SECURITIES AND EXCHANGE COMMISSION

FORM 10-K

Annual report pursuant to section 13 and 15(d)

Filing Date: **1994-09-22** | Period of Report: **1994-06-30**
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FILER

QUAKER OATS CO

CIK:**81371**| IRS No.: **361655315** | State of Incorp.:**NJ** | Fiscal Year End: **0630**
Type: **10-K** | Act: **34** | File No.: **001-00012** | Film No.: **94549909**
SIC: **2000** Food and kindred products

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

[X]ANNUAL REPORT PURSUANT
TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended June 30, 1994

[ ]TRANSITION REPORT PURSUANT TO SECTION 13
OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ____ to ____.

Commission file number 1-12

THE QUAKER OATS COMPANY

(Exact name of registrant as specified in its charter.)

NEW JERSEY
(State or other jurisdiction of
incorporation or organization)

36-1655315
(I.R.S. Employer
Identification No.)

QUAKER TOWER
P.O. Box 049001 Chicago, Illinois
60604-9001
(Address of principal executive offices)
(Zip Code)

Registrant's telephone number, including area code (312) 222-7111

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

Title of each class

Common Stock ($5.00 Par Value)

Preferred Stock Purchase Rights

Name of each exchange
on which registered

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Common Stock ($5.00 Par Value)
New York Stock Exchange
Chicago Stock Exchange
Pacific Stock Exchange
The Toronto Stock Exchange
The Stock Exchange, London
The Amsterdam Stock Exchange

Preferred Stock Purchase Rights
New York Stock Exchange
Chicago Stock Exchange
Pacific Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes X No ____

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.[ ]

The aggregate market value of Common Stock held by non-affiliates of the Registrant as of the close of business on August 31, 1994 was $5,349,519,249.00. The liquidation value of Series B ESOP Convertible Preferred Stock, all of which is held in The Quaker Employee Stock Ownership Plan, at the close of business on August 31, 1994 totaled $120,953,764.50 plus related dividends. The number of shares of Common Stock, $5.00 par value, outstanding as of the close of business on August 31, 1994 was 66,660,676.

DOCUMENTS INCORPORATED BY REFERENCE

1. Portions of The Quaker Oats Company Annual Report to Shareholders for the fiscal year ended June 30, 1994 (Parts I, II and III of Form 10-K)

2. Portions of The Quaker Oats Company Notice of Annual Meeting and Proxy Statement dated October 3, 1994 (Part III of Form 10-K)

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CROSS-REFERENCE TABLE OF CONTENTS

The 1994 Annual Report to Shareholders and the 1994 Proxy Statement include all information required in Parts I, II and III of Form 10-K, except as otherwise indicated in the following Cross-Reference Table. The Cross-Reference Table identifies the source of information for each of the Form 10-K items included in Parts I, II and III. Only those sections of the Annual Report to Shareholders and the Proxy Statement cited in the Cross-Reference Table of Contents are incorporated in the Form 10-K and filed with the Securities and Exchange Commission.

10-K Item No.
Source of Information

PART I.

Item 1.
Business

(a) General Development of Business
Annual Report to Shareholders, pages 55, 72

(b) Financial Information About Industry Segments
Annual Report to Shareholders, pages 50-52

(c) Narrative Description of Business
Annual Report to Shareholders, pages 37-39,42-43,61,64,66-67

(d) Financial Information About Foreign and Domestic Operations and Export Sales
Annual Report to Shareholders, pages 50-52

(e) Executive Officers of Registrant
Annual Report to Shareholders, pages 70-71

Item 2.
Properties
Annual Report to Shareholders, page 66

Item 3.
Legal Proceedings
Annual Report to Shareholders, page 64, Exhibit 99 to this Form 10-K

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Item 4.
Submission of Matters to a Vote of Security-Holders
(Not Applicable)

PART II.

Item 5.
Market for the Registrant's Common Equity and Related Stockholder Matters
Annual Report to Shareholders, pages 42-43, 65, 72-73

Item 6.
Selected Financial Data
Annual Report to Shareholders, pages 40-43

Item 7.
Management's Discussion and Analysis of Financial Condition
and Results of Operations
Annual Report to Shareholders, pages 37-39

Item 8.
Financial Statements and Supplementary Data
Annual Report to Shareholders, pages 44-65;

Item 9.
Disagreements with Accountants on Accounting and Financial Disclosure
(Not Applicable)

PART III.

Item 10.
Directors and Executive Officers of the Registrant
Notice of Annual Meeting and Proxy Statement, pages 6-9; Annual Report
to Shareholders, pages 70-71

Item 11.
Executive Compensation
Notice of Annual Meeting and Proxy Statement, pages 13-21

Item 12.
Security Ownership of Certain Beneficial Owners and Management
Notice of Annual Meeting and Proxy Statement, page 12

Item 13.
Certain Relationships and Related Transactions
(Not Applicable)

PART IV.

Item 14.
Exhibits, Financial Statement Schedules, and Reports on Form 8-K

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(a)(1) Financial Statements
Consolidated financial statements of The Quaker Oats Company and its subsidiaries are incorporated under Item 8 of this Form 10-K.

(a)(2)& (d) Financial Statement Schedules
All required financial statement schedules are included in the consolidated financial statements or notes thereto as incorporated under Item 8 of this Form 10-K.

(a)(3)& (c) Exhibits

3(a) Restated Certificate of Incorporation (as of January 13, 1993) (incorporated by reference to the Company's Form 10-Q for the quarter ended December 31, 1992, file number 1-12)

3(b) Bylaws of The Quaker Oats Company (as amended January 9, 1985) (incorporated by reference to the Company's Form 10-K for the fiscal year ended June 30, 1985, file number 1-12)

4 Registrant undertakes to furnish to the Commission, upon request, a copy of any instrument defining the rights of holders of long-term debt of the Registrant and all of its subsidiaries for which consolidated or unconsolidated financial statements are required to be filed.

10(a)(1) 1984 Long-Term Incentive Plan (incorporated by reference to Exhibit B of the Company's 1983 Proxy Statement, file number 1-12)

10(a)(2) First Amendment to 1984 Long-Term Incentive Plan (incorporated by reference to the Company's Form 10-K for the fiscal year ended June 30, 1992, file number 1-12)

10(b)(1) Deferred Compensation Plan for Directors of The Quaker Oats Company as restated effective January 1, 1989 (incorporated by reference to the Company's Form 10-K for the fiscal year ended June 30, 1989, file number 1-12)

10(b)(2) First Amendment to the Deferred Compensation Plan for Directors of The Quaker Oats Company (incorporated by reference to the Company's Form 10-K for the fiscal year ended June 30, 1992, file number 1-12)

10(c) Deferred Compensation Plan for Executives of The Quaker Oats Company as restated effective January 1, 1989 (incorporated by reference to the Company's Form 10-K for the fiscal year ended June 30, 1989, file number 1-12)

10(d) Management Incentive Bonus Plan of The Quaker Oats Company (as amended September 8, 1993)

10(e)(1) Directors' Stock Retirement Plan (incorporated by reference to the Company's Form 10-K for the fiscal year ended June 30,

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1985, file number 1-12)

10(e)(2) First Amendment to Directors' Stock Retirement Plan (incorporated by reference to the Company's Form 10-K for the fiscal year ended June 30, 1992, file number 1-12)

10(f)(1) Termination Benefits Agreement with William D. Smithburg, first effective in the fiscal year ended June 30, 1993 (incorporated by reference to the Company's Form 10-K for the fiscal year ended June 30, 1993, file number 1-12)

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10(f)(3) Termination Benefits Agreements with certain Executive Officers, first effective in the fiscal year ended June 30, 1993 (incorporated by reference to the Company's Form 10-K for the fiscal year ended June 30, 1993, file number 1-12)

10(f)(4) Termination Benefit Agreements with certain Executive Officers, first effective in the fiscal year ended June 30, 1994 or first effective by filing date

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10(g)(4) Third Amendment to The Quaker Supplemental Executive Retirement Program (incorporated by reference to the Company's Form 10-K for the fiscal year ended June 30, 1992, file number 1-12)

10(g)(5) Fourth Amendment to The Quaker Supplemental Executive Retirement Program (incorporated by reference to the Company's Form 10-K for the fiscal year ended June 30, 1992, file number 1-12)

10(g)(6) Fifth Amendment to The Quaker Supplemental Executive Retirement Program (incorporated by reference to the Company's Form 10-K for the fiscal year ended June 30, 1993, file number 1-12)

10(g)(7) Sixth Amendment to The Quaker Supplemental Executive Retirement Program (incorporated by reference to the Company's Form 10-K for the fiscal

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10(j) The Quaker Officers Severance Program, effective March 10, 1993 (incorporated by reference to the Company's Form 10-K for the fiscal year ended June 30, 1993, file number 1-12)

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10(l) The Quaker 415 Excess Benefit Plan (incorporated by reference to the Company's Form 10-K for the fiscal year ended June 30, 1990, file number 1-12)

10(m) Quaker Salaried Employees Compensation and Benefits Protection Plan (incorporated by reference to the Company's Form 10-K for the fiscal year ended June 30, 1990, file number 1-12)

11 Statement re Computation of Per Share Earnings

12 Statement re Computation of Ratios

13 Annual Report to Shareholders of The Quaker Oats Company for the fiscal year ended June 30, 1994

21 List of Subsidiaries of the Registrant

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23 Consent of Auditors

99 Additional Exhibits - Events (Unaudited) Subsequent to Date of Auditors' Report

(b) Reports on Form 8-K

On May 17, 1994, the Company filed an 8-K announcing reengineering measures and related fourth-quarter charges.

SIGNATURES

Pursuant to the requirements of Sections 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

THE QUAKER OATS COMPANY

By /s/ WILLIAM D. SMITHBURG
William D. Smithburg, Chairman and Chief Executive Officer

Date: September 14, 1994

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below on the 14th day of September 1994, by the following persons on behalf of the Registrant and in the capacities indicated.

Signature
Title

/s/ WILLIAM D. SMITHBURG
William D. Smithburg
Chairman and Chief Executive Officer and Director

/s/ TERRY G. WESTBROOK
Terry G. Westbrook
Senior Vice President and Chief Financial Officer

/s/ THOMAS L. GETTINGS
Thomas L. Gettings
Vice President and Corporate Controller

/s/ FRANK C. CARLUCCI
Frank C. Carlucci
Director

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/s/ SILAS S. CATHCART
Silas S. Cathcart
Director

/s/ KENNETH I. CHENAULT
Kenneth I. Chenault
Director

/s/ JUDY C. LEWENT
Judy C. Lewent
Director

/s/ VERNON R. LOUCKS, JR.
Vernon R. Loucks, Jr.
Director

/s/ THOMAS C. MacAVOY
Thomas C. MacAvoy
Director

/s/ PHILIP A. MARINEAU
Philip A. Marineau
Director

/s/ LUTHER C. McKINNEY
Luther C. McKinney
Director

/s/ GERTRUDE G. MICHELSON
Gertrude G. Michelson
Director

/s/ WALTER J. SALMON
Walter J. Salmon
Director

/s/ WILLIAM L. WEISS
William L. Weiss
Director

EXHIBIT INDEX

EXHIBIT NO.	DESCRIPTION	PAPER (P),ELECTRONIC (E)

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OR INCORPORATED BY REFERENCE (IBRF)

3(a)	Restated Certificate of Incorporation (as of January 13, 1993) (incorporated by reference to the Company's Form 10-Q for the quarter ended December 31, 1992, file number 1-12)	IBRF
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12	Statement re Computation of Ratios	E
13	Annual Report to Shareholders of The Quaker Oats Company for the fiscal year ended June 30, 1994	E
21	List of Subsidiaries of the Registrant	E
23	Consent of Auditors	E
99	Additional Exhibits- Events (Unaudited) Subsequent to Date of Auditors' Report	E
(b)	8-K filed May 17, 1994	IBRF

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Exhibit 10(d)

RESOLVED, that the Management Incentive Bonus Plan (the "Plan") of The Quaker Oats Company be amended to remove the funding limitations contained therein, so as to provide for discretionary funding by the Compensation Committee of the Board of Directors of the Company, and to make other administrative changes deemed desirable.

FURTHER RESOLVED, that the Plan is hereby amended and restated to read as follows:

"MANAGEMENT INCENTIVE BONUS PLAN
OF
THE QUAKER OATS COMPANY
As Amended and Restated Effective September 8, 1993

1. PURPOSE AND ELIGIBILITY. The Plan is designed to promote the interests of The Quaker Oats Company (the "Company") and its shareholders by providing incentive bonuses for officers and other managerial employees of the Company and its subsidiaries.

2. ADMINISTRATION. The Plan shall be administered by the Compensation Committee (the "Committee") of the Board of Directors of the Company who shall not be eligible to participate in the Plan.

3. BONUS FUND. The Committee shall determine the amount of the Bonus Fund for each fiscal year. The Committee shall establish the criteria it will use in determining the amount of the Bonus Fund, which criteria shall be communicated to Plan participants to the extent deemed feasible by the Chief Executive Officer.

4. AWARDS. For each fiscal year the Committee shall determine the amounts that shall be paid from the Bonus Fund as individual awards for each officer who is also a Director of the Company and the aggregate amount available from the Bonus Fund for awards to other eligible employees. The Chief Executive Officer shall determine the employees and the amount each shall receive from such aggregate amount. All bonus payments shall be made as soon as practicable after the close of the fiscal year except where the Chief Executive Officer, in his discretion, directs that a delay in payment to certain eligible employees would further the purposes of the Plan."

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Exhibit 10(f)

EXECUTIVE SEPARATION AGREEMENT

THIS AGREEMENT is made between The Quaker Oats Company, a New Jersey corporation (the "Company"), and W. Stephen Perry (the "Executive"), dated this 2ND day of August, 1994.

WITNESSETH THAT:

WHEREAS, the Company wishes to attract and retain well-qualified executive and key personnel and to assure both itself and the Executive of continuity of management in the event of any actual or threatened change in control of the Company;

NOW, THEREFORE, it is hereby agreed by and between the parties as follows:

1. Operation of Agreement. The "effective date of this Agreement" shall be the date on which the Executive declares it effective, by notice to the Company in writing, but only if a change in control of the Company (as defined in Section 2) has occurred on or before the date of the notice.

2. Change in Control. A "change in control of the Company" shall be deemed to have occurred if:

a. any "Person," which shall mean a "person" as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") (other than the Company, any trustee or other fiduciary holding securities under an employee benefit plan of the Company, or any company owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company), is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing 30% or more of the combined voting power of the Company's then outstanding voting securities; provided, however, that this paragraph a. shall not apply to any Person who becomes such a beneficial owner of such Company securities pursuant to an agreement with the Company approved by the Company's Board

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of Directors (the "Board"), entered into before such Person has become such a beneficial owner of Company securities representing 5% or more of the combined voting power of the Company's then outstanding voting securities;

b. during any period of 24 consecutive months (not including any period prior to the execution of this Agreement), individuals, who at the beginning of such period constitute the Board, and any new director (other than a director designated by a Person who has entered into an agreement with the Company to effect a transaction described in paragraph a., c.(2) or d. of this Section) whose election by the Board, or whose nomination for election by the Company's stockholders, was approved by a vote of at least two-thirds (2/3) of the directors before the beginning of the period cease for any reason to constitute at least a majority thereof;

c. the stockholders of the Company approve (1) a plan of complete liquidation of the Company or (2) the sale or disposition by the Company of all or substantially all of the Company's assets unless the acquirer of the assets or its directors shall meet the conditions for a merger or consolidation in subparagraphs d.(1) or d.(2); or

d. the stockholders of the Company approve a merger or consolidation of the Company with any other company other than:

(1) such a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) more than 70% of the combined voting power of the Company's or such surviving entity's outstanding voting securities immediately after such merger or consolidation; or

(2) such a merger or consolidation which would result in the directors of the Company who were directors immediately prior thereto continuing to constitute at least 50% of the directors of the surviving entity immediately after such merger or consolidation.

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In this paragraph d., "surviving entity" shall mean only an entity in which all of the Company's stockholders immediately before such merger or consolidation become stockholders by the terms of such merger or consolidation, and the phrase "directors of the Company who were directors immediately prior thereto" shall include only individuals who were directors of the Company at the beginning of the 24 consecutive month period preceding the date of such merger or consolidation, or who were new directors (other than any director designated by a Person who has entered into an agreement with the Company to effect a transaction described in paragraph a., c.(2), d.(1) or d.(2) of this Section) whose election by the Board, or whose nomination for election by the Company's stockholders, was approved by a vote of at least two-thirds (2/3) of the directors before the beginning of such period.

3. Employment Period. The Company hereby agrees to continue the Executive in its employ, and the Executive hereby agrees to remain in the employ of the Company, for the period commencing on the effective date of this Agreement and ending on the earlier to occur of the third anniversary of such effective date or the 65th birthday of the Executive (the "employment period"), to exercise such authorities and powers, and perform such duties and functions, as are commensurate with the authorities and powers being exercised, and duties and functions being performed, by the Executive immediately prior to the effective date of this Agreement, which services shall be performed at the current location where the Executive was employed immediately prior to the effective date of this Agreement or at such other location within a 30-mile radius of such current location. The Executive shall not be required to accept any other location. The Executive agrees that during the employment period he shall devote his full business time exclusively to his executive duties as described herein and perform such duties faithfully and efficiently.

4. Compensation, Compensation Plans, Benefit Plans, Perquisites. During the employment period and prior to termination (as defined in Section 5) of the Executive, the Executive shall be compensated as follows:

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a. He shall receive an annual salary which is not less than his annual salary immediately prior to the effective date of this Agreement, with the opportunity for increases, from time to time thereafter, which are in accordance with the Company's regular practices.

b. He shall be eligible to participate on a reasonable basis in bonus, stock option, restricted stock and other incentive compensation plans, which shall provide benefits comparable to those to which he was provided immediately prior to the effective date of this Agreement.

c. He shall be eligible to participate on a reasonable basis in tax-qualified employee benefit plans (including but not limited to pension, profit sharing and employee stock ownership plans), and supplemental nonqualified employee benefit plans relating thereto, which shall provide benefits comparable to those to which he was provided immediately prior to the effective date of this Agreement.

d. He shall be entitled to receive employee benefits (including, but not limited to, medical and life insurance benefits) and perquisites which are comparable to those to which he was provided immediately prior to the effective date of this Agreement.

5. Termination. "Termination" shall mean either (a) termination by the Company of the employment of the Executive with the Company for any reason other than death, physical or mental incapacity, or cause (as defined below), or (b) resignation of the Executive upon the occurrence of any of the following events:

(1) a significant change in the nature or scope of the Executive's authorities, powers, functions, or duties from those described in Section 3;

(2) a reduction in total compensation from that provided in Section 4;

(3) the breach by the Company of any other provision of this Agreement; or

(4) a reasonable determination by the Executive that, as a result of a change in control of the Company his position is significantly affected so that he is unable to exercise

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the authorities, powers, functions or duties attached to his position as described in Section 3.

"Cause" means gross misconduct or willful and material breach of this Agreement by the Executive. No act, or failure to act, on the Executive's part shall be deemed "willful" unless done, or omitted to be done, by the Executive not in good faith and without reasonable belief that the action or omission was in the best interest of the Company.

6. Confidentiality. The Executive agrees that during and after the employment period, he will not divulge or appropriate to his own use or the use of others any secret or confidential information or knowledge pertaining to the business of the Company, or any of its subsidiaries, obtained during his employment by the Company or any of its subsidiaries.

7. Severance and Benefit Payments.

a. In the event of termination of the Executive during the employment period, the Company shall pay the Executive a lump-sum severance allowance equal to salary and bonus payments for the following 24 calendar months at the rate which he would have been entitled to receive in accordance with Section 4. Such a severance allowance shall be adjusted to include expected increases to the Executive's salary and bonus for such period, but shall not be adjusted on a present value basis.

b. In the event of termination of the Executive during the employment period, the Company shall also pay the Executive a lump-sum benefit payment in an amount equivalent to (1) the benefits he would have accrued or been allocated under any tax-qualified employee benefit plan (including but not limited to pension, profit sharing and employee stock ownership plans) and any nonqualified supplemental benefit plan relating thereto, maintained by the Company if he had remained in the employ of the Company for 24 calendar months after his termination, which benefits will be paid in addition to the benefits provided under such plans, and (2) any other employee benefits (including, but not limited to, coverage under any medical and life insurance arrangements or programs) to which he would have been entitled under all such employee benefit plans, programs or arrangements maintained by the Company if he had remained in the employ of the Company for 24 calendar months after his

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termination. Such a benefit payment shall be adjusted to include expected increases to the Executive's salary, bonus and other compensation having an effect on such benefits for such period, but shall not be adjusted on a present value basis.

c. The amount of the severance allowance and benefit payment described in this Section shall be determined and such payment shall be made as soon as it is reasonably possible.

d. The severance allowance and benefit payment to be provided pursuant to this Section 7 shall be in addition to, and shall not be reduced by, any other amounts or benefits provided by separate agreement with the Executive, or plan or arrangement of the Company or its subsidiaries, unless specifically stipulated in an agreement which constitutes an amendment to this Agreement as provided in Section 14.

8. Tax Reimbursement. If any payment to the Executive under this Agreement or under any other compensation agreement, plan or arrangement of the Company or its subsidiaries is subject to an excise tax under section 4999 of the Internal Revenue Code of 1986, as amended, (the "Code"), the Company shall pay the Executive an additional amount which is equal to the amount of such excise tax. The Company will provide complete compensation and tax data on a timely basis to the Executive and to an accounting firm or law firm designated by the Executive in order to enable the Executive to determine the extent to which any payments under this Agreement or under any other compensation agreement, plan or arrangement of the Company or its subsidiaries constitute "parachute payments" or "excess parachute payments" under section 280G of the Code. Any additional amount payable under this Section 8 shall be due and paid no later than ten business days after the other payment to which such additional payment relates; provided, however, that if such additional amount cannot be determined on or before such due date, the Company shall pay an amount on the due date which it in good faith estimates to be payable and shall pay the remainder of such additional amount (together with interest at a rate equal to 120% of the applicable Federal rate determined under Section 1274(d) of the Code) as soon as such amount can be determined, but no later than 30 days after the date on which Executive becomes subject to the payment of the

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excise tax.

9. Mitigation and Set Off. The Executive shall not be required to mitigate the amount of any payment provided for in this Agreement by seeking other employment or otherwise. The Company shall not be entitled to set off against the amounts payable to the Executive under this Agreement any amounts owed to the Company by the Executive, any amounts earned by the Executive in other employment after termination of his employment with the Company, or any amounts which might have been earned by the Executive in other employment had he sought such other employment.

10. Arbitration of All Disputes. Any controversy or claim arising out of or relating to this Agreement or the breach thereof, except with respect to Section 8, shall be settled by arbitration in the City of Chicago in accordance with the laws of the State of Illinois by three arbitrators appointed by the parties. If the parties cannot agree on the appointment, one arbitrator shall be appointed by the Company and one by the Executive, and the third shall be appointed by the first two arbitrators. If the first two arbitrators cannot agree on the appointment of a third arbitrator, then the third arbitrator shall be appointed by the Chief Judge of the United States Court of Appeals for the Seventh Circuit. The arbitration shall be conducted in accordance with the rules of the American Arbitration Association, except with respect to the selection of arbitrators which shall be as provided in this Section 10. Judgement upon the award rendered by the arbitrators may be entered in any court having jurisdiction thereof. In the event that it shall be necessary or desirable for the Executive to retain legal counsel or incur other costs and expenses in connection with enforcement of his rights under this Agreement, Executive shall be entitled to recover from the Company his reasonable attorneys' fees and costs and expenses in connection with enforcement of his rights (including the enforcement of any arbitration award in court). Payment shall be made to the Executive by the Company at the time these attorneys' fees and costs and expenses are incurred by the Executive. If, however, the arbitrators should later determine that under the circumstances the Executive could have had no reasonable expectation of prevailing on

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the merits at the time he initiated the arbitration based on the information then available to him, he shall repay any such payments to the Company in accordance with the order of the arbitrators. Any award of the arbitrators shall include interest at a rate or rates considered just under the circumstances by the arbitrators.

11. Notices. Any notices, requests, demands, and other communications provided for by this Agreement shall be sufficient if in writing and if sent by registered or certified mail to the Executive at the last address he has filed in writing with the Company or, in the case of the Company, at its principal executive offices.

12. Non-Alienation. The Executive shall not have any right to pledge, hypothecate, anticipate or in any way create a lien upon any amounts provided under this Agreement; and no benefits payable hereunder shall be assignable in anticipation of payment either by voluntary or involuntary acts, or by operation of law. Nothing in this paragraph shall limit the Executive's rights or powers which his executor or administrator would otherwise have.

13. Governing Law. The Agreement shall be construed and enforced according to the Employee Retirement Income Security Act of 1974 ("ERISA"), and the laws of the State of Illinois, other than its laws respecting choice of law, to the extent not pre-empted by ERISA.

14. Amendment. This Agreement may be amended or cancelled by mutual agreement of the parties in writing without the consent of any other person and, so long as the Executive lives, no person, other than the parties hereto, shall have any rights under or interest in this Agreement or the subject matter hereof.

15. Term. Unless the Executive has theretofore declared this Agreement effective, pursuant to Section 1 of this Agreement, this Agreement shall terminate two years after the day and year first above written, provided that this Agreement may thereupon be renewed annually at the discretion of the Board.

16. Successors to the Company. Except as otherwise provided herein, this Agreement shall be binding upon and inure to the benefit of the Company and any successor of the Company.

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17. Severability. In the event that any provision or portion of this Agreement shall be determined to be invalid or unenforceable for any reason, the remaining provisions of this Agreement shall be unaffected thereby and shall remain in full force and effect.

18. Prior Agreement. Any prior Executive Separation agreement between the Executive and the Company which has not yet terminated pursuant to its terms, is cancelled by mutual consent of the Executive and the Company pursuant to execution of this Agreement, effective as of the day and year first above written.

IN WITNESS WHEREOF, the Executive has hereunto set his hand and, pursuant to the authorization from its Board of Directors, the Company has caused these presents to be executed in its name on its behalf, and its corporate seal to be hereunto affixed and attested by its Assistant Secretary, all as of the day and year first above written.

/s/ W. Stephen Perry

W. Stephen Perry

THE QUAKER OATS COMPANY

By Doug Ralston

ATTEST:

/s/ Gerry Cassioppi
Gerry Cassioppi
Assistant Secretary

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EXECUTIVE SEPARATION AGREEMENT

THIS AGREEMENT is made between The Quaker Oats Company, a New Jersey corporation (the "Company"), and Margaret M. Eichman (the "Executive"), dated this 20TH day of June, 1994.

WITNESSETH THAT:

WHEREAS, the Company wishes to attract and retain well-qualified executive and key personnel and to assure both itself and the Executive of continuity of management in the event of any actual or threatened change in control of the Company;

NOW, THEREFORE, it is hereby agreed by and between the parties as follows:

1. Operation of Agreement. The "effective date of this Agreement" shall be the date on which the Executive declares it effective, by notice to the Company in writing, but only if a change in control of the Company (as defined in Section 2) has occurred on or before the date of the notice.

2. Change in Control. A "change in control of the

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Company" shall be deemed to have occurred if:

a. any "Person," which shall mean a "person" as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") (other than the Company, any trustee or other fiduciary holding securities under an employee benefit plan of the Company, or any company owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company), is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing 30% or more of the combined voting power of the Company's then outstanding voting securities; provided, however, that this paragraph a. shall not apply to any Person who becomes such a beneficial owner of such Company securities pursuant to an agreement with the Company approved by the Company's Board of Directors (the "Board"), entered into before such Person has become such a beneficial owner of Company securities representing 5% or more of the combined voting power of the Company's then outstanding voting securities;

b. during any period of 24 consecutive months (not including any period prior to the execution of this Agreement), individuals, who at the beginning of such period constitute the Board, and any new director (other than a director designated by a Person who has entered into an agreement with the Company to effect a transaction described in paragraph a., c.(2) or d. of this Section) whose election by the Board, or whose nomination for election by the Company's stockholders, was approved by a vote of at least two-thirds (2/3) of the directors before the beginning of the period cease for any reason to constitute at least a majority thereof;

c. the stockholders of the Company approve (1) a plan of complete liquidation of the Company or (2) the sale or disposition by the Company of all or substantially all of the Company's assets unless the acquirer of the assets or its directors shall meet the conditions for a merger or consolidation in subparagraphs d.(1) or d.(2); or

d. the stockholders of the Company approve a merger or consolidation of the Company with any other company other than:

(1) such a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting

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securities of the surviving entity) more than 70% of the combined voting power of the Company's or such surviving entity's outstanding voting securities immediately after such merger or consolidation; or

(2) such a merger or consolidation which would result in
the directors of the Company who were directors immediately prior thereto continuing to constitute at least 50% of the directors of the surviving entity immediately after such merger or consolidation.

In this paragraph d., "surviving entity" shall mean only an entity in which all of the Company's stockholders immediately before such merger or consolidation become stockholders by the terms of such merger or consolidation, and the phrase "directors of the Company who were directors immediately prior thereto" shall include only individuals who were directors of the Company at the beginning of the 24 consecutive month period preceding the date of such merger or consolidation, or who were new directors (other than any director designated by a Person who has entered into an agreement with the Company to effect a transaction described in paragraph a., c.(2), d.(1) or d.(2) of this Section) whose election by the Board, or whose nomination for election by the Company's stockholders, was approved by a vote of at least two-thirds (2/3) of the directors before the beginning of such period.

3. Employment Period. The Company hereby agrees to continue the Executive in its employ, and the Executive hereby agrees to remain in the employ of the Company, for the period commencing on the effective date of this Agreement and ending on the earlier to occur of the third anniversary of such effective date or the 65th birthday of the Executive (the "employment period"), to exercise such authorities and powers, and perform such duties and functions, as are commensurate with the authorities and powers being exercised, and duties and functions being performed, by the Executive immediately prior to the

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effective date of this Agreement, which services shall be performed at the current location where the Executive was employed immediately prior to the effective date of this Agreement or at such other location within a 30-mile radius of such current location. The Executive shall not be required to accept any other location. The Executive agrees that during the employment period he shall devote his full business time exclusively to his executive duties as described herein and perform such duties faithfully and efficiently.

4. Compensation, Compensation Plans, Benefit Plans, Perquisites. During the employment period and prior to termination (as defined in Section 5) of the Executive, the Executive shall be compensated as follows:

a. He shall receive an annual salary which is not less than his annual salary immediately prior to the effective date of this Agreement, with the opportunity for increases, from time to time thereafter, which are in accordance with the Company's regular practices.

b. He shall be eligible to participate on a reasonable basis in bonus, stock option, restricted stock and other incentive compensation plans, which shall provide benefits comparable to those to which he was provided immediately prior to the effective date of this Agreement.

c. He shall be eligible to participate on a reasonable basis in tax-qualified employee benefit plans (including but not limited to pension, profit sharing and employee stock ownership plans), and supplemental nonqualified employee benefit plans relating thereto, which shall provide benefits comparable to those to which he was provided immediately prior to the effective date of this Agreement.

d. He shall be entitled to receive employee benefits (including, but not limited to, medical and life insurance benefits) and perquisites which are comparable to those to which he was provided immediately prior to the effective date of this Agreement.

5. Termination. "Termination" shall mean either (a) termination by the Company of the employment of the

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Executive with the Company for any reason other than death, physical or mental incapacity, or cause (as defined below), or (b) resignation of the Executive upon the occurrence of any of the following events:

(1) a significant change in the nature or scope of the Executive's authorities, powers, functions, or duties from those described in Section 3;

(2) a reduction in total compensation from that provided in Section 4;

(3) the breach by the Company of any other provision of this Agreement; or

(4) a reasonable determination by the Executive that, as a result of a change in control of the Company his position is significantly affected so that he is unable to exercise the authorities, powers, functions or duties attached to his position as described in Section 3.

"Cause" means gross misconduct or willful and material breach of this Agreement by the Executive. No act, or failure to act, on the Executive's part shall be deemed "willful" unless done, or omitted to be done, by the Executive not in good faith and without reasonable belief that the action or omission was in the best interest of the Company.

6. Confidentiality. The Executive agrees that during and after the employment period, he will not divulge or appropriate to his own use or the use of others any secret or confidential information or knowledge pertaining to the business of the Company, or any of its subsidiaries, obtained during his employment by the Company or any of its subsidiaries.

7. Severance and Benefit Payments.

a. In the event of termination of the Executive during the employment period, the Company shall pay the Executive a lump-sum severance allowance equal to salary and bonus payments for the following 24 calendar months at the rate which he would have been entitled to receive in accordance with Section 4. Such a severance allowance shall be adjusted to include expected increases to the Executive's salary and bonus for such period, but shall not be adjusted on a present value basis.

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b. In the event of termination of the Executive during the employment period, the Company shall also pay the Executive a lump-sum benefit payment in an amount equivalent to (1) the benefits he would have accrued or been allocated under any tax-qualified employee benefit plan (including but not limited to pension, profit sharing and employee stock ownership plans) and any nonqualified supplemental benefit plan relating thereto, maintained by the Company if he had remained in the employ of the Company for 24 calendar months after his termination, which benefits will be paid in addition to the benefits provided under such plans, and (2) any other employee benefits (including, but not limited to, coverage under any medical and life insurance arrangements or programs) to which he would have been entitled under all such employee benefit plans, programs or arrangements maintained by the Company if he had remained in the employ of the Company for 24 calendar months after his termination. Such a benefit payment shall be adjusted to include expected increases to the Executive's salary, bonus and other compensation having an effect on such benefits for such period, but shall not be adjusted on a present value basis.

c. The amount of the severance allowance and benefit payment described in this Section shall be determined and such payment shall be made as soon as it is reasonably possible.

d. The severance allowance and benefit payment to be provided pursuant to this Section 7 shall be in addition to, and shall not be reduced by, any other amounts or benefits provided by separate agreement with the Executive, or plan or arrangement of the Company or its subsidiaries, unless specifically stipulated in an agreement which constitutes an amendment to this Agreement as provided in Section 14.

8. Tax Reimbursement. If any payment to the Executive under this Agreement or under any other compensation agreement, plan or arrangement of the Company or its subsidiaries is subject to an excise tax under section 4999 of the Internal Revenue Code of 1986, as amended, (the "Code"), the Company shall pay the Executive an additional amount which is equal to the amount of such excise tax. The Company will provide complete compensation and tax data on a timely basis to the Executive and to an accounting firm or law firm designated

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by the Executive in order to enable the Executive to determine the extent to which any payments under this Agreement or under any other compensation agreement, plan or arrangement of the Company or its subsidiaries constitute "parachute payments" or "excess parachute payments" under section 280G of the Code. Any additional amount payable under this Section 8 shall be due and paid no later than ten business days after the other payment to which such additional payment relates; provided, however, that if such additional amount cannot be determined on or before such due date, the Company shall pay an amount on the due date which it in good faith estimates to be payable and shall pay the remainder of such additional amount (together with interest at a rate equal to 120% of the applicable Federal rate determined under Section 1274(d) of the Code) as soon as such amount can be determined, but no later than 30 days after the date on which Executive becomes subject to the payment of the excise tax.

9. Mitigation and Set Off. The Executive shall not be required to mitigate the amount of any payment provided for in this Agreement by seeking other employment or otherwise. The Company shall not be entitled to set off against the amounts payable to the Executive under this Agreement any amounts owed to the Company by the Executive, any amounts earned by the Executive in other employment after termination of his employment with the Company, or any amounts which might have been earned by the Executive in other employment had he sought such other employment.

10. Arbitration of All Disputes. Any controversy or claim arising out of or relating to this Agreement or the breach thereof, except with respect to Section 8, shall be settled by arbitration in the City of Chicago in accordance with the laws of the State of Illinois by three arbitrators appointed by the parties. If the parties cannot agree on the appointment, one arbitrator shall be appointed by the Company and one by the Executive, and the third shall be appointed by the first two arbitrators. If the first two arbitrators cannot agree on the appointment of a third arbitrator, then the third arbitrator shall be appointed by the Chief Judge of the United States Court of Appeals for the Seventh Circuit. The arbitration shall be

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conducted in accordance with the rules of the American Arbitration Association, except with respect to the selection of arbitrators which shall be as provided in this Section 10. Judgement upon the award rendered by the arbitrators may be entered in any court having jurisdiction thereof. In the event that it shall be necessary or desirable for the Executive to retain legal counsel or incur other costs and expenses in connection with enforcement of his rights under this Agreement, Executive shall be entitled to recover from the Company his reasonable attorneys' fees and costs and expenses in connection with enforcement of his rights (including the enforcement of any arbitration award in court). Payment shall be made to the Executive by the Company at the time these attorneys' fees and costs and expenses are incurred by the Executive. If, however, the arbitrators should later determine that under the circumstances the Executive could have had no reasonable expectation of prevailing on the merits at the time he initiated the arbitration based on the information then available to him, he shall repay any such payments to the Company in accordance with the order of the arbitrators. Any award of the arbitrators shall include interest at a rate or rates considered just under the circumstances by the arbitrators.

11. Notices. Any notices, requests, demands, and other communications provided for by this Agreement shall be sufficient if in writing and if sent by registered or certified mail to the Executive at the last address he has filed in writing with the Company or, in the case of the Company, at its principal executive offices.

12. Non-Alienation. The Executive shall not have any right to pledge, hypothecate, anticipate or in any way create a lien upon any amounts provided under this Agreement; and no benefits payable hereunder shall be assignable in anticipation of payment either by voluntary or involuntary acts, or by operation of law. Nothing in this paragraph shall limit the Executive's rights or powers which his executor or administrator would otherwise have.

13. Governing Law. The Agreement shall be construed and enforced according to the Employee Retirement Income Security Act of 1974 ("ERISA"), and the laws of the State of Illinois, other than its laws respecting choice of law, to the extent not pre-empted by ERISA.

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14. Amendment. This Agreement may be amended or cancelled by mutual agreement of the parties in writing without the consent of any other person and, so long as the Executive lives, no person, other than the parties hereto, shall have any rights under or interest in this Agreement or the subject matter hereof.

15. Term. Unless the Executive has theretofore declared this Agreement effective, pursuant to Section 1 of this Agreement, this Agreement shall terminate two years after the day and year first above written, provided that this Agreement may thereupon be renewed annually at the discretion of the Board.

16. Successors to the Company. Except as otherwise provided herein, this Agreement shall be binding upon and inure to the benefit of the Company and any successor of the Company.

17. Severability. In the event that any provision or portion of this Agreement shall be determined to be invalid or unenforceable for any reason, the remaining provisions of this Agreement shall be unaffected thereby and shall remain in full force and effect.

18. Prior Agreement. Any prior Executive Separation agreement between the Executive and the Company which has not yet terminated pursuant to its terms, is cancelled by mutual consent of the Executive and the Company pursuant to execution of this Agreement, effective as of the day and year first above written.

IN WITNESS WHEREOF, the Executive has hereunto set his hand and, pursuant to the authorization from its Board of Directors, the Company has caused these presents to be executed in its name on its behalf, and its corporate seal to be hereunto affixed and attested by its Assistant Secretary, all as of the day and year first above written.

/s/ Margaret M. Eichman

Margaret M. Eichman

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THE QUAKER OATS COMPANY

By Doug Ralston

ATTEST:

/s/ Gerry Cassioppi
Gerry Cassioppi
Assistant Secretary

EXECUTIVE SEPARATION AGREEMENT

THIS AGREEMENT is made between The Quaker Oats Company, a New Jersey corporation (the "Company"), and Penelope C. Cate (the "Executive"), dated this 20TH day of June, 1994.

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WITNESSETH THAT:

WHEREAS, the Company wishes to attract and retain well-qualified executive and key personnel and to assure both itself and the Executive of continuity of management in the event of any actual or threatened change in control of the Company;

NOW, THEREFORE, it is hereby agreed by and between the parties as follows:

1. Operation of Agreement. The "effective date of this Agreement" shall be the date on which the Executive declares it effective, by notice to the Company in writing, but only if a change in control of the Company (as defined in Section 2) has occurred on or before the date of the notice.

2. Change in Control. A "change in control of the Company" shall be deemed to have occurred if:

a. any "Person," which shall mean a "person" as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") (other than the Company, any trustee or other fiduciary holding securities under an employee benefit plan of the Company, or any company owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company), is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing 30% or more of the combined voting power of the Company's then outstanding voting securities; provided, however, that this paragraph a. shall not apply to any Person who becomes such a beneficial owner of such Company securities pursuant to an agreement with the Company approved by the Company's Board of Directors (the "Board"), entered into before such Person has become such a beneficial owner of Company securities representing 5% or more of the combined voting power of the Company's then outstanding voting securities;

b. during any period of 24 consecutive months (not including any period prior to the execution of this Agreement), individuals, who at the beginning of such period constitute the Board, and any new director (other than a director designated by a Person who has entered into an agreement with the Company to effect a transaction described in paragraph a., c.(2) or d. of this Section) whose election by the Board, or whose nomination for election by the Company's stockholders, was approved by a

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vote of at least two-thirds (2/3) of the directors before the beginning of the period cease for any reason to constitute at least a majority thereof;

c. the stockholders of the Company approve (1) a plan of complete liquidation of the Company or (2) the sale or disposition by the Company of all or substantially all of the Company's assets unless the acquirer of the assets or its directors shall meet the conditions for a merger or consolidation in subparagraphs d.(1) or d.(2); or

d. the stockholders of the Company approve a merger or consolidation of the Company with any other company other than:

(1) such a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) more than 70% of the combined voting power of the Company's or such surviving entity's outstanding voting securities immediately after such merger or consolidation; or

(2) such a merger or consolidation which would result in the directors of the Company who were directors immediately prior thereto continuing to constitute at least 50% of the directors of the surviving entity immediately after such merger or consolidation.

In this paragraph d., "surviving entity" shall mean only an entity in which all of the Company's stockholders immediately before such merger or consolidation become stockholders by the terms of such merger or consolidation, and the phrase "directors of the Company who were directors immediately prior thereto" shall include only individuals who were directors of the Company at the beginning of the 24 consecutive month period preceding the date of such merger or consolidation, or who were new directors (other than any director designated by a Person

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who has entered into an agreement with the Company to effect a transaction described in paragraph a., c.(2), d.(1) or d.(2) of this Section) whose election by the Board, or whose nomination for election by the Company's stockholders, was approved by a vote of at least two-thirds (2/3) of the directors before the beginning of such period.

3. Employment Period. The Company hereby agrees to continue the Executive in its employ, and the Executive hereby agrees to remain in the employ of the Company, for the period commencing on the effective date of this Agreement and ending on the earlier to occur of the third anniversary of such effective date or the 65th birthday of the Executive (the "employment period"), to exercise such authorities and powers, and perform such duties and functions, as are commensurate with the authorities and powers being exercised, and duties and functions being performed, by the Executive immediately prior to the effective date of this Agreement, which services shall be performed at the current location where the Executive was employed immediately prior to the effective date of this Agreement or at such other location within a 30-mile radius of such current location. The Executive shall not be required to accept any other location. The Executive agrees that during the employment period he shall devote his full business time exclusively to his executive duties as described herein and perform such duties faithfully and efficiently.

4. Compensation, Compensation Plans, Benefit Plans, Perquisites. During the employment period and prior to termination (as defined in Section 5) of the Executive, the Executive shall be compensated as follows:

a. He shall receive an annual salary which is not less than his annual salary immediately prior to the effective date of this Agreement, with the opportunity for increases, from time to time thereafter, which are in accordance with the Company's regular practices.

b. He shall be eligible to participate on a reasonable basis in bonus, stock option, restricted stock and other incentive compensation plans, which shall provide benefits comparable to those to which he was provided immediately

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prior to the effective date of this Agreement.

c. He shall be eligible to participate on a reasonable basis in tax-qualified employee benefit plans (including but not limited to pension, profit sharing and employee stock ownership plans), and supplemental nonqualified employee benefit plans relating thereto, which shall provide benefits comparable to those to which he was provided immediately prior to the effective date of this Agreement.

d. He shall be entitled to receive employee benefits (including, but not limited to, medical and life insurance benefits) and perquisites which are comparable to those to which he was provided immediately prior to the effective date of this Agreement.

5. Termination. "Termination" shall mean either (a) termination by the Company of the employment of the Executive with the Company for any reason other than death, physical or mental incapacity, or cause (as defined below), or (b) resignation of the Executive upon the occurrence of any of the following events:

(1) a significant change in the nature or scope of the Executive's authorities, powers, functions, or duties from those described in Section 3;

(2) a reduction in total compensation from that provided in Section 4;

(3) the breach by the Company of any other provision of this Agreement; or

(4) a reasonable determination by the Executive that, as a result of a change in control of the Company his position is significantly affected so that he is unable to exercise the authorities, powers, functions or duties attached to his position as described in Section 3.

"Cause" means gross misconduct or willful and material breach of this Agreement by the Executive. No act, or failure to act, on the Executive's part shall be deemed "willful" unless done, or omitted to be done, by the Executive not in good faith and without reasonable belief that the action or omission was in the best interest of the Company.

6. Confidentiality. The Executive agrees that during and

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after the employment period, he will not divulge or appropriate to his own use or the use of others any secret or confidential information or knowledge pertaining to the business of the Company, or any of its subsidiaries, obtained during his employment by the Company or any of its subsidiaries.

7. Severance and Benefit Payments.

a. In the event of termination of the Executive during the employment period, the Company shall pay the Executive a lump-sum severance allowance equal to salary and bonus payments for the following 24 calendar months at the rate which he would have been entitled to receive in accordance with Section 4. Such a severance allowance shall be adjusted to include expected increases to the Executive's salary and bonus for such period, but shall not be adjusted on a present value basis.

b. In the event of termination of the Executive during the employment period, the Company shall also pay the Executive a lump-sum benefit payment in an amount equivalent to (1) the benefits he would have accrued or been allocated under any tax-qualified employee benefit plan (including but not limited to pension, profit sharing and employee stock ownership plans) and any nonqualified supplemental benefit plan relating thereto, maintained by the Company if he had remained in the employ of the Company for 24 calendar months after his termination, which benefits will be paid in addition to the benefits provided under such plans, and (2) any other employee benefits (including, but not limited to, coverage under any medical and life insurance arrangements or programs) to which he would have been entitled under all such employee benefit plans, programs or arrangements maintained by the Company if he had remained in the employ of the Company for 24 calendar months after his termination. Such a benefit payment shall be adjusted to include expected increases to the Executive's salary, bonus and other compensation having an effect on such benefits for such period, but shall not be adjusted on a present value basis.

c. The amount of the severance allowance and benefit payment described in this Section shall be determined and such payment shall be made as soon as it is reasonably possible.

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d. The severance allowance and benefit payment to be provided pursuant to this Section 7 shall be in addition to, and shall not be reduced by, any other amounts or benefits provided by separate agreement with the Executive, or plan or arrangement of the Company or its subsidiaries, unless specifically stipulated in an agreement which constitutes an amendment to this Agreement as provided in Section 14.

8. Tax Reimbursement. If any payment to the Executive under this Agreement or under any other compensation agreement, plan or arrangement of the Company or its subsidiaries is subject to an excise tax under section 4999 of the Internal Revenue Code of 1986, as amended, (the "Code"), the Company shall pay the Executive an additional amount which is equal to the amount of such excise tax. The Company will provide complete compensation and tax data on a timely basis to the Executive and to an accounting firm or law firm designated by the Executive in order to enable the Executive to determine the extent to which any payments under this Agreement or under any other compensation agreement, plan or arrangement of the Company or its subsidiaries constitute "parachute payments" or "excess parachute payments" under section 280G of the Code. Any additional amount payable under this Section 8 shall be due and paid no later than ten business days after the other payment to which such additional payment relates; provided, however, that if such additional amount cannot be determined on or before such due date, the Company shall pay an amount on the due date which it in good faith estimates to be payable and shall pay the remainder of such additional amount (together with interest at a rate equal to 120% of the applicable Federal rate determined under Section 1274(d) of the Code) as soon as such amount can be determined, but no later than 30 days after the date on which Executive becomes subject to the payment of the excise tax.

9. Mitigation and Set Off. The Executive shall not be required to mitigate the amount of any payment provided for in this Agreement by seeking other employment or otherwise. The Company shall not be entitled to set off against the amounts payable to the Executive under this Agreement any amounts owed to the Company by the

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Executive, any amounts earned by the Executive in other employment after termination of his employment with the Company, or any amounts which might have been earned by the Executive in other employment had he sought such other employment.

10. Arbitration of All Disputes. Any controversy or claim arising out of or relating to this Agreement or the breach thereof, except with respect to Section 8, shall be settled by arbitration in the City of Chicago in accordance with the laws of the State of Illinois by three arbitrators appointed by the parties. If the parties cannot agree on the appointment, one arbitrator shall be appointed by the Company and one by the Executive, and the third shall be appointed by the first two arbitrators. If the first two arbitrators cannot agree on the appointment of a third arbitrator, then the third arbitrator shall be appointed by the Chief Judge of the United States Court of Appeals for the Seventh Circuit. The arbitration shall be conducted in accordance with the rules of the American Arbitration Association, except with respect to the selection of arbitrators which shall be as provided in this Section 10. Judgement upon the award rendered by the arbitrators may be entered in any court having jurisdiction thereof. In the event that it shall be necessary or desirable for the Executive to retain legal counsel or incur other costs and expenses in connection with enforcement of his rights under this Agreement, Executive shall be entitled to recover from the Company his reasonable attorneys' fees and costs and expenses in connection with enforcement of his rights (including the enforcement of any arbitration award in court). Payment shall be made to the Executive by the Company at the time these attorneys' fees and costs and expenses are incurred by the Executive. If, however, the arbitrators should later determine that under the circumstances the Executive could have had no reasonable expectation of prevailing on the merits at the time he initiated the arbitration based on the information then available to him, he shall repay any such payments to the Company in accordance with the order of the arbitrators. Any award of the arbitrators shall include interest at a rate or rates considered just under the circumstances by the arbitrators.

11. Notices. Any notices, requests, demands, and other communications provided for by this Agreement shall be sufficient if in writing and if sent by registered or certified mail to the Executive at the last address he has

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filed in writing with the Company or, in the case of the Company, at its principal executive offices.

12. Non-Alienation. The Executive shall not have any right to pledge, hypothecate, anticipate or in any way create a lien upon any amounts provided under this Agreement; and no benefits payable hereunder shall be assignable in anticipation of payment either by voluntary or involuntary acts, or by operation of law. Nothing in this paragraph shall limit the Executive's rights or powers which his executor or administrator would otherwise have.

13. Governing Law. The Agreement shall be construed and enforced according to the Employee Retirement Income Security Act of 1974 ("ERISA"), and the laws of the State of Illinois, other than its laws respecting choice of law, to the extent not pre-empted by ERISA.

14. Amendment. This Agreement may be amended or cancelled by mutual agreement of the parties in writing without the consent of any other person and, so long as the Executive lives, no person, other than the parties hereto, shall have any rights under or interest in this Agreement or the subject matter hereof.

15. Term. Unless the Executive has theretofore declared this Agreement effective, pursuant to Section 1 of this Agreement, this Agreement shall terminate two years after the day and year first above written, provided that this Agreement may thereupon be renewed annually at the discretion of the Board.

16. Successors to the Company. Except as otherwise provided herein, this Agreement shall be binding upon and inure to the benefit of the Company and any successor of the Company.

17. Severability. In the event that any provision or portion of this Agreement shall be determined to be invalid or unenforceable for any reason, the remaining provisions of this Agreement shall be unaffected thereby and shall remain in full force and effect.

18. Prior Agreement. Any prior Executive Separation

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agreement between the Executive and the Company which has not yet terminated pursuant to its terms, is cancelled by mutual consent of the Executive and the Company pursuant to execution of this Agreement, effective as of the day and year first above written.

IN WITNESS WHEREOF, the Executive has hereunto set his hand and, pursuant to the authorization from its Board of Directors, the Company has caused these presents to be executed in its name on its behalf, and its corporate seal to be hereunto affixed and attested by its Assistant Secretary, all as of the day and year first above written.

/s/Penelope C. Cate

Penelope C. Cate

THE QUAKER OATS COMPANY

By Doug Ralston

ATTEST:

/s/ Gerry Cassioppi
Gerry Cassioppi
Assistant Secretary

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EXHIBIT 10(k)(4)

THIRD AMENDMENT
TO
THE QUAKER LONG TERM INCENTIVE PLAN OF 1990

WHEREAS, on November 8, 1989, the shareholders of The Quaker Oats Company (the "Company") approved the adoption of The Quaker Long Term Incentive Plan of 1990 (the "Plan"); and

WHEREAS, the Plan has previously been amended and it is desirable to amend the Plan to limit the number of stock options to 500,000 that can be granted to any single employee during any fiscal year of the Company, in order to comply with the requirements of the Omnibus Budget Reconciliation Act of 1993, in order to preserve the tax deduction for all stock options granted under the Plan; and

WHEREAS, the Board has authorized adoption of this Third Amendment to the Plan, the shareholders of the Company have approved this Amendment to the Plan and authorized the officers of the Company to execute any documents in connection therewith;

NOW THEREFORE, the Plan is hereby amended effective as of November 10, 1993 by substituting the following for Section 13.3 thereof:

"13.3 Grant of Options and Option Price. Each Option must be granted to an Employee and must be granted no later than December 31, 1998. No single Employee may be granted more than 500,000 Options during any Fiscal Year of the Company. The purchase price for Shares under any Option shall be no less than the Fair Market Value of the Shares at the time the Option is granted."

IN WITNESS WHEREOF, this Amendment is executed by a duly authorized officer of the Company.

THE QUAKER OATS COMPANY

By:/s/ D. Ralston
Its Senior Vice President

6/17, 1994

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EXHIBIT 11

THE QUAKER OATS COMPANY AND SUBSIDARIES
STATEMENT RE COMPUTATION OF PER SHARE EARNINGS
<TABLE>
<CAPTION>
Calculation of Fully Diluted Earnings Per Share

Dollars in Millions (Except per share data)	June 30 1994	June 30 1993	June 30 1992
<S>	<C>	<C>	<C>
Income from Continuing Operations Before Cumulative Effect of Accounting Changes	$231.5	$286.8	$247.6
Less:Adjustments attributable to conversion of ESOP Convertible Preferred Stock	(1.5)	(1.9)	(1.5)
Income Before Cumulative Effect of Accounting Changes Used for Fully Diluted Calculation	230.0	284.9	246.1
Cumulative Effect of Accounting Changes- net of tax	----	(115.5)	----
Net Income Used for Fully Diluted Calculation	$230.0	$169.4	$246.1
Shares in Thousands			
Average Number of Common Shares Outstanding	67,618	71,974	74,881
Plus Dilutive Securities:			
Stock Options	858	1,069	1,194
ESOP Convertible Preferred Stock	1,338	1,354	1,366
Average Shares Outstanding Used for Fully Diluted Calculation	69,814	74,397	77,441
Fully Diluted Earnings per Share Before Cumulative Effect of Accounting Changes	$3.29	$3.83	$3.18

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Fully Diluted Cumulative effect of Accounting changes	----	($1.55)	----
Fully Diluted Earnings Per Share	$3.29	$2.28	$3.18

</TABLE>

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EXHIBIT 12

<TABLE>

THE QUAKER OATS COMPANY AND SUBSIDIARIES
COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES

<CAPTION>

(Dollars in Millions)

	Year Ended June 30		
	1994	1993	1992
<S>			
Earnings:	<C>	<C>	<C>
Income Before Income Taxes and Cumulative Effect of Accounting Changes	$378.7	$467.6	$421.5
Add Fixed Charges, excluding amount capitalized	109.9	80.3	93.2
Earnings	$488.6	$547.9	$514.7
Fixed Charges (including amount capitalized):			
Interest on Indebtedness	$100.2	$ 68.9	$ 82.3
Portion of rents representative of the interest factor	11.0	11.4	13.7
Fixed Charges	$111.2	$ 80.3	$ 96.0
Ratio of Earnings to Fixed Charges (a)	$ 4.39	$ 6.82	$ 5.36

<FN>
(a) For purposes of computing the ratio of earnings to fixed charges, earnings represent income before income taxes and cumulative effect of accounting changes plus fixed charges (net of capitalized interest). Fixed charges represent interest (whether expensed or capitalized, including amortization of debt discount) and one-third (the portion deemed representative of the interest factor) of rents.

</TABLE>

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INTERNATIONAL OPERATING PROFITS
An In-depth Analysis

When a U.S. company conducts business outside of the country, financial statements of its foreign operations must be translated into U.S. dollars for consolidation purposes. But translating sales and operating income alone do not completely reflect the costs of doing business abroad. Financing costs-foreign exchange and net interest costs-also need to be taken into account. At Quaker, we view the financial results of our international businesses on a financing-adjusted basis. We call this "adjusted operating income." It provides an economic view of the operating results of each foreign entity and provides for greater comparability between years, particularly when hyper-inflation (like in Brazil) or foreign currency translations distort operating income.

In fiscal 1994, several factors influenced International Grocery Products operating income. In Europe, pet food volume and operating income decreased from fiscal 1993 levels, reflecting the weakened economies in many of the countries there. In Latin America, Brazil's operating income increased 16 percent over the prior year reflecting that country's hyper-inflationary environment. However, when financing costs are considered, Brazil's adjusted operating income was actually below that achieved a year ago. These higher financing costs can be found in the Company's consolidated income statement. (See page 44.) Interest expense rose considerably reflecting the higher costs of financing our Brazilian operation.

In addition, over the last three years, we have aggressively expanded Gatorade thirst quencher internationally. It is now available in 25 countries outside of the United States. Expenses to introduce this thirst quencher into new markets have had a negative impact on International operating income, as well as adjusted operating income. While the Company expects to continue the expansion of Gatorade, it also expects that the underwriting costs in Europe will begin to subside.

Below the above narrative are graphs depicting operating income and adjusted operating income for Europe and Latin America and Pacific for fiscal 1989 through fiscal 1994 excluding restructuring charges and gains on divestitures as follows (in millions of dollars):
<TABLE>
<CAPTION>

Operating Income

	Europe	Latin America and Pacific	Total
F'89	73.3	40.7	114.0
F'90	71.1	83.1	154.2
F'91	68.3	35.7	104.0
F'92	41.2	64.0	105.2
F'93	34.1	76.0	110.1
F'94	19.2	82.8	102.0

<CAPTION>

Adjusted Operating Income

	Europe	Latin America and Pacific	Total
F'89	67.3	21.4	88.7
F'90	56.6	26.7	83.3
F'91	67.2	13.9	81.1
F'92	34.4	37.0	71.4
F'93	43.0	37.5	80.5
F'94	14.2	26.5	40.7

</TABLE>

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Management's Discussion and Analysis

Fiscal 1994 Compared with Fiscal 1993

Operating Results

Consolidated net sales for fiscal 1994 were $5.95 billion, up 4 percent from fiscal 1993. The increase in net sales reflects a 4 percent worldwide increase in volumes and an improved product mix. Significantly offsetting higher sales was the negative impact of translating European sales into U.S. dollars. Sales for fiscal 1994 would have been $140.1 million higher if European exchange rates had remained stable with the prior year. Price increases did not have a significant impact on sales.

U.S. and Canadian Grocery Products sales increased 8 percent to $4.25 billion on a volume increase of 6 percent. Volume growth for Gatorade thirst quencher, ready-to-eat cereals, grain-based snacks and Golden Grain products, more than offset decreases in food service volumes. Gatorade thirst quencher performance is particularly notable, in that two major soft drink competitors have broadened the distribution of their sports beverages throughout the United States, currently Gatorade thirst quencher's largest market. The Company expects this heightened level of competition to continue in the coming year.

International Grocery Products sales decreased 5 percent to $1.70 billion, although overall volumes increased 1 percent. Weaker European currencies and lower volumes of European pet foods, cereals and oils contributed to the decline. The weak European economy and the retail trade's tight management of inventories suggest that the operating environment in Europe will continue to be difficult in the near term. Offsetting Europe's decline, Gatorade thirst quencher volumes increased significantly in Latin America.

Gross profit margins increased to 50.9 percent from 49.9 percent in the prior year primarily due to an improved product mix and cost-containment initiatives in the United States, which more than offset commodity and distribution cost increases. Selling, general and administrative (SG&A) expense rose 5 percent to $2.43 billion due mainly to an 8 percent increase in advertising and merchandising (A&M) expenses. A&M expenses were 26.6 percent of net sales in fiscal 1994, up from 25.7 percent in fiscal 1993, and are likely to continue at or near this level in the future.

Operating income was $537.2 million compared to $575.2 million last year. Excluding restructuring charges and gains on divestitures (see following sections) from both years, operating income was $645.8 compared to $595.7 million. On that same basis, U.S. and Canadian Grocery Products operating income was $543.8 million versus $485.6 million in fiscal 1993. The 12 percent increase reflects significant increases from the Gatorade thirst quencher, ready-to-eat cereals and Aunt Jemima products businesses, partially offset by decreases in food service.

International Grocery Products operating income decreased to $102.0 million versus $110.1 million in fiscal 1993, excluding restructuring charges and gains on divestitures. European operating income declined $14.9 million due mainly to volume declines in the pet foods and cereals businesses. Latin American and Pacific operating income increased $6.8 million primarily due to volume increases in Mexico and the hyper-inflationary effects of translating Brazil's results into U.S. dollars. The operating income improvement in Brazil was more than offset by higher interest and foreign exchange costs in that country.

Restructuring Charges

The Company is pursuing a series of cost-reduction and realignment activities to bring greater value to consumers, trade customers and

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ultimately, shareholders. As a result, the Company recorded a restructuring charge of $118.4 million, or $1.09 per share, to eliminate positions at its headquarters and research and development facilities, to realign its U.S. sales force, to consolidate manufacturing for its Van Camp's, rice cakes and Aunt Jemima product lines and to close a Canadian pet foods facility, as well as to pursue other cost-reduction initiatives. These changes eliminated approximately 1,500 positions, resulting in severance and termination benefits totaling $44.7 million. Charges associated with plant consolidations and sales office closures totaled $38.3 million, of which 80 percent represents asset write-offs. Product-line discontinuations resulted in charges of $35.4 million, of which 90 percent represents asset write-offs. Cash outlays related to severance, termination benefits and other expenses will occur predominately in fiscal 1995 and will be funded through operating cash flows. These actions are expected to save between $35 million and $45 million annually beginning in fiscal 1995. Approximately 75 percent of these annual savings will be in cash.

Fiscal 1993 operating income included a charge of $38.6 million for the consolidation of production facilities at a U.S. pet foods plant and a charge of $9.7 million for European cost-reduction programs. (See following section.)

The Company will continue to focus on worldwide efficiency initiatives that improve its manufacturing, marketing, logistics and customer service processes while lowering costs and more effectively utilizing human and financial resources. These continuous improvement initiatives may lead to charges in future periods.

See Note 2 to the consolidated financial statements for further discussion of restructuring charges.

Gains on Divestitures

In fiscal 1994, the Company realized a $9.8 million gain on the sale of a Venezuelan detergent additive business. In fiscal 1993, the Company realized a $17.4 million gain on the sale of two Italian businesses and a $10.4 million gain on the sale of a business in the United Kingdom.

Interest, Foreign Exchange and Income Taxes

Net interest expense of $89.7 million increased $34.6 million versus the prior year. An increase of $22.1 million came from higher levels of local currency borrowing in Brazil at significantly higher interest rates. In addition, the Company issued $200.0 million of medium-term notes and increased commercial paper borrowings during the year, which accounted for most of the remaining increase in interest expense. Foreign exchange expenses increased $11.1 million from the prior year primarily reflecting small losses on European currency hedges in fiscal 1994 versus gains in fiscal 1993. Through various hedging strategies, the Company will continue to try to mitigate the effects of foreign exchange fluctuations on its financial results, except in areas like Brazil where hedging opportunities are limited and costly. See Note 18 to the consolidated financial statements for further discussion of foreign currency hedging and see page 24 of this annual report for further discussion of international operating profits and financing costs.

The effective tax rate for fiscal 1994 was 38.9 percent compared to 38.7 percent in fiscal 1993. Excluding the effects of certain restructuring charges and gains on divestitures from both years, the effective tax rate increased to 39.4 percent from 38.4 percent. The higher U.S. statutory tax rate, including the legislated retroactive adjustment to January 1, 1993, caused the overall rate to increase. The Company has evaluated its deferred

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tax assets and believes that future taxable income will be sufficient to realize these assets. A valuation allowance has been provided for the deferred tax assets not expected to be realized.

Fiscal 1993 Compared with Fiscal 1992

Operating Results

Consolidated net sales for fiscal 1993 were $5.73 billion, up 3 percent from fiscal 1992. Volumes were up 2 percent from the prior year. About 1 percentage point of the increase in sales was due to price increases. U.S. and Canadian Grocery Products sales increased 2 percent to $3.93 billion, while volumes were even with the prior year. International Grocery Products sales increased 4 percent to $1.80 billion and volumes were up 6 percent.

Gross profit margins increased to 49.9 percent from 49.2 percent in the prior year primarily due to product mix improvement, cost containment and price increases. SG&A expenses rose 3 percent to $2.30 billion, but remained constant as a percentage of sales. Total A&M expenses as a percentage of sales were 25.7 percent, slightly lower than in the prior year.

Consolidated operating income was $575.2 million in fiscal 1993 compared to $540.2 million in fiscal 1992. Excluding restructuring charges and gains on divestitures from both years, operating income increased to $595.7 million from $539.2 million. U.S. and Canadian Grocery Products fiscal 1993 operating income excluding restructuring charges and gains on divestitures was $485.6 million compared to $434.0 million in fiscal 1992, an increase of $51.6 million, or 12 percent. The increase was primarily due to gross profit margin improvements and trade promotion timing. Operating income improved for ready-to-eat cereals, rice cakes and food service. During fiscal 1992, the Company changed the timing of trade promotions for U.S. and Canadian Grocery Products to align production and shipments more closely with consumer demand and to derive greater efficiencies in its go-to-market processes. The sales and earnings postponed in the second half of fiscal 1992 were recouped in the first half of fiscal 1993.

International Grocery Products fiscal 1993 operating income excluding restructuring charges and gains on divestitures increased to $110.1 million from $105.2 million in fiscal 1992. Operating income in Latin America increased because of gross profit margin improvements in Brazil and the expansion of Gatorade thirst quencher throughout most of the region. European operating income decreased primarily as a result of higher A&M expenses to support the continued expansion of pet foods and Gatorade thirst quencher.

Restructuring Charges

In fiscal 1993, the Company recorded a restructuring charge of $38.6 million to consolidate production facilities at a U.S. pet foods plant. The charge included $20.7 million for non-cash asset write-offs and $17.9 million in cash for severance and termination benefits and other related plant consolidation costs. The consolidation was completed in fiscal 1994. The Company also recorded a $9.7 million cash charge for severance related to European cost-reduction programs. The Company realized approximately $14 million in combined savings from these actions in fiscal 1994 and anticipates $20 million in annualized savings in fiscal 1995.

In fiscal 1992, the Company discontinued certain product lines, resulting in non-cash asset write-offs of $10.0 million.

Gains on Divestitures

In fiscal 1993, the Company realized a $17.4 million gain on the sale of two Italian businesses and a $10.4 million gain on the sale of a business in the United Kingdom. In fiscal 1992, the Company realized an $11.0 million gain on the sale of the Ghirardelli chocolate business.

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Interest, Foreign Exchange, Income Taxes and Accounting Changes

Net interest expense of $55.1 million decreased $12.3 million from fiscal 1992 stemming primarily from lower domestic long-term debt and lower local currency debt in Brazil. Foreign exchange losses increased to $15.1 million from $13.1 million last year. The change resulted primarily from higher foreign currency losses in Brazil, where inflation and devaluation were very significant. These losses were partially offset by foreign exchange hedge gains arising from the strengthening of the U.S. dollar in relation to European currencies. Changes in net financing costs for Brazil were more than offset by higher operating income in that country.

The effective tax rate in fiscal 1993 was 38.7 percent compared to 41.3 percent in fiscal 1992. Excluding the fiscal 1993 effects of the pet foods restructuring charge and the gain on the sale of a United Kingdom business, the effective tax rate decreased to 38.4 percent. The improvement was primarily due to lower nondeductible intangibles and a change in the mix of domestic and foreign taxable income.

Included in net income in fiscal 1993 was the cumulative effect of adopting Financial Accounting Standards Board (FASB) Statement #106, "Employers' Accounting for Postretirement Benefits Other Than Pensions" and FASB Statement #109, "Accounting for Income Taxes." The combined cumulative effect of adoption was an after-tax charge of $115.5 million. See Notes 13 and 17 to the consolidated financial statements for further discussion.

Liquidity and Capital Resources

The ability to generate funds internally remains one of the Company's significant financial strengths. Net cash provided by operating activities of $450.8 million, $558.2 million and $581.3 million during fiscal 1994, 1993 and 1992, respectively, was well in excess of the Company's dividends and capital expenditures. The decrease in net cash provided by operating activities resulted mainly from changes in working capital items, primarily accounts receivable and inventories. Capital expenditures for fiscal 1994, 1993 and 1992 were $175.1 million, $172.3 million and $176.4 million, respectively, with no material individual commitments outstanding.

During fiscal 1994, three million shares of the Company's outstanding common stock were repurchased for $209.6 million under a five million share repurchase program announced in August 1993.

Short-term and long-term debt (total debt) increased $206.7 million from June 30, 1993 to June 30, 1994 and increased $1.9 million from June 30, 1992 to June 30, 1993. The total debt-to-total capitalization ratio was 68.8 percent, 59.0 percent and 48.7 percent as of June 30, 1994, 1993 and 1992, respectively. One of the Company's financial objectives is to generate economic value through the use of leverage, while maintaining a solid financial position through strong operating cash flows. The increase in debt resulted primarily from the issuance of $200.0 million of medium-term notes. The medium-term notes were issued under a $600.0 million shelf registration filed with the Securities and Exchange Commission in fiscal 1990. No other securities have been issued under the shelf registration.

Commercial paper has been the Company's primary source of short-term financing. The Company's ratings of "A1" (Standard & Poor's) and "P1" (Moody's) have been maintained throughout the year. In fiscal 1994, the Company obtained new revolving credit facilities totaling $350.0 million. The available levels of borrowings are adequate to meet the Company's working capital needs. For further discussion of the Company's revolving credit facilities and lines of credit, see Note 6 to the consolidated financial statements.

Pending Accounting Changes

Effective July 1, 1994, the Company adopted FASB Statement #112, "Employers' Accounting for Postemployment Benefits." The cumulative effect of adoption

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is a $4.1 million after-tax charge in the first quarter of fiscal 1995. The adoption of this statement will not have a material effect on operating results or cash flows in future years.

The Company is in compliance with the accounting required in the American Institute of Certified Public Accountants' Statement of Position (SOP) 93-7, "Reporting on Advertising Costs," that requires advertising expenses to be expensed as incurred or the first time the advertising takes place. The adoption of this SOP, required in fiscal 1995, will have no impact on the Company's financial statements.

The Quaker Oats Company and Subsidiaries
<TABLE>

<CAPTION>
Eleven-Year Selected Financial Data

Year Ended June 30	5-Year Compound Growth Rate	10-Year Compound Growth Rate	1994
Operating Results (a)(b)(c)(d)(e)			
<S>	<C>	<C>	<C>
Net sales	4.1%	7.7%	$5,955.0
Gross profit	6.3%	10.8%	3,028.8
Income from continuing operations before income taxes and cumulative effect of accounting changes	9.6%	6.0%	378.7
Provision for income taxes	10.3%	4.0%	147.2
Income from continuing operations before cumulative effect of accounting changes	9.2%	7.5%	231.5
Income (loss) from discontinued operations -- net of tax			----
Income from the disposal of discontinued operations -- net of tax			----
Cumulative effect of accounting changes -- net of tax			----
Net income	2.7%	5.3%	$231.5
Per common share:			
Income from continuing operations before cumulative effect of accounting changes	12.3%	9.5%	$3.36
Income (loss) from discontinued operations			----
Income from the disposal of discontinued operations			----
Cumulative effect of accounting changes			----
Net income	5.6%	7.2%	$3.36
Dividends declared:			
Common stock	8.1%	12.2%	$140.6
Per common share	12.1%	14.4%	$2.12
Convertible preferred and redeemable preference stock			$4.0
Average number of common shares outstanding (in thousands)			67,618

<FN>
(a) Fiscal 1994 results include a pretax restructuring charge of $118.4 million, or $1.09 per share, for workforce reductions, plant consolidations and product discontinuations and a pretax gain of $9.8 million, or $.13 per share, for the sale of a business in Venezuela.
(b) See Management's Discussion and Analysis for further discussion of fiscal 1992 through 1994 restructuring charges and gains on divestitures.
(c) See Notes 13 and 17 to the consolidated financial statements for discussion of fiscal 1993 accounting changes.

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<CAPTION>

Dollars in Millions (Except Per Share Data)

1993	1992	1991	1990	1989	1988	1987	1986	1985	1984
<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
$5,730.6	$5,576.4	$5,491.2	$5,030.6	$4,879.4	$4,508.0	$3,823.9	$2,968.6	$2,925.6	$2,830.9
2,860.6	2,745.3	2,652.7	2,350.3	2,229.0	2,114.6	1,750.7	1,298.7	1,174.7	1,085.7
467.6	421.5	411.5	382.4	239.1	314.6	295.9	255.8	238.8	211.3
180.8	173.9	175.7	153.5	90.2	118.1	141.3	113.4	110.3	99.0
286.8	247.6	235.8	228.9	148.9	196.5	154.6	142.4	128.5	112.3
- ---	---	(30.0)	(59.9)	54.1	59.2	33.5	37.2	28.1	26.4
- ---	---	---	---	---	---	55.8	---	---	---
(115.5)	---	---	---	---	---	---	---	---	---
$171.3	$247.6	$205.8	$169.0	$203.0	$255.7	$243.9	$179.6	$156.6	$138.7
$3.93	$3.25	$3.05	$2.93	$1.88	$2.46	$1.96	$1.77	$1.53	$1.35
- ---	---	(0.40)	(0.78)	0.68	0.74	0.43	0.47	0.35	0.32
- ---	---	---	---	---	---	0.71	---	---	---
(1.59)	---	---	---	---	---	---	---	---	---
$2.34	$3.25	$2.65	$2.15	$2.56	$3.20	$3.10	$2.24	$1.88	$1.67
$136.1	$128.6	$118.7	$106.9	$95.2	$79.9	$63.2	$55.3	$50.5	$44.4
$1.92	$1.72	$1.56	$1.40	$1.20	$1.00	$0.80	$0.70	$0.62	$0.55
$4.2	$4.2	$4.3	$3.6	---	---	---	$2.3	$3.6	$3.9
71,974	74,881	75,904	76,537	79,307	79,835	78,812	79,060	81,492	80,412

<FN>

(d) Fiscal 1989 results include a pretax restructuring charge of $124.3 million, or $1.00 per share, for plant consolidations and overhead reductions and a pretax charge of $25.6 million, or $.20 per share, for a change to the LIFO method of accounting for the majority of U.S. Grocery Products inventories.

(e) Per share data and average number of common shares outstanding reflect the November 1986 two-for-one stock split-up.

</TABLE>

The Quaker Oats Company and Subsidiaries

<TABLE>

<CAPTION>

Eleven-Year Selected Financial Data

Year Ended June 30	1994
<S>	<C>
Financial Statistics(a)(b)	
Current ratio	1.0
Working capital	$(5.5)
Property, plant and equipment -- net	$1,214.2
Depreciation expense	$133.3
Total assets	$3,043.3
Long-term debt	$759.5
Preferred stock (net of deferred compensation) and redeemable preference stock	$15.3
Common shareholders' equity	$445.8
Net cash provided by operating activities	$450.8

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Operating return on assets(c)	19.9%
Gross profit as a percentage of sales	50.9%
Advertising and merchandising as a percentage of sales	26.6%
Income from continuing operations before cumulative effect of accounting changes as a percentage of sales	3.9%
Total debt-to-total capitalization ratio(d)	68.8%
Common dividends as a percentage of income available for common shares (excluding cumulative effect of accounting changes)	63.1%
Number of common shareholders	28,197
Number of employees worldwide	20,000
Market price range of common stock High	$82
Low	$61 7/8

<FN>
(a) Income-related statistics exclude the results of businesses reported as discontinued operations. Balance sheet amounts and related statistics have not been restated for discontinued operations, other than Fisher-Price, due to materiality.
(b) Effective fiscal 1991, common shareholders' equity and number of employees worldwide were reduced as a result of the Fisher-Price spin-off.

42

<CAPTION>
Dollars in Millions (Except Per Share Data)

1993	1992	1991	1990	1989	1988	1987	1986	1985	1984
<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
1.0	1.2	1.3	1.3	1.8	1.4	1.4	1.4	1.7	1.6
$(37.5)	$168.7	$317.8	$342.8	$695.8	$417.5	$507.9	$296.8	$400.7	$316.8
$1,228.2	$1,273.3	$1,232.7	$1,154.1	$959.6	$922.5	$898.6	$691.0	$616.5	$650.1
$129.9	$129.7	$125.2	$103.5	$94.2	$88.3	$81.6	$59.1	$56.3	$57.4
$2,815.9	$3,039.9	$3,060.5	$3,377.4	$3,125.9	$2,886.1	$3,136.5	$1,944.5	$1,760.3	$1,726.5
$632.6	$688.7	$701.2	$740.3	$766.8	$299.1	$527.7	$160.9	$168.2	$200.1
$11.4	$7.9	$4.8	$1.8	----	----	----	----	$37.9	$38.5
$551.1	$842.1	$901.0	$1,017.5	$1,137.1	$1,251.1	$1,087.5	$831.7	$786.9	$720.1
$558.2	$581.3	$543.2	$460.0	$408.3	$320.8	$375.1	$266.9	$295.5	$263.6
21.1%	18.9%	18.8%	20.4%	14.4%	18.3%	22.1%	25.8%	24.5%	24.4%
49.9%	49.2%	48.3%	46.7%	45.7%	46.9%	45.8%	43.7%	40.2%	38.4%
25.7%	26.0%	25.6%	23.8%	23.4%	24.9%	22.9%	21.7%	19.4%	18.4%
5.0%	4.4%	4.3%	4.6%	3.1%	4.4%	4.0%	4.8%	4.4%	4.0%
59.0%	48.7%	47.4%	52.3%	44.2%	33.8%	50.2%	35.7%	28.9%	35.4%
48.9%	52.9%	58.9%	65.1%	46.9%	31.3%	25.9%	31.2%	33.0%	32.9%
33,154	33,580	33,603	33,859	34,347	34,231	32,358	27,068	26,670	26,785
20,200	21,100	20,900	28,200	31,700	31,300	30,800	29,500	28,700	28,400
$77	$75 3/4	$64 7/8	$68 7/8	$66 1/4	$57 3/8	$57 5/8	$39 3/4	$26 1/8	$16 1/8
$56 1/8	$50 1/4	$41 3/4	$45 1/8	$42 5/8	$31	$32 5/8	$23 1/2	$14 3/4	$10 5/8

<FN>
(c) Operating income divided by average identifiable assets of U.S. and Canadian and International Grocery Products.
(d) Total debt divided by total debt plus total shareholders' equity including preferred stock (net of deferred compensation) and redeemable preference stock.

</TABLE>

43

The Quaker Oats Company and Subsidiaries
<TABLE>
<CAPTION>
Consolidated

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Statements of
Income

Year Ended June 30	Dollars in Millions (Except Per Share Data) 1994	1993	1992
<S>	<C>	<C>	<C>
Net Sales	$5,955.0	$5,730.6	$5,576.4
Cost of goods sold	2,926.2	2,870.0	2,831.1
Gross profit	3,028.8	2,860.6	2,745.3
Selling, general and administrative expenses	2,425.6	2,302.3	2,244.3
Restructuring charges and gains on divestitures -- net	108.6	20.5	(1.0)
Interest expense -- net of $8.9, $10.5 and $9.6 interest income, respectively	89.7	55.1	67.4
Foreign exchange loss -- net	26.2	15.1	13.1
Income Before Income Taxes and Cumulative Effect of Accounting Changes	378.7	467.6	421.5
Provision for income taxes	147.2	180.8	173.9
Income Before Cumulative Effect of Accounting Changes	231.5	286.8	247.6
Cumulative effect of accounting changes -- net of tax	----	(115.5)	----
Net Income	231.5	171.3	247.6
Preferred dividends -- net of tax	4.0	4.2	4.2
Net Income Available for Common	$227.5	$167.1	$243.4
Per Common Share:			
Income Before Cumulative Effect of Accounting Changes	$3.36	$3.93	$3.25
Cumulative effect of accounting changes	----	(1.59)	----
Net Income	$3.36	$2.34	$3.25
Dividends declared	$2.12	$1.92	$1.72
Average Number of Common Shares Outstanding (in thousands)	67,618	71,974	74,881

<FN>
See accompanying notes to the consolidated financial statements.

<CAPTION>
Consolidated
Statements of
Cash Flows

Year Ended June 30	Dollars in Millions 1994	1993	1992
<S>	<C>	<C>	<C>
Cash Flows from Operating Activities:			
Net income	$231.5	$171.3	$247.6
Adjustments to reconcile net income to net cash provided by operating activities:			
Cumulative effect of accounting changes	----	115.5	----
Depreciation and amortization	171.2	156.9	155.9
Deferred income taxes	(7.7)	(46.4)	----
Restructuring charges and gains on divestitures -- net	108.6	20.5	(1.0)
Loss on disposition of property and equipment	15.0	23.8	23.1
(Increase) decrease in trade accounts receivable	(77.7)	59.1	84.7
(Increase) decrease in inventories	(67.6)	41.9	(14.3)
(Increase) in other current assets	(56.3)	(25.8)	(10.1)
Increase (decrease) in trade accounts payable	44.1	(7.6)	24.0
Increase (decrease) in other current liabilities	6.6	(6.4)	132.5
Change in deferred compensation	15.6	11.0	11.6
Other items	67.5	44.4	(43.1)
Change in payable to Fisher-Price	----	----	(29.6)
Net Cash Provided by Operating Activities	450.8	558.2	581.3
Cash Flows from Investing Activities:			
Additions to property, plant and equipment	(175.1)	(172.3)	(176.4)
Change in other receivables and investments	(6.4)	(25.6)	(20.0)
Purchase and sale of property and businesses -- net	(82.1)	1.2	16.5
Net Cash Used in Investing Activities	(263.6)	(196.7)	(179.9)
Cash Flows from Financing Activities:			
Cash dividends	(144.6)	(140.3)	(132.8)
Change in short-term debt	83.3	67.0	(19.6)

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Proceeds from long-term debt	222.2	0.5	1.1
Reduction of long-term debt	(100.6)	(59.0)	(46.2)
Proceeds from short-term debt to be refinanced	----	----	50.0
Issuance of common treasury stock	11.8	23.3	20.3
Repurchases of common stock	(214.9)	(323.1)	(235.1)
Repurchases of preferred stock	(1.2)	(1.1)	(0.9)
Net Cash Used in Financing Activities	(144.0)	(432.7)	(363.2)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	36.2	37.0	(17.6)
Net Increase (Decrease) in Cash and Cash Equivalents	79.4	(34.2)	20.6
Cash and Cash Equivalents -- Beginning of Year	61.0	95.2	74.6
Cash and Cash Equivalents -- End of Year	$140.4	$61.0	$95.2

<FN>
See accompanying notes to the consolidated financial statements.

The Quaker Oats Company and Subsidiaries

<CAPTION>
Consolidated
Balance Sheets

June 30	1994	1993	1992
<S>	<C>	<C>	<C>
Assets			
Current Assets:			
Cash and cash equivalents	$140.4	$61.0	$95.2
Trade accounts receivable -- net of allowances	509.4	478.9	575.3
Inventories:			
Finished goods	266.5	241.5	302.8
Grains and raw materials	78.8	73.1	93.7
Packaging materials and supplies	40.2	39.4	38.8
Total inventories	385.5	354.0	435.3
Other current assets	218.3	173.7	150.4
Total Current Assets	1,253.6	1,067.6	1,256.2
Other Receivables and Investments	82.1	88.8	83.0
Property, plant and equipment	2,125.9	2,059.2	2,066.1
Less accumulated depreciation	911.7	831.0	792.8
Property - Net	1,214.2	1,228.2	1,273.3
Intangible Assets -- Net of Amortization	493.4	431.3	427.4
Total Assets	$3,043.3	$2,815.9	$3,039.9

<FN>
See accompanying notes to the consolidated financial statements.

	Dollars in Millions		
June 30	1994	1993	1992
Liabilities and Shareholders' Equity			
<S>	<C>	<C>	<C>
Current Liabilities:			

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Short-term debt	$211.3	$128.0	$61.0
Current portion of long-term debt	45.4	48.9	57.9
Trade accounts payable	406.3	391.6	420.2
Accrued payroll, pension and bonus	158.9	161.3	147.0
Accrued advertising and merchandising	149.6	130.6	120.2
Income taxes payable	40.6	33.7	82.6
Other accrued liabilities	247.0	211.0	198.6
Total Current Liabilities	1,259.1	1,105.1	1,087.5
Long-term Debt	759.5	632.6	688.7
Other Liabilities	481.4	426.2	171.7
Deferred Income Taxes	82.2	89.5	242.0
Preferred Stock, Series B, no par value, authorized 1,750,000 shares; issued 1,282,051 of $5.46 cumulative convertible shares (liquidating preference of $78 per share)	100.0	100.0	100.0
Deferred Compensation	(80.8)	(85.9)	(90.5)
Treasury Preferred Stock, at cost, 47,817 shares; 34,447 shares; and 21,315 shares, respectively	(3.9)	(2.7)	(1.6)
Common Shareholders' Equity			
Common stock, $5 par value, authorized 200,000,000 shares; issued 83,989,396 shares	420.0	420.0	420.0
Additional paid-in capital	----	----	2.9
Reinvested earnings	1,273.6	1,190.1	1,162.3
Cumulative translation adjustment	(75.4)	(65.4)	(24.5)
Deferred compensation	(143.5)	(154.0)	(160.4)
Treasury common stock, at cost, 17,185,100 shares; 14,533,157 shares; and 10,586,091 shares, respectively	(1,028.9)	(839.6)	(558.2)
Total Common Shareholders' Equity	445.8	551.1	842.1
Total Liabilities and Shareholders' Equity	$3,043.3	$2,815.9	$3,039.9

The Quaker Oats Company and Subsidiaries

<CAPTION>
Consolidated Statements of Common Shareholders' Equity

<S>	Common Stock Issued Shares <C>	Amount <C>
Balance as of June 30, 1991	83,989,396	$420.0
Net income		
Cash dividends declared on common stock		
Cash dividends declared on preferred stock		
Common stock issued for stock purchase and incentive plans		
Repurchases of common stock		
Foreign currency adjustments (net of allocated income tax benefits of $8.3)		
Deferred compensation		
Other		
Balance as of June 30, 1992	83,989,396	420.0
Net income		
Cash dividends declared on common stock		
Cash dividends declared on preferred stock		
Common stock issued for stock purchase and incentive plans		
Repurchases of common stock		
Foreign currency adjustments		

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(net of allocated income tax provisions of $(12.6))		
Deferred compensation		
Other		
Balance as of June 30, 1993	83,989,396	420.0
Net income		
Cash dividends declared on common stock		
Cash dividends declared on preferred stock		
Common stock issued for stock purchase and incentive plans		
Repurchases of common stock		
Foreign currency adjustments		
(net of allocated income tax benefits of $1.4)		
Deferred compensation		
Other		
Balance as of June 30, 1994	83,989,396	$420.0

<FN>
See accompanying notes to the consolidated financial statements.

<CAPTION>

Dollars in Millions

Common Shares Outstanding	Additional Paid-in Capital	Reinvested Earnings	Cumulative Translation Adjustment	Deferred Compensation	Treasury Common Stock Shares	Amount	Total
<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
76,328,721	$7.2	$1,047.5	$(52.9)	$(168.0)	7,660,675	$(352.8)	$901.0
		247.6					247.6
		(128.6)					(128.6)
		(4.2)					(4.2)
619,084	(9.4)				(619,084)	29.7	20.3
(3,544,500)					3,544,500	(235.1)	(235.1)
			28.4				28.4
				7.6			7.6
	5.1						5.1
73,403,305	2.9	1,162.3	(24.5)	(160.4)	10,586,091	(558.2)	842.1
		171.3					171.3
		(136.1)					(136.1)
		(4.2)					(4.2)
805,434	(8.4)	(3.2)			(805,434)	41.7	30.1
(4,752,500)					4,752,500	(323.1)	(323.1)
			(40.9)				(40.9)
				6.4			6.4
	5.5						5.5
69,456,239	----	1,190.1	(65.4)	(154.0)	14,533,157	(839.6)	551.1
		231.5					231.5
		(140.6)					(140.6)
		(4.0)					(4.0)
439,142	(1.3)	(3.4)			(439,142)	25.6	20.9
(3,091,085)					3,091,085	(214.9)	(214.9)
			(10.0)				(10.0)
				10.5			10.5
	1.3						1.3
66,804,296	$ ----	$1,273.6	$(75.4)	$(143.5)	17,185,100	$(1,028.9)	$445.8

The Quaker Oats Company and Subsidiaries
<CAPTION>
Geographic Segment
Information

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Dollars in Millions (Except Per Share Data)

Year Ended June 30	Net Sales 5-Year Compound Growth Rate	1994	1993	1992	1991	1990	1989	Operating Income(a)(b)(c)(d) 5-Year Compound Growth Rate	1994	1993	1992	1991	1990	1989
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
United States	3.4%	$4,028.5	$3,705.7	$3,599.8	$3,623.3	$3,377.7	$3,413.9	12.4%	$431.9	$428.2	$414.8	$408.5	$354.7	$241.2
Canada	0.8%	224.2	224.6	242.5	236.9	232.3	216.0	----	(1.0)	18.8	20.2	20.5	17.8	15.1
U.S. and Canadian Grocery Products	3.2%	4,252.7	3,930.3	3,842.3	3,860.2	3,610.0	3,629.9	11.0%	430.9	447.0	435.0	429.0	372.5	256.3
Europe	3.7%	1,164.3	1,335.8	1,354.5	1,326.4	1,084.6	968.6	(19.8)%	17.5	52.2	41.2	68.3	88.6	52.6
Latin America and Pacific	13.9%	538.0	464.5	379.6	304.6	336.0	280.9	16.9%	88.8	76.0	64.0	35.7	83.1	40.7
International Grocery Products	6.4%	1,702.3	1,800.3	1,734.1	1,631.0	1,420.6	1,249.5	2.6%	106.3	128.2	105.2	104.0	171.7	93.3
Net Sales and Operating Income from Continuing Operations	4.1%	$5,955.0	$5,730.6	$5,576.4	$5,491.2	$5,030.6	$4,879.4	9.0%	537.2	575.2	540.2	533.0	544.2	349.6
Less: General corporate expenses								1.6%	42.6	37.4	38.2	40.4	34.3	39.3
Interest expense -- net								9.7%	89.7	55.1	67.4	86.2	101.8	56.4
Foreign exchange loss (gain) -- net								----	26.2	15.1	13.1	(5.1)	25.7	14.8
Income from continuing operations before income taxes and cumulative effect of accounting changes								9.6%	378.7	467.6	421.5	411.5	382.4	239.1
Provision for income taxes								10.3%	147.2	180.8	173.9	175.7	153.5	90.2
Income from continuing operations before cumulative effect of accounting changes								9.2%	$231.5	$286.8	$247.6	$235.8	$228.9	$148.9
Income from continuing operations per common share before cumulative effect of accounting changes								12.3%	$3.36	$3.93	$3.25	$3.05	$2.93	$1.88

<FN>

(a) Fiscal 1994 results include a pretax restructuring charge of $118.4 million, or $1.09 per share, for workforce reductions, plant consolidations and product discontinuations and a pretax gain of $9.8 million, or $.13 per share, for the sale of a business in Venezuela. The restructuring charge was included in operating income as follows: $97.8 million in the United States; $15.1 million in Canada; $1.7 million in Europe; and $3.8 million in Latin America and Pacific.

(b) See Management's Discussion and Analysis for further discussion of fiscal 1992 through 1994 restructuring charges and gains on divestitures.

<FN>

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(c) See Note 13 to the consolidated financial statements for discussion of fiscal 1993 adoption of FASB Statement #106.
(d) Fiscal 1989 results include a pretax restructuring charge of $124.3 million, or $1.00 per share, for plant consolidations and overhead reductions and a pretax charge of $25.6 million, or $.20 per share, for a change to the LIFO method of accounting for the majority of U.S. Grocery Products inventories.

The Quaker Oats Company and Subsidiaries
<CAPTION>
Geographic Segment Information

	Dollars in Millions				
Year Ended June 30	1994	1993	1992	1991	1990
<S>	<C>	<C>	<C>	<C>	<C>
Identifiable Assets					
United States	$1,892.3	$1,772.3	$1,892.2	$2,114.8	$2,035.1
Canada	107.1	105.0	105.7	113.9	115.1
U.S. and Canadian Grocery Products	1,999.4	1,877.3	1,997.9	2,228.7	2,150.2
Europe	576.5	562.9	687.5	533.5	517.7
Latin America and Pacific	209.4	182.4	154.4	122.5	120.2
International Grocery Products	785.9	745.3	841.9	656.0	637.9
Total Continuing Businesses	2,785.3	2,622.6	2,839.8	2,884.7	2,788.1
Corporate(a)	258.0	193.3	200.1	175.8	589.3
Total Consolidated	$3,043.3	$2,815.9	$3,039.9	$3,060.5	$3,377.4
Capital Expenditures					
U.S. and Canadian Grocery Products	$123.9	$107.2	$110.7	$167.0	$210.3
International Grocery Products	51.2	65.1	65.7	73.6	59.7
Total Continuing Businesses	175.1	172.3	176.4	240.6	270.0
Corporate	----	----	----	----	5.6
Total Consolidated	$175.1	$172.3	$176.4	$240.6	$275.6
Depreciation and Amortization					
U.S. and Canadian Grocery Products	$131.6	$117.6	$116.6	$112.9	$97.9
International Grocery Products	38.5	38.2	38.2	36.4	29.8
Total Continuing Businesses	170.1	155.8	154.8	149.3	127.7
Corporate	1.1	1.1	1.1	1.0	0.8
Total Consolidated	$171.2	$156.9	$155.9	$150.3	$128.5

<FN>
(a) Includes net assets of businesses reported as discontinued operations, corporate cash and cash equivalents, certain other current assets, property and miscellaneous receivables and investments.
</TABLE>

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Notes to the Consolidated Financial Statements

Note 1
Summary of Significant Accounting Policies

Consolidation - The consolidated financial statements include The Quaker Oats Company and all of its subsidiaries (the "Company"). All significant intercompany transactions have been eliminated. Businesses acquired are included in the results of operations since their acquisition date. Certain prior-year amounts have been reclassified to conform to the current presentation.

Foreign Currency Translation - Assets and liabilities of the Company's foreign subsidiaries, other than those located in highly inflationary countries, are translated at current exchange rates, while income and expenses are translated at average rates for the period. For entities in highly inflationary countries, a combination of current and historical rates is used to determine foreign currency gains and losses resulting from financial statement translation. Translation gains and losses are reported as a component of common shareholders' equity, except for those associated with highly inflationary countries, which are reported directly in the consolidated income statements.

Futures, Swaps, Options and Forward Contracts - The Company enters into a variety of futures, swaps, options and forward contracts in its management of foreign currency and commodity price exposures. Realized and unrealized gains and losses on foreign currency options, currency swaps and foreign exchange forward contracts that are effective as net investment hedges are recognized in a component of common shareholders' equity. Realized and unrealized gains and losses on foreign currency options that hedge exchange rate exposure on future raw material purchases are deferred in inventory and subsequently included in cost of goods sold as the inventory is sold. Realized and unrealized gains and losses on commodity options and futures contracts that hedge commodity price exposure are deferred in inventory and subsequently included in cost of goods sold as the inventory is sold. Other realized and unrealized gains and losses on these instruments are recognized currently in the consolidated income statements.

Cash and Cash Equivalents - Cash equivalents are composed of all highly liquid investments with an original maturity of three months or less. As a result of the Company's cash management system, checks issued but not presented to the banks for payment may create negative book cash balances. Such negative balances are included in trade accounts payable and amounted to $53.0 million, $45.9 million and $37.6 million as of June 30, 1994, 1993 and 1992, respectively.

<TABLE>
Inventories - Inventories are valued at the lower of cost or market, using various cost methods, and include the cost of raw materials, labor and overhead. The percentage of year-end inventories valued using each of the methods was as follows:
<CAPTION>

June 30	1994	1993	1992
<S>	<C>	<C>	<C>
Last-in, first-out (LIFO)	60%	53%	57%
Average quarterly cost	30%	35%	31%
First-in, first-out (FIFO)	10%	12%	12%

</TABLE>

If the LIFO method of valuing these inventories was not used, total inventories would have been $19.6 million, $17.2 million and $13.9 million

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higher than reported as of June 30, 1994, 1993 and 1992, respectively.

Property and Depreciation - Property, plant and equipment are carried at cost and depreciated on a straight-line basis over their estimated useful lives. Useful lives range from 5 to 50 years for buildings and improvements and from 3 to 17 years for machinery and equipment.

Intangibles - Intangible assets consist principally of excess purchase price over net tangible assets of businesses acquired (goodwill). Goodwill is amortized on a straight-line basis over periods not exceeding 40 years. The Company continually evaluates whether events or circumstances have occurred indicating that the remaining estimated useful life of goodwill may not be appropriate. When factors indicate that goodwill should be evaluated for possible impairment, the Company uses an estimate of the acquired business' undiscounted future operating income compared to the carrying value of goodwill to determine if a write-off is necessary. Gross goodwill as of June 30, 1994, 1993 and 1992 was $615.2 million, $528.0 million and $522.0 million, respectively. Accumulated goodwill amortization as of June 30, 1994, 1993 and 1992 was $128.0 million, $113.3 million and $103.2 million, respectively.

Software Costs - The Company defers significant software development project costs. Software costs of $5.3 million, $5.0 million and $13.2 million were deferred during fiscal 1994, 1993 and 1992, respectively, pending the projects' completion. Amounts deferred are amortized over a three-year period beginning with a project's completion. As of June 30, 1994, $37.5 million of completed project costs were subject to amortization. Total amortization expense was $11.4 million, $7.7 million and $2.6 million in fiscal 1994, 1993 and 1992, respectively.

Income Taxes - Deferred income taxes are provided when tax laws and financial accounting standards differ with respect to the amount of income for a year and the bases of assets and liabilities. Effective July 1, 1992, the Company adopted FASB

Statement #109, "Accounting for Income Taxes," which requires an asset and liability approach to financial accounting and reporting for income taxes. See Note 17 for further discussion. Federal income taxes have been provided on $187.8 million of the $293.1 million of unremitted earnings from foreign subsidiaries. Taxes are not provided on earnings expected to be indefinitely reinvested.

Postretirement Benefits Other Than Pensions - The Company provides certain health and life insurance benefits for eligible retirees. Effective July 1, 1992, the Company adopted FASB Statement #106, "Employers' Accounting for Postretirement Benefits Other Than Pensions," whereby the cost of postretirement benefits is accrued during the years that employees render service. See Note 13 for further discussion.

Note 2
Restructuring Charges and Gains on Divestitures

In May 1994, the Board of Directors approved plans to streamline administrative functions, reengineer and consolidate plant operations and discontinue certain product lines in the United States and in some foreign locations. The approved plans resulted in a restructuring charge of $118.4 million and included the elimination of positions at the headquarters and research and development facilities, a combination and realignment of the U.S. sales force, manufacturing consolidations for Van Camp's products, rice cakes and Aunt Jemima syrup and closing of a Canadian pet foods facility and refocusing of the Canadian business, as well as other cost-reduction initiatives.

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The cost of providing severance and termination benefits for the elimination of approximately 1,500 positions was $44.7 million of the restructuring charge and will be a cash expense. Charges associated with plant consolidations, sales office closures and equipment that has been determined to be permanent excess capacity total $38.3 million. Of this amount, $30.7 million was for non-cash asset write-offs. The remaining $7.6 million is in cash expenses mainly for loss on facility and sales office leases. Product-line discontinuations resulted in charges of $35.4 million, of which $32.1 million was for non-cash asset write-offs. The remaining $3.3 million will be in cash expenses for loss on leases and other associated costs. Restructuring reserves of $61.1 million were included in other accrued liabilities as of June 30, 1994.

The reengineering efforts are expected to save between $35 million and $45 million annually beginning in fiscal 1995. Approximately 75 percent of the savings will be in cash. Severance, termination benefits and other cash outlays will occur predominately in fiscal 1995 and will be funded through operating cash flows.

In fiscal 1993, the Company took a restructuring charge of $38.6 million to consolidate production facilities at a U.S. pet foods plant. The charge included $20.7 million for non-cash asset write-offs and $17.9 million in cash for severance and termination benefits and other related plant consolidation costs. The consolidation was completed in fiscal 1994 and asset write-offs and cash outlays were consistent with amounts originally provided. The Company also took a $9.7 million cash charge for severance related to European cost-reduction programs. The Company realized approximately $14 million in combined savings from these actions in fiscal 1994 and anticipates $20 million in annualized savings in fiscal 1995.

In fiscal 1992, the Company discontinued certain product lines, resulting in non-cash asset write-offs of $10.0 million.

In fiscal 1994, the Company realized a $9.8 million gain on the sale of a business in Venezuela. In fiscal 1993, the Company realized a $17.4 million gain on the sale of two Italian businesses and a $10.4 million gain on the sale of a business in the United Kingdom. In fiscal 1992, the Company realized an $11.0 million gain on the sale of the Ghirardelli chocolate business.

<TABLE>
Operating income excluding restructuring charges and gains on divestitures in all years was as follows:

<CAPTION>

Dollars in Millions	1994	1993	1992
<S>	<C>	<C>	<C>
Operating income as reported	$537.2	$575.2	$540.2
Restructuring charges:			
U.S. and Canadian Grocery Products	112.9	38.6	10.0
International Grocery Products	5.5	9.7	----
Subtotal	118.4	48.3	10.0
Gains on divestitures:			
U.S. and Canadian Grocery Products	----	----	(11.0)

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International Grocery Products	(9.8)	(27.8)	----
Subtotal	(9.8)	(27.8)	(11.0)
Operating income excluding charges and gains	$645.8	$595.7	$539.2

</TABLE>

Note 3
Acquisitions and Discontinued Operations

The Company purchased the Near East flavored rice business and three small food service businesses in fiscal 1994 and the Chico-San rice cakes business in fiscal 1993. Pro forma information for all acquisitions was not material in the aggregate.

The Fisher-Price business was spun off to the Company's shareholders in fiscal 1991.

<TABLE>
Note 4
Trade Accounts Receivable Allowances
<CAPTION>

Dollars in Millions	1994	1993	1992
<S>	<C>	<C>	<C>
Balance at beginning of year	$15.0	$16.6	$18.7
Provision for doubtful accounts	7.5	5.7	7.2
Provision for discounts and allowances	16.6	13.8	13.5
Write-offs of doubtful accounts - net of recoveries	(5.2)	(4.4)	(5.4)
Discounts and allowances taken	(13.9)	(13.9)	(19.2)
Effect of exchange rate changes	(2.5)	(2.8)	1.8
Balance at end of year	$17.5	$15.0	$16.6

</TABLE>

<TABLE>
Note 5
Property, Plant and Equipment
<CAPTION>
Dollars in Millions

1994	Balance at Beginning of Year	Additions	Retirements and Sales	Other Changes	Balance at End of Year
Gross property:					
<S>	<C>	<C>	<C>	<C>	<C>
Land	$28.7	$0.5	$(1.0)	$2.4	$30.6

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Buildings and improvements	441.5	23.9	(10.2)	(0.2)	455.0
Machinery and equipment	1,589.0	161.0	(103.7)	(6.0)	1,640.3
Total	$2,059.2	$185.4	$(114.9)	$(3.8)	$2,125.9
Accumulated depreciation:					
Buildings and improvements	$120.3	$13.3	$(1.3)	$(0.8)	$131.5
Machinery and equipment	710.7	124.0	(50.7)	(3.8)	780.2
Total	$831.0	$137.3	$(52.0)	$(4.6)	$911.7

<CAPTION>

Dollars in Millions 1993	Balance at Beginning of Year	Additions	Retirements and Sales	Other Changes	Balance at End of Year
<S>	<C>	<C>	<C>	<C>	<C>
Gross property:					
Land	$29.8	$0.1	$(0.1)	$(1.1)	$28.7
Buildings and improvements	448.4	21.1	(17.3)	(10.7)	441.5
Machinery and equipment	1,587.9	166.1	(95.6)	(69.4)	1,589.0
Total	$2,066.1	$187.3	$(113.0)	$(81.2)	$2,059.2
Accumulated depreciation:					
Buildings and improvements	$118.4	$12.6	$(7.0)	$(3.7)	$120.3
Machinery and equipment	674.4	118.4	(48.3)	(33.8)	710.7
Total	$792.8	$131.0	$(55.3)	$(37.5)	$831.0
1992					
Gross property:					
Land	$31.0	$----	$(2.2)	$ 1.0	$29.8
Buildings and improvements	427.2	20.7	(10.0)	10.5	448.4
Machinery and equipment	1,456.4	155.7	(69.8)	45.6	1,587.9
Total	$1,914.6	$176.4	$(82.0)	$57.1	$2,066.1
Accumulated depreciation:					
Buildings and improvements	$104.1	$13.2	$(2.2)	$3.3	$118.4
Machinery and equipment	577.8	119.3	(40.2)	17.5	674.4
Total	$681.9	$132.5	$(42.4)	$20.8	$792.8

Included in the "Other Changes" column for fiscal 1994, 1993 and 1992 were net increases (decreases) of $2.6 million, $(45.8) million and $31.9 million, respectively, reflecting the effect of translating non-U.S. property at current exchange rates as required by FASB Statement #52.
</TABLE>

<TABLE>

Note 6
Short-term Debt and Lines of Credit
<CAPTION>

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Dollars in Millions	1994	1993	1992
<S>	<C>	<C>	<C>
Notes payable - non-U.S. subsidiaries	$132.9	$35.6	$111.0
Short-term debt - U.S.	78.4	142.4	----
Short-term debt to be refinanced	----	(50.0)	(50.0)
Total short-term debt	$211.3	$128.0	$61.0
Weighted average interest rates on debt outstanding at end of year:			
Notes payable - non-U.S. subsidiaries(a)	7.1%	9.0%	10.8%
Short-term debt - U.S.	4.4%	3.2%	----
Weighted average interest rates on debt outstanding during year:			
Notes payable - non-U.S. subsidiaries (computed on month-end balances)(a)	9.4%	10.6%	11.5%
Short-term debt - U.S. (computed on daily balances)	3.3%	3.3%	4.0%
Average amount of debt outstanding during year	$227.3	$121.3	$105.5
Maximum month-end balance during year	$303.1	$178.0	$170.2

<FN>
(a)Nominal interest rates in highly inflationary countries have been adjusted for currency devaluation to express interest rates in U.S. dollar terms.
</TABLE>

The consolidated balance sheets as of June 30, 1993 and 1992 included the reclassification of $50.0 million of short-term debt to long-term debt, reflecting the Company's intent and ability to refinance this debt on a long-term basis. See Note 7 for further discussion of long-term debt issued in fiscal 1994.

The Company has Revolving Credit Agreements totaling $350.0 million with various banks that support its commercial paper borrowings and are also available for direct borrowings. The first $175.0 million facility requires a commitment fee of one-eighth of one percent per annum, generally payable on any available and unused portion. The facility expires no sooner than November 1996. The maturity will be automatically extended for one-year periods unless otherwise determined by the various banks. The Company anticipates that the facility will be extended beyond November 1996. The second $175.0 million facility requires a commitment fee of one-tenth of one percent per annum payable on any available and unused portion. The second facility expires in November 1994. The Company anticipates that this facility will also be extended for an additional year upon its maturity. As of June 30, 1994, the Company had $89.6 million of borrowings outstanding, at market interest rates, under the second facility. Under the most restrictive terms of the Revolving Credit Agreements, the Company must maintain total shareholders' equity greater than $300.0 million.

The Company has an Adjusted Principal Revolving Credit Agreement. Each quarter, the Company may borrow a predetermined amount from $4.0 million up to $41.0 million. The amount borrowed may be repaid based upon an index of foreign currency rates. The Agreement is in effect through fiscal 1996 and bears interest at market rates in effect at the time of each borrowing. The Company borrowed the available amount each quarter in fiscal 1994.

The Company's non-U.S. subsidiaries have additional committed lines of credit of $31.7 million, of which $22.2 million was utilized as of June 30, 1994.

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Note 7
Long-term Debt

Dollars in Millions	1994	1993	1992
7.76% Senior ESOP Notes due through 2002	$80.8	$85.9	$90.5
8.0% Senior ESOP Notes due through 2002	133.9	140.3	145.0
8.75% ESOP installment loan due through 1996	5.5	7.9	10.2
7.4%-7.9% Series A Medium-term Notes due through 2000	71.8	86.8	101.7
8.15%-9.34% Series B Medium-term Notes due through 2020	229.6	248.0	250.0
6.5%-7.48% Series C Medium-term Notes due through 2024	200.0	----	----
5.415% and 6.63% deutsche mark swaps due 1993 and 1998, respectively	17.5	16.3	30.4
Industrial Revenue Bonds:			
5.7%-10.75% due through 2010, tax-exempt	34.4	35.6	35.6
4.5%-8.375% due through 2000, taxable	0.8	0.9	6.7
Sinking Fund Debentures:			
7.7% due through 2001	----	----	14.0
Non-interest bearing installment note due 2014	4.5	4.0	3.5
Short-term debt to be refinanced	----	50.0	50.0
Other	26.1	5.8	9.0
Subtotal	804.9	681.5	746.6
Current portion of long-term debt	45.4	48.9	57.9
Long-term debt	$759.5	$632.6	$688.7

All maturity dates presented refer to fiscal years.

Aggregate required payments of maturities of long-term debt for the next five fiscal years are as follows:

Dollars in Millions	1995	1996	1997	1998	1999
Required payments	$45.4	$37.0	$53.7	$78.7	$50.7

During fiscal 1994, the Company issued $200.0 million of Series C Medium-term Notes bearing interest rates ranging from 6.5 percent to 7.48 percent per annum with maturities from 10 to 30 years. The debt was issued under a $600.0 million shelf registration filed with the Securities and Exchange Commission in January 1990. No other securities have been issued under the shelf registration.

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The non-interest bearing installment note for $55.5 million has an unamortized discount of $51.0 million, $51.5 million and $52.0 million as of June 30, 1994, 1993 and 1992, respectively, based on an imputed interest rate of 13 percent.

Note 8
Capital Stock

During fiscal 1994, three million shares of the Company's outstanding common stock were repurchased for $209.6 million under a five million share repurchase program announced in August 1993.

The Company is authorized to issue 10 million shares of preferred stock in series, with terms fixed by resolution of the Board of Directors. One million shares of Series A Junior Participating Preferred Stock have been reserved for issuance in connection with the Shareholder Rights Plan (see Note 11).

An additional 1,750,000 shares of Series B ESOP Convertible Preferred Stock (Series B Stock) have been reserved for issuance in connection with the Company's ESOP plan. As of June 30, 1994, 1,282,051 shares of the Series B Stock had been issued and are each convertible into 1.0788 shares of the Company's common stock. The Series B Stock will be issued only for the ESOP and will not trade on the open market.

The Company is also authorized to issue one million shares of redeemable preference stock, none of which had been issued as of June 30, 1994.

Note 9
Deferred Compensation

The ESOP was established to issue debt and to use the proceeds of such debt to acquire shares of the Company's stock for future allocation to ESOP participants. The ESOP borrowings are included as long-term debt on the Company's consolidated balance sheets. See Note 7 for amounts and terms of the ESOP notes.

Deferred compensation of $224.3 million as of June 30, 1994 primarily represents the Company's payment of future compensation expense related to the ESOP. As the Company makes annual contributions to the ESOP, these contributions, along with the dividends accumulated on the common and preferred stock held by the ESOP, are used to repay the outstanding loans. As the loans are repaid, common and preferred stock are allocated to ESOP participants and deferred compensation is reduced by the amount of the principal payment on the loans.
<TABLE>
The following table presents the ESOP loan repayments:
<CAPTION>

Dollars in Millions	1994	1993	1992
<S>	<C>	<C>	<C>
Principal payments	$13.9	$11.6	$9.3
Interest payments	18.4	19.4	20.2
Total ESOP payments	$32.3	$31.0	$29.5

</TABLE>

As of June 30, 1994, 2,135,436 shares of common stock and 400,933 shares of preferred stock were held in the accounts of ESOP participants.

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Note 10
Employee Stock Option and Award Plans

In fiscal 1990, the Company's shareholders approved the adoption of The Quaker Long Term Incentive Plan of 1990 (the "Plan"). The purpose of the Plan is to promote the interests of the Company and its shareholders by providing the officers and other key employees with additional incentive and the opportunity through stock ownership to increase their proprietary interest in the Company and their personal interest in its continued success. The Plan provides for benefits to be awarded in a variety of ways, with stock options being used most frequently. Nine million shares of common stock have been authorized for grant under the Plan. Previously, stock options were issued under the 1984 Long Term Incentive Plan, which expired by its terms on December 31, 1990.

Stock options may be granted for the purchase of common stock at a price not less than the fair market value on the date of grant. Portions of the fiscal 1992 and 1993 option awards were granted at exercise prices higher than the fair market value on the date of grant. Options are generally exercisable after one or more years and expire no later than 10 years from the date of grant. As of June 30, 1994, 691 persons held such options. Changes in stock options outstanding were as follows:

	Shares	Option Price (Per Share)
Balance as of June 30, 1991	3,425,718	$8.30-57.00
Adjustment due to Fisher-Price spin-off	293,241	-----
Granted	1,492,792	70.69-88.36
Exercised	(564,540)	7.64-52.50
Expired or terminated	(89,683)	7.64-88.36
Balance as of June 30, 1992	4,557,528	9.83-88.36
Granted	1,602,646	63.56-79.45
Exercised	(780,724)	9.83-70.69
Expired or terminated	(83,303)	9.83-88.36
Balance as of June 30, 1993	5,296,147	14.03-88.36
Granted	1,448,265	68.88-69.06
Exercised	(312,042)	14.03-70.69
Expired or terminated	(141,635)	26.42-88.36
Balance as of June 30, 1994	6,290,735	$17.53-88.36

As of June 30, 1994, options for 3,398,920 shares were exercisable and the average per share option price of unexercised options expiring during the period January 1995 to September 2003 was $63.95.

In July 1991, the number and exercise price of all options outstanding were adjusted for the Fisher-Price spin-off. This adjustment increased the number of options outstanding by 293,241 and decreased the exercise price of the options outstanding by approximately 8 percent.

Under the Plan, restricted stock awards grant shares of the Company's common stock to key officers and employees. These shares are subject to a restriction period from the date of grant, during which they may not be sold, assigned, pledged or otherwise encumbered. The number of shares of the Company's common stock awarded were 23,200, 70,800 and 24,000 in fiscal 1994, 1993 and 1992, respectively. Restrictions on these awards lapse after a period of time designated by the Compensation Committee of the Board of Directors.

Note 11
Shareholder Rights Plan

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The Company's Shareholder Rights Plan, adopted July 9, 1986 and amended July 12, 1989, is designed to deter coercive or unfair takeover tactics and to prevent a person or group from gaining control of the Company without offering a fair price to all shareholders.

Under the terms of the Shareholder Rights Plan, all common shareholders of record on July 30, 1986 received for each share owned one "Right" entitling them to purchase from the Company one one-hundredth of a share of Series A Junior Participating Preferred Stock at an exercise price of $300.

The Rights become exercisable: (1) 10 days after a public announcement that a person or group has acquired shares representing 20 percent or more of the voting power of the Company's capital stock; (2) 10 business days following commencement of a tender offer for more than 20 percent of such voting power; or (3) 10 business days after a holder of at least 15 percent of such voting power is determined to be an adverse person by the Board of Directors. The time periods can be extended by the Company.

Unless the Board of Directors has made a determination that any person is an adverse person, the Company can redeem the Rights for $.05 per Right at any time prior to their becoming exercisable. The Rights will expire on July 30, 1996, unless redeemed earlier by the Company.

If after the Rights become exercisable the Company is involved in a merger or other business combination at any time when there is a holder of 20 percent or more of the Company's stock, the Rights will then entitle holders, upon exercise of the Rights, to receive shares of common stock of the acquiring company with a market value equal to twice the exercise price of each Right. Alternatively, if a 20 percent holder acquires the Company by means of a reverse merger in which the Company and its stock survive, or if any person acquires 20 percent or more of the Company's voting power or acquires 15 percent of the Company's voting power and is determined by the Board of Directors to be an adverse person, each Right not owned by such 20 percent shareholder or adverse person would, upon exercise of the Right, entitle the holder to common stock of the Company (or in certain circumstances other consideration) having a market value equal to twice the exercise price of the Right. The Rights described in this paragraph shall not apply to an acquisition, merger or consolidation which is determined by a majority of the Company's independent directors, after consulting one or more investment banking firms, to be fair and otherwise in the best interest of the Company and its shareholders.

Note 12
Pension Plans

The Company has various pension plans covering substantially all U.S. employees and certain foreign employees. Plan benefits are based on compensation paid to employees and their years of service. Company policy is to make contributions to its U.S. plans within the maximum amount deductible for Federal income tax purposes. Plan assets consist primarily of equity securities and government, corporate and other fixed-income obligations.

<TABLE>
The components of net pension costs for defined plans were as follows:
<CAPTION>

Dollars in Millions	1994	1993	1992
<S>	<C>	<C>	<C>
Service cost (benefits earned during the year)	$44.4	$41.5	$35.6
Interest cost on projected benefit obligation	53.1	51.9	46.6
Actual return on plan assets	(61.3)	(64.8)	(65.3)
Net amortization and deferral	(8.7)	(8.5)	(5.8)
Multi-employer plans	0.3	0.2	0.4
Net pension costs	$27.8	$20.3	$11.5

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</TABLE>

The Quaker Oats Company and Subsidiaries

<TABLE>

Reconciliations of the funded status of the Company's U.S. defined plans to the (accrued) prepaid pension costs were as follows:

<CAPTION>

		Overfunded		Underfunded		
Dollars in Millions	1994	1993	1992	1994	1993	1992
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Vested benefits	$505.9	$459.5	$ 369.6	$52.0	$47.3	$ 48.9
Non-vested benefits	10.8	10.1	8.5	1.1	0.2	0.2
Accumulated benefit obligation	516.7	469.6	378.1	53.1	47.5	49.1
Effect of projected future salary increases	64.0	62.0	53.7	4.7	8.9	8.6
Projected benefit obligation	580.7	531.6	431.8	57.8	56.4	57.7
Plan assets at market value	640.9	637.5	581.0	22.0	23.3	29.3
Projected benefit obligation less (greater) than plan assets	60.2	105.9	149.2	(35.8)	(33.1)	(28.4)
Unrecognized net (gain)	(40.6)	(59.6)	(84.8)	(4.0)	(4.2)	(11.1)
Unrecognized prior service cost	6.9	8.1	7.3	4.9	5.6	9.4
Unrecognized net (asset) liability at transition	(40.7)	(52.9)	(65.2)	3.5	4.2	4.9
(Accrued) prepaid pension costs	$(14.2)	$1.5	$6.5	$(31.4)	$(27.5)	$(25.2)

<FN>

Assumptions (reflecting averages across all plans):
- Weighted average discount rate: 8%
- Rate of future compensation increases: 5%
- Long-term rate of return on plan assets: 8.5%

Reconciliations of the funded status of the Company's foreign defined plans to the prepaid (accrued) pension costs were as follows:

<CAPTION>

		Overfunded		Underfunded		
Dollars in Millions	1994	1993	1992	1994	1993	1992
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Vested benefits	$61.3	$89.8	$69.0	$19.6	$18.7	$22.1
Non-vested benefits	6.4	----	----	4.8	4.5	1.0
Accumulated benefit obligation	67.7	89.8	69.0	24.4	23.2	23.1
Effect of projected future salary increases	13.4	18.8	10.8	3.6	3.4	2.5
Projected benefit obligation	81.1	108.6	79.8	28.0	26.6	25.6
Plan assets at market value	89.1	113.0	88.2	----	----	2.6
Projected benefit obligation less (greater) than plan assets	8.0	4.4	8.4	(28.0)	(26.6)	(23.0)
Unrecognized net (gain) loss	(2.3)	13.4	(5.7)	(0.3)	(0.2)	(0.2)
Unrecognized prior service cost	2.8	3.1	3.5	0.8	0.8	0.9
Unrecognized net (asset) liability at transition	(4.2)	(13.5)	5.4	----	(0.2)	(0.2)
Prepaid (accrued) pension costs	$4.3	$7.4	$11.6	$(27.5)	$(26.2)	$(22.5)

<FN>

Assumptions (reflecting averages across all plans):
- Weighted average discount rate: 8%
- Rate of future compensation increases: 5%
- Long-term rate of return on plan assets: 8.2%

</TABLE>

Unrecognized prior service cost is being amortized over periods ranging from 10 to 18 years.

The foreign pension plans included unfunded termination indemnity reserves of $14.1 million, $14.1 million and $17.8 million as of June 30, 1994, 1993 and 1992, respectively.

Note 13

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Postretirement Benefits Other Than Pensions and Other Postemployment Benefits

The Company has various postretirement health care plans covering substantially all U.S. employees and certain foreign employees. The plans provide for the payment of certain health care and life insurance benefits for retired employees who meet certain service-related eligibility requirements. The Company funds only the plans' annual cash requirements.

Effective July 1, 1992, the Company adopted FASB Statement #106, "Employers' Accounting for Postretirement Benefits Other Than Pensions." This statement requires that the expected cost of these benefits be charged to expense during the years that the employees render service. The statement was adopted through a cumulative pretax charge of $205.5 million, or $125.4 million after-tax, which represents the accumulated postretirement benefit obligation for years prior to fiscal 1993. The incremental effect on fiscal 1993 operating income of adopting FASB Statement #106 was a pretax charge of $14.8 million. Cash expenditures are not affected by this accounting change.
<TABLE>
The components of postretirement benefit costs were as follows:
<CAPTION>

Dollars in Millions	1994	1993
<S>	<C>	<C>
Service cost (benefits earned during the year)	$7.0	$6.2
Interest cost on projected benefit obligation	18.4	18.3
Amortization of prior service cost	0.1	----
Total postretirement benefit costs	$25.5	$24.5

Postretirement benefit costs incurred and expensed in fiscal 1992 were $9.2 million.
</TABLE>

<TABLE>
The Company's unfunded accumulated postretirement benefit obligations were as follows:
<CAPTION>

Dollars in Millions	1994	1993
<S>	<C>	<C>
Current retirees	$122.1	$122.5
Current active employees - fully eligible	12.5	12.0
Current active employees - not fully eligible	115.2	100.0
Accumulated postretirement benefit obligation	249.8	234.5
Unrecognized net loss	(12.5)	(11.1)
Unrecognized prior service costs	(2.0)	----
Accrued postretirement benefit costs	$ 235.3	$223.4
Assumptions:		
Weighted average discount rate: 8%		
Health care trend rates (varies by plan):	1995	2005 and Beyond
Pre-age 65:	10-14%	4-6%
Age 65 and over:	10-14%	5-6%

</TABLE>

If the health care trend rates were increased one percentage point, the current-year postretirement benefit costs would have been $2.5 million

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higher and the accumulated postretirement benefit obligation as of June 30, 1994 would have been $34.2 million higher.

Effective July 1, 1994, the Company adopted FASB Statement #112, "Employers' Accounting for Postemployment Benefits." The cumulative effect of adoption is a $4.1 million after-tax charge in the first quarter of fiscal 1995. The adoption of this statement will not have a material effect on operating results or cash flows in future years.

Note 14
Lease and Other Commitments

Certain equipment and operating properties are rented under non-cancelable operating leases. Total rental expense under operating leases was $33.1 million, $34.3 million and $41.0 million in fiscal 1994, 1993 and 1992, respectively. The following is a schedule of future minimum annual rentals on non-cancelable operating leases, primarily for sales offices, distribution centers and corporate headquarters, in effect as of June 30, 1994:

<TABLE>

Dollars in Millions	1995	1996	1997	1998	1999	Later	Total
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Total payments	$27.0	$26.0	$24.6	$21.9	$20.3	$115.1	$234.9

The Company enters into executory contracts to promote various products. As of June 30, 1994, future commitments under these contracts amounted to $62.7 million.
</TABLE>

Note 15
Supplementary Income Statement Information
<TABLE>
<CAPTION>

Dollars in Millions	1994	1993	1992
<S>	<C>	<C>	<C>
Advertising, media and production	$295.3	$282.0	$288.8
Merchandising	1,291.5	1,193.0	1,160.8
Total advertising and merchandising	$1,586.8	$1,475.0	$1,449.6
Depreciation expense	$133.3	$129.9	$129.7
Amortization of intangibles	$33.9	$26.3	$23.6
Maintenance and repairs	$98.2	$105.6	$96.2
Research and development	$56.3	$52.4	$52.1

Note 16
Interest Expense
<CAPTION>

Dollars in Millions	1994	1993	1992
<S>	<C>	<C>	<C>
Interest expense	$99.9	$66.1	$78.5
Interest expense capitalized	(1.3)	(0.5)	(1.5)
Subtotal	98.6	65.6	77.0
Interest income	(8.9)	(10.5)	(9.6)
Interest expense - net	$89.7	$55.1	$67.4

Interest paid in fiscal 1994, 1993 and 1992 was $72.0 million, $74.3 million and $74.7 million, respectively.
</TABLE>

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The Quaker Oats Company and Subsidiaries

Note 17
Income Taxes

Effective July 1, 1992, the Company adopted FASB Statement #109, "Accounting for Income Taxes," which requires an asset and liability approach to financial accounting and reporting for income taxes. The cumulative effect of adopting FASB Statement #109 was to increase fiscal 1993 net income by $9.9 million.

Provisions for income taxes on income before cumulative effect of accounting changes were as follows:
<TABLE>
<CAPTION>

Dollars in Millions	1994	1993	1992
<S>	<C>	<C>	<C>
Currently payable -			
Federal	$140.1	$129.2	$109.9
Non-U.S.	23.4	25.0	23.8
State	30.3	29.7	24.1
Total currently payable	193.8	183.9	157.8
Deferred - net			
Federal	(34.0)	(6.7)	8.2
Non-U.S.	(13.3)	2.7	5.6
State	0.7	0.9	2.3
Total deferred - net	(46.6)	(3.1)	16.1
Provision for income taxes	$147.2	$180.8	$173.9

The components of the deferred income tax (benefit) provision were as follows:
<CAPTION>

Dollars in Millions	1994	1993	1992
<S>	<C>	<C>	<C>
Accelerated tax depreciation	$11.2	$15.0	$9.3
Postretirement benefits	(8.2)	(5.8)	----
Accrued expenses including restructuring charges	(36.9)	(8.6)	----
Loss carryforwards	(8.3)	(2.2)	----
Other	(4.4)	(1.5)	6.8
(Benefit) provision for deferred income taxes	$(46.6)	$(3.1)	$16.1

Total income tax provisions (benefits) were allocated as follows:
<CAPTION>

Dollars in Millions	1994	1993
<S>	<C>	<C>
Continuing operations	$147.2	$180.8
Cumulative effect of accounting changes	----	$(90.0)
Items charged directly to common shareholders' equity	$(8.1)	$2.6

The sources of pretax income before cumulative effect of accounting changes were as follows:
<CAPTION>

Dollars in Millions	1994	1993	1992
<S>	<C>	<C>	<C>
U.S. sources	$365.8	$389.3	$346.2
Non-U.S. sources	12.9	78.3	75.3
Income before income taxes and cumulative effect of accounting changes	$378.7	$467.6	$421.5

Reconciliations of the statutory Federal income tax rates to the effective income tax rates were as follows:
<CAPTION>

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Dollars in Millions	1994		1993		1992	
	Amount	% of Pretax Income	Amount	% of Pretax Income	Amount	% of Pretax Income
Tax provision based on the Federal statutory rate	$132.5	35.0%	$159.0	34.0%	$143.3	34.0%
State and local income taxes - net of Federal income tax benefit	18.4	4.8	19.7	4.2	17.8	4.2
Repatriation of foreign earnings	(9.6)	(2.5)	(2.4)	(0.5)	(2.9)	(0.7)
Non-U.S. tax rate differential	9.0	2.4	1.7	0.4	6.7	1.6
Miscellaneous items	(3.1)	(0.8)	2.8	0.6	9.0	2.2
Provision for income taxes	$147.2	38.9%	$180.8	38.7%	$173.9	41.3%

The consolidated balance sheets included the following deferred tax assets and deferred tax liabilities:

<CAPTION>

Dollars in Millions	1994		1993	
	Deferred Tax Assets	Deferred Tax Liabilities	Deferred Tax Assets	Deferred Tax Liabilities
Depreciation and amortization	$21.1	$219.3	$14.5	$211.0
Postretirement benefits	94.1	----	85.9	----
Other benefit plans	52.4	11.5	42.0	13.5
Accrued expenses including restructuring charges	112.9	21.7	59.1	4.1
Loss carryforwards	24.3	----	20.8	----
Other	18.1	33.5	21.8	34.6
Subtotal	322.9	286.0	244.1	263.2
Valuation allowance	(28.1)	----	(18.1)	----
Total	$294.8	$286.0	$226.0	$263.2

</TABLE>

As of June 30, 1994, the Company had $63.9 million of operating and capital loss carryforwards available to reduce future taxable income of certain international subsidiaries. These loss carryforwards must be utilized within the carryforward periods of these international jurisdictions. The majority of loss carryforwards have no expiration restrictions. Those with restrictions expire primarily in five years. A valuation allowance has been provided for a portion of the deferred tax assets related to the loss carryforwards.

Included in the other current assets on the consolidated balance sheets were deferred tax assets of $91.0 million, $52.3 million and $57.3 million as of June 30, 1994, 1993 and 1992, respectively. Income taxes paid in fiscal 1994, 1993 and 1992 were $163.9 million, $213.3 million and $182.1 million, respectively.

Note 18
Financial Instruments

Financial instruments are primarily used to fund working capital requirements and to reduce the impact of foreign currency rate and commodity price fluctuations. The main financial instruments used are short-term and long-term debt instruments, foreign exchange forward contracts, purchased foreign currency options and commodity options and futures contracts.

The foreign currency hedge instruments are used to reduce the risk that the U.S. dollar value of the net investment and cash flows of foreign

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operations will be reduced as exchange rates decline. Similarly, the commodity hedge instruments are used to reduce the risk that raw material purchases will be adversely affected as commodity prices change. While the hedge instruments are subject to the risk of loss from exchange rate movement or changing commodity prices, the losses would generally be offset by expected gains on translation of the net investments or lower costs of the purchases being hedged. The Company does not trade these instruments with the objective of earning financial gains on the exchange rate or commodity price fluctuations alone, nor does it trade in currencies or commodities for which there are no underlying exposures. Management believes that its use of financial instruments to reduce risk is in the Company's best interest.

<TABLE>
The Company's significant net investments, net hedges and net exposures in foreign currencies subject to the hedging program as of June 30, 1994 were as follows:
<CAPTION>
Dollars in Millions

Currency	Net Investment	Net Hedge	Net Exposure
<S>	<C>	<C>	<C>
Canadian dollar	$32.1	$(17.4)	$14.7
British pound	$70.1	$(16.3)	$53.8
French franc	$22.9	----	$22.9
Dutch guilder	$33.8	$(6.7)	$27.1
Italian lira	$56.2	$(47.5)	$8.7

</TABLE>
The Company actively monitors the net exposures and adjusts the hedge amounts as appropriate. The net hedges are stated above on an after-tax basis as the Company manages the exposures on an economic basis. The net exposures are subject to gain or loss if foreign currency exchange rates fluctuate. On a consolidated basis, a gain or loss would be recognized as an increase or decrease in the cumulative translation adjustment account on the consolidated balance sheet, but future reported income would not be effected. In some countries, mainly in Latin America, foreign currency hedge instruments are not available or are cost prohibitive. The exposures in these countries are addressed through managing net asset positions and borrowing in local currency or investing in U.S. dollars.

As of June 30, 1994 and 1993, the Company had net foreign exchange forward contracts to sell $142.5 million and $225.5 million, respectively, of European and Canadian currencies to hedge its net investments. These contracts generally mature in less than two years, except for contracts to sell $7.7 million in British pounds in fiscal 1998. Unrealized (losses) gains on these foreign exchange forward contracts as of June 30, 1994 and 1993 were $(4.0) million and $10.3 million, respectively. The carrying value of these contracts approximates fair value.

In fiscal 1988, the Company swapped $15.0 million of long-term debt for 27.9 million in deutsche mark (DM) denominated long-term debt. The DM swap agreement requires the Company to re-exchange 27.9 million DM for $15.0 million in August 1997 and to make semiannual interest payments of 0.9 million DM through August 1997. The DM swap was included in long-term debt as of June 30, 1994 and 1993 for $17.5 million and $16.3 million, respectively. The long-term debt is marked to market as the U.S. dollar/DM exchange rate changes. The debt swap has been effective as a hedge of the net investment in Germany and the resulting increase or decrease in long-term debt has been charged or credited to the cumulative translation adjustment account on the consolidated

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balance sheet. The interest payments are subject to exchange rate fluctuations, but the effect on the Company's consolidated income statement has not been material. In late fiscal 1994, the net investment in Germany was reduced to the point where the DM swap was no longer effective as a net investment hedge, requiring the mark to market adjustment to be charged to the consolidated income statement. To offset this charge, the Company entered into a foreign exchange forward contract and the net effect on the consolidated income statement for fiscal 1994 was not material.

The Company uses options to hedge currency fluctuations on certain anticipated purchases denominated in foreign currencies. As of June 30, 1994 and 1993, the Company had options to sell Italian lire and purchase U.S. dollars for $77.0 million and $91.2 million, respectively. Deferred unrecognized losses related to these options were $9.0 million and $6.9 million as of June 30, 1994 and 1993, respectively. The fair values of outstanding purchased foreign exchange options as of June 30, 1994 and 1993, based on broker quotes, were $2.7 million and $3.3 million, respectively.

Included in the consolidated income statements were gains of $1.1 million and $6.2 million in fiscal 1994 and 1993, respectively, from foreign currency hedge instruments.

The Company uses commodity options and futures contracts to reduce its exposure to commodity price changes. The Company regularly hedges purchases of oats, corn, soybeans, wheat, coffee beans and orange juice concentrate. Of the $2.93 billion in cost of goods sold, approximately $200 million to $250 million is in commodities that may be hedged. The Company's strategy is to typically hedge most of the production requirements for the following twelve-month period. As of June 30, 1994, approximately two-thirds of fiscal 1995 production requirements were hedged. Deferred unrecognized losses related to commodity options and futures contracts as of June 30, 1994 were $4.4 million. Deferred unrecognized gains as of June 30, 1993 were $0.4 million. Realized losses charged to cost of goods sold in fiscal 1994 and 1993 were $0.2 million and $1.9 million, respectively. The fair values of these commodity instruments as of June 30, 1994 and 1993, based on quotes from brokers, were net gains of $7.3 million and net losses of $1.0 million, respectively.

The carrying value of cash and cash equivalents and short-term debt approximates fair value because of the short-term maturity of the instruments. The fair value of long-term debt was $779.7 million and $730.7 million as of June 30, 1994 and 1993, respectively, which was based on market prices for the same or similar issues or on the current rates offered to the Company for similar debt of the same maturities. The carrying value of long-term debt as of June 30, 1994 and 1993 was $759.5 million and $632.6 million, respectively.

The counterparties to the Company's financial instruments are major financial institutions. The Company continually evaluates the creditworthiness of the counterparties and has never experienced, nor does it anticipate nonperformance by any of its counterparties.

Note 19
Litigation

On December 18, 1990, Judge Prentice H. Marshall of the United States District Court for the Northern District of Illinois issued a memorandum opinion stating that the Court would enter judgment against the Company in favor of Sands, Taylor & Wood Co. The Court found that the use of the words "thirst aid" in advertising Gatorade thirst quencher infringed the Plaintiff's rights in the trademark THIRST-AID. On July 9, 1991, Judge Marshall entered a judgment of $42.6 million, composed of $31.4 million in principal, plus prejudgment interest of $10.6 million and fees, expenses and costs of $0.6 million. The order enjoined use of the phrase "THIRST-AID" in connection with the advertising or sale of Gatorade thirst quencher in the

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United States. The Company subsequently appealed the judgment. On September 2, 1992, the Court of Appeals for the Seventh Circuit vacated the monetary award component of the District Court's judgment. The appellate court affirmed the finding of infringement, but found that the monetary award was an inequitable "windfall" to the Plaintiff. The case was remanded to the District Court for further proceedings. The Company filed a request for rehearing that was denied. The Company also filed a Petition for Certiorari with the U.S. Supreme Court that was denied. On June 7, 1993, Judge Marshall issued a judgment on remand of $26.5 million, composed of $20.7 million in principal, prejudgment interest of $5.4 million and fees, expenses and costs of $0.4 million. The Company has appealed this judgment to the Court of Appeals for the Seventh Circuit. Management, with advice from outside legal counsel, has determined that the unrecognized loss in this case, if any, will not be material to the consolidated financial statements of the Company.

The Company is not a party to any pending legal proceedings or environmental clean-up actions that it believes will have a material adverse effect on its financial position or results of operations.

<TABLE>
Note 20
Quarterly Financial Data (Unaudited)
<CAPTION>
Dollars in Millions (Except Per Share Data)

1994	First Quarter(a)	Second Quarter(a)	Third Quarter(a)	Fourth Quarter(b)
<S>	<C>	<C>	<C>	<C>
Net sales	$1,534.3	$1,353.9	$1,449.2	$1,617.6
Cost of goods sold	749.8	670.1	701.5	804.8
Gross profit	$784.5	$683.8	$747.7	$812.8
Net income	$91.4	$42.8	$73.8	$23.5
Per common share:				
Net income	$1.31	$0.63	$1.08	$0.34
Cash dividends declared	$0.53	$0.53	$0.53	$0.53
Market price range:				
High	$75 7/8	$76 1/4	$71 1/8	$82
Low	$62 1/2	$66 1/8	$61 7/8	$62

<FN>
(a)Cost of goods sold and gross profit for the first, second and third quarters of fiscal 1994 have been restated by $0.2 million, $1.9 million and $2.2 million, respectively, for certain reclassifications. Net income was not affected by these changes.
(b)Includes a $118.4 million pretax restructuring charge ($72.8 million after-tax or $1.09 per share) for workforce reductions, plant consolidations and product discontinuations and a $9.8 million pretax gain (or $.13 per share) for the sale of a business in Venezuela.

<CAPTION>
Dollars in Millions (Except Per Share Data)

1993	First Quarter (a)	Second Quarter(b)	Third Quarter(c)	Fourth Quarter
<S>	<C>	<C>	<C>	<C>
Net sales	$1,494.2	$1,332.7	$1,358.1	$1,545.6
Cost of goods sold	740.5	677.0	679.5	773.0
Gross profit	$753.7	$655.7	$678.6	$772.6
Income before cumulative effect of accounting changes	$60.2	$56.2	$77.0	$93.4
Net income	$(55.3)	$56.2	$77.0	$93.4
Per common share:				
Income before cumulative effect of accounting changes	$0.81	$0.77	$1.05	$1.30
Net income	$(0.78)	$0.77	$1.05	$1.30

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Cash dividends declared	$0.48	$0.48	$0.48	$0.48
Market price range:				
High	$65	$71	$70	$77
Low	$56 1/8	$60 1/8	$62 1/4	$60 3/8

<FN>
(a) Includes a $38.6 million pretax charge ($26.9 million after-tax or $.37 per share) for the consolidation of production facilities at a U.S. pet foods plant.
(b) Includes a $17.4 million pretax gain ($10.5 million after-tax or $.14 per share) for the sale of two Italian businesses and a $9.7 million pretax charge ($5.9 million after-tax or $.08 per share) for European cost-reduction programs.
(c) Includes a $10.4 million pretax gain ($8.3 million after-tax or $.11 per share) for the sale of a business in the United Kingdom.

</TABLE>

Report of Independent Public Accountants

To the Shareholders of The Quaker Oats Company:

We have audited the accompanying consolidated balance sheets of The Quaker Oats Company (a New Jersey corporation) and subsidiaries as of June 30, 1994, 1993 and 1992, and the related consolidated statements of income, common shareholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these 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 financial statements referred to above present fairly, in all material respects, the financial position of The Quaker Oats Company and subsidiaries as of June 30, 1994, 1993 and 1992, and the results of their operations and their cash flows for the years then ended in conformity with generally accepted accounting principles.

As indicated in Note 13 and Note 17, effective July 1, 1992, the Company changed their accounting for postretirement benefits other than pensions and income taxes.

Arthur Andersen & Co.

Chicago, Illinois,
August 3, 1994

Report of Management

Management is responsible for the preparation and integrity of the Company's financial statements. The financial statements have been prepared in accordance with generally accepted accounting principles and necessarily include some amounts that are based on management's estimates and judgment.

To fulfill its responsibility, management maintains a strong system of

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internal accounting controls, supported by formal policies and procedures that are communicated throughout the Company. Management also maintains a staff of internal auditors who evaluate the adequacy of and investigate the adherence to these controls, policies and procedures.

Our independent public accountants, Arthur Andersen & Co., have audited the financial statements and have rendered an opinion as to the statements' fairness in all material respects. During the audit, they obtain an understanding of the Company's internal control systems and perform tests and other procedures to the extent required by generally accepted auditing standards.

The Board of Directors pursues its oversight role with respect to the Company's financial statements through the Audit Committee, which is composed solely of non-management directors. The Committee meets periodically with the independent public accountants, internal auditors and management to assure that all are properly discharging their responsibilities. The Committee approves the scope of the annual audit and reviews the recommendations the independent public accountants have for improving internal accounting controls. The Board of Directors, on recommendation of the Audit Committee, engages the independent public accountants, subject to shareholder approval.

Both Arthur Andersen & Co. and the internal auditors have unrestricted access to the Audit Committee.

Additional 10-K Information
<TABLE>
Description of Property

As of June 30, 1994, the Company operated 54 manufacturing plants in 16 states and 13 foreign countries and owned or leased distribution centers and sales offices in 21 states and 18 foreign countries. The number of locations utilized by each segment of the business was as follows:
<CAPTION>

	Owned and Leased Mfg. Locations		Owned and Leased Distribution Centers		Owned and Leased Sales Offices	
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Geographic Segment	U.S.	Foreign	U.S.	Foreign	U.S.	Foreign
U.S. and Canadian Grocery Products	28	4	10	----	43	5
International Grocery Products	----	22	----	24	----	36
Total	28	26	10	24	43	41

</TABLE>

The Company owns a research and development laboratory in Barrington, Illinois, and a pet food nutrition facility in Lake County, Illinois. The corporate offices are maintained in leased space in Chicago, Illinois. Management believes manufacturing, distribution and office space owned and leased are suitable and adequate for the business and productive capacity is appropriately utilized.

Trademarks

The Company and its subsidiaries own a number of trademarks and are not aware of any circumstances that could affect the continued use of these trademarks. Among the most important of the domestic grocery product trademarks owned by the Company are Quaker, Cap'n Crunch, Quaker 100% Natural, Quaker Toasted Oatmeal, Quaker Oat Squares and Life for breakfast cereals; Gatorade for thirst-quenching beverages; Quaker, Chico-San and Quaker Chewy for rice and grain-based

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snacks; Van Camp's for canned bean products; Ken-L Ration, Kibbles'n Bits'n Bits'n Bits, Gravy Train, Cycle and Gaines for dog foods; Puss'n Boots and Pounce for cat foods; Rice-A-Roni and Near East for value-added rice and grain products; Noodle Roni for value-added pasta; Golden Grain and Mission for pasta; Quaker and Aunt Jemima for mixes, syrups and corn goods; Aunt Jemima and Celeste for frozen foods; Wolf for chili, hot dog sauce, tamales and beef stew; Ardmore Farms for citrus and fruit juices; Continental and WB for coffee; and Mrs. Richardson's for ice cream toppings. Many of the grocery product

trademarks owned by the Company in the United States are registered in foreign countries in which the Company does substantial business. Internationally, the key trademarks owned include Cruesli, Honey Monster and Sugar Puffs for breakfast cereals; Cuore for edible oils; Felix for cat foods; Fido, Bonzo and Chunky for dog foods; Coqueiro for fish; Toddy and ToddYnho for chocolate beverages; and Carlos V and Larin for chocolate candy.

U.S. and Canadian Grocery Products Description

The Company is a major participant in the competitive packaged foods industry in the United States and Canada and is the leading manufacturer of hot cereals, sports beverages, pancake mixes, grain-based snacks, cornmeal, hominy grits, value-added rice products and canned pork and beans. In addition, the Company is the second-largest manufacturer of dog food, syrups and value-added pasta products and is among the five largest manufacturers of ready-to-eat cereals and dry pasta products. The Company competes with a significant number of both large and small companies on the basis of price, value, quality and convenience, among other attributes. The Company's grocery products are purchased by consumers through a wide range of food distributors. The Company utilizes both its own and broker sales forces and has distribution centers throughout the country, each of which carries an inventory of most of the Company's grocery products.

In addition, the Company markets a line of over 400 items for the food service market, including Quaker hot and ready-to-eat cereals; Wolf Brand chili; Aunt Jemima frozen breakfast products and mixes; Continental coffee; Ardmore Farms single-serve frozen fruit juices; Gatorade thirst quencher; a specialty line of custom-blended dry baking mixes; ready-to-bake biscuits; Petrofsky's bagels; Burry cookies and crackers; and Mrs. Richardson's syrups, ice cream toppings and condiments.

International Grocery Products Description

The Company participates along with a significant number of other companies in the human and pet foods markets and is broadly diversified, both geographically and by product line. Competitive conditions vary by country. The Company manufactures and markets its products in Argentina, Benelux, Brazil, Colombia, France, Germany, Italy, Mexico, the United Kingdom and Venezuela. The Company also markets products in many countries throughout the world and is the leading hot cereals producer in many countries and has other leading market positions for products in a number of countries, including the following: the leading producer of edible seed oils in Italy; the leading producer of chocolate candy and chocolate beverages in Mexico; the leading canned fish processor in Brazil; the leading sports beverage distributor in Mexico, Korea, Italy, Argentina, Australia and Venezuela; and the second-largest pet food company in continental Europe.

Raw Materials

The raw materials used in manufacturing include oats, wheat, soy products, corn, rice, sweeteners, orange juice concentrate, almonds, coffee beans, raisins, beef, chicken, corn oil, cocoa beans, shortening, meat by-products, dry beans and fish, as well as a variety of packaging materials. These products are purchased mainly on the open market. Supplies of all raw materials have been adequate and continuous.

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Directors

Members of the
Board of Directors

Frank C. Carlucci 1*,5,6
Chairman
The Carlyle Group
(Banking)
Washington, D.C.

Silas S. Cathcart 2*,5
Retired Chairman
Kidder, Peabody Group Inc.
(Investments)
Chicago, Illinois

Kenneth I. Chenault 1,4,5,6
President, USA,
American Express Travel
Related Services Company, Inc.
(Financial and Travel Services)
New York, New York

Judy C. Lewent 1,4,5,6
Senior Vice President and
Chief Financial Officer
Merck & Co., Inc.
(Pharmaceuticals)
Whitehouse Station, New Jersey

Vernon R. Loucks, Jr. 2,3,5*
Chairman and Chief
Executive Officer
Baxter International Inc.
(Medical Care Products)
Deerfield, Illinois

Thomas C. MacAvoy 1,5,6
Paul M. Hammaker
Professor of Business
Administration
Colgate Darden
Graduate School of Business Administration
University of Virginia
Charlottesville, Virginia

Philip A. Marineau 3
President and Chief Operating Officer

Luther C. McKinney 3
Senior Vice President Law and Corporate Affairs,
and Corporate Secretary

Gertrude G. Michelson 2,4,5,6*
Senior Advisor to R.H. Macy & Co., Inc.
(Retail Merchandising)
New York, New York

Walter J. Salmon 4,5
Stanley Roth, Sr.,
Professor of Retailing
Harvard Business School
Boston, Massachusetts

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William D. Smithburg 3,5
Chairman and Chief Executive Officer

William L. Weiss 2,3,4*,5
Chairman Emeritus
Ameritech Corporation
(Telecommunications)
Chicago, Illinois

In May 1994, the Company lost a valued contributor and good friend with the death of Weston R. Christopherson, former Chairman and CEO of the Northern Trust Company and Jewel Companies, Inc. and a member of the Board of Directors since 1984. During that period, he served on the Audit, Executive, Finance, Nominating and Public Responsibility Committees. Wes leaves behind a legacy of leadership and sound judgment. We will miss him.

Board Committees
1 Audit
2 Compensation
3 Executive
4 Finance
5 Nominating
(William D. Smithburg Ex Officio member)
6 Public Responsibility
* Denotes Committee Chairman

Officers

Senior Officers

William D. Smithburg+
Age 56
Chairman and Chief Executive Officer
Joined Quaker in 1966. Elected to present office in 1983.

Philip A. Marineau+
Age 47
President and Chief Operating Officer
Joined Quaker in 1972. Elected to present office in 1993.

Luther C. McKinney+
Age 63
Senior Vice President Law and Corporate Affairs, and Corporate Secretary Joined Quaker in 1974. Elected to present office in 1977.

Douglas J. Ralston+
Age 49
Senior Vice President
Human Resources Joined Quaker in 1981.
Elected to present office in 1992.

Terry G. Westbrook+
Age 48
Senior Vice President and Chief Financial Officer
Joined Quaker in 1984. Elected to present office in 1991.

Corporate Staff Officers

Barbara R. Allen+
Age 41
Vice President Corporate Planning
Joined Quaker in 1977. Elected to present office in 1992.

John H. Calhoun

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Vice President
International Law

Penelope C. Cate
Vice President
Government Relations

Janet K. Cooper+
Age 41
Vice President and Treasurer
Joined Quaker in 1978. Elected to present office in 1992.

Margaret M. Eichman
Vice President
Investor Relations and Corporate Communications

Thomas L. Gettings+
Age 37
Vice President and Corporate Controller
Joined Quaker in 1987.
Elected to present office in 1992.

R. Thomas Howell, Jr.+
Age 52
Vice President and General Corporate
Counsel Joined Quaker in 1971.
Elected to present office in 1984.

John G. Jartz
Vice President
Business Development

Mart C. Matthews
Vice President and Associate General
Corporate Counsel

Kenneth W. Murray
Vice President
Internal Auditing

W. Stephen Perry+
Age 52
Vice President Corporate Tax
Joined Quaker in 1994. Elected to present office in January 1994.

Arthur R. Skantz
Vice President
Corporate Growth

U.S. and Canadian Grocery Products

John A. Boynton+
Age 40
Vice President Finance and Customer Service
U.S. Grocery Products Joined Quaker in 1981.
Elected to present office in 1992.

David R. Nogle+
Age 57
Senior Vice President
U.S. Grocery Products Services
Joined Quaker in 1962. Elected to present office in 1985.

John R. Van Atta+
Age 55
Group Vice President

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Research and Development Joined Quaker in 1987. Elected to present office in 1989.

Russell A. Young
Vice President
Supply Chain
U.S. Grocery Products

Breakfast Foods Division

David L. Bere'+
Age 41
Vice President-President
Joined Quaker in 1978. Elected to present office in 1992.

John S. Breuer
President
U. S. Cereals

David L. Morton
President and Chief Executive Officer
The Quaker Oats Company of Canada Limited

Gatorade Worldwide
Division

James F. Doyle+
Age 42
Senior Vice President-President
Joined Quaker in 1981.
Elected to present office in 1992.

Donald R. Uzzi
President
Gatorade North America

Bernardo Wolfson
President
Gatorade Latin America

A. Stephen Diamond
President
Gatorade Europe

Michael T. Tay
Regional Vice President
Gatorade North Asia

Diversified Grocery Products

Douglas W. Mills+
Age 48
Senior Vice President-President
Joined Quaker in 1969. Elected to present office in 1989.

Charles F. Marcy
President
Golden Grain

Convenience Foods Division

Walter G. VanBenthuysen+
Age 55
Senior Vice President-President
Joined Quaker in 1986. Elected to present office in 1992.

Lyle G. Hubbard

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President
Convenience Foods
Retail

International Grocery Products

Robert S. Thomason+
Age 49
Senior Vice President
International Grocery Products and President-Cereals, Europe
Joined Quaker in 1971. Elected to present office in 1993.

Europe

Thierry Henault
Vice President-
President-Pet Foods, Europe

Franco Cianci
President
Italian Products

Richard F. Savage
Vice President Human Resources,
Europe

George F. Sewell
Vice President
Finance, Europe

Pacific

William C. Trotter
Vice President-President
Quaker Pacific

Latin America

Mark A. Shapiro
Vice President-President and Director

Erasmo Cabello
Managing Director
Mexico
Fabrica de Chocolates
La Azteca, S.A. de C.V.

Otavio J. Franco
Managing Director
Brazil
Quaker Alimentos Ltda.

Alfredo G. Halle
Managing Director
Argentina
Elaboradora Argentina
de Cereales, S.A.

Joseph R. Nahmias
Managing Director
Colombia, Venezuela and Caribbean
Productos Quaker, S.A.

+also Executive Officers as defined by Securities and Exchange Commission regulations. Such Executive officers serve at the pleasure of the Board of Directors. All Executive Officers (except W. Stephen Perry who joined the Company in January 1994 and was formerly a tax partner of Coopers &

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Lybrand) have been employed by The Quaker Oats Company in an executive capacity for five years or more.

Shareholder Information

Dividend Reinvestment and Stock Purchase Plan

Owners of Quaker Oats common stock may use the Company's Dividend Reinvestment and Stock Purchase Plan to purchase additional shares, commission-free, through automatic dividend reinvestment and/or optional cash investments. A booklet describing the Plan and enrollment procedures is available on request from the Harris Bank.

Dividends

Cash dividends on Quaker common stock have been paid for 89 consecutive years, and Quaker has increased dividends in each of its last 27 fiscal years. Dividends are generally declared on a quarterly basis, with holders as of the record date being entitled to receive the cash dividend on the payable date.

Shareholder Services

Harris Trust and Savings Bank acts as transfer agent and registrar for the Company stock and maintains all primary shareholder records. Shareholders may obtain information relating to their share positions, dividends, stock transfer requirements, lost certificates, dividend reinvestment accounts and other related matters by telephoning the Shareholder Hotline toll-free at 1-800-344-1198.

Form 10-K

This Annual Report includes all financial statements and notes required by Form 10-K. If you request a Form 10-K, you will receive the annual report, proxy statement, and the Form 10-K cover page, exhibit list and conformed signature page.

Annual Meeting

Shareholders are cordially invited to attend the Annual Meeting, which will be held at the Bob Carr Performing Arts Centre, 401 West Livingston Street, Orlando, Florida, on Wednesday, November 9, 1994, at 9:30 a.m. (EST).

Investor Relations

Security analysts, investment professionals and shareholders should direct their business-related inquiries to:

Investor Relations - Suite 27-7 or call (312) 222-7818

Media Relations

Press and media related inquiries should be addressed to:

Public Relations - Suite 27-6 or call (312) 222-7388

Consumer Affairs

Inquiries regarding our products should be addressed to:

Consumer Affairs
The Quaker Oats Company
P.O. Box 049003
Chicago, Illinois 60604-9003 or call (312) 222-7843

The Quaker Oats Company was incorporated in 1901 under the laws of the

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state of New Jersey.

Ticker Symbol: OAT

Corporate Information

Corporate Headquarters	Mailing Address: The Quaker Oats Company P.O. Box 049001 Chicago, Illinois 60604-9001 Street Address: Quaker Tower 321 North Clark Street Chicago, Illinois 60610-4714 (312) 222-7111
Transfer Agent, Registrar and Dividend Disbursing Agent	Harris Trust and Savings Bank, Shareholder Services Division P.O. Box 755, 311 West Monroe-12th Floor Chicago, Illinois 60690-0755 1-800-344-1198
Canadian Transfer Agent	The R-M Trust Company P.O. Box 7010 Adelaide Street Postal Station Toronto, Ontario M5C2W9 Canada 1-800-387-0825
Canadian Registrar	Montreal Trust Company of Canada 151 Front Street West Toronto, Ontario M5J 2N1 Canada (416) 981-9500
Dividend Reinvestment and Stock Purchase Plan	Harris Trust and Savings Bank, Dividend Reinvestment and Stock Purchase Plan P.O. Box A3309 Chicago, Illinois 60690-9604 1-800-344-1198
Auditors	Arthur Andersen & Co. 33 West Monroe Chicago, Illinois 60603 (312) 580-0033
Shares Listed	New York Stock Exchange Chicago Stock Exchange Pacific Stock Exchange Toronto Stock Exchange The Stock Exchange, London Amsterdam Stock Exchange

Appendix

Listing of Graphic and Image Material

The graphs included in the 1994 Annual Report to Shareholders incorporated into this Annual Report on Form 10-K are described on page 24.

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THE QUAKER OATS COMPANY
ACTIVE DOMESTIC SUBSIDIARIES AS OF 7/1/94

Subsidiary	State of Incorporation
Ardmore Farms, Inc.	Pennsylvania
Bob's Farms, Inc.	Delaware
Continental Coffee Products Company	Delaware
Gaines Pet Foods Corp	Delaware
Gatorade Puerto Rico Company	Delaware
Golden Grain Company	California
Grocery International Holdings, Inc.	Delaware
Katy Properties Corporation	Delaware
Liqui-Dri Foods, Inc.	Kentucky
Pritikin Systems, Inc.	Delaware
The Q-Bear Company	Delaware
The Q-Ketchikan Company	Delaware
QO Acquisition Corp.	Delaware
QO Coffee Holdings, Inc.	Delaware
Quaker Leasing Corp.	Delaware
Quaker Oats Asia, Inc.	Delaware
Quaker Oats Europe, Inc.	Illinois
Quaker Oats Foreign Sales Corp.	U.S. Virgin Islands
Quaker Oats Holdings, Inc.	Delaware
Quaker Oats Music, Inc.	Delaware
Richardson Foods Corporation	New York
Rockford Farms, Inc.	Delaware
Stokely-Van Camp, Inc.	Indiana
The Gatorade Company	Delaware
Wolf Brand Products	Texas

THE QUAKER OATS COMPANY
ACTIVE FOREIGN SUBSIDIARIES AS OF 7/1/94

Subsidiary	Country
Elaboradora Argentina de Cereales, S.A.	Argentina
The Gatorade Company of Australia Pty. Ltd.	Australia
EH (Holdings) Limited	Bermuda
QUIC Ltd.	Bermuda
Quaker Alimentos Ltda.	Brazil

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Quaker Brasil Ltda.	Brazil
The Quaker Oats Compay of Canada Limited	Canada
Beverages Gatorade (Chile) Ltda.	Chile
Productos Quaker, S.A.	Colombia
OTA A/S	Denmark
Quaker Oats Limited	England
Gatorade Limited	England
France Collecte S.A.	France
Quaker France S.A.	France
Orata GmbH	Germany
Partnership Gbr	Germany
Quaker Latz GmbH	Germany
Quaker Oats Beteiligungsgesellschaft mbH	Germany
Quaker & Partner, GmbH	Germany
Polis Srl	Italy
Quaker-Chiari & Forti S.p.A.	Italy
Quaker Products (Malaysia) Sdn. Bhd.	Malaysia
Acra, S.A. de C.V.	Mexico
Fabrica de Chocolates La Azteca, S.A. de C.V.	Mexico
Productos Quaker de Mexico S.A. de C.V.	Mexico
B.V. Bijenstand Mellona v/h Joh. de Meza	The Netherlands
Quaker Oats B.V.	The Netherlands
Norsk OTA A/S	Norway
Gatorade Portugal Services da Marketing S.A.	Portugal
QO Puerto Rico, Inc.	Puerto Rico
Quaker Oats Iberia, S.A.	Spain
Svenska OTA AB	Sweden
Nevex, C.A.	Venezuela
Productos Quaker, C.A.	Venezuela
Tempus, S.R.L.	Venezuela
Inversiones 253-30, C.A.	Venezuela

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EXHIBIT 23

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation by reference of our report dated August 3, 1994, included in The Quaker Oats Company annual report to shareholders for the year ended June 30, 1994, into this Form 10-K and into the Company's previously filed Registration Statement File Nos. 33-13980, 33-13981, 33-32970, 2-79503 and 33-33253.

ARTHUR ANDERSEN LLP

Chicago, Illinois,

September 21, 1994

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Exhibit 99

Events (Unaudited) Subsequent to the Date of Auditors'
Report

The following events occurred subsequent to the release of the 1994 Annual Report to Shareholders.

Litigation

The following paragraph should be read in conjunction with Note 19 to the consolidated financial statements for the year ended June 30, 1994, included in this Form 10-K under Exhibit 13.

On September 13, 1994, the Court of Appeals for the Seventh Circuit rendered
an opinion affirming in part and remanding in part the District Court's judgment on remand of a $26.5 million monetary award. The Court of Appeals has affirmed the lower court's award of a reasonable royalty, but has again remanded the case to allow the District Court to explain the basis for and calculation of its royalty award. Management, with advice from outside legal
counsel, has determined that this opinion appears to indicate a range of exposure between $16 million and $27 million. The Company will record an amount for this litigation in the first quarter of fiscal 1995. No amount has
previously been recorded for this matter. The Company will petition the Seventh Circuit for a rehearing and will consider its other options.

Two-for-one Stock Split-up

On September 14, 1994, the Board of Directors declared a two-for-one stock split-up, subject to the adoption by shareholders of a proposed charter amendment which would increase the authorized shares of common stock from 200 million to 400 million. If approved, shareholders of record on November 9,
1994, will receive an additional share of common stock for each share held and
all per share information would be retroactively restated. Earnings per share for fiscal 1994, 1993 and 1992, assuming approval of the authorized share increase, would have been $1.68, $1.17 and $1.63, respectively.

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