means this Employee Programs Agreement, including all the attached Appendices.

(d) ASO Contract

"ASO Contract" means an administrative services only contract, related prior practice, or related understanding with a third-party administrator that pertains to any PepsiCo Health and Welfare Plan, PepsiCo Restaurants Health and Welfare Plan, or TRICON Health and Welfare Plan.

(e) Award

"Award" means an award under a Long-Term Incentive Plan or a Short-Term

Incentive Plan or, as the context or facts may require, any other award under another incentive or special bonus, incentive, or award program or arrangement.

(f) Casual Dining Businesses

"Casual Dining Businesses" has the meaning given that term under the Separation Agreement.

(g) Bulk Asset Transfer

"Bulk Asset Transfer" is defined in Section 3.3(b)(2).

(h) Close of the Distribution Date

"Close of the Distribution Date" means 11:59:59 P.M., Eastern Standard Time or Eastern Daylight Time (whichever shall then be in effect), on the Distribution Date.

(i) Code

"Code" means the Internal Revenue Code of 1986, as amended, or any successor federal income tax law. Reference to a specific Code provision also includes any proposed, temporary, or final regulation in force under that provision.

(j) Conversion Formula

"Conversion Formula" means the appropriate formula described in the Form 10, filed with the Securities and Exchange Commission by PepsiCo in connection with the Distribution, which shall be applied for adjusting the exercise price and award size of PepsiCo stock options under the PepsiCo Long-Term Incentive Plan, PepsiCo SharePower Plan and PepsiCo Stock Option Incentive Plan or for determining the exercise price and number of TRICON stock options issued as a result of the conversion of PepsiCo options granted under the PepsiCo Long-Term Incentive Plan, the PepsiCo Stock Option Incentive Plan and the PepsiCo SharePower Plan, as applicable.

(k) Deferral Programs

"Deferral Programs," when immediately preceded by "PepsiCo" or when the applicable Hiring Company or Prior Company is a member of the PepsiCo Group, means the PepsiCo, Inc. Executive Income Deferral Program, the PepsiCo, Inc. Performance Share Unit Deferral Program, and the PepsiCo, Inc. Option Gains Deferral Program. When immediately preceded by "TRICON" or when the applicable Hiring Company or Prior Company is a member of the TRICON Group, "Deferral Plan" means the executive income deferral program, performance share unit deferral program and the option gains deferral program to be established by TRICON pursuant to Section 2.3.

(l) Distribution

"Distribution" has the meaning given that term under the Separation Agreement.

(m) Distribution Date

"Distribution Date" has the meaning given that term under the Separation Agreement.

(n) DRIP

"DRIP," when immediately preceded by "PepsiCo" or when the applicable Hiring Company or Prior Company is a member of the PepsiCo Group, means the PepsiCo Dividend Reinvestment Plan. When immediately preceded by "TRICON" or when the applicable Hiring Company or Prior Company is a member of the TRICON Group, "DRIP" means the dividend reinvestment plan or program to be established by TRICON.

(o) ERISA

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended. Reference to a specific provision of ERISA also includes any proposed, temporary, or final regulation in force under that provision.

(p) Executive Programs

"Executive Programs," when immediately preceded by "PepsiCo" or when the applicable Hiring Company or Prior Company is a member of the PepsiCo Group, means the executive benefit and nonqualified plans, programs, and arrangements established, maintained, agreed upon, or assumed by a member of the PepsiCo Group for the benefit of employees and former employees of members of the PepsiCo Group before the Close of the Distribution Date, including the plans and programs listed in Appendix A. When immediately preceded by "TRICON" or when the applicable Hiring Company or Prior Company is a member of the TRICON Group, "Executive Programs" means the executive benefit plans and programs to be established by TRICON pursuant to Section 2.3 that correspond to the respective PepsiCo Executive Programs including those plans and programs listed in Appendix A.

(q) Foreign Plan

"Foreign Plan," when immediately preceded by "PepsiCo," means a Plan maintained by the PepsiCo Group or when immediately preceded as "TRICON," a plan maintained by the TRICON Group, in either case for the benefit of employees who are compensated under a payroll which is administered outside the 50 United States, its territories and possessions, and the District of Columbia.

(r) Governmental Authority

"Governmental Authority" means any federal, state, local, foreign, or international court, government, department, commission, board, bureau, agency, official, or other regulatory, administrative, or governmental authority, including the Department of Labor, the Internal Revenue Service, and the Pension Benefit Guaranty Corporation.

(s) Group Insurance Policy

"Group Insurance Policy" means a group insurance policy issued in connection with any PepsiCo Health and Welfare Plan, PepsiCo Restaurants Health and Welfare Plan, or any TRICON Health and Welfare Plan, as applicable.

(t) Health and Welfare Plans

"Health and Welfare Plans," when immediately preceded by "PepsiCo" or when the applicable Hiring Company or Prior Company is a member of the PepsiCo Group, means the health and welfare benefit plans, programs, and policies which are sponsored by PepsiCo. When immediately preceded by "PepsiCo Restaurant," "Health and Welfare Plans" means the benefit plans, programs and policies listed in the first part of Appendix B to this Agreement that are sponsored by a member of the TRICON Group for periods immediately before the Close of the Distribution

Date, and such other welfare plans or programs as may apply to any such member's employees, retirees and dependents for such periods. When immediately preceded by "TRICON" or when the applicable Hiring Company or Prior Company is a member of the TRICON Group, "Health and Welfare Plans" means benefit plans, programs, and policies listed in the second part of Appendix B to this Agreement which are sponsored by a member of the TRICON Group for periods Immediately after the Distribution Date.

(u) Hiring Company

"Hiring Company," with respect to a Transition Individual described in Section 1.1(ddd)(1) or (4), means a member of the PepsiCo Group, and, with respect to a Transition Individual described in Section 1.1(ddd)(2) or (3), means a member of the TRICON Group.

(v) HMO

"HMO" means a health maintenance organization that provides benefits under the PepsiCo Health and Welfare Plans, PepsiCo Restaurants Health and Welfare Plans, or the TRICON Health and Welfare Plans, as applicable.

(w) HMO Agreements

"HMO Agreements" means contracts, letter agreements, practices, and understandings with HMOs that provide medical services under the PepsiCo Health and Welfare Plans, PepsiCo Restaurants Health and Welfare Plans, and TRICON Health and Welfare Plans, as applicable.

(x) Immediately after the Distribution Date

"Immediately after the Distribution Date" means 12:00 A.M., Eastern Standard Time or Eastern Daylight Time (whichever shall then be in effect), on the day after the Distribution Date.

(y) Individual Agreement

"Individual Agreement" means an individual contract or agreement (whether written or unwritten) entered into between a member of the PepsiCo Group or a member of the TRICON Group and any employee that establishes the right of such individual to special compensation or benefits, special bonuses, supplemental pension benefits, hiring bonuses, loans, guaranteed payments, special allowances, tax equalization payments, special expatriate compensation payments, disability benefits, or share units granted (and payable in the form of cash or otherwise) under individual phantom share agreements, or that provides benefits similar to those identified in Appendix A.

(z) Indemnitor

"Indemnitor" is defined in Section 9.18.

(aa) Initial Asset Transfer

"Initial Asset Transfer" is defined in Section 3.3(b)(2).

(bb) Liabilities

"Liabilities" means any and all losses, claims, charges, debts, demands, actions, costs and expenses (including administrative and related costs and expenses of any Plan, program, or arrangement), of any nature whatsoever,

whether absolute or contingent, matured or unmatured, liquidated or unliquidated, accrued or unaccrued, known or unknown, whenever arising.

(cc) Long-Term Incentive Plan

"Long-Term Incentive Plan," when immediately preceded by "PepsiCo" or when the applicable Hiring Company or Prior Company is a member of the PepsiCo Group, means the PepsiCo, Inc. 1987 Long-Term Incentive Plan, the PepsiCo, Inc. 1994 Long-Term Incentive Plan, and any other long-term incentive or stock-based incentive plans assumed by a member of the PepsiCo Group by reason of merger, acquisition, or otherwise. When immediately preceded by "TRICON" or when the applicable Hiring Company or Prior Company is a member of the TRICON Group, "Long-Term Incentive Plan" means the long-term incentive plan to be established by TRICON pursuant to Section 2.3.

(dd) LTD VEBA

"LTD VEBA," when immediately preceded by "PepsiCo," means the PepsiCo Long Term Disability Benefit Trust. When immediately preceded by "TRICON," "LTD VEBA" means the welfare benefit fund to be established by TRICON pursuant to Section 5.2 that corresponds to the PepsiCo LTD VEBA.

(ee) Master Trust

"Master Trust," when immediately preceded by "PepsiCo", means the master trusts evidenced by the PepsiCo, Inc. Master Trust Agreement dated February 1, 1978 and the PepsiCo, Inc. Special Master Trust Agreement dated September 11, 1985, as amended from time to time, and currently associated with, among other plans, the PepsiCo Pension Plan and the Pizza Hut Pension Plan. When immediately preceded by "TRICON," "Master Trust" means the master trust(s) to be established by TRICON pursuant to Section 3.1 that corresponds to the PepsiCo Master Trust.

(ff) Material Feature

"Material Feature" means any feature of a Plan that could reasonably be expected to be of material importance to the sponsoring employer or the participants and beneficiaries of the Plan, which could include, depending on the type and purpose of the particular Plan, the class or classes of employees eligible to participate in such Plan, the nature, type, form, source, and level of benefits provided by the employer under such Plan and the amount or level of contributions, if any, required to be made by participants (or their dependents or beneficiaries) to such Plan.

(gg) Participating Company

"Participating Company" means any Person (other than an individual) that is participating in a Plan sponsored by a member of the PepsiCo Group or a member of the TRICON Group, as the context requires.

(hh) Pension Equalization Plan

"Pension Equalization Plan," when immediately preceded by "PepsiCo" or when the applicable Hiring Company or Prior Company is a member of the PepsiCo Group, means the PepsiCo Pension Equalization Plan. When immediately preceded by "TRICON" or when the applicable Hiring Company or Prior Company is a member of the TRICON Group, "Pension Equalization Plan" means the plan to be established by TRICON pursuant to Section 2.3 that corresponds to the PepsiCo Pension Equalization Plan.

(ii) Pension Plan

"Pension Plan," when immediately preceded by "PepsiCo" or when the applicable Hiring Company or Prior Company is a member of the PepsiCo Group, means the PepsiCo Salaried Employees Retirement Plan. When immediately preceded by "TRICON" or when the applicable Hiring Company or Prior Company is a member of the TRICON Group, "Pension Plan" means the plan to be established by TRICON pursuant to Section 2.3 that corresponds to the PepsiCo Pension Plan. When immediately preceded by "Pizza Hut," "Pension Plan" means the Pizza Hut Hourly Employees Pension Plan.

(jj) PepsiCo Capital Stock

"PepsiCo Capital Stock" has the meaning given that term in the Separation Agreement.

(kk) PepsiCo Executive

"PepsiCo Executive" means an employee or former employee of a member of the PepsiCo Group or a member of the TRICON Group, who immediately before the Close of the Distribution Date is or was eligible to participate in or receive a benefit under any PepsiCo Executive Program.

(ll) PepsiCo Group

"PepsiCo Group" has the meaning given that term under the Separation Agreement.

(mm) PepsiCo Leave of Absence Programs

"PepsiCo Leave of Absence Programs" means the leave of absence programs offered from time to time under the personnel policies and practices of PepsiCo and leaves offered in accordance with the Family and Medical Leave Act of 1993, as amended.

(nn) Person

"Person" means an individual, a general or limited partnership, a corporation, a trust, a joint venture, an unincorporated organization, a limited liability entity, any other entity, and any Governmental Authority.

(oo) Plan

"Plan," when immediately preceded by "PepsiCo" or "TRICON," means any plan, policy, program, payroll practice, on-going arrangement, contract, trust, insurance policy or other agreement or funding vehicle, whether written or unwritten, providing benefits to employees, or former employees of the PepsiCo Group or the TRICON Group, as applicable.

(pp) Prior Company

"Prior Company," with respect to a Transition Individual described in Section 1.1(ddd)(1) or (4), means a member of the TRICON Group and, with respect to a Transition Individual described in Section 1.1(ddd)(2) or (3), means a member of the PepsiCo Group.

(qq) Record Date

"Record Date" has the meaning given that term under the Separation Agreement.

(rr) Reimbursement Plans

"Reimbursement Plans," when immediately preceded by "PepsiCo" or when the applicable Hiring Company or Prior Company is a member of the PepsiCo Group, means the PepsiCo Inc. Health Care Reimbursement account plan that is part of the PepsiCo Employees Health Care Program and the PepsiCo, Inc. Dependent Care Reimbursement Account Plan, as applicable. When immediately preceded by "TRICON" or when the applicable Hiring Company or Prior Company is a member of the TRICON Group, "Reimbursement Account Plans" means the corresponding health care reimbursement account plan and the dependent care reimbursement account plan to be established by TRICON pursuant to Section 2.3.

(ss) Restaurant Businesses

"Restaurant Businesses" is defined in the second paragraph of the preamble of this Agreement.

(tt) Salaried Employee

"Salaried Employee" means any individual who is an eligible employee within the meaning of the PepsiCo Pension Plan or the TRICON Pension Plan, as applicable.

(uu) Savings Plan

"Savings Plan," when immediately preceded by "PepsiCo" or when the applicable Hiring Company or Prior Company is a member of the PepsiCo Group, means the PepsiCo Long Term Savings Program. When immediately preceded by "TRICON" or when the applicable Hiring Company or Prior Company is a member of the TRICON Group, "Savings Plan" means the TRICON Long Term Savings Program to be established by TRICON pursuant to Section 2.3.

(vv) Separation Agreement

"Separation Agreement" is defined in the third paragraph of the preamble of this Agreement.

(ww) SharePower Plan

"SharePower Plan," when immediately preceded by "PepsiCo" or when the applicable Hiring Company or Prior Company is a member of the PepsiCo Group, means the PepsiCo SharePower Stock Option Plan. When immediately preceded by "TRICON" or when the applicable Hiring Company or Prior Company is a member of the TRICON Group, "SharePower Plan" means the stock option plan to be established by TRICON pursuant to Section 2.3.

(xx) Short-Term Incentive Plan

"Short-Term Incentive Plan," when immediately preceded by "PepsiCo," means the PepsiCo, Inc. 1994 Executive Incentive Compensation Plan, the PepsiCo, Inc. Executive Incentive Plan, the Middle Management Incentive Compensation Plan, and any other special compensation, bonus and incentive compensation programs. When immediately preceded by "TRICON," "Short-Term Incentive Plan" means the executive incentive compensation plan, executive incentive plan, the middle management compensation plan and any other special compensation, bonus and incentive compensation programs to be established by TRICON pursuant to Section 2.3.

(yy) Stock Option Incentive Plan

"Stock Option Incentive Plan" when immediately preceded by "PepsiCo" or when the applicable Hiring Company or Prior Company is a member of the PepsiCo Group, means the "PepsiCo, Inc. 1995 Stock Option Incentive Plan" and any

predecessor plans. When immediately preceded by "TRICON" or when the applicable Hiring Company or Prior Company is a member of the TRICON Group, "Stock Option Incentive Plan" means the stock option incentive plan established by TRICON pursuant to Section 2.3.

(zz) Stock Purchase Plan

"Stock Purchase Plan," when immediately preceded by "PepsiCo" or when the applicable Hiring Company or Prior Company is a member of the PepsiCo Group, means the PepsiCo Capital Stock Purchase Plan. When immediately preceded by "TRICON" or when the applicable Hiring Company or Prior Company is a member of the TRICON Group, "Stock Purchase Plan" means the employee stock purchase plan to be established by TRICON pursuant to Section 2.3.

(aaa) Subsequent Asset Transfer

"Subsequent Asset Transfer" is defined in Section 3.3(b)(2).

(bbb) Subsidiary

"Subsidiary" of any Person means any corporation or other organization whether incorporated or unincorporated of which at least a majority of the securities or interests having by the terms thereof ordinary voting power to elect at least a majority of the board of directors or others performing similar functions with respect to such corporation or other organization is directly or indirectly owned or controlled by such Person or by any one or more of its Subsidiaries, or by such Person and one or more of its Subsidiaries; provided, however, that no Person that is not directly or indirectly wholly owned by any other Person shall be a Subsidiary of such other Person unless such other Person controls, or has the right, power, or ability to control, that Person.

(ccc) Transferred Individual

"Transferred Individual" means any individual who, as of the Close of the Distribution Date: (1) is either then actively employed by, or then on a leave of absence from, a member of the TRICON Group; or (2) is neither then actively employed by, nor then on a leave of absence from, a member of the TRICON Group, but (A) whose most recent (through the Close of the Distribution Date) active employment with PepsiCo or a past or present affiliate of PepsiCo was with an entity or a corporate division of the Restaurant Businesses, the Casual Dining Businesses, and the predecessors of any such entities, to the extent such information is available, and who has not had an intervening period of employment covered by an agreement under which assets and liabilities with respect to the individual were or are to be transferred from a PepsiCo Pension Plan, or (B) who otherwise is identified pursuant to a methodology approved by PepsiCo and TRICON, which methodology shall be consistent with the intent of the parties that former employees of PepsiCo or a past or present affiliate of PepsiCo will be aligned with the entity for which they most recently (through the Close of the Distribution Date) worked and based upon the business of such entity. An alternate payee under a qualified domestic relations order (within the meaning of Code Sec. 414(p) and ERISA Sec. 206(d)), alternate recipient under a qualified medical child support order (within the meaning of ERISA Sec. 609(a)), beneficiary or covered dependent, in each case, of an employee or former employee described in (1) or (2) above shall also be a Transferred Individual with respect to that employee's or former employee's benefit under the applicable Plans. Such an alternate payee, alternate recipient, beneficiary, or covered dependent shall not otherwise be considered a Transferred Individual with respect to his or her own benefits under any applicable Plans unless he or she is a Transferred Individual by virtue of either of the first two sentences

of this definition. In addition, PepsiCo, in its sole discretion, may designate any other individuals, or group of individuals, as Transferred Individuals. An individual may be a Transferred Individual pursuant to this definition regardless of whether such individual is, as of the Distribution Date, alive, actively employed, on a temporary leave of absence from active employment, on layoff, terminated from employment, retired or on any other type of employment or post-employment status relative to a PepsiCo or TRICON Plan, and regardless of whether, as of the Close of the Distribution Date, such individual is then receiving any benefits from a PepsiCo or TRICON Plan. Transferred Individual includes any individual who is on an international assignment whether paid on a U.S. payroll or a payroll outside the U.S. if such individual otherwise falls within any of the above categories.

(ddd) Transition Individual

"Transition Individual" means any individual who:

(1) is a Transferred Individual who during the Transition Period becomes an employee of a member of the PepsiCo Group, without an intervening period of employment, as a result of transfer arranged by PepsiCo and TRICON; or

(2) is an employee of a member of the PepsiCo Group as of the Distribution Date (and is not a Transferred Individual) who during the Transition Period becomes an employee of a member of the TRICON Group, without an intervening period of employment, as a result of a transfer arranged by PepsiCo and TRICON; or

(3) is a Transferred Individual who during the Transition Period (A) becomes an employee of a member of the PepsiCo Group, and (B) subsequently becomes an employee of a member of the TRICON Group, in each case without an intervening period of employment and as a result of a transfer arranged by PepsiCo and TRICON; or

(4) is an employee of a member of the PepsiCo Group as of the Distribution Date (and is not a Transferred Individual) who during the Transition Period (A) becomes an employee of a member of the TRICON Group, and (B) subsequently becomes an employee of a member of the PepsiCo Group, in each case without an intervening period of employment and as a result of a transfer arranged by PepsiCo and TRICON.

An alternate payee under a qualified domestic relations order, (within the meaning of Code Sec. 414(p) and ERISA Sec. 206(d)), alternate recipient under a qualified medical child support order, (within the meaning of ERISA Sec. 609(a)), beneficiary or covered dependent, in each case, of an individual described in clause (1), (2), (3), or (4) of this definition shall also be a Transition Individual with respect to that individual's benefit under the applicable Plans. Such an alternate payee, alternate recipient, beneficiary, and covered dependent shall not otherwise be considered a Transition Individual with respect to his or her own benefits under any applicable Plans, unless he or she is a Transition Individual by virtue of clause (1), (2), (3), or (4) of this definition.

(eee) Transition Period

"Transition Period" means the period beginning Immediately after the Distribution Date and ending on December 31, 1998.

(fff) TRICON Common Stock

"TRICON Common Stock" has the meaning given that term in the Separation

Agreement.

(ggg) TRICON Group

"TRICON Group" has the meaning given that term under the Separation Agreement.

1.2 REFERENCES

Unless the context clearly indicates otherwise, reference to a particular Article, Section, or subsection means the Article, Section, or subsection so delineated in this Agreement.

ARTICLE

2

GENERAL PRINCIPLES

2.1 ASSUMPTION OF LIABILITIES

TRICON hereby assumes and agrees to pay, perform, fulfill, and discharge, in accordance with their respective terms, all of the following (regardless of when or where such Liabilities arose or arise or were or are incurred): (i) all Liabilities to or relating to Transferred Individuals arising out of or resulting from employment by a member of the PepsiCo Group before becoming Transferred Individuals (including Liabilities under PepsiCo Plans and TRICON Plans); (ii) all other Liabilities to or relating to Transferred Individuals and other employees or former employees of a member of the TRICON Group, and their dependents and beneficiaries, to the extent relating to, arising out of or resulting from future, present or former employment with a member of the TRICON Group (including Liabilities under PepsiCo Plans and TRICON Plans); (iii) all Liabilities relating to, arising out of, or resulting from any other actual or alleged employment relationship with the TRICON Group; (iv) all Liabilities under any Individual Agreements relating to Transferred Individuals; and (v) all other Liabilities relating to, arising out of, or resulting from obligations, liabilities, and responsibilities expressly assumed or retained by a member of the TRICON Group, or a TRICON Plan pursuant to this Agreement. TRICON shall have assumed all such Liabilities described in this Agreement, unless the Liability is explicitly retained in writing by PepsiCo or excluded in writing by PepsiCo from those being assumed by TRICON.

2.2 TRICON PARTICIPATION IN PEPSICO PLANS

(a) Participation in PepsiCo Plans and PepsiCo Restaurant Health and Welfare Plans

Subject to the terms and conditions of this Agreement, each member of the TRICON Group that is, as of the date of this Agreement, a Participating Company in any of the PepsiCo Plans or the PepsiCo Restaurant Health and Welfare Plans shall continue as such through the Close of the Distribution Date. Effective as of any date before the Distribution Date, a member of the TRICON Group not described in the preceding sentence may, at its request and with the consent of PepsiCo (which shall not be unreasonably withheld), become a Participating Company in any or all of the PepsiCo Plans (applicable to Transferred Individuals) or PepsiCo Restaurant Health and Welfare Plans.

(b) PepsiCo's General Obligations as Plan Sponsor

PepsiCo shall continue through the Close of the Distribution Date to administer, or cause to be administered, in accordance with their terms and applicable law, the PepsiCo Plans and the PepsiCo Restaurant Health and Welfare Plans; provided, however, that effective September 1, 1997 through the Close of the Distribution Date (unless PepsiCo directs otherwise, in its sole discretion), TRICON shall be responsible, subject to the direction and control of PepsiCo, for administering, or causing to be administered, in accordance with their terms and applicable law, the PepsiCo Restaurant Health and Welfare Plans and such portion of the PepsiCo Plans as PepsiCo shall determine in its sole discretion. Through the Close of the Distribution Date, PepsiCo shall have the sole discretion and authority to interpret the PepsiCo Plans and the PepsiCo Restaurant Health and Welfare Plans as set forth therein.

(c) TRICON's General Obligations as Participating Company

TRICON shall perform with respect to its participation in the PepsiCo Plans and PepsiCo Restaurant Health and Welfare Plans, and shall cause each other member of the TRICON Group that is a Participating Company in any PepsiCo Plan or PepsiCo Restaurant Health and Welfare Plan to perform the duties of a Participating Company as set forth in such Plans or any procedures adopted pursuant thereto, including: (i) assisting in the administration of claims, to the extent requested by the claims administrator or plan administrator of the applicable PepsiCo Plan or PepsiCo Restaurant Health and Welfare Plan; (ii) cooperating fully with PepsiCo Plan or PepsiCo Restaurant Health and Welfare Plan auditors, benefit personnel and benefit vendors; (iii) preserving the confidentiality of all financial arrangements PepsiCo has or may have with any vendors, claims administrators, trustees or any other entity or individual with whom PepsiCo has entered into an agreement relating to the PepsiCo Plans or PepsiCo Restaurant Health and Welfare Plans; and (iv) preserving the confidentiality of participant health information (including health information in relation to leaves under the Family and Medical Leave Act of 1993, as amended).

(d) Termination of Participating Company Status

Effective as of the Close of the Distribution Date, TRICON and each other member of the TRICON Group shall cease to be a Participating Company in the PepsiCo Plans.

2.3 ESTABLISHMENT OF TRICON PLANS

Effective Immediately after the Distribution Date, unless otherwise provided, TRICON shall have adopted, or shall have caused to be adopted, before the Close of the Distribution Date, the TRICON Pension Plan, the TRICON Pension Equalization Plan, the TRICON Savings Plan, the TRICON SharePower Plan, the TRICON Stock Purchase Plan, and the TRICON Executive Programs for the benefit of Transferred Individuals and other current, future, and former employees of the TRICON Group. Before the Close of the Distribution Date, to the extent that it has not already occurred, TRICON shall have adopted, or shall have caused to be adopted, effective Immediately after the Distribution Date, the TRICON Health and Welfare Plans listed in the second part of Appendix B to this Agreement, and it shall substitute itself or another member of the TRICON Group as the plan sponsor and administrator of the TRICON Health and Welfare Plans. In the context of TRICON's adoption of the TRICON Health and Welfare Plans, TRICON shall also take such steps as may be necessary to adopt and shall assume all Liabilities with respect to the PepsiCo Restaurant Health and Welfare Plans and those plans and programs under the PepsiCo Health and Welfare Plans in which Transferred

Individuals participate as of the Close of the Distribution Date. TRICON shall convert such PepsiCo Restaurant Health and Welfare Plan, along with any PepsiCo Health and Welfare Plans in which Transferred Individuals participate as of the Close of the Distribution Date, to TRICON Health and Welfare Plans effective Immediately after the Distribution Date. Except for the TRICON Stock Option Incentive Plan, the TRICON Long-Term Incentive Plan, the TRICON SharePower Plan, and the TRICON Stock Purchase Plan, the foregoing TRICON Plans as in effect Immediately after the Distribution Date shall be substantially identical in all Material Features to the corresponding PepsiCo Plans as in effect as of the Close of the Distribution Date. The TRICON Stock Option Incentive Plan, the TRICON Long-Term Incentive Plan, the TRICON SharePower Plan, and the TRICON Stock Purchase Plan shall be adopted by TRICON and approved by PepsiCo as sole shareholder of TRICON, before the Close of the Distribution Date, to become effective Immediately after the Distribution Date; provided, however, that during the two year period following the Distribution, TRICON shall in no event authorize or grant a number of options under the terms of the TRICON Stock Option Incentive Plan, the TRICON Long-Term Incentive Plan, the TRICON SharePower Plan or any other TRICON stock option plan or program, which in the aggregate would result in PepsiCo not having "control" of TRICON within the meaning of Sections 355(a)(1)(a) and 368(c) of the Code at the time of the Distribution. The exact aggregate number of options which may be authorized or granted by TRICON pursuant to the preceding sentence shall be determined by PepsiCo in its sole discretion and shall be communicated to TRICON in writing no later than October 6, 1997. Commencing on November 3, 1997, TRICON shall provide to PepsiCo, on the first business day of every month, a certificate specifying the number of options authorized or granted during the preceding month.

2.4 TERMS OF PARTICIPATION BY TRANSFERRED INDIVIDUALS

The TRICON Plans shall be, with respect to Transferred Individuals, in all respects the successors in interest to, shall recognize all rights and entitlements as of the Close of the Distribution Date under, and shall not provide benefits that duplicate benefits provided by, the corresponding PepsiCo Plans for such Transferred Individuals. PepsiCo and TRICON shall agree on methods and procedures, including amending the respective Plan documents, to prevent Transferred Individuals from receiving duplicative benefits from the PepsiCo Plans and the TRICON Plans. TRICON shall not permit any TRICON Plan to commence benefit payments to any Transferred Individual until it receives notice from PepsiCo regarding the date on which payments under the corresponding PepsiCo Plan shall cease. With respect to Transferred Individuals, each TRICON Plan shall provide that all service, all compensation, and all other benefit-affecting determinations that, as of the Close of the Distribution Date, were recognized under the corresponding PepsiCo Plan (including the PepsiCo Restaurant Health and Welfare Plans) (for periods immediately before the Close of the Distribution Date) shall, as of Immediately after the Distribution Date, receive full recognition, credit, and validity and be taken into account under such TRICON Plan to the same extent as if such items occurred under such TRICON Plan, except to the extent that duplication of benefits would result. The provisions of this Agreement for the transfer of assets from certain trusts relating to PepsiCo Plans (including Foreign Plans) to the corresponding trusts relating to TRICON Plans (including Foreign Plans) are based upon the understanding of the parties that each such TRICON Plan will assume all Liabilities of the corresponding PepsiCo Plan to or relating to Transferred Individuals, as provided for herein. If there are any legal or other authoritative reasons that any such Liabilities are not effectively assumed by the appropriate TRICON Plan, then the amount of assets transferred to the trust relating to such TRICON Plan from the trust relating to the corresponding PepsiCo Plan shall be recomputed, ab initio, as set forth below but taking into account the retention of such Liabilities by such PepsiCo Plan, and assets shall be transferred by the trust relating to such TRICON Plan to the trust relating

to such PepsiCo Plan so as to place each such trust in the position it would have been in, had the initial asset transfer been made in accordance with such recomputed amount of assets.

2.5 RESTRICTION ON PLAN AMENDMENTS

During the Transition Period, neither PepsiCo nor TRICON shall adopt any amendment, or allow any amendment to be adopted, to any of their respective Pension Plans or Savings Plans that, in the opinion of counsel acceptable to both PepsiCo and TRICON, would violate Code Sec. 411(d)(6) or that would create an optional form of benefit subject to Code Sec. 411(d)(6). During the Transition Period, TRICON shall not eliminate any investment option available under the TRICON Savings Plan as of Immediately after the Distribution Date.

ARTICLE

3

DEFINED BENEFIT PLANS

3.1 ESTABLISHMENT OF MIRROR PENSION TRUSTS

Effective Immediately after the Distribution Date, TRICON shall establish, or cause to be established, the TRICON Master Trust which shall be qualified under Code Sec. 401(a), exempt from taxation under Code Sec. 501(a)(1), and forming part of the TRICON Pension Plan and the Pizza Hut Pension Plan.

3.2 PIZZA HUT PENSION PLANS

TRICON shall continue to be responsible for all Liabilities relating to the Pizza Hut Pension Plan. Effective no later than the Close of the Distribution Date, TRICON shall substitute itself or another member of the TRICON Group for PepsiCo as the plan sponsor and administrator of the Pizza Hut Pension Plan.

3.3 ASSUMPTION OF PENSION PLAN AND PENSION EQUALIZATION PLAN LIABILITIES AND ALLOCATION OF INTERESTS IN THE PEPSICO PENSION TRUST

(a) Assumption of Liabilities by TRICON Pension Plan

Immediately after the Distribution Date all Liabilities to or relating to Transferred Individuals under the PepsiCo Pension Plan and the PepsiCo Pension Equalization Plan shall cease to be Liabilities of the PepsiCo Pension Plan and the PepsiCo Pension Equalization Plan, as applicable, and shall be assumed in full and in all respects by the TRICON Pension Plan and the TRICON Pension Equalization Plan, respectively.

(b) Asset Allocations and Transfers

(1) Calculation of Pension Plan Asset Allocation

(A) As soon as practicable after the Close of the Distribution Date, PepsiCo shall cause to be calculated the 414(1)(1) Amount for the PepsiCo Pension Plan and the TRICON Pension Plan as of the Close of the Distribution Date. The assumptions used in determining the 414(1)(1) Amount for

each Pension Plan shall be as follows:

(i) As if each plan were terminating as of the Close of the Distribution Date and with 100% of participants who are active employees, employees on leave of absence, or former employees with rights to a future deferred vested pension assumed to elect a lump sum distribution of the value of the pension benefit accrued as of the Close of the Distribution Date.

(ii) For purposes of calculating the lump sum present value, mortality rates shall be based on the applicable mortality table under Code Sec. 417(e)(3)(A)(ii)(I) as specified in Rev. Rul. 95-6 and interest calculated based on the annual rate of interest on 30-year Treasury securities for the second month preceding the month of the Close of the Distribution Date.

(iii) For retired participants or former employees receiving benefits as of the Close of the Distribution Date, the lump sum present value of the form of benefit currently elected shall be valued in the same manner and using the same assumptions as in (i) and (ii) above. For active participants who are eligible to retire as of the Close of the Distribution Date, the lump sum benefit shall be based on the accrued benefit payable at the current age reflecting appropriate early retirement reductions under the plan. For all other participants, the lump sum value is the present value of the accrued benefit commencing at normal retirement age. Early retirement subsidies shall be considered only for those participants who are retired or eligible to retire as of the Close of the Distribution Date.

(B) If the aggregate amount of the assets of the PepsiCo Pension Plan, determined as of the Close of the Distribution Date, is not less than the sum of the 414(l)(1) Amounts for the PepsiCo Pension Plan and the TRICON Pension Plan determined in accordance with (A) above, then such assets shall be allocated between the PepsiCo Pension Plan and the TRICON Pension Plan in proportion to the 414(l)(1) Amounts of each plan.

(C) If the aggregate amount of the assets of the PepsiCo Pension Plan, determined as of the Close of the Distribution Date is less than the sum of the 414(l)(1) Amounts for the PepsiCo Pension Plan and the TRICON Pension Plan, then such assets shall be allocated between the PepsiCo Pension Plan and the TRICON Pension Plan proportionately to each priority category as specified under ERISA Sec. 4044, using the assumptions specified in (A) above.

(2) Transfer of Assets to TRICON Pension Trusts

Effective Immediately after the Distribution Date, PepsiCo shall cause to be transferred from the PepsiCo Master Trust to the TRICON Master Trust an initial amount of assets in cash ("the Initial Asset Transfer"). The amount of the Initial Asset Transfer shall be an estimate, determined by PepsiCo in its sole discretion, of the cash required by the TRICON Pension Plan and Pizza Hut Pension Plan to make payment of benefits and appropriate expenses from the TRICON Master Trust in accordance with the plans from Immediately after the Distribution Date to the time of the Bulk Asset Transfer, described below. In the event that the Initial Asset Transfer provides insufficient cash for this purpose and upon TRICON's written request therefor, PepsiCo will cause to be transferred other amounts of assets in cash ("Subsequent Asset Transfer"), but only to the extent required to make cash payments as described above.

As soon as practicable after the calculation of each plan's interest in

the Master Trust pursuant to Section 3.3(b)(1), but in no event before PepsiCo (or its authorized representative) determines that the calculation and the data on which it is based are acceptably complete, accurate, and consistent, PepsiCo will cause the appropriate amount of assets to be transferred from the PepsiCo Master Trust to the TRICON Master Trust (the "Bulk Asset Transfer"). The amount of assets to be transferred in the Bulk Asset Transfer shall be equal to the aggregate of interests of the TRICON Pension Plan determined pursuant to Section 3.3(b)(1) and the Pizza Hut Pension Plan, adjusted by PepsiCo as of the date of the Bulk Asset Transfer to the extent necessary or appropriate to reasonably and appropriately reflect additional pension contributions, actual investment gains and losses experienced in the PepsiCo Master Trust, benefit payments, expenses, the Initial Asset Transfer, Subsequent Asset Transfers, data corrections, enhancements, and computational refinements from Immediately after the Distribution Date through the date of the actual asset transfer of such assets.

The specific assets to be transferred from the PepsiCo Master Trust to the TRICON Master Trust in the Bulk Asset Transfer shall represent a reasonable cross-section of the asset classes in the PepsiCo Master Trust consistent with the objective of enabling TRICON to implement an investment program for the TRICON Master Trust, but in no event shall PepsiCo or the PepsiCo Master Trust be required to incur unreasonable transaction costs in the process of transferring assets and subsequently re-balancing the investment portfolio held by the PepsiCo Master Trust. Furthermore, PepsiCo shall not transfer any shares of PepsiCo or TRICON stock or any interests in group annuity contracts held by the PepsiCo Master Trust unless specifically requested by TRICON in writing, and PepsiCo shall not be required to transfer any specific asset, any portion of any specific fund or investment manager account, or any specific portion of any specific asset, fund or investment manager account. In transferring specific assets, PepsiCo makes no representation as to the appropriateness of the resulting asset allocation or investment performance resulting from the specific assets transferred. By accepting the assets transferred, TRICON acknowledges that it and not PepsiCo is serving as the fiduciary for the TRICON Master Trust with respect to the determination and actual transfer of assets from the PepsiCo Master Trust and that, acting as fiduciary for the TRICON Pension Plan and Pizza Hut Pension Plan, TRICON further acknowledges that it is able to change the asset allocation as it deems appropriate at any time. Once the assets have been transferred to and received by the TRICON Master Trust, such event shall fully and finally foreclose any issue or matter of any nature whatsoever by TRICON, the TRICON Master Trust, the TRICON Pension Plan, and the Pizza Hut Pension Plan or any other trust(s) related to such plans against PepsiCo, the PepsiCo Master Trust, the PepsiCo Pension Plan, or any other trust(s) related to such plans relating to the condition, identity, or value of such assets and TRICON shall fully indemnify PepsiCo, its employees, officers, directors, and the PepsiCo Pension Plan and the PepsiCo Master Trust regarding any Liability or regulatory issue of any nature with respect thereto.

3.4 ACTION IN EVENT OF PBGC INTERVENTION

Notwithstanding any provision of this Agreement to the contrary, in the event that at any time the Pension Benefit Guaranty Corporation ("PBGC") asserts that the Distribution may provide justification for PBGC to seek termination of the PepsiCo Pension Plan pursuant to ERISA Sec. 4042 or otherwise asserts that the transaction may increase unreasonably the long-run loss to the PBGC (within the meaning of ERISA Sec. 4042(a)(4)) with respect to the PepsiCo Pension Plan, PepsiCo may, in its sole discretion (i) retain all assets and Liabilities with respect to Transferred Individuals and Transition Individuals under the PepsiCo Pension Plan and/or the PepsiCo Pension Equalization Plan and require TRICON to provide equivalent benefits under plans maintained by it with an offset for any benefits continued to be provided under the PepsiCo Pension Plan and/or the

PepsiCo Pension Equalization Plan, (ii) enter into negotiations with the PBGC to resolve these issues and, upon satisfactorily resolving such issues, TRICON shall fully comply with the terms of this Article; or (iii) reach such other agreement as may be satisfactory to PepsiCo and TRICON. In any case and notwithstanding any other provision of this Agreement, TRICON shall be fully responsible and liable for any obligation to, agreement with, or undertaking (on behalf of or relating to the TRICON Pension Plan) to the PBGC and shall hold PepsiCo free from and fully indemnify it against any such obligation, agreement, or undertaking. For purposes of this Section 3.4, reference to the PepsiCo Pension or the TRICON Pension Plan, as applicable, shall mean and include the Pizza Hut Pension Plan. If PepsiCo retains any liability of any Transferred Individual under the PepsiCo Pension Equalization Plan, TRICON shall fully reimburse PepsiCo for the full cash costs of, including any administrative expenses relating to, any such liability.

ARTICLE

4

DEFINED CONTRIBUTION PLANS

4.1 SAVINGS PLAN

(a) Savings Plan Trust

Effective Immediately after the Distribution Date, TRICON shall establish, or cause to be established, a trust qualified under Code Sec. 401(a), exempt from taxation under Code Sec. 501(a)(1), and forming part of the TRICON Savings Plan.

(b) Assumption of Liabilities and Transfer of Assets

Effective Immediately after the Distribution Date: (i) the TRICON Savings Plan shall assume and be solely responsible for all Liabilities (including any amounts attributable to additional contributions with respect to Transferred Individuals required pursuant to negotiations with the Internal Revenue Service that began before the Distribution Date) to or relating to Transferred Individuals under the PepsiCo Savings Plan; (ii) the TRICON Savings Plan shall assume and be solely responsible for all ongoing rights of or relating to Transferred Individuals for future participation (including the right to make contributions through payroll deductions) in the TRICON Savings Plan; and (iii) PepsiCo shall cause the accounts of the Transferred Individuals under the PepsiCo Savings Plan which are held by its related trust as of the Close of the Distribution Date to be transferred to the TRICON Savings Plan and its related trust, and TRICON shall cause such transferred accounts to be accepted by such plan and trust. Effective no later than Immediately after the Distribution Date, TRICON shall use its reasonable best efforts to enter into such agreements to accomplish such assumptions and transfers, the maintenance of the necessary participant records, the appointment of State Street Bank and Trust Company as initial trustee under the TRICON Savings Plan, and the engagement of State Street Bank and Trust Company as initial recordkeeper under such plans. As soon as practicable after the Close of the Distribution Date, assets related to the accounts of all Transferred Individuals shall be transferred from the PepsiCo Savings Plan to the TRICON Savings Plan in cash or in kind, at PepsiCo's discretion, and to the extent practicable, shall be invested in comparable investment options in the TRICON Savings Plan as such

accounts were invested immediately before the Close of the Distribution Date.

(c) Non-Employer Stock Funds

Effective Immediately after the Distribution Date, a TRICON common stock fund shall be added as an investment option to the PepsiCo Savings Plan and the TRICON Savings Plan shall provide for both a PepsiCo capital stock fund and a TRICON common stock fund as investment options. The TRICON common stock fund in the PepsiCo Savings Plan and the PepsiCo capital stock fund in the TRICON Savings Plan are each referred to as a "Non-Employer Stock Fund" with respect to the applicable plan. Each Non-Employer Stock Fund shall be maintained under the respective Plan at least through December 31, 1998. The PepsiCo Savings Plan and the TRICON Savings Plan shall each provide that, after the Distribution Date, no new contributions may be invested in, and no amounts may be transferred from other investment options to the Non-Employer Stock Fund under the respective Plan. The PepsiCo Savings Plan shall provide that no earnings or dividends under its Non-Employer Stock Fund may be reinvested in TRICON Common Stock and the TRICON Savings Plan shall provide that no earnings or dividends under its Non-Employer Stock Fund may be reinvested in PepsiCo Capital Stock.

(d) Miscellaneous Funds

In the event that PepsiCo determines that it is not feasible or appropriate to transfer in-kind the assets of a particular investment fund from the PepsiCo Savings Plan to the TRICON Savings Plan, then the value of the assets, as of the close of business on the Distribution Date (plus earnings attributable to such amount from the Distribution Date to the date the assets are actually transferred) shall be transferred in cash to the TRICON Savings Plan and TRICON shall invest such cash in its plan and trust in the same manner and proportion as it was invested in the PepsiCo Savings Plan or otherwise at the direction of each affected participant.

4.2 ESOP

At PepsiCo's election and as soon as reasonably practicable after the Distribution Date with respect to Transferred Individuals and Transition Individuals, after transfer to TRICON, the accounts of all Transferred Individuals and Transition Individuals (described in Section 1.1(ddd)(2) or (3)) shall either be (i) retained under the PepsiCo Employee Stock Ownership Plan and such individuals shall not be considered to have terminated service for any purposes under the Plan, or (ii) shall be transferred to the TRICON Savings Plan and invested in the PepsiCo or TRICON stock funds, as applicable, under the TRICON Savings Plan or, if such is not possible, in such fund or funds as otherwise determined by TRICON or, at TRICON's election, as directed by each such Transferred Individual or Transition Individual, respectively. If the accounts of Transferred Individuals and Transition Individuals are retained under the PepsiCo Employee Stock Ownership Plan, TRICON will undertake to inform PepsiCo of any change in employment status or any relevant information about TRICON employees who have balances in the PepsiCo Employee Stock Ownership Plan.

ARTICLE

5.1 ASSUMPTION OF HEALTH AND WELFARE PLAN LIABILITIES

Immediately after the Distribution Date, all Liabilities for or relating to Transferred Individuals under the PepsiCo Health and Welfare Plans, PepsiCo Restaurant Health and Welfare Plans or TRICON Health and Welfare Plans shall cease to be Liabilities of PepsiCo or the PepsiCo Plans and shall be assumed by TRICON and the TRICON Health and Welfare Plans. Thus, TRICON shall be responsible for all Liabilities that pertain to Transferred Individuals, including all reported claims that are unpaid, all incurred but not reported claims as of the Close of the Distribution Date, and all future claims that pertain to Transferred Individuals under the PepsiCo Health and Welfare Plans, PepsiCo Restaurant Health and Welfare Plans and the TRICON Health and Welfare Plans. TRICON shall be required to make all payments due or payable to Transferred Individuals under the TRICON Health and Welfare Plans for the period beginning Immediately after the Distribution Date, including incurred but not reported claims. All treatments which have been pre-certified for or are being provided to a Transferred Individual as of the Close of the Distribution Date shall continue to be provided without interruption under the appropriate TRICON Health and Welfare Plan and TRICON shall continue to be responsible for all Liabilities relating to, arising out of, or resulting from such on-going treatments as of the Close of the Distribution Date. Unless otherwise specifically set forth in writing, TRICON shall not be entitled to assets associated with any PepsiCo Health and Welfare Plan, PepsiCo Restaurant Health and Welfare Plan, or TRICON Health and Welfare Plan including, but not limited to, premium stabilization reserves, contract or plan surpluses, any other reserve, prior inter-company assessments or premiums, any prior per-capita inter-company rate payments, reimbursement for charges or premiums previously collected or any other payment or credit, of any nature whatsoever, from PepsiCo, any trust associated with any plan or program or from any third-party vendor.

5.2 ESTABLISHMENT OF MIRROR LTD VEBA

On or before the Distribution Date, TRICON shall establish, or cause to be established, the TRICON LTD VEBA, for the purpose of funding long-term disability benefits under the TRICON Health and Welfare Plans. Such trust shall constitute a voluntary employees' beneficiary association under Code Sec.501(c)(9) which is exempt from the imposition of federal income tax under Code Sec.501(a).

5.3 LTD VEBA ASSET TRANSFERS

This Section 5.3 shall govern the transfer of assets from the PepsiCo LTD VEBA to the TRICON LTD VEBA. As soon as practicable after the Close of the Distribution Date, PepsiCo shall determine the aggregate present value, as of the Close of the Distribution Date, of the future benefit obligations of each PepsiCo Plan funded by the PepsiCo LTD VEBA (separately with respect to Transferred Individuals who are eligible to receive benefits under the PepsiCo LTD VEBA as of the Close of the Distribution Date, and with respect to other individuals who are not Transferred Individuals who are eligible for such benefits). The future benefit obligations will be determined by the actuary appointed by PepsiCo, for purposes of providing necessary actuarial services for the PepsiCo LTD VEBA, in the following manner: the disabled life reserve (exclusive of the incurred but not reported ("IBNR") reserve) will be calculated as of the Close of the Distribution Date using September 1, 1997 census information requested from the third-party administrator (Aetna). The reserve for the lives that will be transferred to TRICON will be calculated separately. The actuarial basis for the disabled life reserve will be calculated using the following assumptions: interest at 7% compounded annually; termination of disability based on rates of recovery and mortality developed from the 1975 study of the Society of Actuaries of experience under Group LTD policies for

durations of disablement of three years or less. For durations of disablement in excess of three years, assumed terminations are based on a modification of the 1952 Disability Study. As soon as practicable after such determination is made, there shall be transferred from the PepsiCo LTD VEBA to the TRICON LTD VEBA an amount having a fair market value on the date of transfer equal to the amount calculated as $[(A)/(B)] \times (C)$, where "(A)" is the disabled life reserve as of the Close of the Distribution Date for the lives that will be transferred to TRICON using September 1, 1997 census information; "(B)" is the disabled life reserve for all lives under the PepsiCo LTD VEBA as of the Close of the Distribution Date using September 1, 1997 census information; and "(C)" is the market value of the PepsiCo LTD VEBA assets on the date of transfer. PepsiCo shall direct the trustee of the PepsiCo LTD VEBA to transfer cash to the trustee of the TRICON LTD VEBA in the amount determined above and TRICON shall direct the trustee of the TRICON LTD VEBA to accept such cash transfer.

5.4 CONTRIBUTIONS TO, INVESTMENTS OF, AND DISTRIBUTIONS FROM VEBAS

Before the Close of the Distribution Date, PepsiCo shall have sole authority to direct the trustee of the PepsiCo LTD VEBA, and any other VEBA sponsored by PepsiCo, as to the timing and manner of any contributions, if any, to the PepsiCo LTD VEBA, and any other VEBA sponsored by PepsiCo, the investment of any trust assets, and the distributions and/or transfers of trust assets to PepsiCo, TRICON, any Participating Company in the trusts, any paying agent, any successor trustee, or any other Person.

5.5 VENDOR CONTRACTS

(a) ASO Contracts, Group Insurance Policies, HMO Agreements and Letters of Understanding

(1) Before the Distribution Date, PepsiCo shall, in its sole discretion, take such steps as are necessary under each ASO Contract, Group Insurance Policy, HMO Agreement and letters of understanding and arrangements in existence as of the date of this Agreement to permit TRICON to participate in the terms and conditions of such ASO Contract, Group Insurance Policy, HMO Agreement or letters of understanding and arrangements from Immediately after the Distribution Date through December 31, 1998. PepsiCo, in its sole discretion, may cause one or more of its ASO Contracts, Group Insurance Policies, HMO Agreements and letters of understanding and arrangements into which PepsiCo enters after the date of this Agreement, but before the Close of the Distribution Date, to allow TRICON to participate in the terms and conditions thereof. Nothing contained in this Section 5.5(a) shall preclude PepsiCo from choosing to enter into ASO Contracts, Group Insurance Policies, HMO Agreements or other letters of understandings and arrangements with new or different vendors.

(2) PepsiCo shall have the right to determine, and shall promptly notify TRICON of, the manner in which TRICON's participation in the terms and conditions of ASO Contracts, Group Insurance Policies, HMO Agreements, letters of understanding and arrangements as set forth above shall be effectuated. The permissible ways in which TRICON's participation may be effectuated include, but are not limited to, automatically making TRICON a party to the ASO Contracts, Group Insurance Policies, HMO Agreement or letters of understanding and arrangements or obligating the third party to enter into a separate ASO Contract, Group Insurance Policy, or HMO Agreement or letters of understanding and arrangements with TRICON providing (to the extent practicable and agreeable to such third party) for the same terms and conditions as are contained in the ASO Contracts, Group Insurance Policies, HMO Agreements and letters of understanding and arrangements to which PepsiCo is a party. Such terms and conditions shall include the financial and termination provisions, performance standards, methodology, auditing policies, quality measures, reporting

requirements and target claims. TRICON hereby authorizes PepsiCo to act on its behalf to extend to TRICON the terms and conditions of the ASO Contracts, Group Insurance Policies, HMO Agreements and letters of understanding and arrangements. TRICON shall fully cooperate with PepsiCo in such efforts, and, for periods through December 31, 1998, TRICON shall not perform any act, including discussing any alternative arrangements with any third party, that would prejudice PepsiCo's efforts.

(b) Effect of Change in Rates

PepsiCo and TRICON shall use their reasonable best efforts to cause each of the insurance companies, HMOs, paid provider organizations and third-party administrators providing services and benefits under the PepsiCo Health and Welfare Plans and the TRICON Health and Welfare Plans to maintain the premium and/or administrative rates based on the aggregate number of participants in both the PepsiCo Health and Welfare Plans, after the Close of the Distribution Date, and the TRICON Health and Welfare Plans through December 31, 1998, separately rated or adjusted for the demographics, experience or other relevant factors related to the covered participants of PepsiCo and TRICON, respectively. To the extent they are not successful in such efforts, PepsiCo and TRICON shall each bear the revised premium or administrative rates for health and welfare benefits attributable to the individuals covered by their respective Plans.

(c) Management of the ASO Contracts, Group Insurance Policies, HMO Agreements, Letters of Understanding and other Vendor Contracts

From September 1, 1997 through the Close of the Distribution Date, TRICON shall be responsible, subject to the direction and control of PepsiCo, for the management of the existing contractual and other arrangements pertaining to the administration of the PepsiCo Restaurant Health and Welfare Plans. Immediately after the Distribution Date, TRICON shall be responsible for the management and control of the ASO contracts, Group Insurance Policies, HMO Agreements, letters of understanding, arrangements and other vendor contracts and relationships to the extent such contracts, policies and agreements apply to the TRICON Health and Welfare Plans. Notwithstanding the foregoing, nothing contained in this Section 5.5(c) shall permit TRICON to direct any insurance carrier, third-party vendor or claims administrator with respect to any contractual arrangement, policy or agreement pertaining to or impacting any PepsiCo Health and Welfare Plan.

5.6 PEPSICO SALARY CONTINUATION

PepsiCo shall be responsible for the administration of claims incurred under the PepsiCo Salary Continuation Plan by Transferred Individuals, and other employees and former employees of the TRICON Group before the Close of the Distribution Date; provided, however, that effective September 1, 1997 (unless PepsiCo directs otherwise in its sole discretion), TRICON shall be responsible, subject to the direction and control of PepsiCo, for administering or causing to be administered in accordance with its terms and applicable law, the TRICON Salary Continuation Plan. Any determination made or settlements entered into by PepsiCo with respect to such claims shall be final and binding. PepsiCo shall transfer to TRICON, effective Immediately after the Distribution Date, and TRICON shall assume responsibility for (i) administering all claims incurred by Transferred Individuals and other employees and former employees of the TRICON Group before the Close of the Distribution Date that are administered by PepsiCo as of the Close of the Distribution Date, and (ii) all Liabilities for Transferred Individuals as of the Close of the Distribution Date, in the same manner, and using the same methods and procedures, as PepsiCo used in determining and paying such claims. As of the Close of the Distribution Date, TRICON shall have sole discretionary authority to make any necessary determinations with respect to such claims, including entering into settlements

with respect to such claims, and shall be solely responsible for any costs, liabilities or related expenses of any nature whatsoever related to such claims, payments or obligations.

5.7 POSTRETIREMENT HEALTH AND LIFE INSURANCE BENEFITS

As soon as practicable after the Distribution Date, TRICON shall determine all Transferred Individuals who are, to the best knowledge of TRICON, eligible to receive retiree medical coverage and/or postretirement life insurance coverage under the PepsiCo Health and Welfare Plans or PepsiCo Restaurant Health and Welfare Plans as of the Close of the Distribution Date, and the type of retiree medical coverage and the level of life insurance coverage for which they are eligible, as applicable. With respect to Transferred Individuals receiving postretirement health benefits or postretirement life insurance benefits under the PepsiCo Health and Welfare Plans or PepsiCo Restaurant Health and Welfare Plans as of the Close of the Distribution Date, TRICON agrees to provide substantially the same postretirement health and postretirement life insurance benefits Immediately after the Distribution Date. To the extent a claim or cause of action asserted by or on behalf of any Transferred Individual or any Liabilities arise at any time following the Close of the Distribution Date in connection with such postretirement health or postretirement life insurance benefits, TRICON shall be solely responsible for such Liabilities and shall hold each member of the PepsiCo Group and their respective directors, officers and employees and the PepsiCo Plans harmless for all such Liabilities.

5.8 COBRA AND HIPAA

For periods prior to September 1, 1997, PepsiCo shall be responsible for administering compliance with the continuation coverage requirements for "group health plans" under Title X of the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended, and the portability requirements under the Health Insurance Portability and Accountability Act of 1996 with respect to Transferred Individuals and other employees and former employees of the TRICON Group and beneficiaries and dependents thereof and the TRICON Group shall be responsible for filing all necessary employee change notices with respect to these persons in accordance with applicable PepsiCo policies and procedures. Effective September 1, 1997 and thereafter, TRICON shall be solely responsible for administering compliance with such health care continuation coverage and portability requirements with respect to these persons.

5.9 LEAVE OF ABSENCE PROGRAMS

TRICON shall be responsible for the administration and compliance of all leaves of absences and related programs (including compliance with the Family and Medical Leave Act) affecting Transferred Individuals for the period Immediately after the Closing Date.

5.10 PEPSICO WORKERS' COMPENSATION PROGRAM

Notwithstanding any other provision of this Agreement or the Separation Agreement, effective Immediately after the Distribution Date, TRICON shall assume all Liabilities for Transferred Individuals related to any and all workers' compensation matters under any law of any state, territory, or possession of the U.S. or the District of Columbia and TRICON shall be fully responsible for the administration of all such claims. If TRICON is unable to assume any such Liability or the administration of any such claim because of the operation of applicable state law or for any other reason, TRICON shall fully indemnify PepsiCo for all such Liabilities, including the costs of any administration that TRICON has not been able to assume.

Effective Immediately after the Distribution Date, TRICON shall be responsible for the TRICON Private Line Employee Assistance Program which is the employee assistance plan component of the TRICON Employees Health Care Program with respect to Transferred Individuals.

5.12 POST-DISTRIBUTION TRANSITIONAL ARRANGEMENTS

(a) Continuance of Elections, Co-Payments and Maximum Benefits

.....(1) TRICON shall cause the TRICON Health and Welfare Plans to recognize and maintain all coverage and contribution elections made by Transferred Individuals under the PepsiCo Restaurant Health and Welfare Plans in effect for the period immediately prior to the Distribution Date and shall apply such elections under the TRICON Health and Welfare Plans for the remainder of the period or periods for which such elections are by their terms applicable.

.....(2) TRICON shall cause the TRICON Health and Welfare Plans to recognize and give credit for (A) all amounts applied to deductibles, out-of-pocket maximums, and other applicable benefit coverage limits with respect to such expenses which have been incurred by Transferred Individuals under the PepsiCo Restaurant Health and Welfare Plans (or other PepsiCo Plans) for the remainder of the benefit limit year in which the Distribution occurs, and (B) all benefits paid to Transferred Individuals under the PepsiCo Restaurant Health and Welfare Plans, (or other PepsiCo Plans) during and prior to the benefit limit year in which the Distribution occurs, for purposes of determining when such persons have reached their lifetime maximum benefits under the TRICON Health and Welfare Plans.

(3) Subject to Section 5.8, TRICON shall recognize and cover under the TRICON Health and Welfare Plans through December 31, 1998 all eligible populations covered by the PepsiCo Health and Welfare Plans (pertaining to Transferred Individuals) and the PepsiCo Restaurant Health and Welfare Plans on the Close of the Distribution Date (determined under the applicable Plan documents), including term and temporary employees and all categories of part-time employees (which are fully and partially eligible for employer contributions).

(4) TRICON shall (A) provide coverage to Transferred Individuals under the TRICON Health and Welfare Plans without the need to undergo a physical examination or otherwise provide evidence of insurability, and (B) recognize and maintain all irrevocable assignments and elections made by Transferred Individuals in connection with their life insurance coverage under the PepsiCo Restaurant Health and Welfare Plans and any predecessor plans.

(b) Administration

(1) Coordination of Benefits for Spouses and Dependents

Effective as of the first January 1 or change in family status (within the meaning of the Code and applicable regulations) that occurs Immediately after the Distribution Date, TRICON shall cause the TRICON Health and Welfare Plans to permit eligible Transferred Individuals to cover their lawful spouses as dependents if such lawful spouses are active or retired PepsiCo employees (but were not otherwise covered as a dependent under the PepsiCo Restaurant Health and Welfare Plans or other PepsiCo Plans due to their previous status as both employee and dependent of a PepsiCo employee). As of the first January 1 or change in family status (within the meaning of the Code and applicable regulations) that occurs Immediately after the Distribution Date, PepsiCo shall cause the PepsiCo Health and Welfare Plans to permit eligible PepsiCo Group

employees to cover their lawful spouses as dependents if such lawful spouses are active or retired TRICON employees. All benefits provided under any such plans to a lawful spouse dependent of the other company's employees shall be coordinated pursuant to the terms and conditions of the applicable PepsiCo and TRICON Plans.

(2) Health Care Financing Administration Data Match

Immediately after the Distribution Date, TRICON shall assume all Liabilities relating to, arising out of or resulting from claims verified by PepsiCo or TRICON under the Health Care Financing Administration data match reports that relate to Transferred Individuals. TRICON and PepsiCo shall share all information necessary to verify Health Care Financing Administration data match reports regarding Transferred Individuals. TRICON shall not change any employee identification numbers assigned by PepsiCo without notifying PepsiCo of the change and the new Employee Identification Number.

(c) Other Post-Distribution Transitional Rules

(1) PepsiCo Reimbursement Plans

To the extent any Transferred Individual contributed to an account under the TRICON Health Care Reimbursement Plan or PepsiCo Dependent Care Reimbursement Plan during the calendar year that includes the Distribution Date, effective as of the Close of the Distribution Date, TRICON shall be solely responsible for the account balances of Transferred Individuals for such calendar year under the TRICON Health Care Reimbursement Plan or TRICON Dependent Care Reimbursement Plan.

(2) Health and Welfare Plans Subrogation Recovery

If TRICON recovers any amounts through subrogation or otherwise for claims incurred by or reimbursed to employees and former employees of the PepsiCo Group and their respective beneficiaries and dependents (other than Transferred Individuals), TRICON shall pay such amounts to PepsiCo.

5.13 APPLICATION OF ARTICLE 5 TO THE TRICON GROUP

Any reference in this Article 5 to "TRICON" shall include a reference to another member of the TRICON Group when and to the extent TRICON has caused the other member of the TRICON Group to (a) become a party to a vendor contract, group insurance contract, HMO agreement, letter of understanding or arrangement associated with a TRICON Health and Welfare Plan, (b) become a self-insured entity for the purposes of one or more TRICON Health and Welfare Plans, (c) assume all or a portion of the Liabilities or administrative responsibilities for benefits which arose before the Close of the Distribution Date under a PepsiCo Restaurant Health and Welfare Plan and which were expressly assumed by TRICON pursuant to this Agreement, or (d) take any other action, extend any coverage, assume any other Liability or fulfill any other responsibility that TRICON would otherwise be required to take under the terms of this Article 5, unless it is clear from the context that the particular reference is not intended to include another member of the TRICON Group. In all such instances in which a reference in this Article 5 to "TRICON" includes a reference to another member of the TRICON Group, TRICON shall be responsible to PepsiCo for ensuring that the other member of the TRICON Group complies with the applicable terms of this Agreement and the Transferred Individuals allocated to such member of the TRICON Group shall have the same rights and entitlements to benefits under the applicable TRICON Health and Welfare Plans that the Transferred Individual would have had if he or she had instead been allocated to TRICON.

ARTICLE

6

EXECUTIVE PROGRAMS

6.1 ASSUMPTION OF OBLIGATIONS

Effective Immediately after the Distribution Date, the TRICON Group shall assume and be solely responsible for all Liabilities to or relating to Transferred Individuals under all PepsiCo Executive Programs. TRICON shall be solely responsible for all such Liabilities notwithstanding any failure by TRICON to complete its obligations under this Article 6.

SHORT-TERM INCENTIVE PLANS

With respect to all Awards that would otherwise be payable under a Short-Term Incentive Plan to Transferred Individuals for the 1997 performance year, TRICON shall be responsible for determining (a) the extent to which established performance criteria have been met, and (b) the payment level for each Transferred Individual for the 1997 performance year, and TRICON shall be solely responsible for paying all such Awards. Nothing contained in this Section 6.2 shall entitle PepsiCo or TRICON to any contributions for any Short-Term Incentive Plan payment made by the other under this Section.

6.3 LONG-TERM INCENTIVE PLAN AND STOCK OPTION INCENTIVE PLAN

PepsiCo and TRICON shall use their reasonable best efforts to take all actions necessary or appropriate so that each outstanding Award granted under any PepsiCo Long-Term Incentive Plan or PepsiCo Stock Option Incentive Plan held by any Transferred Individual shall be converted, as set forth in this Section 6.3, to an Award under the TRICON Long-Term Incentive Plan or TRICON Stock Option Incentive Plan, whichever is applicable, as provided below. References to PepsiCo and its affiliates under the PepsiCo Long-Term Incentive Plan and the PepsiCo Stock Option Incentive Plan shall be amended to refer to TRICON and its affiliates.

The treatment of outstanding Awards described below shall also apply to Transferred Individuals who are compensated under a payroll which is administered outside the 50 United States, its territories and possessions, and the District of Columbia; provided, however, if such treatment is not legally permitted, or results in adverse consequence for PepsiCo or the Transferred Individual, as determined by PepsiCo in its sole discretion, PepsiCo may determine in its sole discretion, a different treatment.

(a) Transferred Individuals Who Are Active Employees of TRICON

(1) Before 1996 Award Year Stock Options

Effective Immediately after the Distribution Date, each Award or grant consisting of an option based on or included in an award year before 1996, regardless of the date granted, that is outstanding under the PepsiCo Stock Option Incentive Plan or PepsiCo Long-Term Incentive Plan as of the Close of the Distribution Date for Transferred Individuals shall continue to be held as an option for PepsiCo Capital Stock. At PepsiCo's election, such Award or grant shall either (i) remain, and recordkeeping accounts shall be maintained, under the PepsiCo Stock Option Incentive Plan or PepsiCo Long-Term Incentive Plan,

whichever is applicable, after the Distribution Date and, at PepsiCo's further election, TRICON shall be fully responsible for administering and providing for the recordkeeping for such PepsiCo options under the PepsiCo Stock Option Incentive Plan or PepsiCo Long-Term Incentive Plan in a manner consistent with provisions of such plans, or (ii) be held and treated, and recordkeeping accounts shall be maintained by TRICON, under the TRICON Stock Option Incentive Plan or TRICON Long-Term Incentive Plan. As soon as practicable after the Distribution Date, the number of options and the exercise price for such options which shall continue to be held as options for PepsiCo Capital Stock shall be adjusted, as of the Close of the Distribution Date, by a Conversion Formula. The determination of which company shall be entitled to any tax deduction and any other treatment related to any such tax deduction (federal and state) with respect to the exercise of such PepsiCo stock options shall be made in accordance with applicable provisions of the Tax Separation Agreement. TRICON shall be solely responsible for all recordkeeping, plan maintenance and administrative costs and fees associated with such PepsiCo options.

(2) 1996 or Later Award Year Stock Options

Effective Immediately after the Distribution Date, each Award or grant consisting of an option based on or included in an award year of 1996, regardless of the date of the grant, under the PepsiCo Long-Term Incentive Plan or PepsiCo Stock Option Incentive Plan that is outstanding as of the Close of the Distribution Date for all such Transferred Individuals shall be converted to options for TRICON Common Stock under the TRICON Long-Term Incentive Plan or TRICON Stock Option Incentive Plan, whichever is applicable, and shall be transferred to the recordkeeper of the TRICON Long-Term Incentive Plan or TRICON Stock Option Incentive Plan, as appropriate. As soon as practicable after the Distribution Date, the number of options and the exercise price for such options converted to options for TRICON Common Stock shall be determined, as of the Close of the Distribution Date, in accordance with a Conversion Formula. Such converted TRICON stock option grants shall continue to vest and become exercisable under the TRICON Stock Option Incentive Plan or TRICON Long-Term Incentive Plan in accordance with the terms of the original grant under the PepsiCo Stock Option Incentive Plan or PepsiCo Long-Term Incentive Plan, whichever is applicable. TRICON shall be the obligor with respect to such options. TRICON shall be solely responsible for all stock option grants and payments under the TRICON Stock Option Incentive Plan or TRICON Long-Term Incentive Plan, with respect to, but not limited to, recordkeeping, administrative costs and fees, plan maintenance, option exercise and related tax filings.

(3) Performance Units

..... (i) 1994 Award Year

PepsiCo shall cause each Award under the PepsiCo Long-Term Incentive Plan consisting of PepsiCo performance unit awards based on the 1994 award year that is (A) outstanding as of the Close of the Distribution Date, and (B) is held by a Transferred Individual who, as of the Distribution Date, is an active employee of, or on leave of absence from, the TRICON Group, to remain an outstanding Award under the PepsiCo Long-Term Incentive Plan under its original terms and conditions; provided, however, that (i) Transferred Individuals shall not be deemed to have terminated employment under the PepsiCo Long-Term Incentive Plan until such time as they have terminated employment from TRICON, and (ii) PepsiCo, in its sole discretion, shall determine the administration and related recordkeeping with respect to Awards for Transferred Individuals, including transfer of all related recordkeeping and administration to TRICON. Notwithstanding the foregoing, for purposes of determining whether any performance unit targets have been attained for Awards from the 1994 award year, performance shall be measured based on the consolidated performance of PepsiCo

and TRICON for the 1994 through 1997 performance period. TRICON agrees to furnish PepsiCo with such data and information as may be necessary for PepsiCo to determine consolidated performance results for the applicable performance period and PepsiCo, in its sole discretion, shall determine whether and to what extent performance criteria or targets have been attained.

(ii) 1996 Award Year

To the extent a Transferred Individual has an Award under the PepsiCo Long-Term Incentive Plan consisting of PepsiCo performance units from the 1996 award year or later that is (A) outstanding as of the Close of the Distribution Date, and (B) held by a Transferred Individual who, as of the Distribution Date, is an active employee of, or on leave of absence from, the TRICON Group, TRICON agrees to assume such Award under the TRICON Long-Term Incentive Plan, effective Immediately after the Distribution Date. The number of TRICON performance units shall be adjusted as determined by PepsiCo in its sole discretion. Each such Award assumed by TRICON shall otherwise have the same terms and conditions as were applicable to the corresponding PepsiCo Award as of the Close of the Distribution Date, except that references to PepsiCo and its affiliates shall be amended to refer to TRICON and its affiliates. For purposes of determining whether a performance unit target has been attained for the 1996 award year and any subsequent year Awards, TRICON shall be required to measure its performance period based solely on TRICON's performance and PepsiCo shall have no responsibility, financial or otherwise, to Transferred Individuals for these 1996 or later Awards. To the extent any Award of performance units has been assumed by TRICON, any shares distributable by reason of such Awards shall be in the form of TRICON Common Stock. TRICON shall be solely responsible for all such Liabilities notwithstanding any failure by TRICON to complete its obligations under this Article 6.

(b) Transferred Individuals Who Are Not Active Employees of TRICON

Each outstanding Award under the PepsiCo Long-Term Incentive Plan and each grant under the PepsiCo Stock Option Incentive Plan that is held by a Transferred Individual who, as of the Close of the Distribution Date, is not an active employee of, or on leave of absence from, the TRICON Group shall remain outstanding Immediately after the Distribution Date in accordance with its terms as applicable as of the Close of the Distribution Date, subject to such adjustments as may be applicable to outstanding Awards held by individuals who remain active employees of, or on leave of absence from, the PepsiCo Group after the Distribution Date.

6.4 DEFERRAL PROGRAMS

(a) PepsiCo Executive Income Deferral Program

Immediately after the Distribution Date, the liability with respect to the balance of any Transferred Individual in an account under the PepsiCo Executive Income Deferral Program as of the Close of the Distribution Date shall be transferred to the TRICON Executive Income Deferral Program. TRICON agrees to maintain and administer the TRICON Executive Income Deferral Program (1) so as to continue all elections by Transferred Individuals under the PepsiCo Executive Income Deferral Program, and (2) in a manner that will ensure that as of the Close of Distribution Date, the investment choices will be the same; provided, however, that TRICON may, in its sole discretion amend, modify or terminate investment alternatives after the Distribution Date. Account balances invested in whole or in part in PepsiCo phantom shares as of the Close of the Distribution Date, shall be converted to investments in phantom shares of PepsiCo and TRICON in a manner consistent with the treatment of employer securities in the PepsiCo Savings Plan and the TRICON Savings Plan, as determined in PepsiCo's sole discretion. After the Close of the Distribution

Date, TRICON shall have the right to amend or modify such investment options.

(b) PepsiCo Performance Share Unit Deferral Program

Immediately after the Distribution Date, any obligations or Liabilities with respect to the balance of any Transferred Individual in an account under the PepsiCo Performance Share Unit Deferral Program as of the Close of the Distribution Date shall be transferred to and assumed by the TRICON Performance Share Unit Deferral Program.

TRICON agrees to maintain and continue all elections by Transferred Individuals under the PepsiCo Performance Share Unit Deferral Program, and to provide, as of the Close of the Distribution Date, the same investment choices as provided by this Program.; provided, however, that deferrals credited to the phantom stock investment account shall be converted to investments in phantom shares of PepsiCo and TRICON in a manner consistent with the treatment of employer securities in the PepsiCo Savings Plan and the TRICON Savings Plan, as determined in PepsiCo's sole discretion. After the Close of the Distribution Date, TRICON shall have the right to amend or modify such investment options.

(c) PepsiCo Option Gains Deferral Program

Effective as of the Close of the Distribution Date, any obligations or Liabilities with respect to the balance of any Transferred Individual under the PepsiCo Option Gains Deferral Program shall be transferred to and assumed by TRICON. TRICON agrees to maintain and administer the current deferrals under the PepsiCo Option Gains Deferral Program, as of the Close of the Distribution Date, so as to maintain and continue all elections by Transferred Individuals under the PepsiCo Option Gains Deferral Program; provided, however, that Transferred Individuals shall not be permitted to defer any gains by reason of the exercise of any option after the Close of the Distribution Date under the PepsiCo Long-Term Incentive Plan and Transferred Individuals shall not be credited with any phantom PepsiCo stock, stock units, or dividend equivalents under the TRICON Option Gains Deferral Program following the Close of the Distribution Date.

6.5 RESTAURANT DEFERRED COMPENSATION PLAN

Effective Immediately after the Distribution Date, TRICON shall have established the TRICON Restaurant Deferred Compensation Plan and shall have assumed all Liabilities under the Restaurant Deferred Compensation Plan. Effective Immediately after the Distribution Date, TRICON shall cause such TRICON Restaurant Deferred Compensation Plan to have the same investment options and phase-out of investment features as TRICON will apply to the TRICON Savings Plan. PepsiCo shall not transfer any assets to TRICON in connection with the Restaurant Deferred Compensation Plan.

6.6 EXECUTIVE LOAN PROGRAM

Effective Immediately after the Distribution Date, TRICON shall assume, accept the assignment of, and be solely responsible for all loans extended to Transferred Individuals under the PepsiCo Executive Loan Program. TRICON agrees to execute such documents as may be necessary to effect the assignment of any outstanding loans and any related security for such loans and agrees to guarantee all such loan repayments to the applicable lender and to hold PepsiCo harmless for any amounts due and owing on such loans with respect to Transferred Individuals.

6.7 STOCK OPTION INCENTIVE PLAN RECORDKEEPING ACCOUNTS

PepsiCo and TRICON shall make their reasonable best efforts to provide accurate, timely information with respect to stock options granted Transferred

Individuals under the PepsiCo Stock Option Incentive Plan and PepsiCo Long-Term Incentive Plan and the TRICON Stock Option Incentive Plan and TRICON Long-Term Incentive Plan. Whichever of PepsiCo or TRICON controls, and is responsible for providing, the information to a recordkeeper, may take such action as is necessary to effectuate a correction of any erroneous or inaccurate information provided to the recordkeepers of the TRICON Stock Option Incentive Plan or the TRICON Long-Term Incentive Plan and the PepsiCo Stock Option Incentive Plan or the PepsiCo Long-Term Incentive Plan, respectively. On or after the Close of the Distribution Date, PepsiCo shall be under no obligation to accept any data correction with respect to any TRICON employee's eligibility for stock option grants. TRICON agrees that in the event that any stock option is incorrectly or erroneously exercised under the PepsiCo Stock Option Incentive Plan or the PepsiCo Long-Term Incentive Plan, due to the untimely or inaccurate transmission of data to the recordkeeper of the PepsiCo Stock Option Incentive Plan or the PepsiCo Long-Term Incentive Plan, TRICON shall indemnify PepsiCo and hold PepsiCo and its directors, officers, employees and the Plans harmless for any Liabilities arising as a result of such transaction, including reimbursing PepsiCo for amounts paid to any individual by reason of the improper exercise of an option.

TRICON shall be responsible for the integrity of any data or information that it provides to the recordkeeper of the PepsiCo Stock Option Incentive Plan or the PepsiCo Long-Term Incentive Plan. TRICON agrees to provide to PepsiCo unlimited access to records in its possession which may be relevant to eligibility, vesting, exercise or other aspects of the PepsiCo Stock Option Incentive Plan or the PepsiCo Long-Term Incentive Plan with respect to any Transferred Individual or Transition Individual.

TRICON shall provide or cause to be provided all such information as may be reasonably necessary or required by PepsiCo, in its sole discretion, to prepare any financial returns, records or reports and shall provide such information on a timely basis sufficiently far in advance to permit the orderly preparation and filing of such financial returns, records and reports.

ARTICLE

7

MISCELLANEOUS BENEFITS

7.1 SHAREPOWER PLAN

(a) Treatment of Outstanding Grants Under PepsiCo SharePower Plan

Effective Immediately after the Distribution Date, all outstanding vested stock option grants under the PepsiCo SharePower Plan as of the Close of the Distribution Date of all Transferred Individuals shall continue to be held as options for PepsiCo Capital Stock and, at PepsiCo's election, shall either (1) remain, and recordkeeping accounts shall be maintained, under the PepsiCo SharePower Plan after the Distribution Date and, at PepsiCo's further election, TRICON shall be fully responsible for administering and providing for the recordkeeping for such PepsiCo options under the PepsiCo SharePower Plan in a manner consistent with provisions of such plan, or (2) be held and treated, and recordkeeping accounts shall be maintained, under the TRICON SharePower Plan. As

soon as practicable after the Distribution Date, the number of options and the exercise price for such options which shall continue to be held as options for PepsiCo Capital Stock shall be adjusted, as of the Close of the Distribution Date, by a Conversion Formula. The determination of which company shall be entitled to any tax deduction and any other treatment related to any such tax deduction (federal and state) with respect to the exercise of such PepsiCo stock options shall be made in accordance with applicable provisions of the Tax Separation Agreement. Effective Immediately after the Distribution Date, all outstanding nonvested stock option grants under the PepsiCo SharePower Plan as of the Close of the Distribution Date of all such Transferred Individuals shall be converted to options for TRICON Common Stock under the TRICON SharePower Plan and shall be transferred to the recordkeeper of the TRICON SharePower Plan. The number of options and the exercise price for such TRICON options shall be determined in accordance with the Conversion Formula. Such converted, transferred TRICON stock option grants shall continue to vest and become exercisable under the TRICON SharePower Plan in accordance with the terms in effect as of the date of the original grant under the PepsiCo SharePower Plan. TRICON shall be the obligor with respect to such options. TRICON shall be solely responsible for all aspects of the stock option grants under the TRICON SharePower Plan, including, but not limited to, recordkeeping, administrative costs and fees, plan maintenance, option exercise and related tax filings.

The foregoing shall apply to Transferred Individuals who are compensated under a payroll which is administered outside the 50 United States, its territories and possessions, and the District of Columbia; provided, however, if such treatment is not legally permitted, or results in adverse consequences for PepsiCo or the Transferred Individual, as determined by PepsiCo in its sole discretion, PepsiCo may determine in its sole discretion, a different treatment.

(b) Recordkeeping Accounts

PepsiCo and TRICON shall make their reasonable best efforts to provide accurate, timely information with respect to stock options granted Transferred Individuals under the PepsiCo SharePower Plan. Whichever of PepsiCo or TRICON controls, and is responsible for providing, the information to a recordkeeper, may take such action as is necessary to effectuate a correction of any erroneous or inaccurate information provided to the recordkeepers of the TRICON SharePower Plan or the PepsiCo SharePower Plan, respectively. On or after the Close of the Distribution Date, PepsiCo shall be under no obligation to accept any data correction with respect to any TRICON employee's eligibility for stock option grants. TRICON agrees that in the event that any stock option is incorrectly or erroneously exercised under the PepsiCo SharePower Plan, due to the untimely or inaccurate transmission of data to the recordkeeper, TRICON shall indemnify PepsiCo and hold PepsiCo and its directors, officers, employees and the Plans harmless for any Liabilities arising as a result of such transaction, including reimbursing PepsiCo for amounts paid to any individual by reason of the improper exercise of an option.

TRICON shall be responsible for the integrity of any data or information that it provides to the recordkeeper. TRICON agrees to provide to PepsiCo unlimited access to records in its possession which may be relevant to eligibility, vesting, exercise or other aspects of the PepsiCo SharePower Plan with respect to any Transferred Individual or Transition Individual.

TRICON shall provide or cause to be provided all such information as may be reasonably necessary or required by PepsiCo, in its sole discretion, to prepare any financial returns, records or reports and shall provide such information on a timely basis sufficiently far in advance to permit the orderly preparation and filing of such financial returns, records and reports.

7.2 STOCK PURCHASE PLAN

(a) Transfer of PepsiCo Capital Stock

With respect to all Transferred Individuals who have beneficial ownership of PepsiCo Capital Stock in the PepsiCo Stock Purchase Plan, as of the Close of the Distribution Date, PepsiCo shall create individual accounts under the PepsiCo DRIP, and shall transfer such PepsiCo Capital Stock to those accounts, as of the Close of the Distribution Date or as soon as practicable thereafter.

(b) Transfer of TRICON Common Stock

With respect to all Transferred Individuals who become beneficial owners of TRICON Common Stock received under the PepsiCo Stock Purchase Plan, as a result of the Distribution, TRICON shall create individual accounts under the TRICON Stock Purchase Plan for the purpose of receiving such TRICON Common Stock which shall be transferred by PepsiCo, as of the Close of the Distribution Date or as soon as practicable thereafter.

With respect to all employees or former employees of the PepsiCo Group who become beneficial owners of TRICON Common Stock received under the PepsiCo Stock Purchase Plan, as a result of the Distribution, TRICON shall create individual accounts under the TRICON DRIP, for the purpose of receiving such TRICON Common Stock which shall be transferred by PepsiCo, as of the Close of the Distribution Date or as soon as practicable thereafter.

ARTICLE

8

TRANSITIONAL ARRANGEMENTS

8.1 TRANSITION INDIVIDUALS/RECOGNITION OF SERVICE

The parties intend that, for the duration of the Transition Period, the respective Plans of PepsiCo and TRICON shall mutually recognize service, compensation, and other benefit determining factors (except as otherwise provided herein with respect to stock options) with respect to Transition Individuals as if the Transition Individual's service recognized by either the PepsiCo Group or the TRICON Group, respectively, had been performed entirely for the Hiring Company. In this regard, in determining a Transition Individual's service under the Hiring Company's Pension Plan, Pension Equalization Plan, Savings Plan, SharePower Plan, Stock Purchase Plan, Health and Welfare Plans, Executive Programs, vacation and payroll practices, and other Plans, the Hiring Company shall grant full credit for and recognition of the Transition Individual's service as such may be recognized under the above mentioned plans and programs.

8.2 PENSION PLANS

(a) Assumption of Liabilities/Noncommencement of Pensions

Effective as of the date a Transition Individual is transferred to a Hiring Company: (i) the Hiring Company's Pension Plan shall assume and be solely

responsible for all Liabilities to or relating to the Transition Individual under the Prior Company's Pension Plan; and (ii) no pension benefits with respect to the Transition Individual from a Prior Company's Pension Plan or Pension Equalization Plan shall commence while he or she is employed by the Hiring Company.

(b) Asset/Liability Allocations and Transfers

PepsiCo or TRICON, as applicable, shall arrange to transfer assets and liabilities relating to the benefit of each Transition Individual under the Prior Company Pension Plan to the Hiring Company Pension Plan. The liability related to each such Transition Individual shall be calculated in accordance with the same procedures and assumptions described in Section 3.3(b) effective as of the date the Transition Individual is transferred to the Hiring Company. The transfer of assets relating to such liability shall occur as soon as practicable after the Transition Period and a single net aggregate transfer shall take place in accordance with the procedures described in the following paragraph.

The amount of assets related to each Transition Individual shall be 100% of the benefit liability calculated at the effective date of the transfer, adjusted to reflect interest at a rate equal to the yield on the Northern Trust Collective Short-Term Investment Fund from the effective date of the transfer to the date the assets are transferred. The amount of assets so calculated shall be aggregated for all Transition Individuals transferring from PepsiCo to TRICON and for all Transition Individuals transferring from TRICON to PepsiCo. The company with the greater aggregate amount of assets shall subtract the other company's aggregate amount of assets, and shall arrange to transfer the net aggregate amount so calculated from its plan and trust to the other company's plan and trust.

8.3 SAVINGS PLAN

Upon a Transition Individual's transfer to a Hiring Company (i) the Prior Company shall cause the accounts of the Transition Individual under the Prior Company's Savings Plan which are held by their related trusts to be transferred to the corresponding Hiring Company's Savings Plan and their related trusts as soon as practicable after the Transition Individual's date of transfer; and (ii) the Hiring Company shall cause the transferred accounts to be accepted by its plans and trusts; and (iii) as soon as the assets relating to the Transition Individual's account have been transferred, the Hiring Company's Savings Plan shall assume and be solely responsible for all Liabilities to or relating to the Transition Individual under the corresponding Prior Company's Savings Plan. Assets may be transferred from the Prior Company Savings Plan to the Hiring Company Savings Plan in cash or in kind and, to the extent practicable, the Transition Individual's accounts shall be invested in comparable investment options under the Hiring Company Savings Plan as his or her accounts were invested under the Prior Company Savings Plan immediately before the transfer.

8.4 HEALTH AND WELFARE PLANS

(a) Continuance of Elections, Co-Payments, and Maximum Benefits.

Each of PepsiCo and TRICON shall cause the Health and Welfare Plans of itself and its affiliates to recognize and maintain all coverage and contribution elections made by Transition Individuals under the Health and Welfare Plans of the other company and its affiliates. Each Hiring Company shall apply such elections under its Health and Welfare Plans for the remainder of the

period or periods for which the elections are by their terms originally applicable; provided, however that Hiring Company shall cause the Hiring Company Health and Welfare Plans to permit new coverage and contribution elections by Transition Individuals in the same manner as such elections were permitted by PepsiCo for transfers between its divisions before the Distribution Date.

PepsiCo Health and Welfare Plans and TRICON Health and Welfare Plans shall recognize and give credit for all amounts applied to deductibles, out-of-pocket maximums, and other applicable benefit coverage limits with respect to the current year.

(b) Reimbursement Plans

To the extent any Transition Individual contributed to an account under a Prior Company's Reimbursement Plan during a calendar year falling within the Transition Period, the Prior Company shall transfer to the Hiring Company (a) the liability for such account balances for that calendar year and (b) an equal amount of cash to cover such liability.

8.5 EXECUTIVE PROGRAMS

(a) Long-Term Incentive Plan and Stock Option Incentive Plan

Effective as of the date a Transition Individual is transferred to a Hiring Company, the Transition Individual shall retain such stock options, phantom shares, and performance units as were granted or awarded and in effect as of the effective date of transfer under the Prior Company Plans. Service with the Prior Company and the Hiring Company shall be mutually recognized under each company's Long-Term Incentive Plan and Stock Option Incentive Plan.

(b) Restaurant Deferred Compensation Plan

To the extent the Transition Individual is a participant in the Restaurant Deferred Compensation Plan, and is transferred from TRICON to PepsiCo, TRICON shall retain all Liabilities with regard to such Transition Individual under the Restaurant Deferred Compensation Plan. TRICON will amend its plan to preclude distributions on account of termination of employment prior to the Transition Individual's termination of employment from PepsiCo or TRICON.

(c) Deferral Programs

Effective as of the date a Transition Individual is transferred to a Hiring Company, the Transition Individual's account balance under the Deferral Programs of the Prior Company shall remain on the books and records of the Prior Company. The Transition Individual shall not be entitled to a distribution from such Deferral Programs at the Prior Company by reason of the transfer.

8.6 SHAREPOWER PLANS

Effective as of the date a Transition Individual is transferred to a Hiring Company, the Transition Individual shall retain such stock options as were granted or awarded and in effect as of the effective date of transfer under the Prior Company SharePower Plan. Service with the Prior Company and the Hiring Company shall be mutually recognized under each company's SharePower Plans.

8.7 STOCK PURCHASE PLANS

As soon as practicable after a Transition Individual is transferred to a Hiring Company, the Prior Company shall determine whether the Transition Individual has a beneficial interest in any stock (PepsiCo Capital Stock or TRICON Common Stock, as applicable) purchased under the Prior Company Stock

Purchase Plan. In the event that a Transition Individual has a beneficial interest in any stock (PepsiCo Capital Stock or TRICON Common Stock, as applicable) purchased under the Prior Company Stock Purchase Plan, the Prior Company shall transfer such stock to an individual account established under its DRIP for the benefit of such Transition Individual

8.8 SHORT-TERM INCENTIVE PLAN

To the extent a Transition Individual is hired or rehired by a Hiring Company during the Transition Period, the payment of any Award under the PepsiCo Short-Term Incentive Plan or TRICON Short-Term Incentive Plan or any comparable or other incentive or award program shall be paid for in its entirety by the entity (PepsiCo or TRICON) on whose payroll the Transition Individual was employed on December 31, 1997 (for the 1997 performance year) or December 31, 1998 (for the 1998 performance year) and shall be based on the Transition Individual's period of employment with both the Hiring Company and the Prior Company during the performance year in question. Neither PepsiCo nor TRICON shall be entitled to any reimbursement from the other for payments under this Section.

ARTICLE

9

GENERAL

9.1 PAYMENT OF AND ACCOUNTING TREATMENT FOR EXPENSES AND BALANCE SHEET AMOUNTS

(a) Expenses

All expenses (and the accounting treatment related thereto) through the Close of the Distribution Date regarding matters addressed herein shall be handled and administered by PepsiCo and TRICON in accordance with past PepsiCo accounting and financial practices and procedures pertaining to such matters. To the extent expenses are unpaid as of the Close of the Distribution Date that pertain to Transferred Individuals, TRICON or any member of the TRICON Group, TRICON shall be solely responsible for such payment, without regard to any accounting treatment to be accorded such expense by PepsiCo or TRICON on their respective books and records. The accounting treatment to be accorded all such expenses, whether such expenses are paid by PepsiCo or TRICON, shall be determined by PepsiCo in its sole discretion.

(b) Balance Sheet Amounts

TRICON shall assume any balance sheet liability for any Liability assumed by it under this Agreement as of the Close of the Distribution Date or thereafter, with respect to any Transferred Individual or Transition Individual. The determination of any balance sheet liability as of the Close of the Distribution Date shall be determined by PepsiCo in its sole discretion consistent with past accounting practices, consistently applied.

9.2 SHARING OF PARTICIPANT INFORMATION

PepsiCo and TRICON shall share, PepsiCo shall cause each applicable member of the PepsiCo Group to share, and TRICON shall cause each applicable member of the TRICON Group to share, with each other and their respective agents

and vendors (without obtaining releases) all participant information necessary for the efficient and accurate administration of each of the PepsiCo Plans and the TRICON Plans during the Transition Period. PepsiCo and TRICON and their respective authorized agents shall, subject to applicable laws on confidentiality, be given reasonable and timely access to, and may make copies of, all information relating to the subjects of this Agreement in the custody of the other party, to the extent necessary for such administration. Until the Close of the Distribution Date, all participant information shall be provided in the manner and medium applicable to Participating Companies in the PepsiCo Plans generally, and thereafter until December 31, 1998, all participant information shall be provided in a manner and medium that is compatible with the data processing systems of PepsiCo as in effect of the Close of the Distribution Date, unless otherwise agreed to by PepsiCo and TRICON.

9.3 RESTRICTIONS ON EXTENSION OF OPTION EXERCISE PERIODS, AMENDMENT OR MODIFICATION OF OPTION TERMS AND CONDITIONS

TRICON agrees that, without the prior written consent of PepsiCo, neither TRICON nor any of its affiliates shall take any action to extend the exercise period of or to provide for additional vesting with respect to any PepsiCo options for Transferred or Transition Individuals, including, but not limited to, providing such Transferred or Transition Individuals with leaves of absences or special termination or severance arrangements. Neither TRICON nor any of its affiliates may in any way or for any purpose modify, alter, amend or terminate any terms or conditions with respect to any PepsiCo option.

9.4 NON-SOLICITATION OF EMPLOYEES

For a period of two years from the Close of the Distribution Date, TRICON and its affiliates will not, without the prior written consent of PepsiCo, and PepsiCo and its affiliates will not, without the prior written consent of TRICON, whether directly or indirectly, solicit (in writing or orally) for employment or other services, whether as an employee, officer, director, agent, consultant or independent contractor, any person who or which is at the time of such solicitation an employee, agent, representative, officer or director of the other party; provided, however, that this covenant shall continue to apply in the case of Persons who have left the employ of either party within a thirty day period prior to being solicited by the other party.

9.5 REPORTING AND DISCLOSURE AND COMMUNICATIONS TO PARTICIPANTS

While TRICON is a Participating Company in the PepsiCo Plans, TRICON shall take, and shall cause each other applicable member of the TRICON Group to take, all actions necessary or appropriate to facilitate the distribution of all PepsiCo Plan-related communications and materials to employees, participants and beneficiaries, including summary plan descriptions and related summaries of material modification, summary annual reports, investment information, prospectuses, notices and enrollment material for the TRICON Plans. TRICON shall assist, and TRICON shall cause each other applicable member of the TRICON Group to assist, PepsiCo in complying with all reporting and disclosure requirements of ERISA, including the preparation of Form 5500 annual reports for the PepsiCo Plans, where applicable.

9.6 PLAN AUDITS

- (a) Audit Rights with Respect to the Allocation or Transfer of Plan Assets

The allocation of Pension Plan assets and liabilities pursuant to Section 3.2 and the transfer of assets from PepsiCo VEBAs pursuant to Section 5.2, shall, at the election of TRICON, be audited on behalf of both PepsiCo and

TRICON by an actuarial and benefit consulting firm mutually selected by the parties. The scope of such audit shall be limited to the accuracy of the data and the accuracy of the computation and adherence to the methodology specified in this Agreement and except as set forth in the penultimate sentence of this Section 9.6(a), such audit shall not be binding on the parties. The actuarial and benefit consulting firm shall provide its report to both PepsiCo and TRICON. No other audit shall be conducted with respect to the transfer or allocation of Plan assets and no issue of any nature whatsoever may be raised by TRICON once the allocation has been effected. TRICON shall pay or shall be responsible for the payment of the full costs of such audit. To the extent such audit recommends a change to the value of assets allocated to a TRICON Plan of less than 5%, the original determination shall be binding on the parties and shall not be subject to the dispute resolution process provided under the Separation Agreement. To the extent such audit recommends such a change of 5% or more, any unresolved dispute between the parties as to whether and how to make any change in response to such recommendation shall be subject to the dispute resolution process provided under the Separation Agreement.

(b) Audit Rights With Respect to Information Provided

(1) Each of PepsiCo and TRICON, and their duly authorized representatives, shall have the right to conduct audits at any time upon reasonable prior notice, at their own expense, with respect to all information provided to it or to any Plan recordkeeper or third party administrator by the other party; provided, however, that PepsiCo or its authorized representatives may, at TRICON's expense, conduct audits at any time with respect to any information related to PepsiCo options granted to Transferred Individuals or Transition Individuals. The party conducting the audit shall have the sole discretion to determine the procedures and guidelines for conducting audits and the selection of audit representatives under this Section 9.6(b); provided, that audits with respect to the allocation or transfer of Plan assets and liabilities shall be subject only to Section 9.6(a). The auditing party shall have the right to make copies of any records at its expense, subject to the confidentiality provisions set forth in the Separation Agreement, which are incorporated by reference herein. The party being audited shall provide the auditing party's representatives with reasonable access during normal business hours to its operations, computer systems and paper and electronic files, and provide workspace to its representatives. After any audit is completed, the party being audited shall have the right to review a draft of the audit findings and to comment on those findings in writing within five business days after receiving such draft.

(2) The auditing party's audit rights under this Section 9.6(b) shall include the right to audit, or participate in an audit facilitated by the party being audited, of any Subsidiaries and affiliates of the party being audited and of any benefit providers and third parties with whom the party being audited has a relationship, or agents of such party, to the extent any such persons are affected by or addressed in this Agreement (collectively, the "Non-parties"). The party being audited shall, upon written request from the auditing party, provide an individual (at the auditing party's expense) to supervise any audit of any such benefit provider or third party. The auditing party shall be responsible for supplying, at its expense, additional personnel sufficient to complete the audit in a reasonably timely manner.

(c) Audits Regarding Vendor Contracts

From Immediately after the Distribution Date through December 31, 1998, PepsiCo and TRICON and their duly authorized representatives shall have the right to conduct joint audits with respect to any vendor contracts that relate to both the PepsiCo Health and Welfare Plans and the TRICON Health and Welfare Plans. The scope of such audits shall encompass the review of all

correspondence, account records, claim forms, canceled drafts (unless retained by the bank), provider bills, medical records submitted with claims, billing corrections, vendor's internal corrections of previous errors and any other documents or instruments relating to the services performed by the vendor under the applicable vendor contracts. PepsiCo and TRICON shall agree on the performance standards, audit methodology, auditing policy and quality measures and reporting requirements relating to the audits described in this Section 9.6 and the manner in which costs incurred in connection with such audits will be shared.

9.7 BENEFICIARY DESIGNATIONS

All beneficiary designations made by Transferred Individuals for PepsiCo Plans shall be transferred to and be in full force and effect under the corresponding TRICON Plans until such beneficiary designations are replaced or revoked by the Transferred Individual who made the beneficiary designation. All beneficiary designations made by Transition Individuals for Prior Company Plans shall be transferred to and be in full force and effect under the corresponding Hiring Company Plans until such beneficiary designations are replaced or revoked by the Transition Individual who made the beneficiary designation.

9.8 REQUESTS FOR INTERNAL REVENUE SERVICE RULINGS AND UNITED STATES DEPARTMENT OF LABOR OPINIONS

(a) Cooperation

TRICON shall cooperate fully with PepsiCo on any issue relating to the transactions contemplated by this Agreement for which PepsiCo elects to seek a determination letter or private letter ruling from the Internal Revenue Service or an advisory opinion from the United States Department of Labor. PepsiCo shall cooperate fully with TRICON with respect to any request for a determination letter or private letter ruling from the Internal Revenue Service or advisory opinion from the United States Department of Labor with respect to any of the TRICON Plans relating to the transactions contemplated by this Agreement.

(b) Applications

PepsiCo and TRICON shall make such applications to regulatory agencies, including the Internal Revenue Service and the United States Department of Labor, as may be necessary to ensure that any transfers of assets from the PepsiCo LTD VEBA to the TRICON LTD VEBA will neither (i) result in any adverse tax, legal or fiduciary consequences to PepsiCo and TRICON, the PepsiCo LTD VEBA, the TRICON LTD VEBA, any participant therein or beneficiaries thereof, , any successor welfare benefit funds established by or on behalf of TRICON, or the trustees of such trusts, nor (ii) contravene any statute, regulation or technical pronouncement issued by any regulatory agency. Before the Close of the Distribution Date, TRICON shall prepare all forms required to obtain favorable determination letters from the Internal Revenue Service with respect to the tax-exempt status of the TRICON LTD VEBA. TRICON and PepsiCo agree to cooperate with each other to fulfill any filing and/or regulatory reporting obligations with respect to such transfers.

9.9 FIDUCIARY AND RELATED MATTERS

The Parties acknowledge that PepsiCo will not be a fiduciary with respect to the TRICON Plans and that TRICON will not be a fiduciary with respect to the PepsiCo Plans. TRICON also acknowledges that PepsiCo shall not be deemed to be in violation of this Agreement if it fails to comply with any provisions hereof based upon its good faith determination that to do so would violate any applicable fiduciary duties or standards of conduct under ERISA or other

applicable law. Notwithstanding any other provision in this Agreement, the Parties may take such actions as necessary or appropriate to effectuate the terms and provisions of this Agreement.

9.10 NON-TERMINATION OF EMPLOYMENT; NO THIRD-PARTY BENEFICIARIES

No provision of this Agreement or the Separation Agreement shall be construed to create any right, or accelerate entitlement, to any compensation or benefit whatsoever on the part of any Transferred Individual or other future, present, or former employee of the PepsiCo Group or the TRICON Group under any PepsiCo Plan or TRICON Plan or otherwise. Without limiting the generality of the foregoing, except as expressly provided in this Agreement: (i) neither the Distribution nor the termination of the Participating Company status of a member of the TRICON Group shall cause any employee to be deemed to have incurred a termination of employment which entitles such individual to the commencement of benefits under any of the PepsiCo Plans, any of the TRICON Plans, or any of the Individual Agreements; and (ii) nothing in this Agreement other than those provisions specifically set forth herein to the contrary shall preclude TRICON, at any time after the Close of the Distribution Date, from amending, merging, modifying, terminating, eliminating, reducing, or otherwise altering in any respect any TRICON Plan, any benefit under any Plan or any trust, insurance policy or funding vehicle related to any TRICON Plan.

9.11 COLLECTIVE BARGAINING

To the extent any provision of this Agreement is contrary to the provisions of any applicable collective bargaining agreement to which PepsiCo or any affiliate of PepsiCo is a party, the terms of such collective bargaining agreement shall prevail. Should any provisions of this Agreement be deemed to relate to a topic determined by an appropriate authority to be a mandatory subject of collective bargaining, PepsiCo or TRICON may be obligated to bargain with the union representing affected employees concerning those subjects. Neither party will agree to a modification of any applicable collective bargaining agreement without the consent of the other. In the event a force surplus affecting members of a bargaining unit in both the PepsiCo Group (on the one hand) and the TRICON Group (on the other hand) directly results, due to the provisions of such a collective bargaining agreement, in an employee involuntarily leaving the payroll of the party not declaring the surplus, then the party declaring the surplus shall bear the cost of any severance payable to such employee.

9.12 CONSENT OF THIRD PARTIES

If any provision of this Agreement is dependent on the consent of any third party (such as a vendor or a union) and such consent is withheld, PepsiCo and TRICON shall use their reasonable best efforts to implement the applicable provisions of this Agreement to the full extent practicable. If any provision of this Agreement cannot be implemented due to the failure of such third party to consent, PepsiCo and TRICON shall negotiate in good faith to implement the provision in a mutually satisfactory manner. The phrase "reasonable best efforts" as used in this Agreement shall not be construed to require the incurrence of any non-routine or unreasonable expense or liability or the waiver of any right.

9.13 FOREIGN PLANS

As soon as practicable after the date of this Agreement, PepsiCo and TRICON shall enter into an agreement regarding the treatment of Foreign Plans consistent with the principles set forth in Appendix C.

9.14 EFFECT IF DISTRIBUTION DOES NOT OCCUR

If the Distribution does not occur, then all actions and events that are, under this Agreement, to be taken or occur effective as of the Close of the Distribution Date, Immediately after the Distribution Date, or otherwise in connection with the Distribution, shall not be taken or occur except to the extent specifically agreed by TRICON and PepsiCo.

9.15 RELATIONSHIP OF PARTIES

Nothing in this Agreement shall be deemed or construed by the parties or any third party as creating the relationship of principal and agent, partnership or joint venture between the parties, it being understood and agreed that no provision contained herein, and no act of the parties, shall be deemed to create any relationship between the parties other than the relationship set forth herein.

9.16 AFFILIATES

Each of PepsiCo and TRICON shall cause to be performed, and hereby guarantees the performance of, all actions, agreements and obligations set forth in this Agreement to be performed by members of the PepsiCo Group or members of the TRICON Group, respectively, where relevant.

9.17 ARBITRATION

Any controversy or claim arising out of or relating to this Agreement, or the breach hereof, shall be settled by arbitration in accordance with the then prevailing Commercial Arbitration Rules of the American Arbitration Association (the "AAA") as such rules may be modified herein.

An award rendered in connection with an arbitration pursuant to this Section shall be final and binding and judgment upon such an award may be entered and enforced in any court of competent jurisdiction.

The forum for arbitration under this Section shall be agreed upon by the Parties, or, failing such agreement, shall be New York, New York.

Arbitration shall be conducted by a single arbitrator selected jointly by PepsiCo and TRICON. If within 30 days after a demand for arbitration is made, PepsiCo and TRICON are unable to agree on a single arbitrator, three arbitrators shall be appointed. Within 30 days after such inability to agree, PepsiCo and TRICON shall each select one arbitrator and those two arbitrators shall then select a third arbitrator unaffiliated with either Party. In connection with the selection of the third arbitrator, consideration shall be give to familiarity with employee benefit plans and programs and related matters and experience in dispute resolution between parties, as a judge or otherwise. If the arbitrators selected by PepsiCo and TRICON cannot agree on the third arbitrator within such 30 day period, they shall discuss the qualifications of such third arbitrator with the AAA prior to selection of such arbitrator, which selection shall be in accordance with the Commercial Arbitration Rules of the AAA.

If an arbitrator cannot continue to serve, a successor to an arbitrator selected by PepsiCo or TRICON, as the case may be, also shall be selected by the same Party, and a successor to the neutral arbitrator shall be selected as specified above. A full rehearing will be held only if the neutral arbitrator is unable to continue to serve or if the remaining arbitrators unanimously agree that such a rehearing is appropriate.

The arbitrator or arbitrators shall be guided, but not bound, by the Federal Rules of Evidence and by the procedural rules, including discovery

provisions, of the Federal Rules of Civil Procedure. Any discovery shall be limited to information directly relevant to the controversy or claim in arbitration.

9.18 INDEMNIFICATION

Effective on the Distribution Date, TRICON agrees to indemnify and hold harmless each member of the PepsiCo Group and each of their respective officers, directors, employees and agents and the PepsiCo Plans from and against any and all losses, Liabilities, claims, suits, damages, costs and expenses (including without limitation, reasonable attorneys' fees and any and all expenses reasonably incurred in investigating, preparing or defending against any pending or seriously threatened litigation or claim) arising out of or related in any manner to Transferred Individuals and Transition Individuals described in Section 1.1(ddd)(2) and (3). Similarly, effective on the Distribution Date, PepsiCo agrees to indemnify and hold harmless each member of the TRICON Group and each of their respective officers, directors, employees and agents and the TRICON Plans from and against any and all losses, Liabilities, claims, suits, damages, costs and expenses (including, without, limitation reasonable attorneys' fees and any and all expenses reasonably incurred in investigating, preparing or defending against any pending or seriously threatened litigation or claim) arising out of or related in any manner to Transferred Individuals and Transition Individuals described in Section 1.1(ddd)(1) and (4).

If any action is brought or any claim is made against a Party or person in respect of which indemnity may be sought pursuant to this Section 9.18 (the "Indemnitee"), the Indemnitee shall, within ten days after the receipt of information indicating that an action or claim is likely, notify in writing the Party from whom indemnification is sought (the "Indemnitor") of the institution of the action or the making of the claim, and the Indemnitor shall have the right, and at the request of the Indemnitee, shall have the obligation, to assume the defense of the action or claim, including the employment of counsel. If the Indemnitor assumes the defense of the action or claim, the Indemnitor shall be entitled to settle the action or claim on behalf of the Indemnitee without the prior written consent of the Indemnitee unless such settlement would, in addition to the payment of money, materially affect the ongoing business or employment of the Indemnitee.

The Indemnitee shall have the right to employ its own counsel, but the fees and expenses of that counsel shall be the responsibility of the Indemnitee unless (i) the employment of that counsel shall have been authorized in writing by the Indemnitor in connection with the defense of the action or claim; (ii) the Indemnitor shall not have employed counsel to have charge of the defense of such action or claim; or (iii) such Indemnitee shall have reasonably concluded that there may be defenses available to it which are different from or additional to those available to the Indemnitor (in which case the Indemnitor shall not have the right to direct any different defense of the action or claim on behalf of the Indemnitee). The Indemnitee shall, in any event, be kept fully informed of the defense of any such action or claim. Except as expressly provided above, in the event that the Indemnitor shall not previously have assumed the defense of an action or claim, at such time as the Indemnitor does assume the defense of the action or claim, the Indemnitor shall not thereafter be liable to any Indemnitee for legal or other expenses subsequently incurred by the Indemnitee in investigating, preparing or defending against such action or claim.

Anything in this Section 9.18 to the contrary notwithstanding, the Indemnitor shall not be liable for any settlement of any claim or action effected without its written consent; provided, however, that if after due notice the Indemnitor refuses to defend a claim or action, the Indemnitee shall have the right to defend and/or settle such action, and the Indemnitee shall not

be precluded from making a claim against the Indemnitor for reasonable expenses and liabilities resulting from such defense and/or settlement in accordance with this Section 9.18.

Notwithstanding the foregoing provisions of this Section 9.18, there may be particular actions or claims which reasonably could result in both Parties being liable to the other under the indemnification provisions of this Agreement. In such events, the Parties shall endeavor, acting reasonably and in good faith, to agree upon a manner of conducting the defense and settlement of the action or claim with a view to minimizing the legal expenses and associated costs that might otherwise be incurred by the Parties, such as, by way of illustration only, agreeing to use the same legal counsel.

The indemnification provisions of this Section 9.18 shall not inure to the benefit of any third party. By way of illustration only, an insurer who would otherwise be obligated to pay any claim shall not be relieved of the responsibility with respect thereto, or, solely by virtue of the indemnification provisions, hereof, have any subrogation rights with respect thereto, it being expressly understood and agreed that no insurer or any other third party shall be entitled to a "windfall" (i.e., a benefit they would not be entitled to receive in the absence of the indemnification provisions) by virtue of these indemnification provisions.

9.19 NOTICES

Any notice, demand, claim, or other communication under this Agreement shall be in writing and shall given in accordance with the provisions for giving notice under the Separation Agreement.

9.20 INTERPRETATION

Words in the singular shall be held to include the plural and vice versa and words of one gender shall be held to include the other genders as the context requires. The terms "hereof," "herein," and "herewith" and words of similar import shall, unless otherwise stated, be construed to refer to this Agreement as a whole (including all Exhibits hereto) and not to any particular provision of this Agreement. The word "including" and words of similar import when used in this Agreement shall mean "including, without limitation," unless the context otherwise requires or unless otherwise specified. The word "or" shall not be exclusive.

9.21 GOVERNING LAW/EXECUTION

This Agreement shall be governed by and construed in accordance with the laws of the State of North Carolina, may not be assigned by either Party without the written consent of the other, and shall bind and inure to the benefit of the Parties hereto and their respective successors and permitted assignees. This Agreement may not be amended or supplemented except by an agreement in writing signed by PepsiCo and TRICON. This Agreement may be executed in counterparts, each of which shall be deemed an original and all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties have caused this Employee Programs Agreement to be duly executed as of the day and year first above written.

PepsiCo, Inc.

By: -----
Name:

Title:

TRICON, Inc.

By: -----

Name:

Title:

APPENDIX A

PEPSICO EXECUTIVE PROGRAMS

PepsiCo, Inc. Executive Income Deferral Program
PepsiCo, Inc. Performance Share Unit Deferral Program
PepsiCo, Inc. 1994 Executive Incentive Compensation Plan
PepsiCo, Inc. Option Gains Deferral Program
Middle Management Incentive Compensation Plan
PepsiCo Inc. Executive Incentive Plan
PepsiCo, Inc. 1987 Long-Term Incentive Plan
PepsiCo, Inc. 1995 Stock Option Incentive Plan
PepsiCo, Inc. 1994 Long-Term Incentive Plan
Financial Planning (including tax planning and return preparation)
Country Club Program
Split-Dollar Life Insurance
Executive Automobile Program
Executive Loan Program
Individual Agreements (including employment, separation and consulting agreements, special bonus arrangements, leave of absence agreements and commitments made in the context of any merger, acquisition or similar activity)
Restaurant Deferred Compensation Plan

APPENDIX B

HEALTH AND WELFARE PLANS

Part One: PepsiCo Restaurant Health and Welfare Plans

Health Plan:

Restaurant Employees Health Care Program (which includes medical, post-retirement medical, dental, prescription drug, mental health/substance abuse, various HMOs and OSCs, vision/hearing,

LensCrafters vision, health care reimbursement, and employee assistance benefits).

Group Insurance Plan:

Restaurant Employees Group Insurance Program (which includes basic and optional life, accidental death and dismemberment, and business travel accident insurance benefits).

Disability Plans:

PepsiCo Long Term Disability Plan
PepsiCo Salary Continuation Plan (short-term disability plan)
Salary Continuation Plan for Employees Working in States other than California

Combination Plan (Health and Cafeteria):

Taco Bell Pre-Tax Elective Benefits Plan

Severance Plans:

Pizza Hut Severance Plan
KFC Severance Plan
Taco Bell Severance Plan

Miscellaneous Plans (ERISA):

PepsiCo Group Legal Services Plan
PepsiCo Vacation Plan for Hourly Crew Employees

Cafeteria Plans (non-ERISA):

Pizza Hut Benefits Plus
Pizza Hut Pre-Tax Crew Benefits Plan
KFC Benefits Plus
PepsiCo One + Plus (KFC hourly plan)
Taco Bell Benefits Plus

Miscellaneous Plans (non-ERISA):

PepsiCo Dependent Care Reimbursement Plan
PepsiCo Educational Assistance Program

Part Two: TRICON Health and Welfare Plans

Health Plan:

TRICON Employees Health Care Program (which includes medical, post-retirement medical, dental, prescription drug, mental health/substance abuse, various HMOs and OSCs, vision/hearing, LensCrafters vision, health care reimbursement, and employee assistance benefits).

Group Insurance Plan:

TRICON Employees Group Insurance Program (which includes basic and optional life, accidental death and dismemberment, and employee assistance benefits).

Disability Plans:

TRICON Long Term Disability Plan
TRICON Salary Continuation Plan (Short-Term disability plan)
TRICON Salary Continuation Plan for Employees Working in States other than California

Combination Plan (Health and Cafeteria):

Taco Bell Pre-Tax Elective Benefits Plan

Severance Plans:

Pizza Hut Severance Plan
KFC Severance Plan
Taco Bell Severance Plan

Miscellaneous Plans (ERISA):

TRICON Group Legal Services Plan
TRICON Vacation Plan for Hourly Crew Employees

Cafeteria Plan (non-ERISA):

Pizza Hut Benefits Plus
Pizza Hut Pre-Tax Crew Benefits Plan
KFC Benefits Plus
KFC One + Plus
Taco Bell Benefits Plan

Miscellaneous Plans (non-ERISA):

TRICON Dependent Care Reimbursement Plan
TRICON Educational Assistance Program

APPENDIX C

FOREIGN PLANS

This Appendix C describes the principles under which Foreign Plans shall be treated. For purposes of this Appendix, outside the U.S. means outside the 50 United States, its territories and possessions, and the District of Columbia, and employed outside the U.S. means compensated under a payroll which is administered outside the U.S..

C.1 Plans Covering only Employees of PepsiCo or TRICON

Effective as of the Close of the Distribution Date or such later date as may be required by applicable law, union, or works council agreement, any Foreign Plan that covers only individuals employed outside the U.S. by the PepsiCo Group shall be the sole responsibility of the PepsiCo Group and no member of the TRICON Group shall have any Liability with respect to such a Plan; and any Foreign Plan that covers only individuals employed outside the U.S. by the TRICON Group shall be the sole responsibility of the TRICON Group and no member of the PepsiCo Group shall have any Liability with respect to such a Plan.

C.2 Plans Covering Employees of Both PepsiCo and TRICON

(a) Termination of Participation

Effective as of the Close of the Distribution Date, if legally permitted, or as soon as possible thereafter, TRICON and each other applicable member of the TRICON Group shall cease to be a Participating Company in each Foreign Plan maintained by the PepsiCo Group and PepsiCo and each other applicable member of the PepsiCo Group shall cease to be a Participating Company in each Foreign Plan maintained by the TRICON Group.

(b) Mirror Plans

(1) Effective Immediately after the Distribution Date, TRICON shall adopt, or cause to be adopted, Foreign Plans for the benefit of employees of the TRICON Group employed outside the United States who are eligible to participate in PepsiCo Foreign Plans and shall cause such TRICON Foreign Plans to be substantially identical in all Material Features to the corresponding PepsiCo Foreign Plans as in effect on the Distribution Date; provided, however, that TRICON may satisfy this requirement by extending coverage to such individuals under a Foreign Plan of the TRICON Group which was in effect before the Distribution Date.

(2) Effective Immediately after the Distribution Date, PepsiCo shall adopt, or cause to be adopted, Plans for the benefit of employees of the PepsiCo Group employed outside the United States who are eligible to participate in Plans and shall cause such Plans to be substantially identical in all Material Features to the corresponding TRICON Foreign Plans as in effect on the Distribution Date; provided, however, that PepsiCo may satisfy this requirement by extending or continuing coverage to such individuals under a PepsiCo Foreign Plan of the PepsiCo Group which was in effect before the Distribution Date.

(3) The continuation by PepsiCo or TRICON of separate employment terms and conditions for employees previously covered by the other entity's Plans shall not continue beyond the time legally required.

(c) Transfer of Assets

As of the Close of the Distribution Date, PepsiCo and TRICON will use their reasonable best efforts to ensure that, to the extent legally permitted: (i) Liabilities of the Foreign Plans of PepsiCo relating to Transferred Individuals shall be assumed by the appropriate Foreign Plans of TRICON; and (ii) a portion of any assets of the Foreign Plans of PepsiCo shall be transferred to the appropriate Foreign Plans of TRICON, and vice versa.

C.3 Severance Issues

If under applicable law, any Transferred Individual employed outside the U.S. is deemed to have incurred a termination of employment as a result of the Distribution or any other transaction contemplated by the Separation Agreement or this Agreement, which entitles such individual to receive any payment or benefit under any Foreign Plan, governmental plan or arrangement or pursuant to any law or regulation, including severance benefits, notwithstanding such individual's continued employment by the TRICON Group, then TRICON shall be liable for any such payment or benefit and, notwithstanding any other provision hereof, to the extent legally permitted, appropriate adjustments shall be made to the treatment of such individual during such continued employment, including not giving such individual credit for prior service and/or treating such individual as having been newly hired immediately after such deemed termination, for purposes of all applicable Foreign Plans. Liability with respect to such payments shall be the responsibility of TRICON.

C.4 Legally Permitted

For purposes of this Appendix C, "legally permitted" means permitted under the laws of the country, the labor union, works council, or collective agreement without adverse consequences to PepsiCo, TRICON or Transferred Individuals, as determined by PepsiCo, in its sole discretion, including mandated waiting periods before which working conditions (including benefits) cannot be changed, and upon receiving required agreement from individual employees and/or Plan trustees, foundation boards and members, and any other organizations having a recognized right to determine or affect benefits and/or

funding of the Plan.

C.5 Multinational Pooling

PepsiCo and TRICON shall keep their existing multinational pooling arrangements intact through December 31, 1997. If there is any dividend payable from the consolidated pooling arrangements with respect to the 1997 pool accounting year, that dividend will be allocated between PepsiCo and TRICON proportionately, based on the contribution to the overall surplus of the pooling arrangements by the PepsiCo Group and the TRICON Group, respectively. Alternatively, any net deficits incurred under any one (or all) consolidated pooling arrangement(s) will be apportioned back to the entity which incurred the deficit proportionately based on each entities' contribution to the net deficit.

Any potential additions (local insurance contracts) to the consolidated pooling arrangement during the remainder of the 1997 international accounting period will be mutually agreed upon between PepsiCo and TRICON.

TRICON Global Restaurants, Inc.

June 25, 1997

Mr. Andrall E. Pearson
Clayton Dubilier & Rice, Inc.
375 Park Avenue, 18th Floor
New York, New York 10152

Dear Andy:

This letter agreement (the "Agreement") confirms the terms and conditions of your employment as Chairman and Chief Executive Officer of TRICON Global Restaurants, Inc. ("TRICON"), a newly formed North Carolina corporation and wholly owned subsidiary of PepsiCo, Inc. ("PepsiCo"). TRICON was formed to be the parent company for PepsiCo's quick service restaurant businesses. Subject to certain conditions, in October 1997, PepsiCo intends to spin off TRICON to PepsiCo's shareholders (the "Spin-off").

1. Employment and Term. You are hereby employed as Chairman and Chief Executive Officer of TRICON for a term of three years, commencing July 1, 1997. Such term may, however, be modified pursuant to Paragraph 5 hereof.

2. Duties. Prior to the Spin-off, you shall be responsible for assisting with and facilitating the Spin-off, including, without limitation, matters relating to TRICON's capital structure, staffing, investor relations, public relations, benefits, compensation and operating structure. You will perform such duties consistent with the direction and decisions of PepsiCo's Board of Directors and senior management.

At and after the Spin-off, you shall have supervision of the policies, business and affairs of TRICON, and such other powers and duties as are commonly incident to the offices of Chairman and Chief Executive Officer.

3. Compensation. As compensation for your services hereunder, you shall be paid a salary of \$900,000 per year, in equal bi-weekly installments.

You shall also receive annual incentive compensation in amounts to be determined by the Compensation Committee (the "Committee") of the TRICON Board of Directors based on performance objectives established by the Committee. The target incentive compensation for each year of this Agreement is \$900,000 and bonus awards may range from zero to 200% of such target. However, the bonus

for 1997 (payable in early 1998) shall be \$450,000. In addition, you shall be paid, by year end 1997, a one-time bonus of \$850,000.

4. Long-Term Incentives. As soon as practicable after the Spin-off, the Committee shall grant to you options to purchase 1,050,000 shares of TRICON Common Stock, par value \$.05 per share (the "Options"). Such grant shall be made pursuant to a separate option agreement (the "Option Agreement"), the form of which is annexed hereto as Exhibit A. Subject to the terms and conditions of the Option Agreement, 350,000 Options shall vest on each of July 1, 1998, July 1, 1999 and July 1, 2000, and, once vested, shall be exercisable for a period of ten years from the date of grant. The exercise price for all Options shall be the mean of the closing prices for TRICON Common Stock for the fifth through the twentieth trading day after the Spin-off.

5. Modification of Term. You agree that, in order to effect an early succession plan, the Committee may reduce the term of your employment hereunder and, in connection therewith, have the discretion to vest all unvested Options granted pursuant to the Option Agreement, and pay 100% of the special retirement payment provided for in Paragraph 6 hereof.

6. Special Retirement Payment. TRICON shall make a special \$1,000,000 retirement payment to you at the conclusion of your three-year employment term hereunder or such shorter term as may be determined by the Committee pursuant to Paragraph 5. In the event of death or total disability (as determined by the Committee), you, your designated beneficiary or estate shall receive a retirement payment which is in proportion to your service during the term of this Agreement.

7. Benefits and Perquisites.

a. TRICON shall reimburse you for dues, initiation fees and capital or other special assessments at a country club of your choice.

b. TRICON shall reimburse you for expenses, not to exceed \$5,000 per year, for personal financial planning.

c. TRICON shall provide you with the use of an executive automobile, and reimburse expenses related to such automobile consistent with the PepsiCo executive car program for its most senior executives.

d. You may participate in any income deferral and long-term savings (401(k)) plans, as well as any medical, dental, life insurance, disability insurance or other benefit or welfare plans adopted by TRICON with respect to its full-time employees.

8. Death or Disability. In the event of your death or disability (as determined by the Committee), no additional amounts shall be due or payable hereunder except as provided in Paragraph 6 and in your Option Agreement, and except for payments under TRICON's insurance programs.

9. Non-Competition. You agree that, while employed by TRICON, and for a

period of two years following the end of such employment, you shall not directly or indirectly participate or have any interest in, or own, manage, operate or control, or otherwise engage, invest or participate in any business that is competitive with the business conducted by TRICON or any of its subsidiaries or affiliates. The provisions of this Paragraph 9 shall not apply to stock ownership in a publicly traded company which is not in excess of 5% of that company's outstanding equity securities.

10. Notices. All notices, requests, demands and other communications hereunder shall be in writing and shall be telecopied, delivered by overnight delivery service or mailed to the intended recipient at the address specified below, or at such other address as either party may hereafter designate to the other.

a. If to Mr. Pearson, to:

Mr. Andrall E. Pearson
41 Meadow Wood Drive
Greenwich, CT 06830

b. If to TRICON, to:

TRICON Global Restaurants, Inc.
c/o PepsiCo, Inc.
700 Anderson Hill Road
Purchase, New York 10577
Attention: Secretary

11. Entire Agreement. This Agreement contains all the understandings and representations between you and TRICON concerning your employment, and supersedes all agreements and understandings, whether oral or written, between TRICON and you with respect to such matters.

12. Binding Agreement. This Agreement shall be binding upon and shall be for the benefit of TRICON, its successors and assigns, and you and, in the event of your death, your estate or legal representative. No rights or obligations under this Agreement can be assigned or transferred by you without the express prior written consent of TRICON.

13. Amendment; Waiver. No provision of this Agreement may be amended, modified, supplemented or waived unless such amendment, modification, supplement or waiver is agreed to in writing, and signed by you and an authorized employee of TRICON. TRICON is not authorized to amend this Agreement in any material manner except as directed by the Committee.

14. Governing Law. This Agreement is deemed a contract made under, and for all purposes to be governed by and construed in accordance with, the laws of the State of New York, without reference to principles of conflicts of laws.

Please indicate your understanding and acceptance of this

Agreement by signing as indicated below.

Very truly yours,

TRICON Global Restaurants, Inc.

By /s/Lawrence F. Dickie

Lawrence F. Dickie

Vice President & Secretary

AGREED TO AND ACCEPTED:

/s/Andrall E. Pearson

Andrall E. Pearson

SALES AND DISTRIBUTION AGREEMENT

This Sales and Distribution Agreement dated as of the 6th day of May, 1997, by and among PFS ("PFS"), an unincorporated division of PepsiCo, Inc., a North Carolina corporation, Pizza Hut, Inc., a Delaware corporation ("Pizza Hut"), Taco Bell Corp., a California corporation ("Taco Bell"), Kentucky Fried Chicken Corporation, a Delaware corporation, and Kentucky Fried Chicken of California, Inc., a Delaware corporation (Kentucky Fried Chicken Corporation and Kentucky Fried Chicken of California, Inc. are together referred to herein as "KFCC"); (Pizza Hut, Taco Bell and KFCC are collectively referred to herein as the "Customer").

WHEREAS, PFS is an approved distributor of all proprietary and non-proprietary food, supplies, equipment, smallwares, uniforms, beverages, promotional items and point of purchase materials sold to Pizza Hut, Taco Bell and KFC company owned and franchised (including licensed) restaurants; and

WHEREAS, the Customer desires to appoint PFS, and PFS desires to act, as the exclusive distributor of certain proprietary and non proprietary food, supplies and smallwares (but not restaurant equipment, uniforms, beverages, promotional items or point of purchase materials) sold to the company owned Pizza Hut, Taco Bell and KFC restaurants of the Customer within the continental United States, all on the terms and conditions set forth herein;

NOW, THEREFORE, the parties hereto agree as follows:

1. Appointment as Approved Distributor of all Company Owned and Franchised Restaurants.

(a) The Customer hereby appoints PFS as an approved distributor during the term of this Agreement of the Restaurant Products (defined below) sold to all Pizza Hut, Taco Bell and KFC restaurants, whether franchised or owned by the Customer or its subsidiaries or affiliates, in the United States (including Hawaii and Alaska), Canada and the countries where PFS currently exports Restaurant Products from its distribution centers in the United States, which countries are listed in Exhibit A attached hereto (the "Export Countries"). PFS understands that the appointment contained in this Section 1 is not exclusive and that PFS shall only have the exclusive distribution rights for the restaurants and products described in Section 2 below.

(b) For purposes of this Agreement, the term "Restaurant Products" shall mean all of the proprietary and non-proprietary food, equipment, supplies, smallwares (pans, brooms, cutting knives, salt and pepper shakers, etc.), uniforms, beverages, promotional items (basketballs, puppets, movies, etc.) and point of purchase materials (table tents, door hangers, etc.) currently or in the future approved by the respective Customer for purchase by any Pizza Hut, Taco Bell or KFC company owned or franchised restaurants. For purposes of clarity, smallwares, as generally known, are reusable items with small dollar values such as the ones described above which are used in the operation of the business and (i) expensed under the Customer's current accounting practices when they are for replacements and (ii) capitalized under the Customer's current accounting practice when they are purchased as part of a new restaurant opening or a major rollout of a new Restaurant Product. In contrast, equipment items are always capitalized under the Customer's current accounting practice (whether as a new or replacement item) and food and supplies are always expensed.

(c) All suppliers and specifications for all Pizza Hut, Taco Bell and KFC Restaurant Products purchased by PFS must be approved in advance in writing by Pizza Hut, Taco Bell and KFCC, respectively. PFS hereby acknowledges that it shall have no role in the process of approving any supplier or the specifications for the Restaurant Products. PFS understands that Pizza Hut has signed an exclusive agreement with Leprino Foods Company to buy 100% of the cheese used on pizzas by the Pizza Hut restaurants within the United States which are owned by Pizza Hut and its subsidiaries. As a result, unless other suppliers are specifically approved in writing by Pizza Hut, Leprino Foods Company will be the sole designated supplier of such cheese purchased by Pizza Hut restaurants within the United States, both company owned and franchised. As described in Section 7 below, the Customer's Smart Sourcing division or other equivalent purchasing function ("Smart Sourcing") shall negotiate the price and other purchase terms of all Restaurant Products sold by PFS to the Exclusive Restaurants (defined below) and certain franchised Pizza Hut, Taco Bell and KFC restaurants within the United States. PFS agrees that it shall not purchase Restaurant Products under agreements negotiated by Smart Sourcing for any customers other than Pizza Hut, Taco Bell or KFC restaurants without the prior written approval of Smart Sourcing. Any breach of the preceding sentence by PFS shall constitute a material breach of this Agreement.

(d) As described in this Section 1, PFS is an approved distributor for all Pizza Hut, Taco Bell and KFC restaurants throughout the United States, Canada and the Export Countries. All Sections of this Agreement after this Section 1 shall, however, only describe the relationship between the Customer and PFS with respect to certain Pizza Hut, Taco Bell and KFC restaurants within the 48 contiguous States of the United States of America (the "Continental United States"). To the extent that PFS sells Restaurant Products to Pizza Hut, Taco Bell or KFC restaurants outside of the Continental United States, the Customer and PFS shall separately agree on the terms of their relationship for these restaurants.

2. Appointment as Exclusive Distributor of Company Owned Restaurants.

(a) The Customer hereby appoints PFS as the exclusive distributor during the term of this Agreement of the "Exclusive Restaurant Products" (defined below) purchased by (i) the Pizza Hut, Taco Bell and KFC restaurants (traditional and nontraditional units) within the Continental United States which are owned by the Customer on the Closing Date (as defined in Section 9 below) or any of its Subsidiaries (defined below), except for Restaurants Under Definitive Contract (defined below) and the 53 Excluded KFC Restaurants (defined below) or (ii) any additional Pizza Hut, Taco Bell or KFC restaurants (traditional and nontraditional) within the Continental United States which are acquired or built by the Customer or its Subsidiaries during the term of this Agreement (the "Exclusive Restaurants"). The term "Restaurants Under Definitive Contract" shall mean any Pizza Hut, Taco Bell or KFC restaurants owned by the Customer which the Customer has agreed to sell pursuant to a definitive agreement signed by the parties thereto prior to the Closing Date. The term "Excluded KFC Restaurants" shall mean the 53 KFC restaurants currently owned by WMCR Corporation, a subsidiary of KFCC, or hereafter built or acquired by WMCR Corporation in any of the four States where it currently operates, Illinois, Indiana, Michigan and Wisconsin. During the term of this Agreement, the Customer and its Subsidiaries shall purchase, and PFS agrees to sell, 100% of the Exclusive Restaurant Products required by the Exclusive Restaurants, except incidental purchases in emergency situations. The Customer agrees that during the term of this Agreement no supplier or distributor other than PFS shall sell the Exclusive Restaurant Products to the Exclusive Restaurants; provided, however, that if PFS for any reason fails to deliver any Exclusive Restaurant Products on a scheduled delivery date which was ordered within the time required for ordering as described in subsection 5(c) hereof, the Exclusive Restaurant shall be permitted to purchase such Exclusive Restaurant Products from another source or sources to meet its requirements (but only for such order and not for any future orders), and no such purchase shall be construed as a breach of the Customer's obligations or require additional compensation to PFS. The term Exclusive Restaurants shall include all types of nontraditional restaurants including kiosks, carts, delivery units and restaurants in hotels, schools, airports and hospitals but it shall not include any restaurants owned, acquired or built by the Customer which are not Pizza Hut, Taco Bell or KFC restaurants. To the extent the Customer owns, acquires or builds other concept restaurants, they will only be considered Exclusive Restaurants under this Agreement if the Customer and PFS specifically agree in writing to include them under this Agreement.

(b) For purposes of this Agreement, the term "Exclusive Restaurant Products" shall mean all proprietary and non-proprietary food (except fresh chicken and fresh produce), restaurant supplies (including, without limitation, all paper products) and smallwares currently or in the future approved by the respective Customer for purchase by any Exclusive Restaurant. Fresh chicken, fresh produce, equipment, uniforms, beverages, promotional items and point of purchase materials shall not be within the definition of Exclusive Restaurant Products. As a result, PFS shall be an approved distributor as described in Section 1 above (but not an exclusive distributor) of all such nonexclusive Restaurant Products which are excluded from the definition of Excluded Restaurant Products. The above definition of Exclusive Restaurants Products may be changed only by written agreement of the Customer and PFS.

(c) For purposes of this Agreement, the term "Subsidiaries" shall mean the companies, partnerships or other entities in which the Customer owns at least a majority of the total equity interests. For purposes of convenience only, the numerous Subsidiaries of the Customer who own the Exclusive Restaurants are not signing this Agreement. The Customer hereby unconditionally guarantees the full performance of the obligations of its Subsidiaries who own the Exclusive Restaurants during the term of this Agreement and the fact that such Subsidiaries are not signing this Agreement shall not affect in any way the rights or obligations of the Customer or PFS under this Agreement.

(d) A list of the Exclusive Restaurants on the Closing Date will be provided by the Customer to PFS on the Closing Date, which list will be the initial list of the Exclusive Restaurants. If during the term of this Agreement the Customer or any of its Subsidiaries acquires or builds any additional Pizza Hut, Taco Bell or KFC restaurants, the Customer shall so notify PFS and such additional restaurants shall be added to the list of Exclusive Restaurants and become subject to the terms of this Agreement for the remaining period of this Agreement. If the Customer or any of its Subsidiaries sell, or enters into a definitive agreement to sell, any Pizza Hut or Taco Bell Exclusive Restaurants during the term of this Agreement, and the buyer of such Exclusive Restaurants is or becomes a Pizza Hut or Taco Bell franchisee, as the case may be, the buyer of such Exclusive Restaurants shall be required prior to such sale to enter into a Sales and Distribution Agreement with PFS with respect to such purchased Exclusive Restaurants on substantially the same terms and conditions as this Agreement pursuant to which PFS will continue to be the exclusive distributor of the Exclusive Restaurant Products for such newly franchised Exclusive Restaurants for a term equal to the remaining term of this Agreement. As a result, PFS shall continue to be the exclusive distributor of the Exclusive Restaurant Products during the remaining period of the five year term of this Agreement for any Exclusive Restaurant sold by the Customer or its Subsidiaries as a franchised Pizza Hut or Taco Bell restaurant. Once such buyer enters into such a Sales and Distribution Agreement with PFS with respect to such purchased Exclusive Restaurants, the Customer shall have no further obligations under this Agreement with respect to such purchased Exclusive Restaurants and the Customer shall not guarantee in any way the payment or other obligations of such buyer to PFS. If the buyer of such Exclusive Restaurant already owns other franchised Pizza Hut or Taco Bell restaurants, such other restaurants owned by such buyer shall not be required to become Exclusive Restaurants subject to the terms of this Agreement. The requirement that refranchised Pizza Hut and Taco Bell Exclusive Restaurants must continue to be Exclusive Restaurants under this Agreement shall not apply to KFC Exclusive Restaurants sold by the Customer or its Subsidiaries during the term of this Agreement. If a KFC Exclusive Restaurant is sold by the Customer or its Subsidiaries during the term of this Agreement and becomes a franchised KFC restaurant, the terms of this Agreement shall not apply to said KFC restaurant which will be removed from the list of Exclusive Restaurants.

3. Prices For Exclusive Restaurant Products

(a) The prices to be paid by the Exclusive Restaurants for the Exclusive Restaurant Products purchased from PFS during the term of this Agreement shall be equal to (x) the "Landed Cost" (defined below) of the Exclusive Restaurant Products plus an average mark up described in Exhibit B above as a percentage of the Landed Cost of all Exclusive Restaurant Products plus (y) the costs of Smart Sourcing allocated to the Exclusive Restaurant Products and charged to PFS as described in Section 7 below. As described in Exhibit B, the mark up will be different for the different restaurant chains, Pizza Hut, Taco Bell and KFC.

(b) The term "Landed Cost" shall mean the F.O.B. price to purchase the Exclusive Restaurant Products from the vendor, net of all related allowances, discounts, rebates, or other payments of any kind from the vendor to PFS or the Customer (which will be fully passed through), plus the actual inbound freight costs to ship the Exclusive Restaurant Products to the distribution centers of PFS. Landed Costs shall include the costs incurred by PFS in transferring the Exclusive Restaurant Products between distribution centers only if these transfers are for cross docking or break bulk purposes, where the shipment from the vendor to the final distribution center is planned to go through other distribution centers of PFS. Any costs incurred by PFS in transferring the Exclusive Restaurant Products between its distribution centers as a result of out of stocks (or equivalent circumstances), however, shall not be considered Landed Cost but instead shall be borne by PFS. All cash or early pay discounts which are received by PFS (whether negotiated by Smart Sourcing or PFS) for paying the vendors of the Exclusive Restaurant Products before the payment due date negotiated by Smart Sourcing will not reduce or otherwise be factored into the calculation of the Landed Costs. As described in Section 7 below, the inbound freight costs to ship the Exclusive Restaurant Products to PFS's distribution centers will be managed by PFS unless Smart Sourcing decides otherwise and all of PFS's costs of such inbound freight will be subject to review by Smart Sourcing.

(c) The parties will agree on the specific method of billing the Exclusive Restaurants (e.g., electronic billing, faxed invoice or other format) and whenever possible electronic billing will be used. The parties understand that at the time it sets its prices lists PFS will only be able to approximate the Landed Costs of the Exclusive Restaurant Products sold to each of the respective Pizza Hut, Taco Bell and KFC Exclusive Restaurants. PFS agrees to make a good faith estimate of such Landed Costs at the time it sets its price lists and to make appropriate adjustments to subsequent invoices to make up for any inaccuracies in the estimates. In addition, at the beginning of each month during the term of this Agreement PFS and the Customer shall jointly review PFS's records relating to the Landed Costs of all Exclusive Restaurants Products sold to each of the respective Pizza Hut, Taco Bell and KFC Exclusive Restaurants during the prior month and shall agree on the appropriate adjustments to the subsequent invoices to make up for any inaccuracies in the estimates. From time to time during the term of this Agreement, the Customer shall have the right to review all financial and business records of PFS which are reasonably requested by the Customer to determine the Landed Costs of the Exclusive Restaurant Products sold to the Exclusive Restaurants. Within 90 days after the end of each calendar year, PFS shall provide to the Customer a calculation by a major independent international public accounting firm, agreed

upon by PFS and the Customer, of the Landed Costs of all Exclusive Restaurant Products sold to each of the respective Pizza Hut, Taco Bell and KFC Exclusive Restaurants during that calendar year (which shall be during the stub period from the Closing Date to December 31, 1997 for the 1997 calendar year). Within 30 days after receipt by the Customer of such calculation of the Landed Costs, PFS or the Customer, as the case may be, shall make an adjusting payment to the other party to reflect the difference between the amounts actually charged to the Customer for the Exclusive Restaurant Products and the amounts which should have been charged based on such revised calculation of the Landed Costs. PFS shall make available to the independent accounting firm all financial records necessary to make such calculation. The costs of the independent accounting firm shall be shared equally by the Customer and PFS (50% by each).

(d) The prices described in paragraphs (a), (b) and (c) above shall apply only to the Exclusive Restaurant Products. For all Restaurant Products which are not included within the definition of Exclusive Restaurant Products (e.g., fresh chicken, fresh produce, equipment, uniforms, beverages, promotional items and point of purchase materials), the prices will be negotiated from time to time by PFS and the Customer.

(e) Notwithstanding the foregoing, the parties agree that the prices of the Restaurant Products which are food, paper products and similar restaurant supplies purchased by all Pizza Hut restaurants within the Continental United States (both Pizza Hut Exclusive Restaurants and Pizza Hut franchised restaurants) will continue during the term of this Agreement to be subject to the 2.5% net pre-tax profit margin limit set forth in clause D (ii) of Section 8.3 of the standard Pizza Hut Franchise Agreement, a copy of which is attached hereto as Exhibit C. PFS agrees to maintain during the term of this Agreement the rebate program for this 2.5% net pre-tax profit margin limit for Pizza Hut restaurants in the same manner as the program has been administered in the past, including maintaining the current basis for allocating costs (including, without limitation, the current method of charging a hypothetical interest cost) and providing to Pizza Hut and its Pizza Hut franchisees the audit of all allocated costs and the rebate payments provided for under Section 8.3 of the standard Pizza Hut Franchise Agreement.

4. Payment Terms for the Restaurant Products

(a) The Customer shall pay to PFS the purchase price for the Restaurant Products delivered to and accepted by the Customer within 30 calendar days after the date of invoice (which invoice will be the same day as delivery). Notwithstanding the foregoing, if any Exclusive Restaurant which is not owned by the Customer does not pay within the required payment terms, such Exclusive Restaurant may be placed by PFS on a cash-on-delivery (C.O.D.) basis or required to provide security or collateral for amounts owed to PFS. Payment to PFS shall be made (i) in the case of the Exclusive Restaurants owned by the Customer, by wire transfer of funds and (ii) in the case of the Exclusive Restaurants which are not owned by the Customer, upon receipt on the due date by PFS of a check in PFS's lock box or by wire transfer of funds. No interest shall be charged to the Customer with respect to payments made on or before the due date. Early pay discounts, if any, will be negotiated by the Customer and PFS from time to time

during the term of this Agreement.

(b) If any amounts due to PFS are not paid in accordance with the payment terms when due as described in subsection 4(a) above, a service charge shall be added to the sums due, which charge shall be equal to the lesser of (i) an interest charge determined by applying to the delinquent balance an interest rate equal to the prime rate of interest of Citibank N.A. (as published from time to time) plus 2% per annum or (ii) the amount determined by applying the maximum rate permitted to be charged under applicable state law.

(c) If PFS decides to extend credit to any Exclusive Restaurant which is not owned by the Customer, such credit extension shall be subject to the condition that such franchised Exclusive Restaurants provides (i) evidence of continued financial ability to pay its debts and (ii) adequate security or collateral as requested by PFS.

5. Deliveries and Orders of the Restaurant Products excluding Equipment

(a) The provisions of this Section 5 describe the mechanics and procedures for ordering and delivering all of the Restaurant Products distributed and sold by PFS to the Exclusive Restaurants except for the new and replacement equipment and furnishings which PFS sells to the Exclusive Restaurants through its equipment business and certain smallware items which are not delivered through the PFS distribution centers (the "Non Fleet Smallwares"). The Restaurant Products, excluding equipment and furnishings and the Non Fleet Smallwares, is hereinafter referred to as the "F & S Restaurant Products". The specific mechanics and procedures for ordering and delivering of equipment, furnishings and the Non Fleet Smallwares is not described in this Agreement and will be subject to the agreement of PFS and the Exclusive Restaurants from time to time.

(b) Deliveries of the F & S Restaurant Products shall be made twice a week to the Exclusive Restaurants. If the Customer desires to have more than two deliveries per week for any particular Exclusive Restaurants, the Customer will be required to pay an additional charge to PFS in an amount to be negotiated and agreed upon by PFS and the Customer. PFS will offer to the Customer a discount off the purchase price of the F & S Restaurant Products (in an amount determined by PFS) if an Exclusive Restaurant agrees to reduce the number of its scheduled deliveries to less than two deliveries per week. Notwithstanding the foregoing, the Exclusive Restaurants which currently receive three deliveries per week shall continue to receive three deliveries per week without additional charge. PFS may deliver the ordered F & S Restaurant Products to the Exclusive Restaurant at any time during which the Exclusive Restaurant is open for business except for the black out periods described in Exhibit D attached hereto, or such other black out periods which are agreed upon by PFS and the Exclusive Restaurants. Before the beginning of each such black out period PFS's drivers must complete their deliveries and be out of the Exclusive Restaurant and failure to do so will not be considered as an on time delivery. PFS agrees to start deliveries within one hour (before or after) of the expected delivery time that PFS notifies an Exclusive Restaurant. As examples: (i) if the expected

delivery time is 9:00am and PFS's driver starts the delivery between 8:00am and 10:00am, the delivery will be on time but (ii) if the expected delivery time is 11:00am for a Taco Bell restaurant and PFS's driver starts the delivery at 11:00am but does not complete the delivery by 11:30am, the delivery will not be on time. PFS will notify the Exclusive Restaurants of the expected delivery time no later than the day preceding the date of delivery. If the delivery cannot be started within such two hour period (one hour before and one hour after the scheduled delivery time), PFS will notify the Exclusive Restaurant in advance but the delivery will still be made the same day. PFS will be allowed to deliver the F & S Restaurant Products when the Exclusive Restaurant is closed (so called "key" deliveries) only with the prior written approval of an officer of the Customer (or other appropriate level employee of the Exclusive Restaurants as designated by the Customer). If PFS's driver sets off an alarm at a key delivery (other than because the Exclusive Restaurant did not provide the correct alarm code) and there are charges incurred by the Exclusive Restaurant as a result of such alarm, PFS will reimburse the Exclusive Restaurant for such charges. Delivery days and times will be scheduled so as to cause as little interruption to the operation of the Exclusive Restaurants as is practical under the circumstances.

(c) Orders by the Customer for the F & S Restaurant Products must be made to PFS no later than 5:00pm on the day which is two days prior to the scheduled delivery date; provided, however, that for Exclusive Restaurants which are not close to a distribution center of PFS (not within one day normal driving time from PFS's distribution center), PFS may require that these orders be made no later than 5:00pm on the day which is three days prior to the scheduled delivery date. If there are any exceptional cases where PFS wishes to receive orders four days prior to the scheduled delivery date, they must be approved in writing by the local manager of the affected Exclusive Restaurant. PFS agrees to continue to maintain the "Sourcelink" electronic ordering system (or equivalent up to date electronic ordering system) which currently allows the Exclusive Restaurants to make electronic orders for the F & S Restaurant Products. If the Sourcelink orders are not received within two hours before the 5:00pm order deadline, PFS will call the restaurant before the order deadline in order to try to receive the order. If the distribution center of PFS is still unable to receive an order from an Exclusive Restaurant prior to the 5:00pm order deadline, PFS shall automatically order for the Exclusive Restaurant the exact same order it received for the same day of the previous week (excluding smallwares) and the Exclusive Restaurant will be required to accept such delivery when made. To the extent the Exclusive Restaurant is late in ordering or changes its order after the 5:00pm order deadline, PFS is not required to accept such late or changed order. If PFS decides to accept such late or changed order, PFS may charge the Customer a special delivery charge to be negotiated by PFS and the Customer.

(d) Deliveries shall be to such location on the Exclusive Restaurant premises as the Exclusive Restaurants shall reasonably direct. F & S Restaurant Products shall be deemed delivered when actually placed in the storage areas of the Exclusive Restaurant (including the temperature controlled compartments in the case of the frozen or refrigerated F & S Restaurant Products) by PFS's drivers, as reasonably directed by employees of the Exclusive Restaurant. PFS's

drivers will not be required to stock shelves or rotate the F & S Restaurant Products. The Exclusive Restaurants will be responsible to keep the back door and aisle free of debris for PFS's drivers to deliver the F & S Restaurant Products to the storage areas. To the extent practicable, deliveries by PFS shall have unloading priority over all other vendors. The Exclusive Restaurants shall assign and make available an employee or employees to accept delivery, subject to the terms of paragraph (f) below, of F & S Restaurant Products, and to sign the invoice documenting receipt of the ordered F & S Restaurant Products (to the extent received and not damaged).

(e) PFS will only deliver the F & S Restaurant Products specified by the Customer and shall not substitute products for the F & S Restaurant Products; provided, however, that the delivery on an infrequent basis of F & S Restaurant Products in a different size than ordered shall not be considered a substitute if the total quantity of the F & S Restaurant Products is the amount ordered (e.g., delivery of two 12 ounce jars instead of four 6 ounce jars). PFS agrees to comply with all quality assurance programs and guidelines required by the Customer from time to time during the term of this Agreement to ensure that the quality of the F & S Restaurant Products is maintained while the Restaurant Product is being stored, handled and transported by PFS. The current quality assurance programs and guidelines of each of Pizza Hut, Taco Bell and KFC have been provided to PFS prior to the date hereof.

(f) If ordered F & S Restaurant Products are not delivered by PFS on the scheduled delivery date (including key deliveries), or are delivered damaged or not meeting the required specification, at the request of the Exclusive Restaurant, PFS will make a special delivery to redeliver the F & S Restaurant Products as quickly as possible. In addition, PFS shall take back all F & S Restaurant Products which are damaged or out of specification and give a credit to the Exclusive Restaurant for the purchase price charged by PFS to the Exclusive Restaurant for that product. If the F & S Restaurant Products were out of specification or the damages were internal and not visible to PFS upon receiving delivery of the F & S Restaurant Products from the vendor, the vendor shall be responsible to PFS for all costs relating to making such special deliveries and to take back damaged or out of specification F & S Restaurant Products. The Customer and PFS each agree to use their respective best efforts to collect such costs from the vendors.

(g) If the Customer decides to return any nonperishable F & S Restaurant Products ordered by the Customer and delivered to it within specification, not damaged and on the scheduled delivery date, PFS shall charge the Customer for taking back such F & S Restaurant Product an amount equal to 15% of the invoice price of such F & S Restaurant Product (as a restocking fee).

(h) Title and risk of loss for the F & S Restaurant Products purchased by the Exclusive Restaurants from PFS shall pass to the Exclusive Restaurants upon delivery by PFS inside the Exclusive Restaurant. In the event that any F & S Restaurant Products are delivered and subsequently returned or rejected by an Exclusive Restaurant, title and risk of loss shall revert to PFS upon the physical transfer of possession of the F & S Restaurant Products back to PFS.

(i) The Customer acknowledges and agrees that PFS has full discretion to direct all deliveries from any distribution center which PFS operates, and to make such changes to the routing process as PFS, in its sole discretion, determines appropriate; provided, however, that PFS shall notify the affected Pizza Hut, Taco Bell and KFC restaurants of any changes in its routes. In addition, the Customer acknowledges and agrees that PFS's fleet may not be solely dedicated to the distribution of F & S Restaurant Products to Pizza Hut, Taco Bell and KFC restaurants. As a result, PFS's fleet which distribute the F & S Restaurant Products to Pizza Hut, Taco Bell and KFC restaurants may also carry other products for delivery to other customers (including competing customers) on the same routes so long as they do not in any way damage, contaminate or adversely affect the quality of the F & S Restaurant Products during the delivery or adversely affect deliveries to the Exclusive Restaurants.

(j) Management of the inventory levels in the distribution centers of PFS will be the responsibility of PFS except that PFS agrees that it will not buy any F & S Restaurant Products which PFS expects to keep in inventory for more than 60 days without the consent of the Customer. PFS agrees to provide to the extent practicable weekly information to the Customer by distribution center of its inventory levels of the F & S Restaurant Products. PFS shall not be required to buy promotional items or new or test market F & S Restaurant Products until it first receives a firm commitment from the Customer and, in the case of such promotional items or new or test market F & S Restaurant Products which are for sale to franchised Pizza Hut, Taco Bell or KFC restaurants, until it first receives a firm commitment from such franchisees to purchase such promotional items or new or test market F & S Restaurant Products. If any promotional items or any other F & S Restaurant Products which are unique to the Customer's operations are purchased by PFS based on the Customer's projections and such F & S Restaurant Products remain in PFS's inventory for more than 90 days after Customer's projected need, however, PFS may charge the Customer a storage and handling charge equal to 1 % of the Landed Cost of such F & S Restaurant Products per month until such F & S Restaurant Products are delivered to the Customer. Each month during the term of this Agreement the Customer and PFS shall meet to review the amount of promotional items or other unique F & S Restaurant Products which have remained in inventory for more than 90 days after Customer's projected need and use their respective best efforts to agree on a schedule for delivery of such excess inventory to the Exclusive Restaurants as quickly as possible and in any event not more than an additional 90 days after such initial 90 day period. At the end of such additional 90 day period, PFS may require the Customer to either order such excess inventory or direct PFS to dispose of such excess inventory at the Customer's cost. Unless either (i) an F & S Restaurant Product is discontinued by the Customer or (ii) the Customer approves an AIP (authorization for inventory purchase) for F & S Restaurant Products ordered by franchised Pizza Hut, Taco Bell or KFC restaurants, the Customer shall not be responsible to PFS for any storage charges or purchase commitments of any franchised Pizza Hut, Taco Bell or KFC restaurants.

(k) In the event the Customer decides to recall any Restaurant Product, PFS agrees to assist the Customer, to the extent reasonably requested by the Customer, in its recall efforts, including, without limitation, promptly assisting the Customer in determining exactly which Pizza Hut, Taco Bell or KFC

restaurants may need to be notified of a product recall. Unless such recall was needed as a result of any action or omission to act by PFS, the Customer (or the vendor at the Customer's direction) shall reimburse PFS for all additional costs incurred by PFS (e.g., labor, fuel, etc.) in such recall efforts, to the extent such recall was requested by the Customer.

(l) PFS warrants that all F & S Restaurant Products to be distributed by it to Pizza Hut, Taco Bell or KFC restaurants shall be inspected, handled, stored, shipped and sold by PFS in strict compliance with all applicable (i) federal and state laws (ii) rules and regulations of all governmental agencies having jurisdiction and (iii) municipal ordinances. Upon its receipt of any citation issued by any governmental or regulatory authority which might result in the interruption in PFS's distribution service to any Pizza Hut, Taco Bell or KFC restaurant customers, PFS shall promptly notify such customers who may be affected.

(m) PFS agrees to use its best efforts to take and respond to emergency calls from the Exclusive Restaurants for delivery of F & S Restaurant Products. PFS and the Exclusive Restaurants will agree upon the additional charges to be paid to PFS for special deliveries needed to respond to such emergency calls.

6. Minimum Service Levels.

(a) PFS agrees to maintain during the term of this Agreement, on a total basis for all Exclusive Restaurants serviced by PFS, each of the following monthly service levels:

(i) The actual number of Perfect Orders (defined below) of the F & S Restaurant Products which are delivered to the Exclusive Restaurants during each month as a percentage of the total number of deliveries of the F & S Restaurant Products ordered shall not be less than 85%; and

(ii) The number of deliveries of the F & S Restaurant Products during any month which are on time (within one hour before or after the scheduled delivery time as described in Section 5(b) above) shall not be less than 80%.

The above service levels shall be measured on a total basis for all distribution centers of PFS together (not separately for each individual distribution center). Key deliveries will not be factored in any way into the measurement of on time deliveries described in (ii) above.

If PFS fails to achieve either of such service levels during any three months of any calendar year during the term of this Agreement (commencing in 1998), this failure shall constitute a material breach of this Agreement entitling the Customer to terminate this Agreement upon notice to PFS as described in Section 10 below.

(b) PFS agrees to maintain during the term of this Agreement, for the Exclusive Restaurants serviced by each distribution center of PFS, the following monthly service level:

The actual number of Perfect Orders of the F & S Restaurant Products which are delivered to the Exclusive Restaurants from that distribution center during each month as a percentage of the total number of deliveries of the F & S Restaurant Products ordered shall not be less than 75%.

The above service level shall be measured separately for each distribution center of PFS which delivers to the Exclusive Restaurants.

If PFS fails to achieve the above service level during any three months of any calendar year during the term of this Agreement (commencing in 1998), the Customer shall have the right upon notice to PFS to remove the Exclusive Restaurants which were serviced by such distribution center from the list of Exclusive Restaurants. As a result, if the Customer gives such notice, PFS will lose the exclusive right under this Agreement to deliver the Exclusive Restaurant Products to the Exclusive Restaurants which were customers of such underperforming distribution center.

(c) The term "Perfect Order" shall mean a delivery where 100% of the cases of the delivered F & S Restaurant Products are (i) exactly the items ordered by the Exclusive Restaurant, (ii) not damaged and (iii) within specification.

If PFS does not deliver a F & S Restaurant Product because the vendor was not able to supply a F & S Restaurant Product ordered by PFS, such failure shall not be counted against the service levels described in paragraphs (a) and (b) above.

Promptly after the end of each month PFS shall notify the Customer of its service levels described in paragraphs (a) and (b) above for that month and, at the request of the Customer, PFS shall make available to the Customer all of its records which support its determination of the service levels and such other records reasonably requested by the Customer.

7. Smart Sourcing.

(a) PFS and Smart Sourcing intend that their relationship will be based on a spirit of cooperation where they will support each other whenever possible. During the term of this Agreement, Smart Sourcing will negotiate with the vendors all price and other purchase terms for all Restaurant Products which are distributed and sold by PFS to any Exclusive Restaurants and such prices will constitute, together with inbound freight, the Landed Costs of the Exclusive Restaurant Products as described in Section 3 above. The commitment by PFS to exclusively buy under terms and agreements negotiated by Smart Sourcing all Restaurant Products sold to the Exclusive Restaurants is subject to the exception that if PFS is able to buy such Restaurant Products for the Exclusive Restaurants on terms more favorable to the Exclusive Restaurants than those negotiated by Smart Sourcing, PFS will notify the Customer of such better terms and offer the Customer the opportunity to buy such Restaurant Products on such

better terms negotiated by PFS. For the Pizza Hut, Taco Bell or KFC franchised restaurants which are customers of PFS, other than the Exclusive Restaurants which are franchised, PFS shall be required to purchase the Restaurant Products sold to such franchised Pizza Hut and Taco Bell restaurants under the terms and agreements which are negotiated by Smart Sourcing for the Exclusive Restaurants owned by the Customer but PFS may, but it shall not be required to, purchase the Restaurant Products sold to such franchised KFC restaurants under prices and other terms which are negotiated by Smart Sourcing. As a result, PFS shall be committed to exclusively buy through Smart Sourcing terms and agreements all of the Restaurant Products it sells to franchised Pizza Hut and Taco Bell restaurants but PFS shall not be committed to exclusively buy through Smart Sourcing terms all of the Restaurant Products it sells to the franchised KFC restaurants which are not Exclusive Restaurants. Smart Sourcing shall have the right to allocate among two or more vendors the total purchases of the Restaurant Products purchased under terms and agreements negotiated by Smart Sourcing. In addition, Smart Sourcing shall have the right to determine which vendors will supply the Restaurant Products purchased under terms and agreements negotiated by Smart Sourcing to each of the respective distribution centers of PFS. The Customer agrees that the "Weighted Average Payment Term" (defined below) for the Restaurant Products purchased during any calendar quarter by PFS and negotiated through Smart Sourcing will be no less than 15 calendar days. For purposes of this Agreement, the term "Weighted Average Payment Term" shall mean the average number of days after invoice which the suppliers of the Restaurant Products purchased through Smart Sourcing require for payment by PFS, weighted by the Dollar volumes for the different items of the Restaurant Products and the different required terms for payment. Notwithstanding the foregoing, Smart Sourcing may negotiate payment terms for Restaurant Products purchased by PFS for sale to the Exclusive Restaurants owned by the Customer (not franchised Exclusive Restaurants) which result in a Weighted Average Payment Term for such Restaurant Products below 15 calendar days so long as there is an equivalent reduction in the receivable payment terms for such Exclusive Restaurants to fully compensate PFS for paying earlier than a Weighted Average Payment Term of 15 days. As described in Section 3(b) above, PFS shall be entitled to receive all early pay discounts and such discounts shall not reduce the amount of the Landed Costs. Smart Sourcing shall have the right to negotiate early pay discounts which PFS will receive so long as the Weighted Average Payment Term, after taking into account such discounts, is not less than 15 calendar days as described above. Smart Sourcing agrees that PFS shall have the right to receive a total amount of early pay discounts equal to at least \$10,600,000 per year (commencing in 1998), without any reduction in the Weighted Average Payment Term below 15 days. If PFS does not have the right to receive at least \$10,600,000 early pay discounts during any calendar year during the term of this Agreement (commencing in 1998) without reducing the Weighted Average Payment Term below 15 days, Smart Sourcing shall pay to PFS the amount of such shortfall within 30 days after the end of such calendar year. In addition, Smart Sourcing may negotiate payment terms which include an interest charge for late payments by PFS to the supplier equal to the lesser of: (i) the prime rate of interest of Citibank N.A. (as published from time to time) plus 2% per annum or (ii) the maximum rate permitted to be charged under applicable State law.

(b) Except as described below, all inbound freight of the Restaurant

Products to the distribution centers of PFS, including the selection of the carriers and the negotiation of the freight charges, will be managed by and incurred by PFS as part of its distribution services provided under this Agreement (without any additional fee to the Customer). PFS agrees to use its best efforts to reduce its inbound freight costs and whenever possible arrange for deliveries of the Restaurant Products in full truckloads. If Smart Sourcing requests, PFS shall be required to obtain Smart Sourcing's approval of all deliveries which are less than full truckloads; provided, however, that Smart Sourcing will bear all additional costs to comply with this approval process. PFS shall make available to Smart Sourcing, at such intervals as requested by Smart Sourcing, all of the records of PFS relating to its inbound freight costs for the Restaurant Products. Smart Sourcing shall have the right at any time and in its discretion to require PFS to receive prior approval from Smart Sourcing for all inbound freight charges before they are incurred; provided, however, that Smart Sourcing will bear all additional costs to comply with this approval process. In addition, Smart Sourcing shall also have the right at any time and in its discretion to take over the inbound freight function from PFS, including the selection of carriers and negotiation of rates.

(c) In addition to and separate from PFS's appointment as the exclusive distributor of the Exclusive Restaurant Products to the Exclusive Restaurants as described in Section 2 hereof, the Customer agrees that, during the term of this Agreement, Smart Sourcing will not allow another distributor other than PFS to distribute the Restaurant Products to any Pizza Hut, Taco Bell or KFC franchised restaurant within the Continental United States under the prices and other purchase terms negotiated by Smart Sourcing. In other words, in addition to the Exclusive Restaurants, PFS will also be the exclusive distributor during the term of this Agreement for franchised Pizza Hut, Taco Bell and KFC restaurants which purchase the Restaurant Products through Smart Sourcing terms. Notwithstanding the foregoing, if KFC National Purchasing Cooperative, Inc. purchases, or arranges for the purchase of, Restaurant Products for franchised KFC restaurants under prices and other purchase terms negotiated by Smart Sourcing, the provisions of this paragraph (c) shall not apply with respect to the Restaurant Products so purchased and the distributor of such Restaurant Products may be a firm other than PFS.

(d) The Customer shall charge PFS a fee for providing the services of its Smart Sourcing division equal to 1/2 % of the F.O.B. price of the vendors of the Restaurant Products which are purchased by PFS under terms and agreements negotiated by Smart Sourcing. PFS shall pass on this fee to its Pizza Hut, Taco Bell and KFC customers (including the Exclusive Restaurants and all franchised restaurants) within the Continental United States, as described in Section 3(a) in the case of Exclusive Restaurant Products sold to the Exclusive Restaurants. The proportion of the total Smart Sourcing costs which are allocated to the Restaurant Products sold to the Exclusive Restaurants cannot exceed the percentage of the total purchases by PFS of all Restaurant Products under terms and agreements negotiated by Smart Sourcing which is represented by the total purchases by PFS of the Restaurant Products sold to the Exclusive Restaurants. Promptly after the end of each month during the term of this Agreement the Customer shall send to PFS an invoice for its Smart Sourcing fee for that month which invoice will be due within 15 days after receipt. PFS shall have the right

to require Smart Sourcing to provide evidence reasonably acceptable to PFS which supports Smart Sourcing's calculation of its fee.

8. Continuation of Equipment Business

Although the equipment products of PFS are not part of the Exclusive Restaurant Products sold to the Exclusive Restaurants, PFS currently plans to maintain the equipment business and to make the equipment products available for purchase by the Pizza Hut, Taco Bell and KFC restaurant customers of PFS. PFS agrees to provide to the Customer and its other Pizza Hut, Taco Bell and KFC franchised restaurant customers at least six months prior notice before either (i) any significant reduction by PFS in the distribution services it offers for equipment products or (ii) PFS sells the equipment business. The Customer agrees to provide to PFS at least six months prior notice before the Exclusive Restaurants owned by the Customer purchase in any calendar year during the term of this Agreement more than 20% of their total purchases of equipment products from companies other than PFS.

9. Term

This Agreement shall not apply or go into effect until the closing date (the "Closing Date") of the currently proposed sale of PFS by PepsiCo, Inc. (estimated to occur at the end of June, 1997). This Agreement shall be for a term of five years commencing on the Closing Date, unless earlier terminated as provided in Section 10 hereof. This Agreement shall automatically terminate after such term unless the Customer and PFS expressly agree in writing to extend such term for an additional period.

10. Termination

This Agreement may be terminated prior to the end of the term hereof, without affecting the rights or obligations of either party with respect to the Restaurant Products already delivered by PFS, as follows:

(a) In the event that the other party breaches any material term of this Agreement, and such breach shall remain unremedied for a period of thirty calendar days after written notice of such breach from the non-breaching party, the non-breaching party may terminate this Agreement upon written notice to the breaching party.

(b) If PFS is in material breach of this Agreement for failure to maintain either of the service levels described in Section 6(a) hereof for any three months of any calendar year during the term of this Agreement (commencing in 1998), the Customer may terminate this Agreement upon written notice to PFS at any time during the 90 day period after the end the third month in which it failed to meet such service level.

(c) In the event that either party (i) makes an assignment for the

benefit of its creditors, (ii) has a petition initiating a proceeding under applicable bankruptcy laws filed against it and such petition is not set aside within 60 days after such filing, (iii) files any voluntary petition for bankruptcy, liquidation or dissolution or has a receiver, trustee or custodian appointed for all or part of its assets or (iv) seeks to make an adjustment, settlement or extension of its debt with its creditors generally, the other party may terminate this Agreement upon written notice to such party.

11. Insurance

Each party shall obtain and maintain comprehensive general liability insurance (including products liability) in amounts equal to at least Ten Million Dollars (\$10,000,000) combined single limit for death, personal injury, and property damage, and worker's compensation insurance as required by law. Each party shall file with the other certificates evidencing such insurance and shall promptly pay all premiums on said policies as and when the same become due. In addition, said policies shall contain a provision requiring thirty days prior written notice to the other of any proposed cancellation or termination of insurance. The insurance requirements set forth above are minimum coverage requirements and are not to be construed in any way as a limitation of liability under this Agreement.

12. Trademarks

(a) Neither the Customer nor PFS shall acquire any right or interest in the trademarks or trade names of the other party pursuant to this Agreement. Except as specifically set forth herein, neither the Customer nor PFS shall use the name of the other or any part of any trademark or trade name of the other party without the express written permission of such other party.

(b) PFS may continue to display the Pizza Hut, Taco Bell and KFC trademarks on its delivery fleet in the same manner as such trademarks are currently displayed. Any change in the way such trademarks are displayed on PFS's delivery fleet shall require the prior written approval of the Customer. The Customer may, in its discretion, either (i) require PFS, at the Customer's cost (unless PFS is refurbishing its fleet pursuant to a normal maintenance schedule), to change the way the Pizza Hut, Taco Bell and KFC trademarks are displayed on the fleet of PFS in order to update the logos for any changes in the way such trademarks are generally displayed by the Customer or (ii) require PFS to remove such trademarks from its fleet at any time, at the Customer's cost. PFS further agrees that, without the Customer's prior written consent, PFS's delivery trucks which display the Pizza Hut, Taco Bell and KFC trademarks will not be used for any deliveries to any customers of PFS other than Pizza Hut, Taco Bell and KFC restaurants. PFS shall not be required, however, to continue to display the Pizza Hut, Taco Bell and KFC trademarks on its delivery fleet and shall be free, in its discretion, to remove such trademarks at any time. PFS agrees that its delivery fleet which deliver the Restaurant Products to any Pizza Hut, Taco Bell or KFC restaurants (the Exclusive Restaurants or any franchised Pizza Hut, Taco Bell or KFC restaurants) shall not display the

trademarks of any other restaurant customer of PFS.

13. Confidentiality by PFS

(a) PFS acknowledges the Customer's need to maintain the confidentiality of certain proprietary information disclosed by the Customer to PFS. All information communicated by the Customer to PFS which contains vendor pricing information negotiated by Smart Sourcing, marketing and restaurant data, new product information or other information specifically relating to the Customer's business shall be kept confidential and not used or disclosed by PFS to any third party; provided, however, that the foregoing restriction shall not apply to the Landed Cost information which PFS is required to provide to the independent international public accounting firm as described in subsection 3(c) hereof (but only to the extent so provided). Such confidential information shall not include information (i) which becomes generally known to the public through no disclosure by PFS, (ii) which PFS can show was known by it prior to disclosure to it by the Customer or (iii) which is required by law to be disclosed. PFS shall inform its employees of the confidential nature of all information provided by the Customers which is confidential pursuant to the terms of this Section 13 and PFS shall be fully responsible for any breach by its employees of the terms of this Section 13.

(b) Each party hereto agree to keep the terms of this Agreement confidential and not disclose them to any third party without the prior written consent of the other parties hereto, except to the extent such disclosure is required by law.

14. Indemnity

(a) PFS shall indemnify and hold the Customer, as well as the Customer's parents, subsidiaries, affiliates, successors and assigns, and each of their respective officers, directors, and employees, harmless from and against any and all loss, liability, claims, demands or suits (including, without limitation, reasonable attorneys' fees and expenses) which arise out of:

(i) the breach of any of the representations, warranties or agreements made by PFS in this Agreement (including, without limitation, damages caused by any violations of law by PFS or recalls caused by PFS); or

(ii) the warehousing, delivery, storage, handling or transporting of any Restaurant Products while under the care, custody, or control of PFS.

(b) The Customer shall indemnify PFS, as well as PFS's parents, subsidiaries, affiliates, successors and assigns, and each of their respective officers, directors and employees, harmless from and against any and all loss, liability, claims, demands or suits (including, without limitation, reasonable attorneys' fees and expenses) which arise out of:

(i) the breach of any of the representations, warranties or agreements made by the Customer in this Agreement; or

(ii) the operations or business of the Customer (including, without limitation, Smart Sourcing) and the Exclusive Restaurants.

15. No Franchise or Agency

Nothing in this Agreement shall be deemed to make either party the agent or representative of the other party for any purpose whatsoever. Nothing provided in this Agreement shall be deemed to grant either party any right or authority to assume, create or expand any obligation or responsibility, express or implied, on behalf of or in the name of the other party, or to bind the other party in any manner or matter whatsoever. Neither party to this Agreement shall have any authority to employ any person as agent or employee for or on behalf of the other party to this Agreement for any purpose. It is the express intention of the parties that each party hold the other party harmless from and against any and all claims, liability and expense arising out of any unauthorized act of its respective employees and agents.

16. General Provisions

(a) Appointment of Executive Officers of Customer. During the term of this Agreement Pizza Hut, Taco Bell and KFCC shall notify PFS in writing of the names of the executive officers who shall have the authority to bind all three companies, Pizza Hut, Taco Bell and KFCC and act on behalf of the Customer, in connection with any matter relating to this Agreement, including, without limitation, amending the terms of this Agreement as described in Section 16(e) below.

(b) Dispute Resolution. Each of the Customer and PFS shall appoint one or more employees who will meet with each other on a regular basis to review the performance by each party pursuant to the terms of this Agreement. The Customer and PFS shall each appoint an executive officer to meet for the purpose of resolving any claim, dispute and/or controversy arising out of or relating to the performance of this Agreement. If the dispute is not resolved by negotiation within thirty (30) days, the parties shall endeavor to settle the dispute by mediation under the then current Center For Public Resources ("CPR") Model Procedure for Mediation of Business Disputes. The neutral third party will be selected from the CPR panel of neutrals, with the assistance of CPR, unless the parties agree otherwise. In the event that the parties are unsuccessful in resolving the dispute via mediation, the parties agree promptly to resolve any such claim, dispute and/or controversy through binding confidential arbitration conducted in Louisville, Kentucky, in accordance with the then current rules of the American Arbitration Association ("AAA"). The parties irrevocably consent to such jurisdiction for purposes of the arbitration, and judgment may be entered thereon in any state or federal court in the same manner as if the parties were residents of the state of federal district in which said judgment is sought to be entered. The arbitrator shall not make any award or decision that is not

consistent with applicable law. In any action between the parties, the prevailing party in such action shall recover its costs and expenses, including reasonable attorney fees, from the non-prevailing party. All applicable statutes of limitations and defenses based upon the passage of time shall be tolled while the requirements of this Section 16(b) are being followed.

(c) Access to Distribution Centers. During the term of this Agreement the Customer shall have the right to inspect at any time during the term of this Agreement the distribution centers, all delivery trucks and any other facility of PFS which carry the Restaurant Products.

(d) Assignment. This Agreement shall be binding upon all of the parties hereto and upon all of their respective heirs, successors and permitted assigns. The Customer understands that PFS is currently in the process of being sold by PepsiCo, Inc. PFS shall have the right to assign its rights and obligations under this Agreement to any corporation, partnership, firm or other entity which buys substantially all of PFS's assets and upon such assignment (i) such buyer shall assume all of PFS's obligations under this Agreement and take the place of PFS for all purposes of this Agreement and (ii) PepsiCo, Inc. shall have no further obligations hereunder. Except for the permitted assignment by PFS as described above, this Agreement shall not, however, be assignable or transferable, in whole or in part, by any party except upon the express prior written consent of all of the other parties. Any attempt to assign or otherwise transfer this Agreement or any rights or obligations hereunder in violation of the foregoing shall be void.

(e) Amendments. This Agreement shall not be amended except in writing signed by all parties hereto.

(f) Notices. All notices, demands, consents or other communications required or permitted hereunder shall be in writing and personally delivered or sent by overnight air courier, addressed as follows: if to the Customer to each of (i) Pizza Hut, Inc., 14841 Dallas Parkway, Dallas, Texas 75240, Attn: President, (ii) Taco Bell Corp., 17901 Von Karman, Irvine, California 92714, Attn: President and (iii) KFC Corporation, 1441 Gardiner Lane, Louisville, Kentucky 40213, Attn: President; and if to PFS, to PFS 14841 Dallas Parkway, Dallas, Texas 75240, Attn: President; or to such other address as may hereafter be furnished in writing to the other party in the manner described above. Any notice, demand, consent or communication given hereunder in the manner described above shall be deemed to have been effected and received as of the date hand delivered or as of the date received if sent by overnight air courier.

(g) Force Majeure. No party shall be responsible for delays or defaults under this Agreement if such delay or default is occasioned by war, strikes, fire, an act of God or other causes beyond such party's control.

(h) Waiver. No provision, requirement, or breach of this Agreement may be waived by any party except in writing. If any party fails to enforce any right or remedy available under this Agreement, that failure shall not be construed as a waiver of any right or remedy with respect to any other breach or failure by the other parties. If PFS fails to maintain the service levels

described in Sections 6 hereof during any three months of any calendar year during the term of this Agreement (commencing in 1998) and the Customer does not exercise its right to terminate this Agreement as described in Section 10(b) hereof within 90 days after the third such month, the Customer shall waive any right to terminate this Agreement with respect to the low service levels during such three months but shall not waive any right to terminate this Agreement as a result of low service levels during any months after such three months.

(i) Captions. The captions used herein are inserted only as a matter of convenience and for reference and in no way define, limit, or describe the scope or the intent of any section or paragraph hereof.

(j) Governing Law and Forum. This Agreement shall in all respects be construed in accordance with and governed by the substantive laws of the State of Kentucky without giving effect to the conflicts of laws principles thereof.

(k) Severability. If any one or more of the provisions contained in this Agreement shall for any reason be held to be invalid, illegal, or unenforceable in any respect, such invalidity, illegality, or unenforceability shall not affect any other provision hereof, and this Agreement shall be construed as if such invalid, illegal, or unenforceable provision had never been contained herein.

(l) Other Documents. The terms, conditions and provisions of any invoice, billing statement, confirmation, or other similar document relating to the services rendered in connection with this Agreement shall be subject and subordinate to the terms, provisions and conditions of this Agreement and, in the event of a conflict between the terms, conditions and provisions of any such document and of this Agreement, the terms, conditions and provisions of this Agreement shall govern.

(m) Survival of Obligations. The obligations of any party under this Agreement, which by their nature would continue beyond expiration or termination of this Agreement,

including, without limitation, indemnification by such party as provided in Section 14 hereof, shall survive the expiration or termination of this Agreement.

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement as of the date first set forth above.

PFS, a division of PepsiCo, Inc.

By: _____

Pizza Hut, Inc.

By: _____
David Novak
President, Chief Executive
Officer

Taco Bell Corp.

By: _____
John Antioco
President, Chief Executive
Officer

Kentucky Fried Chicken Corporation

By: _____
David Novak
President, Chief Executive
Officer

Kentucky Fried Chicken of
California, Inc.

By: _____
David Novak
President, Chief Executive
Officer

AMENDMENT AGREEMENT

Amendment Agreement dated as of May 29, 1997 among PFS, an unincorporated division of PepsiCo, Inc., a North Carolina corporation, Pizza Hut, Inc., a Delaware corporation, Taco Bell Corp., a California corporation, Kentucky Fried Chicken Corporation, a Delaware corporation, and Kentucky Fried Chicken of California, Inc., a Delaware corporation.

WHEREAS, the parties hereto are parties to the Sales and Distribution Agreement dated as of May 6, 1997 (the "Distribution Agreement") pursuant to which PFS has been appointed as the exclusive distributor of certain food, supplies and smallwares sold to company owned Pizza Hut, Taco Bell and KFC Restaurants in the continental United States; and

WHEREAS, the parties hereto desire to amend the Distribution Agreement

on the terms set forth herein.

NOW, THEREFORE, the parties hereto hereby agree as follows:

(1) Section 9 of the Distribution Agreement is hereby amended by adding the following sentence to the end of such Section:

"Notwithstanding anything to the contrary herein, the termination of this Agreement at the expiration of such term or otherwise shall not operate to terminate the appointment of PFS as an approved distributor of the Restaurant Products sold to all Pizza Hut, Taco Bell and KFC restaurants pursuant to Section 1 hereof."

(2) Other than as specifically set forth herein, the Distribution Agreement shall remain in full force and effect, without amendment, modification or waiver.

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement as of the date first set forth above.

PFS, a division of PepsiCo, Inc.

By: _____

Pizza Hut, Inc.

By: _____

David Novak
President, Chief Executive
Officer

Taco Bell Corp.

By: _____

John Antioco
President, Chief Executive
Officer

Kentucky Fried Chicken Corporation

By: _____

David Novak
President, Chief Executive

Officer

Kentucky Fried Chicken of
California, Inc.

By: _____

David Novak
President, Chief Executive
Officer

<TABLE>

ACTIVE SUBSIDIARIES OF TRICON
AS OF OCTOBER 6, 1997(1)

<CAPTION>

Name of Subsidiary -----	Percentage of Voting Securities Owned By		State or Country of Incorporation -----
	Tricon	Parent	
<S>	<C>	<C>	<C>
A & M Food Services, Inc.	100		Nevada
El KrAm, Inc.		100	Iowa
Pizza Huts of the Northwest, Inc.		100	Minnesota
Kentucky Fried Chicken of California, Inc.	100		Delaware
Tricon Global Restaurants (Canada), Ltd.		100	Canada
KFCC/PepsiCo Holdings Ltd.		100	Canada
KFC Management Ltd.		50	Singapore (2)
Internacional Restaurants do Brasil Ltda.		100	Brazil
Prestige Holdings Ltd.		100	Trinidad
Restaurant Holdings Ltd.		100	United Kingdom
Kentucky Fried Chicken (Great Britain) Limited		100	United Kingdom
Pizza Hut (U.K.) Ltd.		50	United Kingdom(3)
Pizza Hut International (UK) Ltd.		100	United Kingdom
KFC International (Thailand) Ltd.		100	Thailand
Corporativo Internacional S.A. de C.V.		100	Mexico
Kentucky Fried Chicken de Mexico, S.A. de C.V.		100	Mexico
Kentucky Fried Chicken Caribbean Holdings, Inc.		100	Delaware
Kentucky Fried Chicken Corporate Holdings, Ltd.		92	Delaware (4)
KFC France SAS		100	France
Kentucky Fried Chicken Japan Ltd.		31	Japan (5)
Kentucky Fried Chicken International Holdings, Inc.		100	Delaware
Kentucky Fried Chicken Espana, S.L.		100	Spain
Kentucky Fried Chicken Global II B.V.		100	Netherlands
PepsiCo Restaurants International Ltd. & Co. K.G.		100	Germany
PepsiCo Eurasia Limited		100	Delaware
Kentucky Fried Chicken Worldwide B.V.		100	Netherlands
PepsiCo Holdings, B.V.		100	Netherlands
PepsiCo Restaurants International (Taiwan) Co. Ltd.		100	Taiwan
Pizza Gida Isletmeleri A.S.		100	Turkey
Pizza Hut Korea Co., Ltd.		100	Korea
PepsiCo (Southern Africa) Pty. Ltd.		100	South Africa
Kentucky Fried Chicken Global B.V.		100	Netherlands
PepsiCo Poland sp.zo.o.		100	Poland
PepsiCo Restaurants International S.A.		100	Spain
Global Restaurants Inc.		100	Mauritius
PepsiCo Restaurants International (India) Pvt. Ltd.		100	India
Pizza Belgium B.V.B.A.		100	Belgium
Kentucky Fried Chicken Singapore Holdings Pte. Ltd.		100	Singapore
Pizza Hut Singapore Pte. Ltd.		100	Singapore
PCNZ Ltd.		100	Mauritius
PCNZ Investments Ltd.		100	Mauritius
PepsiCo Finance B.V.		100	Netherlands
Kentucky Fried Chicken of Southern California, Inc.		100	California
PepsiCo Restaurant Services Group, Inc.	100		Delaware
Pizza Hut, Inc.	100		California
PepsiCo Australia Pty., Ltd.		60	Australia (6)
Kentucky Fried Chicken Pty. Ltd.		100	Australia
Pizza Hut of America, Inc.		100	Delaware
Pizza Management, Inc.	100		Texas
NKFC, Inc.	100		Delaware
QSR, Inc.	100		Delaware
KFC Enterprises, Inc.		100	Delaware
Kentucky Fried Chicken Corporation		100	Delaware

KFC Corporation		100	Delaware
KFC National Management Company		100	Delaware
Taco Bell Corp.	100		California
Calny, Inc.		100	Delaware
Taco Bell of California, Inc	.	100	California
Taco Bell Royalty Company		100	California
Taco Caliente, Inc.		100	Arizona
Taco Del Sur, Inc.		100	Georgia
Tenga Taco, Inc.		100	Florida
Taco Enterprises, Inc.		100	Michigan
TBLD Corp.		100	California
Upper Midwest Pizza Hut, Inc.	100		Delaware
Von Karman Leasing Corp.	100		Delaware

</TABLE>

Notes:

- (1) This Schedule lists the entities that are expected to be active subsidiaries of TRICON as of October 6, 1997 based upon the reorganization transactions that are in progress. Omitted from the above list are approximately 73 insignificant or inactive subsidiaries which, if considered in the aggregate as a single subsidiary, would not constitute a significant subsidiary. The list also excludes approximately 77 subsidiaries of Pizza Hut, Inc., most of which operate restaurants in the U.S., and approximately 33 subsidiaries of Kentucky Fried Chicken Corporation and Kentucky Fried Chicken of California, Inc., most of which operate restaurants outside the U.S.
- (2) Kentucky Fried Chicken Singapore Holdings Pte. Ltd. owns 50% of this subsidiary.
- (3) An outside shareholder owns 50% of this subsidiary.
- (4) Kentucky Fried Chicken Corporation owns 8% of this subsidiary.
- (5) Outside shareholders owns 69% of this subsidiary.
- (6) Each of the following companies (on insignificant list) owns the percentage listed of this subsidiary: PepsiCo Capital Ptd. Limited 10%, PepsiCo Australia Finance Pte. Ltd. 15%, and Pizza Hut Australia Finance Pte. Ltd. 15%.

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<ARTICLE> 5

<LEGEND> THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM TRICON GLOBAL RESTAURANTS, INC. COMBINED FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED DECEMBER 28, 1996 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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<LEGEND> THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION
EXTRACTED FROM TRICON GLOBAL RESTAURANTS, INC.
CONDENSED COMBINED FINANCIAL STATEMENTS FOR THE 24
WEEKS ENDED JUNE 14, 1997 AND IS QUALIFIED IN ITS
ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

<MULTIPLIER> 1,000,000

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<TOTAL-REVENUES> 4,590

<CGS> 2,659

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<INCOME-CONTINUING> 173

<DISCONTINUED> 0

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<NET-INCOME> 173

<EPS-PRIMARY> 0.00

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