UNITED STATES
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: December 31, 2000 Commission file number: 1-71

BORDEN, INC.

New Jersey	13-0511250
(State of incorporation)	(I.R.S. Employer Identification No.)
180 East Broad St., Columbus, OH 43215	614-225-4000
(Address of principal executive offices)	(Registrant's telephone number)

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

Title of each class	Name of each exchange on which registered
8 3/8% Sinking Fund Debentures	New York Stock Exchange

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT:
NONE

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 any amendment to this Form 10-K. [x].

Aggregate market value in thousands of the voting stock held by nonaffiliates of the Registrant based upon the average bid and asked prices of such stock on April 2, 2001: $0.

Number of shares of common stock, par value $0.01 per share, outstanding as of the close of business on April 2, 2001: 198,974,994

DOCUMENTS INCORPORATED BY REFERENCE

Document	Incorporated
none	none

The Exhibit Index is Located herein at sequential pages 83 through 85.

BORDEN, INC.

INTRODUCTION

The following filing with the Securities and Exchange Commission ("SEC") by Borden, Inc. ("the Company") presents three separate financial statements: Borden, Inc. Consolidated Financial Statements, Borden, Inc. and Affiliates Combined Financial Statements and the Financial Statements of Borden Foods Holdings Corporation ("Foods Holdings"). The consolidated statements present the Company after the effect of the sale of (i) the Company's former salty snacks business ("Wise") to Wise Holdings, Inc. ("Wise Holdings") and its subsidiaries and (ii) the Company's former domestic and international foods business ("Foods") to Foods Holdings and its subsidiaries, as explained in Note 1 to the Consolidated and Combined Financial Statements. The Company and Foods Holdings are controlled by BW Holdings, LLC ("BWHLLC"). The Consolidated Financial Statements are those of the Company, which is the SEC Registrant.

The Borden, Inc. and Affiliates ("the Combined Companies") Combined Financial Statements are included herein to present the Company on a combined historical basis, including the financial position, results of operations and cash flows of Wise and Foods. The Combined Companies' financial statements are included, supplementally, to present financial information on a basis consistent with that on which credit was originally extended to the Company (prior to push down accounting) and because management of the Company continues to control significant financial and managerial decisions with respect to Foods Holdings. On October 30, 2000, Wise Holdings was sold by BWHLLC. For purposes of the Combined Financial Statements, Wise Holdings is treated as if its net assets were distributed out of the Combined Companies ("the Wise Distribution") on October 30, 2000. As of October 30, 2000, Wise Holdings financial guarantees ceased. Accordingly, in the Combined Financial Statements Wise is reflected as a discontinued operation for all periods presented (See Note 6 to the Consolidated and Combined Financial Statements) and separate financial statements of Wise Holdings are no longer included in Part IV of this Registration Statement on Form 10-K. In accordance with rule 3-10 of Regulation S-X, the financial statements of Foods Holdings are included in Part IV of this Registration Statement on Form 10-K because Foods Holdings is a guarantor of the Company's credit facility and all of the Company's outstanding publicly held debt. The financial statements for Foods Holdings are prepared on a purchase accounting basis.

BORDEN, INC.

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PART I

ITEM 1. BUSINESS

The Company was incorporated on April 24, 1899. The Company is engaged primarily in manufacturing, processing, purchasing and distributing specialty chemicals and consumer adhesives. The Combined Companies primarily include the specialty chemicals, consumer adhesives, Wise and Foods businesses. Corporate departments provide certain governance functions for all business units. The Company's executive and administrative offices are located in Columbus, Ohio. Production facilities are located throughout the United States and in many foreign countries.

As a result of a merger completed on March 14, 1995, the Company is controlled by affiliates of Kohlberg Kravis Roberts & Co. ("KKR").

In 1996, the Company sold its Wise business to Wise Holdings and sold its Foods business to Foods Holdings. As a result of the Wise Distribution in 2000, Wise Holdings financial guarantees ceased. However, management of the Company continues to exercise significant financial and managerial control with respect to Foods Holdings. Foods Holdings also continues to guarantee the Company's obligations under its credit facility and its outstanding publicly held debt securities.

In 1995, the Company began the process of redesigning its operating structure. As a result, management decided to divest certain businesses that did not fit into the Company's long-term strategic plan. The businesses included in the classification "businesses sold or distributed" for the segment data are the printing inks business sold in 2000, the infrastructure management services business distributed in 2000 to the Company's parent and the commercial and industrial wallcoverings business sold in 1998 (see Note 4 to the Consolidated and Combined Financial Statements).

As a result of the Wise Distribution and the March 13, 1998 sale of the Company's Decorative Products business, these businesses are included in discontinued operations. (See Note 6 to the Consolidated and Combined Financial Statements.)

Also as part of the redesign of its operating structure, the Company has acquired certain businesses and assets included as part of the Company's Chemical business ("Chemical") and a business included in the Consumer Adhesives business. In 1999, the Company also invested in WKI Holding Company, Inc. ("WKI"), an affiliate of the Company and controlled by KKR.

PRODUCTS

Chemical primarily includes formaldehyde, melamine, resins, coatings and other specialty and industrial chemicals.

The Consumer Adhesives business manufactures and markets more than 200 products, from school glues to home repair and woodworking products.

The Combined Companies includes the Company and its subsidiaries, together with the Foods and Wise businesses. Foods is a leading producer and marketer in North America of pasta, pasta sauce, bouillon, dry soups and shelf stable meals. In 1996, Foods management announced its strategy to focus on grain-based meal solutions and, therefore, its intent to divest all businesses not aligned with this strategy (the "Unaligned" businesses). Foods' principal Unaligned businesses included processed cheese, candy coated popcorn, non-dairy creamer, sweetened condensed milk, reconstituted lemon and lime juices, and milk powder. Certain of these Unaligned businesses were sold in December 1997, with the significant remaining businesses sold in early 1998 and all Unaligned business sales completed in 1999. While part of the Combined Companies, the Wise business manufactured salty snacks, including potato chips, pretzels and corn snacks and chips. Its Caribbean based distributorship was sold in 1998.

MARKETING AND DISTRIBUTION

Domestic products for Chemical are sold throughout the United States primarily by in-house sales forces to industrial users. Domestic products for the Consumer Adhesives business are sold throughout the United States by in-house and independent sales forces primarily to retailers and distributors. To the extent practicable, international distribution techniques parallel those used in the United States. However, raw materials, production considerations, pricing competition, government policy toward industry and foreign investment, and other factors may vary substantially from country to country.

The domestic Foods products are marketed primarily through food brokers and distributors, and directly to wholesalers, retail stores, food service businesses, food processors, institutions and government agencies. To the extent practicable, international distribution techniques parallel those used in the United States. Raw materials, production considerations, pricing, competition, government policy toward industry and foreign investment, and other factors may vary substantially from country to country. While part of the Combined Companies, Wise products were marketed similarly to Foods products.

COMPETITION

Chemical is the leading global producer of thermosetting resins for the forest products industry and a leading producer of thermosetting resins for industrial and foundry applications. These resins are used to bind or coat other materials during the manufacturing process. Chemical is also the world's largest producer of formaldehyde and a leading producer of melamine crystal. Much of the formaldehyde and melamine crystal materials are consumed internally to produce thermosetting resins, with the remainder sold to third parties. Specialty inks (sold in 2000) and UV Coatings are produced for applications in a variety of industries. Chemical manufactures and distributes its products worldwide with the most significant markets being North America, Europe, Latin America, and the Asia Pacific region and, generally, holds a leading market position in the areas in which it competes. Chemical resins are provided to a wide variety of customers for use in the manufacture of, among other products, structured panels, medium density fiberboard, particle board, laminate veneers, insulation binders, automotive brakes, and to coat cores and molds in the metal casting process. The major competitors of Chemical are Ashland Chemical, Georgia Pacific, Nordichem, and several regional domestic and international competitors. Price, customer service and product performance are the primary areas in which Chemical competes.

Foods is the third largest producer and marketer of pasta in the United States and has the leading pasta brand in Canada. Foods also maintains the leading position in the United States and Canada premium pasta sauce market, while holding the fourth and first positions in the total United States and Canada sauce markets, respectively. Foods also is a leader in both the United States bouillon and dry soups markets. Other markets in which Foods competes includes the United States retail meal solutions market and pasta in Italy. The pasta, pasta sauces, bouillon, dry soups and shelf stable meals businesses are highly competitive, with competition taking place primarily on the basis of price. The primary competitors of pasta products are New World Pasta, American Italian Pasta , and Barilla in the United States, and Nabisco Brands, Italpasta and Unico in Canada. Primary pasta sauce competitors are Unilever, Campbell Soup and ConAgra. Bouillon and dry soups competitors include Knorr, Lipton and Hormel.

Prior to the Wise Distribution, Wise operated its salty snacks business in the eastern United States, held the number two position in the market in which it operated and was the largest regional snacks company in the United States. Frito-Lay holds the leading market position throughout the United States as well as the eastern United States with a market share in excess of 50%. The salty snacks business is a competitively priced category.

The Consumer Adhesives business is the leading United States producer of household and school glues and manufactures a full line of consumer adhesives, including home repair products, caulks and sealants. Competition is primarily on the basis of brand equity.

MANUFACTURING AND RAW MATERIALS

The primary raw materials used by Chemical are methanol, phenol and urea. The primary raw materials used by Consumer Adhesives are methanol and polyvinyl alcohol. Raw materials are generally available from numerous sources in sufficient quantities, but are subject to price fluctuations which cannot always be passed on to the Company's customers. The primary raw materials used by the Foods and Wise businesses are flour, tomato products, oil and potatoes.

Long-term purchase agreements are used in certain circumstances to assure availability of adequate raw material supplies at specified prices, for both the Company and the Combined Companies.

CUSTOMERS

The Company and the Combined Companies do not depend on any single customer and the businesses are not limited to a group of customers, the loss of which would have a material adverse effect on their businesses. The primary customers consist of food brokers and distributors, retail stores and manufacturers.

PATENTS AND TRADEMARKS

The Company and the Combined Companies own various patents, trademark registrations, and patent and trademark applications around the world which are held for use or currently used in their operations. A majority of the patents relate to the development of new products and processes for manufacturing and use thereof, and will expire at various times between 2001 and 2013. No individual patent is considered to be material.

RESEARCH AND DEVELOPMENT

Research and development expenditures were $23.1 million, $23.8 million and $18.7 million in 2000, 1999 and 1998, respectively, for the Company and $41.8 million, $43.1 million and $37.3 million for the Combined Companies. Development and marketing of new products are carried out at the business unit level and integrated with quality control for existing product lines.

WORKING CAPITAL

Working capital for all segments is generally funded through operations and borrowings under the Company's credit facility.

EMPLOYEES

At December 31, 2000, the Company had approximately 3,800 employees. The Combined Companies had approximately 5,400 employees. Relationships with union and non-union employees are generally good.

FINANCIAL INFORMATION ABOUT OPERATING SEGMENTS

In accordance with Statement of Financial Accounting Standards No. 131, "Disclosures about Segments of an Enterprise and Related Information" ("SFAS 131"), the Company and Combined Companies determined their operating segments on the same basis that is used internally to evaluate segment performance and allocate resources.

The Company and Combined Companies have a decentralized organization structure with stand-alone businesses. Each of the business units has a separate management team and infrastructure, and offers different products. In accordance with SFAS 131, each business is an operating segment that is not aggregated with another business because the economic characteristics between the businesses differ. The businesses within the Company include a Chemical business and a Consumer Adhesives business. The Combined Companies also include the Foods business and the Wise business prior to the Wise Distribution. Prior to its distribution to the Company's parent in February 2000, the infrastructure management services business did not meet the quantitative thresholds of SFAS 131. It is included in the businesses sold or distributed classification. The "Corporate and Other" category represents corporate functional departments.

During 1996 the Company sold options to BWHLLC on what was then all of the common stock of the Consumer Adhesives business for 110% of the August 16, 1996 fair market value of the common stock. The options were issued at fair value with a five-year expiration. The exercise price of the options for the Consumer Adhesives business is $54.1 million. Management expects the 1996 options sold to BWHLLC for Consumer Adhesives' common shares to be exercised in 2001. During 2000, additional common shares of the Consumer Adhesives business were issued to and are held by the Company. The additional shares total 3.5 million, or approximately 26%, of the total Consumer Adhesives common stock shares outstanding at December 31, 2000.

In the consolidated and combined financial information that follows, the Decorative Products business and Wise are shown as discontinued operations in both the Depreciation and Amortization Expense chart and the Capital Expenditures chart, prior to the sale of the Decorative Products business on March 13, 1998 and the Wise Distribution, respectively. These businesses, consistent with treatment as discontinued operations, are excluded from the Sales to Unaffiliated Customers and Adjusted Operating EBITDA charts.

In the consolidated and combined financial information that follows, The businesses sold or distributed classification includes the Commercial and industrial wallcoverings business through the date of its sale on April 29, 1998, the

Company's printing inks business through the date of its sale on November 22, 2000, and the infrastructure management services business prior to its distribution to the Company's parent in February 2000.

Adjusted Operating EBITDA information (as defined below) is presented because it is the primary measure used by the chief operating decision maker to evaluate operating results.

OPERATING SEGMENTS:

SALES TO UNAFFILIATED CUSTOMERS:

	CONSOLIDATED			COMBINED		
(Dollars in millions)	2000	1999	1998	2000	1999	1998
Foods ongoing				$ 570.7	$ 536.8	$ 586.3
Foods Unaligned				-	11.1	119.8
Chemical	$ 1,336.4	$ 1,223.6	$ 1,235.5	1,336.4	1,223.6	1,235.5
Consumer Adhesives	147.4	100.5	92.2	147.4	100.5	92.2
Businesses sold or distributed	40.2	50.6	85.0	40.2	50.6	85.0
	$ 1,524.0	$ 1,374.7	$ 1,412.7	$2,094.7	$1,922.6	$2,118.8

TOTAL ASSETS AT YEAR END:

	CONSOLIDATED		COMBINED	
(Dollars in millions)	2000	1999	2000	1999
Foods ongoing			$ 872.3	$ 924.8
Chemical	$1,078.8	$ 984.9	1,078.8	984.9
Consumer Adhesives	164.5	58.1	164.5	58.1
Businesses sold or distributed	-	38.0	-	38.0
Combining adjustment	-	-	(207.0)	(254.0)
Discontinued operations	-	-	-	61.8
Corporate and other	290.3	646.4	279.2	579.4
	$1,533.6	$1,727.4	$2,187.8	$2,393.0

ADJUSTED OPERATING EBITDA:

(Dollars in millions)	CONSOLIDATED 2000	1999	1998	COMBINED 2000	1999	1998
Foods ongoing				$ 2.9	$ 13.5	$ 11.4
Foods Unaligned				-	1.6	(1.7)
Chemical	$ 189.7	$ 213.9	$ 183.6	189.7	213.9	183.6
Consumer Adhesives	23.2	16.9	13.6	23.2	16.9	13.6
Corporate and other	(22.3)	(10.7)	(9.5)	(26.3)	(11.8)	(10.3)
Businesses sold or distributed (1)	0.7	(5.2)	(2.2)	0.7	(5.2)	(2.2)
ADJUSTED OPERATING EBITDA (2)	191.3	214.9	185.5	190.2	228.9	194.4
Significant or unusual items (3)	(64.6)	(34.2)	5.8	(65.5)	14.9	354.2
Depreciation and amortization (4)	(62.4)	(54.2)	(50.9)	(103.7)	(84.6)	(79.9)
OPERATING INCOME	$ 64.3	$ 126.5	$ 140.4	$ 21.0	$ 159.2	$ 468.7

(1) Includes the Company's infrastructure management services business and printing inks business for all periods presented and the commercial and industrial wallcoverings business in 1998.
(2) Adjusted Operating EBITDA represents net income, excluding discontinued operations, cumulative effect of change in accounting principle, non-operating income and expense, interest, taxes, depreciation, amortization and Significant or Unusual Items (see page 8).
(3) Includes Significant or Unusual Items shown below and page 17 of Management's Discussion and Analysis of Financial Condition and Results of Operations.
(4) The increase in consolidated depreciation and amortization is primarily the result of the 1999 Chemical acquisitions and the 2000 Consumer Adhesives acquisition. The combined increase also reflects the depreciation associated with Foods 1999 enterprise-wide systems implementation and plant improvements.

SIGNIFICANT OR UNUSUAL ITEMS AFFECTING COMPARABILITY OF OPERATING EBITDA: (1)

(Dollars in millions)	CONSOLIDATED 2000	1999	1998	COMBINED 2000	1999	1998
Foods ongoing				$ (0.9)		$(23.3)
Foods Unaligned				-	$ 50.5	371.7
Chemical	$(66.9)	$(41.6)	$ 5.8	(66.9)	(41.6)	5.8
Consumer Adhesives	(0.3)	-	-	(0.3)	-	-
Corporate and other (2)	2.6	7.4	-	2.6	6.0	-
	$(64.6)	$(34.2)	$ 5.8	$(65.5)	$ 14.9	$354.2

(1) See page 17 of the Management's Discussion and Analysis of Financial Condition and Results of Operations for further information concerning these items.
(2) In 1999, consolidated includes gains on the 1996 sale of Wise that are eliminated in combined.

DEPRECIATION AND AMORTIZATION EXPENSE:

	CONSOLIDATED			COMBINED		
(Dollars in millions)	2000	1999	1998	2000	1999	1998
Foods ongoing				$ 41.3	$30.2	$ 28.1
Foods Unaligned				-	0.2	0.9
Chemical	$ 52.4	$45.7	$41.5	52.4	45.7	41.5
Consumer Adhesives	6.7	1.9	1.3	6.7	1.9	1.3
Businesses sold or distributed	0.8	4.2	6.1	0.8	4.2	6.1
Discontinued operations	-	-	2.0	6.7	7.5	8.7
Corporate and other	2.5	2.4	2.0	2.5	2.4	2.0
	$ 62.4	$54.2	$52.9	$110.4	$92.1	$ 88.6

CAPITAL EXPENDITURES:

	CONSOLIDATED			COMBINED		
(Dollars in millions)	2000	1999	1998	2000	1999	1998
Foods ongoing				$ 46.8	$58.1	$36.4
Foods Unaligned				-	0.1	1.6
Chemical	$ 98.7	$66.3	$39.6	98.7	66.3	39.6
Consumer Adhesives	5.3	2.1	4.6	5.3	2.1	4.6
Businesses sold or distributed	0.1	1.2	4.2	0.1	1.2	4.2
Discontinued operations	-	-	1.1	4.8	8.9	10.8
Corporate and other	0.4	5.2	3.0	0.4	5.2	3.0
	$104.5	$74.8	$52.5	$156.1	$141.9	$100.2

GEOGRAPHIC AREAS:

SALES TO UNAFFILIATED CUSTOMERS: (3)

	CONSOLIDATED			COMBINED		
(Dollars in millions)	2000	1999	1998	2000	1999	1998
United States	$1,042.9	$ 924.6	$ 955.1	$1,480.9	$1,330.7	$1,434.1
Canada	166.0	150.4	141.9	272.9	253.4	241.4
Other International	315.1	299.7	315.7	340.9	338.5	443.3
Total	$1,524.0	$1,374.7	$1,412.7	$ 2,094.7	$1,922.6	$2,118.8

(3) For purposes of geographic area disclosures, sales are attributed to the country in which individual business locations reside.

LONG-LIVED ASSETS: (1)

	CONSOLIDATED		COMBINED	
(Dollars in millions)	2000	1999	2000	1999
United States	$369.6	$374.2	$525.5	$516.0
Canada	64.6	41.9	109.5	83.8
Other International	139.0	122.7	144.5	130.4
Total	$573.2	$538.8	$779.5	$730.2

(1) Long-lived assets include property, plant and equipment, net of accumulated depreciation.

ITEM 2. PROPERTIES

As of December 31, 2000, the Company operated 29 domestic Chemical production and manufacturing facilities in 18 states, the most significant being the Chemical plant in Louisville, Kentucky. In addition, the Company operated 24 foreign Chemical production and manufacturing facilities primarily in Canada, South America, Europe, Australia and the Far East.

As of December 31, 2000, the Company operated one domestic facility in New York and one foreign facility in Canada for producing and manufacturing household, school and consumer glues.

As of December 31, 2000, the Foods business operated 4 domestic food manufacturing facilities in 3 states and operated 4 foreign food manufacturing and processing facilities located in Canada and Italy.

The Company's and the Combined Companies' manufacturing and processing facilities are generally well maintained and effectively utilized. Substantially all facilities are owned.

The Company and the Combined Companies are actively engaged in complying with environmental protection laws, as well as various federal and state statutes and regulations relating to manufacturing, processing and distributing their many products. In connection with this, the Company incurred capital expenditures of $0.8 million in 2000, $2.7 million in 1999 and $2.8 million in 1998. The Company estimates that it will spend $1.7 million for environmental control facilities during 2001. The Combined Companies incurred environmental capital expenditures of $0.8 million in 2000, $2.7 million in 1999 and $3.2 million in 1998. The Combined Companies estimate $1.8 million will be spent in 2001 relating to environmental control facilities.

ITEM 3. LEGAL PROCEEDINGS

Environmental Proceedings

The Company has been notified that it is or may be a potentially responsible party with respect to the cleanup of approximately 50 waste sites in proceedings brought under the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA") or similar state environmental laws. The Company's ultimate liability will depend on many factors including its volumetric share of waste, the financial viability of other responsible parties, the remediation methods and technology used, the amount of time necessary to accomplish remediation, and the availability of insurance coverage. While the Company cannot predict with certainty the total cost of such cleanup, the Company has recorded approximately $22 million of liabilities for environmental remediation costs for these and other sites in amounts that it believes are probable and reasonably estimable. Based on currently available information and analysis, the Company believes that it is reasonably possible that costs associated with such sites may exceed current reserves by amounts that may prove insignificant or by amounts, in the aggregate, of up to approximately $16 million. This estimate of the range of reasonably possible additional costs is less certain than the estimates upon which reserves are based, and in order to establish the upper limit of such range, assumptions least favorable to the Company among the range of reasonably possible outcomes were used. In estimating both its current reserves for environmental remediation and the possible range of additional costs, the Company has not assumed that it will bear the entire cost of remediation of every site to the exclusion of other known potentially responsible parties who may be jointly and severally liable. The ability of other potentially responsible parties to participate has been taken into account, based generally on the parties' probable contribution on a per site basis. No attempt has been made to discount the estimated amounts to net present value, and no amounts have been recorded for potential recoveries from insurance carriers.

Private actions against the Company and numerous other defendants are pending in U.S. District Court in Baton Rouge, Louisiana, alleging personal injuries and property damage in connection with a waste disposal site in Louisiana.

The Company is in negotiations with the New York Department of Environmental Conservation relating to alleged air emission permit violations from 1990 through 1996 at the Company's Bainbridge, New York facility.

Borden Chemicals and Plastics Limited Partnership

In 1987 the Company's basic chemical and polyvinyl chloride resin businesses located at Geismar, Louisiana, and Illiopolis, Illinois, were acquired by the Borden Chemicals and Plastics Limited Partnership ("BCP"). BCP Management, Inc., ("BCPM"), a wholly owned subsidiary of the Company serves as general partner of BCP and has certain fiduciary responsibilities to BCP's unitholders. Under an Environmental Indemnity Agreement ("EIA"), the Company has agreed, subject to certain conditions and limitations, to indemnify BCP from certain environmental liabilities arising from facts or circumstances that existed and requirements in effect prior to November 30, 1987, and share on an equitable basis those arising from facts or circumstances existing and requirements in effect both prior to and after such date. No claim can be made by BCP under the EIA after November 30, 2002.

Other Legal Proceedings

The Company is involved in other litigation throughout the United States, which is considered to be in the ordinary course of business.

Anticipated Impact

Management believes, based upon the information it currently possesses, and taking into account its established reserves for estimated liability, that the ultimate outcome of the foregoing environmental and legal proceedings and actions is unlikely to have a material adverse effect on the financial position or results of operations of the Company.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

The Company's Annual Shareholder Meeting was held December 21, 2000. The Company's Board of Directors was re-elected in its entirety by unanimous vote of the 198,974,994 shares of the Company's common stock outstanding.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The Company's authorized common stock consists of 300,000,000 shares with a par value of $0.01 per share, 198,974,994 of which are issued and outstanding and controlled by affiliates of KKR. No shares of such common stock trade on any exchange. The Company declared $61.6 million in dividends on common stock during 2000, $64.1 million in dividends on common stock during 1999 and $59.5 million in dividends on common stock during 1998. The Company's ability to pay dividends on its common stock is restricted by its credit agreement with certain banks. See Notes 9 and 13 to the Consolidated and Combined Financial Statements.

ITEM 6. SELECTED FINANCIAL DATA

FIVE YEAR SELECTED FINANCIAL DATA
(All dollar and share amounts in millions, except per share data)

The following represents five year selected financial data for the Company and the Combined Companies, restated for discontinued operations. See pages 8 and 16 for items impacting comparability between 2000, 1999 and 1998.

CONSOLIDATED FOR THE YEARS	2000	1999	1998	1997	1996
SUMMARY OF EARNINGS					
Net sales	$ 1,524.0	$ 1,374.7	$ 1,412.7	$ 1,498.2	$ 2,339.6
(Loss) income from continuing operations	(59.0)	55.3	23.6	17.2	44.7
(Loss) income applicable to common stock	(39.7)	(20.8)	(11.1)	147.6	(333.1)
Basic and diluted (loss) income per common share from continuing operations	$ (0.30)	$ 0.28	$ 0.12	$ 0.09	$ 0.23
Basic and diluted (loss) income per common share	(0.20)	(0.10)	(0.06)	0.74	(1.67)
Dividends per share					
Common share	$ 0.31	$ 0.32	$ 0.30	$ 0.26	$ 0.08
Preferred series A	3.00	3.00	3.00	3.00	3.13
Average number of common shares outstanding during the year	199.0	199.0	199.0	199.0	199.0
FINANCIAL STATISTICS					
Total Assets	$ 1,533.6	$ 1,727.4	$ 2,004.7	$ 2,175.3	$ 2,490.0
Long-term debt	530.5	541.1	552.0	788.3	567.2
Operating EBITDA (1)	$ 126.7	$ 180.7	$ 191.3	$ 138.4	$ 277.7
Adjusted Operating EBITDA (1)	191.3	214.9	185.5	154.4	215.7

COMBINED FOR THE YEARS	2000	1999	1998	1997	1996
SUMMARY OF EARNINGS					
Net sales	$ 2,094.7	$ 1,922.6	$ 2,118.8	$ 3,249.9	$ 4,222.8
(Loss) income from continuing operations	(28.6)	89.6	272.4	90.6	46.3
(Loss) income applicable to common stock	(62.3)	7.1	94.6	131.1	5.1
FINANCIAL STATISTICS					
Total Assets	$ 2,187.8	$ 2,393.0	$ 2,673.4	$ 2,954.6	$ 3,030.4
Long-term debt	535.8	544.1	554.6	794.9	581.8
Operating EBITDA (1)	$ 124.7	$ 243.8	$ 548.6	$ 387.0	$ 326.2
Adjusted Operating EBITDA (1)	190.2	228.9	194.4	262.1	270.3

(1) Operating EBITDA represents net income, excluding discontinued operations, cumulative effect of change in accounting principle, non-operating income and expense, interest, taxes, depreciation and amortization. Adjusted Operating EBITDA is composed of Operating EBITDA excluding the effects of Significant or Unusual Items as shown on page 8 and page 17 of Management's Discussion and Analysis for the years 2000, 1999 and 1998. EBITDA information is presented because it is the primary measure used by the chief operating decision maker to evaluate operating results and because management understands that such information is considered by certain investors to be an additional basis for evaluating the ability to pay interest and repay debt. EBITDA should not be considered an alternative to measures of operating performance as determined in accordance with generally accepted accounting principles, including net income, as a measure of the Company's operating results and cash flows or as a measure of the Company's liquidity. Because EBITDA is not calculated identically by all companies, the presentation herein may not be comparable to other similarly titled measures of other companies.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS BY BUSINESS UNIT:

Following is a comparison of net sales and adjusted operating EBITDA by operating segment for both the Company and the Combined Companies:

NET SALES TO UNAFFILIATED CUSTOMERS:

	CONSOLIDATED			COMBINED		
(Dollars in millions)	2000	1999	1998	2000	1999	1998
Foods ongoing				$ 570.7	$ 536.8	$ 586.3
Foods Unaligned				-	11.1	119.8
Chemical	$1,336.4	$1,223.6	$1,235.5	1,336.4	1,223.6	1,235.5
Consumer Adhesives	147.4	100.5	92.2	147.4	100.5	92.2
Businesses sold or distributed (1)	40.2	50.6	85.0	40.2	50.6	85.0
	$1,524.0	$1,374.7	$1,412.7	$2,094.7	$1,922.6	$2,118.8

OPERATING INCOME:

	CONSOLIDATED			COMBINED		
(Dollars in millions)	2000	1999	1998	2000	1999	1998
Adjusted Operating EBITDA						
Foods ongoing				$ 2.9	$ 13.5	$ 11.4
Foods Unaligned				-	1.6	(1.7)
Chemical	$ 189.7	$ 213.9	$183.6	189.7	213.9	183.6
Consumer Adhesives	23.2	16.9	13.6	23.2	16.9	13.6
Corporate and other	(22.3)	(10.7)	(9.5)	(26.3)	(11.8)	(10.3)
Businesses sold or distributed (1)	0.7	(5.2)	(2.2)	0.7	(5.2)	(2.2)
Total Adjusted Operating EBITDA (2)	191.3	214.9	185.5	190.2	228.9	194.4
Significant or unusual items (3)	(64.6)	(34.2)	5.8	(65.5)	14.9	354.2
Depreciation and amortization (4)	(62.4)	(54.2)	(50.9)	(103.7)	(84.6)	(79.9)
OPERATING INCOME	$ 64.3	$ 126.5	$140.4	$ 21.0	$ 159.2	$468.7

(1) See page 6 for the businesses included in this classification.
(2) Adjusted Operating EBITDA represents net income, excluding discontinued operations, cumulative effect of change in accounting principle, non-operating income and expense, interest, taxes, depreciation, amortization and Significant or Unusual Items (see below).
(3) Includes Significant or Unusual Items shown on page 8 and page 17 of Management's Discussion and Analysis of Financial Condition and Results of Operations.
(4) The increase in consolidated depreciation and amortization in 2000 and 1999 resulted primarily from Chemical and Consumer Adhesives acquisitions. Combined Companies' depreciation and amortization changes reflect that described for consolidated as well as the depreciation associated with Foods 1999 enterprise-wide systems implementation and plant improvements, partially offset by reductions in depreciation expense due to the sale of Foods unaligned businesses in 2000, 1999 and 1998.

CONSOLIDATED SUMMARY

Net Sales

Consolidated sales increased $149.3 million, or approximately 11%, to $1,524.0 million in 2000 from $1,374.7 million in 1999. The increase in sales is attributed primarily to improved volumes in the Chemical business, increased Chemical selling prices, the impact of Chemical 1999 and 2000 acquisitions and the May 2000 Consumer Adhesives acquisition.

Adjusted Operating EBITDA

Adjusted operating EBITDA decreased $23.6 million, or approximately 11%, to $191.3 million in 2000 from $214.9 million in 1999. The decrease is primarily due to increases in raw material costs in the Chemical business, that more than offset the impact of improved volumes, as well as the settlement and incurrence of various corporate liabilities and expenses.

COMBINED SUMMARY

Net Sales

Combined sales increased $172.1 million, or approximately 9%, to $2,094.7 million in 2000 from $1,922.6 million in 1999. The increase is primarily attributed to increased Foods volumes due to new product introductions and the factors described above for consolidated net sales.

Adjusted Operating EBITDA

Combined adjusted operating EBITDA decreased $38.7 million, or approximately 17%, to $190.2 million in 2000 from $228.9 million in 1999. In addition to the consolidated factors described above, Foods' adjusted operating EBITDA from ongoing operations decreased due primarily to the absence of 1999 favorable litigation settlements and 2000 new product launch costs, partially offset by improvements in sauce and a reduction in administrative expenses.

2000 VS. 1999

Chemical

Chemical sales of $1,336.4 million in 2000 were up $112.8 million, or approximately 9%, from $1,223.6 million in 1999. The most significant items that positively impacted 2000 sales were improved volumes of higher-priced specialty products, higher selling prices for forest products resins, primarily in North America, two acquisitions in the United States, and one acquisition in Europe. The most significant items that negatively impacted sales were lower selling prices for melamine products, unfavorable currency exchange rates, and the exit from certain non-core businesses in the United States, Latin America and the Philippines.

Overall volume, excluding the effect of acquisitions and strategic realignment activities, was only 1.2% ahead of prior year, but still had a positive $70.6 million impact on 2000 sales. The positive impact was driven primarily by substantial volume improvements in UV coatings and oilfield products, which have significantly higher per unit selling prices (as measured in metric tons) compared to all other products. Higher volumes of melamine crystal and melamine based resins also had a positive impact on 2000 sales. The improvement in UV coatings primarily reflects an increase in the Company's share of the market and market growth in demand for optical fiber. Oilfield products volume benefited from increased drilling activity, which reflects substantially higher natural gas and oil prices. Melamine products volume reflects increased export sales of melamine crystal, due to tightening global supply, and increased market share of high-pressure laminates. North America forest products volume was essentially flat compared to the prior year and reflects aggressive competitor pricing and a downturn in housing starts throughout the second half of the year, particularly in the fourth quarter that offset strong housing and construction activity in the first half of the year.

In 2000, the Company acquired the formaldehyde and certain other assets from BCP, which provided incremental 2000 sales of $21.3 million. The second quarter 1999 acquisition of Spurlock Industries, Inc. in the United States and the third quarter 1999 acquisition of Blagden Chemicals, Ltd. in Europe contributed incremental 2000 sales of $12.8 million and $22.8 million, respectively.

Overall higher selling prices in 2000 had a $32.7 million net positive impact on sales. The increase reflects generally higher selling prices globally for forest products resins and formaldehyde, partially offset by lower pricing for melamine crystal and melamine based resins, as well as the impact of downward pressure on selling prices due to very competitive market conditions across all businesses. The generally higher selling prices for forest products resins and formaldehyde reflect the partial pass-through of substantially higher raw material costs. The lower pricing for melamine products reflects the global market imbalance for melamine crystal that worsened throughout 1999 and has persisted throughout most of 2000. A substantial portion of the Company's sales volume, especially for North America forest products, is sold under contracts that provide for monthly or quarterly selling price adjustments based on published cost indices for the Company's primary raw materials (i.e. methanol, phenol and urea). During the first quarter of 2000, the costs of these raw materials were generally lower than prior year, therefore selling prices were generally lower; however, the cost of all three primary raw materials escalated significantly over the last three quarters, which resulted in upward adjustments in selling prices.

Unfavorable currency exchange rates, primarily in the United Kingdom and Ecuador, had an unfavorable impact on 2000 sales of approximately $28 million. The unfavorable exchange rate for Ecuador reflects significant currency devaluation throughout 1999 and through May 2000 when the local currency exchange rate was fixed to the United States dollar.

The 1999 sale of the non-strategic United States molding compounds business and closures or sales of non-strategic businesses in Latin America and the Philippines caused 2000 sales to be approximately $23 million lower compared to the prior year.

Adjusted operating EBITDA of $189.7 million in 2000 was $24.2 million, or approximately 11%, lower than prior year adjusted operating EBITDA of $213.9 million. The decline reflects a very difficult business environment, especially over the second half of the year. A slowing economy, escalating raw material costs, intense competitor pricing activity, and unprecedented natural gas costs in the latter part of the year all combined to have a significant negative impact on 2000 operating results. Substantial margin erosion and generally higher plant operating and distribution costs were partially offset by improved volume of higher-priced specialty products, more favorable purchasing contracts for certain raw materials and the impact of acquisitions. Profit margins in North America forest products were significantly impacted by the inability to fully recover rapidly escalating costs of methanol, phenol and urea. Effective recovery of these rising costs was curtailed by delayed pricing adjustments allowed under supply contracts and competitive pressures to keep prices down. A substantial amount of North America forest products sales are based on supply contracts that provide only monthly or quarterly pricing adjustments, which cause price increases to lag raw material cost increases during times of rising raw material costs. Profit margins for melamine crystal and melamine based resins were also negatively impacted by both the high cost of urea and high natural gas cost since the melamine crystal production process consumes significant energy. Higher plant operating costs reflect higher energy costs, while higher distribution costs reflect increased export sales of melamine crystal and generally higher fuel costs.

Consumer Adhesives
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Consumer Adhesives' net sales for the year were $147.4 million, an increase of $46.9 million, or approximately 47%, compared to 1999 net sales for the same period of $100.5 million. The increase is primarily attributable to the May 2000 acquisition of a Canadian based business as well as an approximate 15% increase of base business volume.

Consumer Adhesives' adjusted operating EBITDA for the year was $23.2 million, a $6.3 million, or approximately 37%, increase over 1999 EBITDA of $16.9 million. The increase is primarily due to higher gross margin from the May acquisition of the Canadian based business that exceeded increases in general and administrative and marketing expenses also associated with the May acquisition. Higher volumes in the base business were substantially offset by higher marketing costs and raw material and distribution costs resulting primarily from higher natural gas and oil costs. The increase in Consumer Adhesives marketing expense was the primary reason for the increase in marketing expense on the Consolidated Statement of Operations.

Corporate and Other
- ---------------------
Adjusted operating EBITDA decreased $11.6 million to a loss of $22.3 million in 2000 from a loss of $10.7 million in 1999. The higher net expense, classified as general and administrative expenses, is primarily due to the incurrence and settlement of various corporate liabilities and expenses of $15.0 million and a $7.6 million charge for certain benefit plan settlements, partially offset by a $10.5 million gain on the sale of certain rights to harvest shellfish (see Note 4 to the Consolidated and Combined Financial Statements).

Businesses Sold or Distributed
- ---------------------------------
The businesses sold or distributed classification represents the Company's infrastructure management services business and printing inks business. The change in net sales and adjusted operating EBITDA of $10.4 million and $5.9 million, respectively, primarily reflects the distribution of the infrastructure management services business in February 2000.

Foods
- -----
Foods' sales for the year ended December 31, 2000 increased $22.8 million, or approximately 4%, to $570.7 million from $547.9 million in 1999. Excluding sales of $11.1 million from Foods Unaligned businesses sold in 1999, sales from Foods' ongoing businesses increased $33.9 million, or approximately 6%. The increase was led by the introduction of a new line of pasta-based microwave meals called It's Pasta Anytime. In addition, Foods' sales improved with growth in sauce volumes as new product introductions and expanded distribution led to increased market

shares in the US and Canada. These improvements were partially offset by declines in domestic pasta and bouillon sales.

Foods' adjusted operating EBITDA declined $12.2 million to $2.9 million in 2000 from $15.1 million in 1999. Excluding the impact of Foods Unaligned businesses sold in 1999 and a $9.3 million gain on favorable settlements of litigation in 1999, ongoing adjusted operating EBITDA decreased $1.3 million. During 2000, Foods incurred significant product launch costs related to It's Pasta Anytime that more than offset gross profit generated by incremental sales. These costs included advertising, slotting fees paid to retailers to gain shelf space, and trade and consumer promotion expenditures. As a result of the launch-related costs, It's Pasta Anytime's adjusted operating EBITDA declined from 1999 by approximately $22 million. The investment in It's Pasta Anytime overshadowed significant improvements in the sauce business and decreases in selling, general and administrative costs. Sauce's adjusted operating EBITDA improved approximately $10 million due primarily to higher volumes in domestic and international markets and lower raw material costs. Lower selling, general and administrative costs of approximately $11 million were primarily due to the absence of 1999 implementation costs associated with enterprise-wide information technology systems and a workforce reduction program implemented in 2000.

1999 vs. 1998

Chemical
- --------
Chemical sales in 1999 decreased $11.9 million, or approximately 1%, from the prior year. The most significant items that negatively impacted 1999 sales were generally lower pricing, unfavorable currency exchange rates in Latin America, and the prior year exit from certain non-core businesses in North America, Europe and Latin America. These declines were substantially offset by improved volumes, primarily in the North America forest products resins and UV coatings businesses, and two acquisitions in the United States and Europe.

Significantly lower pricing, which negatively impacted sales by $76.5 million, reflects competitive market conditions as well as contractual arrangements, primarily in North America, that require pass-through of significantly lower raw material costs, primarily for methanol, phenol and urea.

Unfavorable currency exchange rates, due primarily to the significant currency devaluation in Brazil in early 1999, had an unfavorable impact on 1999 sales of $58.0 million.

The 1998 divestitures of the North America paper resins business and Latin America plastic films business and the 1998 closure of a European operation caused 1999 sales to be $30.7 million lower versus the prior year. The second quarter acquisition of Spurlock Industries, Inc. and the third quarter acquisition of Blagden Chemicals, Ltd. contributed incremental 1999 sales of $17.5 million and $34.1 million, respectively.

Overall volume improvement of approximately 10%, excluding the effect of acquisitions and divestitures, had a positive impact on 1999 sales of $104.9 million, with most of the improvement coming from the North America forest products resins and UV coatings businesses. The improved volume in North America forest products resins is driven by continued low interest rates and strong housing and construction activity. The improved volume in UV coatings reflects significant demand for optical fiber.

Adjusted operating EBITDA increased $30.3 million, or approximately 17%, from 1998. The improvement is due primarily to the significantly higher volume, including increased volume from acquisitions, but also reflects overall gross margin improvement. Negatively impacting adjusted operating EBITDA are higher selling, general and administrative expenses and the effect of unfavorable currency exchange rates, primarily in Latin America. The gross margin improvement reflects significantly lower raw material costs, which were substantially offset by lower selling prices that reflect both contractual arrangements, under which pricing is tied directly to raw material costs, and continuing competitive pressures in the market. As a result of specific programs to improve manufacturing processes and other manufacturing cost reduction and control programs, overall plant processing costs were flat compared to prior year.

Consumer Adhesives
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Consumer Adhesives' net sales increased $8.3 million or approximately 9%, to $100.5 million from $92.2 million. The increase reflects higher volume and improved mix.

Consumer Adhesives' adjusted operating EBITDA increased $3.3 million or approximately 24% in 1999 to $16.9 million from $13.6 million. The increase reflects higher volume, improved mix and productivity improvements.

Corporate and other

Adjusted operating EBITDA declined $1.2 million, to a loss of $10.7 million in 1999 from a loss of $9.5 million in 1998, principally due to higher general and administrative expense. Lower net expense of $1.8 million due to gains on disposal of property in 1999 compared to losses in 1998 and improved cost management resulting in lower 1999 salary costs of $1.8 million were more than offset by a net increase in 1999 expenses related to settlement of various corporate liabilities and administrative expenses.

Businesses sold or distributed

The businesses sold or distributed classification includes the Company's infrastructure management services business and printing inks business in 1999 and 1998 and the commercial and industrial wallcoverings business in 1998 only. Net sales and adjusted operating EBITDA for the infrastructure management services business and the printing inks business are consistent with prior year.

The commercial and industrial wallcoverings business was divested in 1998, resulting in no reported sales or adjusted operating EBITDA in 1999 compared to sales and adjusted operating EBITDA of $36.7 million and $0.5 million, respectively, in 1998.

Foods

Foods' sales for the year ended December 31, 1999 decreased $158.2 million, or approximately 22%, to $547.9 million from $706.1 million in 1998. The Foods Unaligned businesses sold during 1999 and 1998 accounted for $108.7 million, or approximately 69%, of the decline. Net sales from ongoing businesses decreased $49.5 million. The decline was driven by four key factors: 1) management's decision to shift its promotion strategy on a portion of its pasta line to Every Day Low Pricing, which reduced sales offset by a reduction in promotion spending; 2) reduction in customer inventories, especially in pasta; 3) management's decision to de-emphasize non-core, lower profit pasta brands and channels; 4) increased competition in the foodservice and soup and bouillon businesses.

Foods' adjusted operating EBITDA increased $5.4 million, or approximately 56%, to $15.1 million in 1999 from $9.7 million in 1998. This increase is attributed to the $3.3 million improvement of Foods Unaligned businesses and an improvement in Foods' ongoing operations of $2.1 million. Most of the Foods Unaligned businesses were sold in 1998 with all Foods Unaligned business sales completed in 1999. When excluding $9.3 million of gains on the favorable settlements of litigation in 1999, ongoing operating results declined $7.2 million. Lower raw material costs and improved pasta manufacturing operations were offset by costs associated with the implementation of new systems. Additionally, incremental marketing investments primarily related to new products and reduced volumes previously mentioned, contributed to the decline.

SIGNIFICANT OR UNUSUAL ITEMS EXCLUDED FROM ADJUSTED OPERATING EBITDA:

	CONSOLIDATED			COMBINED		
(Dollars in millions)	2000	1999	1998	2000	1999	1998
(Loss) gain on disposal of businesses, net	$ (0.9)	$ 7.4	$ 8.3	$ 3.9	$ 56.5	$380.0
Business realignment, asset write-offs and other charges	(63.7)	(41.6)	(2.5)	(69.4)	(41.6)	(25.8)
	$(64.6)	$(34.2)	$ 5.8	$(65.5)	$ 14.9	$354.2

Note: See also the Significant or Unusual Items on page 8.

2000

The Company's loss on disposal of businesses primarily relates to the sale of the printing inks business partially offset by lower than expected costs related to the sale of the commercial and industrial wallcoverings business. The Combined Companies gain on disposal of businesses represents the Company's loss offset by Foods' gains of $4.8 million due to lower than expected exit costs related primarily to the 1998 Signature Flavors sale. (See also Note 4 to the Consolidated and Combined Financial Statements.)

The Company's business realignment, asset write-offs and other charges represent costs of $38.4 million related to plant closures in the United States, Argentina and the United Kingdom. Also included is $25.3 million to exit certain raw material purchase contracts, which extended through 2002, in order to take advantage of opportunities that have arisen to obtain more favorable pricing. This charge is reflected in cost of sales in the Consolidated and Combined Statements of Operations. The Combined Companies also incurred costs of $5.7 million related to a Foods corporate workforce reduction program.

1999

The Company's 1999 gain on disposal of businesses primarily relates to gains on the sale of the commercial and industrial wallcoverings business due to lower than expected exit costs. In addition to the Company's gain, the Combined Companies' 1999 gain on disposal of businesses primarily includes gains of $48.6 million on the sale of Foods Unaligned businesses due to additional proceeds and lower than expected exit costs related to the 1998 KLIM sale. (See also Note 4 to the Consolidated and Combined Financial Statements.)

The Company and Combined Companies' business realignment charges of $41.6 million include a Chemical plant expansion project that was cancelled resulting in the write-off of engineering, equipment and other costs of $25.0 million. In addition, certain Chemical operations in the Philippines, Brazil, and Uruguay were closed as part of an effort to consolidate operations, resulting in a total charge of $16.6 million.

1998

The Company's gain on disposal of businesses relates to the sale of a Chemical business in Latin America. The Combined Companies' gain on disposal of businesses reflects the Chemical gain as well as gains of $371.7 million on the sale of Foods Unaligned businesses. (See also Note 4 to the Consolidated and Combined Financial Statements.)

The Company's business realignment charge of $2.5 million relates to the closure of a European Chemical operation. The Combined Companies' business realignment charges include the Chemical charge as well as charges for the closure of a Foods plant and impairment of assets of two other Foods plants totaling $23.3 million.

NON-OPERATING EXPENSES AND INCOME TAX EXPENSE:

NON-OPERATING EXPENSES

	CONSOLIDATED			COMBINED		
(Dollars in millions)	2000	1999	1998	2000	1999	1998
Interest expense	$ 62.7	$ 63.1	$ 64.4	$ 62.7	$ 63.2	$ 65.5
Affiliated interest expense	17.0	19.1	22.8	2.4	5.3	5.4
Interest income and other	(17.8)	(34.8)	(30.9)	(15.5)	(33.6)	(34.7)
Investment write-downs and other charges	68.0	3.0	26.7	68.0	3.0	26.7
	$129.9	$ 50.4	$ 83.0	$117.6	$ 37.9	$62.9

2000 vs. 1999

Consolidated non-operating expenses increased $79.5 million for the year ended December 31, 2000 compared to the year ended December 31, 1999. The increase is primarily attributable to increased investment write-downs from $3.0 million in 1999 to $48.0 million in 2000 (See Note 8 to the Consolidated and Combined Financial Statements) and recording a liability of $20.0 million for potential costs related to the financial decline of a limited partnership for which a wholly owned subsidiary of the Company serves as general partner. (See Note 19 to the Consolidated and Combined Financial Statements) Other changes include a reduction in interest income of approximately $15 million due to lower average cash balances in 2000 compared to 1999 and reduced unrealized gains on an interest rate swap of approximately $6 million, which terminated in September 2000. These decreases were partially offset by higher dividend income of approximately $5 million from an affiliate and reduced affiliated interest expense due to lower average loan balances outstanding in 2000 compared to 1999.

Combined non-operating expenses increased $79.7 million for the year ended December 31, 2000 compared to the year ended December 31, 1999. The increase is primarily attributable to the consolidated factors discussed above.

1999 vs. 1998
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Consolidated non-operating expenses decreased $32.6 million for the year ended December 31, 1999 to $50.4 million from $83.0 million in 1998. The decrease is primarily attributable to reduced investment write-downs. (See Note 8 to the Consolidated and Combined Financial Statements.) Interest income and other increased $3.9 million primarily due to the unrealized gain on an interest rate swap which is marked to market, offset partially by lower average cash balances in 1999.

Combined non-operating expenses decreased $25.0 million for the year ended December 31, 1999 to $37.9 million from $62.9 million. The decrease is primarily attributable to the investment write-downs discussed above.

INCOME TAX EXPENSE

	CONSOLIDATED			COMBINED		
(Dollars in millions)	2000	1999	1998	2000	1999	1998
Income tax (benefit) expense	$(6.6)	$ 20.8	$33.8	$(68.0)	$ 31.7	$ 133.4
Effective tax rate	10%	27%	59%	N/M	26%	33%

2000 vs. 1999
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The 2000 consolidated income tax benefit primarily reflects a settlement with the Internal Revenue Service ("IRS") and the impact of usage limitations on foreign tax credits. As a result of a settlement reached with the IRS in the second quarter of 2000, the Company recorded net tax expense of $5 million consisting of valuation reserves recorded on foreign tax credits of $30 million that are no longer likely to be utilized, substantially offset by a $25 million reduction of amounts established for tax issues related to the divestiture of certain segments of the Company's business that are no longer considered necessary. In addition, approximately $10 million of income tax expense was recorded on foreign source income because related foreign tax credits are not expected to be utilized within the expiration period. The 1999 consolidated effective rate reflects a higher portion of net income derived from foreign operations and the effect of lower tax rates in foreign jurisdictions.

The 2000 combined income tax benefit primarily includes the consolidated factors discussed above, taxes provided for anticipated divestiture liabilities and amounts related to the IRS settlement for the sale of Foods that are classified as discontinued operations in consolidated are classified as income tax benefit for combined. The classification of these amounts differ between consolidated and combined because combined does not reflect the sale of Foods as a discontinued operation. (See Note 6 to the Consolidated and Combined Financial Statements.) The 1999 combined effective rate reflects differences applicable to foreign divestitures.

1999 vs. 1998
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The lower 1999 consolidated effective tax rate reflects net income derived from foreign operations, offset by foreign tax credits on foreign taxes paid at significantly higher rates than the Company's effective tax rate in the United States.

In addition to the discussion above for consolidated tax rates, the 1999 combined effective tax rate primarily reflects lower net taxes primarily applicable to foreign divestitures.

CASH FLOWS:
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OPERATING

2000 vs. 1999
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Consolidated operating activities provided cash of $23.3 million in 2000 compared to $71.7 million cash provided in 1999, a decline of $48.4 million. Significant outflows compared to prior year included a decline in adjusted operating EBITDA of $23.6 million (see page 12), a change in accounts receivable and inventory cash flows of $40.4 million and $11.8 million, respectively, primarily in the Chemical business due to higher raw material costs passed through to customers and included in inventory, a $25.3 million payment in 2000 to exit certain Chemical raw material supply contracts and lower interest income of $15.3 million. These increased outflows were partially offset by a $14.1 million increase in trade payables primarily in the Chemical business due to higher raw material costs, lower tax payments of

$26.9 million, a $3.6 million repayment received from CCPC Acquisition Corp. for interest accrued on the loan that was repaid in 2000, a $3.7 million payment received from Wise, upon its sale, related to its retirement benefit plans, the absence of a 1999 payment of approximately $13.0 million to settle certain long-term disability claims and the absence of 1999 settlement payments of $6.4 million related to divested businesses.

Combined cash provided by operating activities of $34.0 million was $44.5 million less than the $78.5 million provided in 1999. In addition to the consolidated factors discussed above, after eliminating the Wise receipts, the Combined Companies had additional outflows due to further reductions in adjusted operating EBITDA of $15.1 million and higher Foods' tax payments of $24.0 million. These additional combined outflows were offset by lower Foods' inventory balances of $14.0 million primarily due to the use of tomatoes Purchased in the fourth quarter of 1999, improved Foods' accounts receivable Cash flows of $11.2 million due primarily to the absence of 1999 collection issues associated with systems implementations, improvement in Wise operations (classified as discontinued operations) of $9.6 million, and the absence of 1999 payments of $7.2 million related to the divestiture of Foods' Unaligned businesses.

1999 vs. 1998
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Consolidated cash provided by operating activities totaled $71.7 million in 1999 and $46.0 million in 1998, an increase of $25.7 million. The most significant components of the increase include an overall improvement in adjusted operating EBITDA of $29.4 million (see page 12), an increase of $5.4 million due to a smaller increase in inventories in 1999 primarily in the Chemical business caused by reduced raw material costs and inventory reduction programs, and improvements due to the timing of trade payments of $31.3 million, all partially offset by higher net interest and tax payments of $32.4 million.

Combined cash provided by operating activities totaled $78.5 million in 1999, compared to cash used in operations of $33.2 million in 1998. The $111.7 million improvement consisted primarily of an overall improvement in adjusted operating EBITDA of $34.5 million (see page 12), improvements due to the timing of trade payments of $38.2 million and lower tax payments of $67.5 million related to gains on divested businesses. These improvements were partially offset by net reduced operating cash inflows related to divested businesses and an increase in 1999 inventories of $13.0 million to take advantage of favorable supplier pricing.

INVESTING

2000 vs. 1999
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Consolidated investing activities used $195.7 million cash in 2000 compared to $229.5 million cash used in 1999, a decrease of $33.8 million. The decrease primarily represents the absence of a 1999 $50.0 million investment in the form of junior preferred stock in WKI and an $8.9 million collection of outstanding debt in 2000 which eliminated the Company's investment in Wise (See Note 18 to the Consolidated and Combined Financial Statements), partially offset by increased capital expenditures of $29.7 million primarily for Chemical plant expansions. Divestiture proceeds of $10.9 million in 2000, primarily from the sale of Chemical's printing inks business, were ahead of 1999 proceeds of $7.6 million from the sale of Chemical's molding compounds business. Acquisitions in 2000 of $118.1 million by Consumer Adhesives and Chemical (See Note 4 to the Consolidated and Combined Financial Statements) were less than 1999 acquisitions of $119.6 million for Spurlock, Blagden and the resins manufacturing plant in Minnesota.

Combined investing activities used $253.9 million cash in 2000 compared to 1999 cash used of $266.1 million, a $12.2 million decrease. In addition to the consolidated factors described above, after eliminating the Wise collection of $8.9 million, the decrease in combined investing activities reflects the absence of $23.6 million of proceeds from the 1999 sale of Foods Unaligned businesses, partially offset by reduced Foods' capital expenditures of $11.4 million due to the absence of the 1999 enterprise-wide system implementation.

1999 vs. 1998
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Consolidated investing activities used $229.5 million cash in 1999 compared to cash generated of $336.6 million in 1998, a decrease of $566.1 million. The purchases of Spurlock, Blagden and the resins manufacturing plant in Minnesota by Chemical used $119.6 million in 1999 compared to $14.4 million used to purchase Sun Coast Industries, Inc. in 1998. The divestiture proceeds in 1999 include $7.6 million from the sale of Chemical's molding compounds business compared to divestiture proceeds in 1998 of $304.8 million from the sale of Decorative Products, $15.5 million from the sale of a Latin American plastic films business, and $15.6 million from the sale of the commercial and industrial wallcoverings business. Investing activity in 1998 also includes $67.6 million relating to net repayments of affiliated borrowings by Foods and Wise, compared to net Foods and Wise 1999 affiliated borrowings of $2.3 million and a 1999 $50.0 million investment in the form of 16% cumulative junior preferred stock in WKI.

The Combined Companies investing activity used $266.1 million in 1999 compared to generating cash of $972.4 million in 1998, a decrease of $1,238.5 million. In addition to the above, the Combined Companies' 1999 divestiture activity reflects $23.6 million of proceeds from the sale of Foods Unaligned businesses compared to $733.2 million in 1998. The 1999 and 1998 return from (investment in) affiliate of ($2.3) million and $67.6 million, respectively, in the consolidated investing flows is eliminated in the combined flows as the Foods and Wise operations are included in the Combined Companies.

Capital expenditures for the Company in 1999 increased $22.3 million to $74.8 million in 1999 from $52.5 million in 1998. Capital expenditures for the Combined Companies increased $41.7 million to $141.9 million in 1999 from $100.2 million in 1998. The increase is primarily the result of plant expansion projects to increase capacity in the Chemical operations, and the implementation of an enterprise-wide system and new product manufacturing line investments in the Foods business for combined.

FINANCING

2000 vs. 1999
- ---------------
Consolidated financing activities generated cash of $5.0 million in 2000 compared to cash used of $319.1 million in 1999. The $324.1 million difference is primarily due to 2000 affiliated borrowings and receipts of $86.7 million, compared to 1999 net affiliated repayments and loans of $225.5 million (see 1999 vs. 1998). Affiliated activity in 2000 is comprised primarily of borrowings from BWHLLC of $61.4 million and receipts from CCPC Acquisition Corp. of $56.2 million, partially offset by repayments to Foods of $31.0 million. In addition, 2000 included short-term debt borrowings of $33.3 million compared to 1999 repayments of $3.8 million. Partially offsetting these net improved inflows are $17.6 million of increased net long-term debt repayments (primarily Industrial Bonds) and the distribution of $10.3 million in cash temporarily held by the infrastructure management services business for the benefit of its customers. The $10.3 million distribution represents payroll related withholdings for which the infrastructure management services business was liable when the business was distributed to the Company's parent (See Note 18 to the Consolidated and Combined Financial Statements).

Combined financing activities generated cash of $35.6 million in 2000 compared to cash used in 1999 of $279.5 million. The $315.1 million difference primarily includes the consolidated improvement above, excluding net affiliated inflow differences between years related to Foods of $17.9 million, which is eliminated, additional short-term debt borrowings of $6.3 million and additional long-term debt borrowings of $3.0 million.

1999 vs. 1998
- ---------------
Consolidated financing activities used $319.1 million cash in 1999 compared to cash generated of $105.9 million in 1998. The difference of $425.0 million is primarily due to $411.8 million of 1998 affiliated borrowings from Foods, representing proceeds from the sale of Foods Unaligned businesses, and BWHLLC, compared to 1999 net affiliated repayments and loans of $225.5 million. The 1999 affiliated activity includes repayments to BWHLLC and Foods of $169.3 million and a short-term loan of $56.2 million to CCPC Acquisition Corp., an affiliate of the Company's parent, as described in Note 18 to the Consolidated and Combined Financial Statements. The 1998 borrowings from Foods were partially offset by repayment of a $236.0 million revolving line of credit.

Combined financing activities used $279.5 million in 1999 compared to $441.9 million used in 1998. The $162.4 million increased use of cash in 1998 was primarily due to $236.7 million repayment of a revolving line of credit using business divestiture proceeds and a $272.2 million distribution to a Foods affiliate, partially offset by 1998 borrowings from BWHLLC of $134.3 million. The 1999 financing activities include net repayment of affiliated borrowings from BWHLLC of $123.4 million and a short-term loan of $56.2 million provided to CCPC Acquisition Corp. (See Note 18 to the Consolidated and Combined Financial Statements).

LIQUIDITY AND CAPITAL RESOURCES:

As of December 31, 2000, the Company and the Combined Companies had $809.0 million in contractually committed lines of credit (the "Credit Agreement") of which $714.0 million (net of $95.0 million in letters of credit) was available.

The cash held by the Company of $27.8 million and the Combined Companies of $43.2 million as of December 31, 2000 and the cash available under the Credit Agreement may be used for acquisitions and to fund working capital needs and capital expenditures.

As part of the common control exercised over the Company and Combined Companies, procedures are established to enter into borrowings between the business units at market interest rates.

The Company's and Combined Companies' planned 2001 capital expenditures are approximately $92 million and $102 million, respectively. The budgeted capital expenditures include plans to continue to increase capacity in the Chemical operations and to further invest in new product manufacturing lines in the Foods business. The capital expenditures will be financed through operations and, if necessary, the available lines of credit.

The Company and Combined Companies expect to have enough liquidity to fund working capital requirements, support capital expenditures and pay preferred dividends during 2001 and in future years due to cash from operations and amounts available under the Credit Agreement.

In the third quarter of 2000, the Company entered into a credit agreement with WKI to provide up to $40.0 million of short-term financing. The original maturity date of the agreement was December 31, 2000 and was extended into April 2001. At December 31, 2000, $6.1 million was outstanding under this agreement.

As of December 31, 2000, the Company and the Combined Companies had $198.0 million and $214.4 million, respectively, in deferred tax assets that related to foreign and alternative minimum tax credits as well as net operating loss carryforwards. These credits and carryforwards, net of valuation allowances of $101.7 million and $102.3 million for the Company and Combined Companies, respectively, are expected to reduce future tax liabilities.

RISK MANAGEMENT:

The Company and Combined Companies enter into various financial instruments, primarily to hedge interest rate risk and foreign currency exchange risk. The Company and Combined Companies also enter into raw materials purchasing contracts and contracts with customers to mitigate commodity price risks.

FOREIGN EXCHANGE RISK

In 2000 and 1999, international operations accounted for approximately 32% and 29% of the Company's and Combined Companies' sales, respectively. As a result, there is exposure to foreign exchange risk on transactions that are denominated in a currency other than the business unit's functional currency. Such transactions include foreign currency denominated imports and exports of raw materials and finished goods (both intercompany and third party), and loan payments (both intercompany and third party). In almost all cases, the functional currency is the unit's local currency.

It is the Company's and Combined Companies' policy to reduce foreign currency cash flow exposure due to exchange rate fluctuations by hedging firmly committed foreign currency transactions wherever economically feasible. The use of forward and option contracts protects cash flows against unfavorable movements in exchange rates, to the extent of the amount under contract. The Company and Combined Companies do not hedge foreign currency exposure in a manner that would entirely eliminate the effect of changes in foreign currency exchange rates on net income and cash flow. The Company and Combined Companies do not speculate in foreign currency and do not hedge foreign currency translation or foreign currency net assets and liabilities. The counterparties to the forward contracts are financial institutions with investment grade credit ratings.

Foreign exchange risk is also mitigated because the Company and Combined Companies operate in many foreign countries, reducing the concentration of risk in any one currency. In addition, foreign operations have limited imports and exports, reducing the potential impact of foreign currency exchange rate fluctuations. With other factors being equal, such as the performance of individual foreign economies, an average 10% foreign exchange increase or decrease in any one country would not materially impact operating results or cash flow, except for Canada which would significantly impact the Company's operating results. Although considered unlikely, an average 10% foreign exchange increase or decrease in all countries may materially impact operating results of the Company and Combined Companies.

In accordance with current accounting standards, the Company and the Combined Companies defer unrealized gains and losses arising from contracts that hedge existing and identified foreign currency exposure against commitments until the related transactions occur. Gains and losses arising from contracts that hedge existing assets and liabilities are offset against gains or losses arising from the transactions being hedged. (See Recently Issued Accounting Standards section for new rules impacting the current accounting treatment.)

A summary of forward currency and option contracts outstanding as of December 31, 2000 and 1999, follows. All contracts summarized for 2000 and 1999 are entered into by the Company and Combined Companies except the European Monetary Unit which relates only to the Combined Companies. Fair values are determined from quoted market prices at December 31, 2000 and 1999.

	2000				1999			
	AVERAGE DAYS TO MATURITY	AVERAGE CONTRACT RATE	FORWARD POSITION (IN MILLIONS)	FAIR VALUE LOSS (IN MILLIONS)	AVERAGE DAYS TO MATURITY	AVERAGE CONTRACT RATE	FORWARD POSITION (IN MILLIONS)	FAIR VALUE GAIN/(LOSS) (IN MILLIONS)
CURRENCY TO BUY WITH U.S. DOLLARS								
Japanese Yen (1)	-	-	-	-	29	112.42	$ 3.7	$ 0.4
CURRENCY TO SELL FOR U.S. DOLLARS								
Australian Dollars	-	-	-	-	11	0.65	0.5	-
British Pound	22	1.47	$88.9	$(1.8)	35	1.61	73.1	(0.3)
Canadian Dollars	-	-	-	-	56	1.46	0.3	-
European Monetary Unit	8	0.89	6.9	(0.4)	60	1.01	14.1	0.1

(1) At December 31, 1999, amounts include option contracts of $2.5 million, with 38 average days to maturity, 111.39 average contract rate and fair value gain of $0.2 million.

INTEREST RATE RISK

The Company and Combined Companies have utilized interest rate swaps to lower funding costs or to alter interest rate exposures between fixed and floating rates on long-term debt. The Company and Combined Companies do not enter into speculative swaps or other financial contracts. As of December 31, 2000 and 1999, an interest rate swap was outstanding with a notional value of $24.3 million. Although originally entered into as a hedge, an interest rate swap having a notional amount of $200 million was determined to no longer meet the criteria for hedge accounting and was marked to market until its termination on September 1, 2000.

Fair values of the swaps are independently provided using estimated mid-market levels. Under interest rate swaps, the Company and Combined Companies agree with other parties to exchange, at specified intervals, the difference between the fixed rate and floating rate interest amounts calculated by reference to the agreed notional principal amount. On average, the Company and Combined Companies paid 10.5% and received 6.3% in 2000 and paid 10.4% and received 5.2% on the swaps in 1999. The remaining outstanding swap as of December 31, 2000 matures on December 1, 2002. A 1% increase or decrease in market interest rates would result in a $0.2 million increase or decrease, respectively, in the fair value of the interest rate swap agreement at December 31, 2000. A 1% increase or decrease in market interest rates would result in a $2.2 million increase or decrease, respectively, in the fair value of the interest rate swap agreements at December 31, 1999. The Company and Combined Companies are exposed to credit related losses in the event of nonperformance by the counterparties to these swaps, although no such losses are expected as the counterparties are financial institutions having an investment grade credit rating.

A summary of interest rate swaps for both the Company and Combined Companies as of December 31, 2000 and 1999 follows:

			2000			1999		
NOTIONAL AMOUNT (IN MILLIONS)	TRADE DATE	TERMINATION DATE	FIXED PAY RATE	AVERAGE RECEIVE RATE	FAIR VALUE (IN MILLIONS)	FIXED PAY RATE	AVERAGE RECEIVE RATE	FAIR VALUE (IN MILLIONS)
$ 24.3	12/01/92	12/01/02	13.65%	6.7%	$ (3.4)	13.65%	5.4%	$ (4.4)
200.0	9/17/85	9/01/00	-	-	-	10.00%	5.2%	(10.6)

The interest rate on most debt agreements is fixed. A 10% increase or decrease in the interest rate of the variable debt agreements would have an immaterial effect on the Company's and Combined Companies' net income. The fair value of publicly held debt is based on the price at which the bonds are trading at December 31, 2000 and 1999. All other debt fair values are determined from quoted market interest rates at December 31, 2000 and 1999.

A summary of the Company's outstanding debt as of December 31, 2000 and 1999 follows:

	2000			1999 (1)		
Year	Debt (in millions)	Weighted Average Interest Rate	Fair Value (in millions)	Debt (in millions)	Weighted Average Interest Rate	Fair Value (in millions)
2001	$ 43.5	7.6%	$ 43.5	$ 1.8	9.5%	$ 1.8
2002	1.4	5.6%	1.4	3.3	8.1%	3.3
2003	-	-	-	-	-	-
2004	-	-	-	-	-	-
2005	-	-	-	-	-	-
2006 and thereafter	529.1	8.5%	404.7	536.0	8.4%	451.1
	$ 574.0		$ 449.6	$ 541.1		$ 456.2

(1) December 31, 1999 amounts reflect outstanding debt for years shown.

A summary of the Combined Companies' outstanding debt as of December 31, 2000 and 1999 follows:

	2000			1999 (1)		
Year	Debt (in millions)	Weighted Average Interest Rate	Fair Value (in millions)	Debt (in millions)	Weighted Average Interest Rate	Fair Value (in millions)
2001	$ 44.1	7.5%	$ 44.1	$ 2.1	7.9%	$ 2.1
2002	2.0	4.8%	2.0	3.6	7.3%	3.7
2003	1.0	1.9%	0.9	0.7	0.2%	0.7
2004	1.0	1.9%	0.9	0.8	0.2%	0.8
2005	0.6	2.9%	0.6	-	-	-
2006 and thereafter	531.2	8.5%	406.8	536.9	8.4%	451.8
	$ 579.9		$ 455.3	$ 544.1		$ 459.1

(1) December 31, 1999 amounts reflect outstanding debt for years shown.

The Company and Combined Companies do not use derivative financial instruments in investment portfolios. Cash equivalent investments are placed with instruments that meet credit quality standards. These standards are established within the Company's investment policies, which also limit the exposure to any one issue. At December 31, 2000, the Company and Combined Companies had $11.1 million and $16.0 million, respectively, invested primarily in time deposits with average maturity periods of 28 days and 20 days, respectively, and average rates of 5.2% and 5.4%, respectively. At December 31, 1999, $173.9 million and $203.0 million for the Company and Combined Companies, respectively, was invested primarily in commercial paper, time deposits and money market funds. At December 31, 1999, the average maturity period of the commercial paper investments was 25 days with an average interest rate of 6.2% for the Company and Combined Companies. The average maturity periods of the time deposits outstanding at December 31, 1999 were 47 days and 49 days and the average rates were 5.8% and 5.5% for the Company and

Combined Companies, respectively. The average rate on the December 31, 1999 money market fund investments was 5.7% for the Company and Combined Companies. Due to the short maturity of the Company's cash equivalents, the carrying value on these investments approximates fair value and the interest rate risk is not significant. A 10% increase or decrease in interest returns on invested cash would have an immaterial effect on the Company's and Combined Companies' net income and cash flow at December 31, 2000 and 1999.

The $6.1 million carrying value of the Company and Combined Companies' loan receivable from WKI approximates fair value as management believes the loan bears interest at a market interest rate. (See Note 18 to the Consolidated and Combined Financial Statements.)

COMMODITY RISK

The Company is exposed to price risks associated with raw materials purchases, most significantly with methanol, phenol and urea. For these commodity raw materials, the Company has purchase contracts, with periodic price adjustment provisions. The commodity risk also is moderated through use of customer contracts with selling price provisions that are indexed to publicly available indices for these commodity raw materials as discussed on pages 13 and 14. There are no active futures markets for the major raw materials used by the Company.

In addition to that described above for the Company, the Combined Companies enter into contracts with suppliers with specified prices and volumes. There are no active futures markets for major commodities used by the Combined Companies.

EQUITY PRICE RISK

Investments held by the Company and Combined Companies primarily consist of two common stock equity interests received as partial consideration on the sale of certain businesses and an investment in preferred stock of an affiliate. One of the common stock investments represents approximately 33% of the outstanding shares and is accounted for using the equity method. At December 31, 2000 and 1999, the unamortized excess of the Company's investment over its equity in the underlying net assets was $16.1 and $16.5, respectively. The other two investments are accounted for using the cost method.

The Company's and Combined Companies' investments also include certain other partnership, subsidiary and joint venture interests.

The Company and Combined Companies review the carrying value of investments in accordance with existing accounting guidance that requires investments to be adjusted to fair value if the decline in value is considered to be "other than temporary" based on certain criteria. The Company and Combined Companies recorded investment write-downs of $48.0, $3.0 and $26.7 in 2000, 1999 and 1998, respectively.

A summary of investments as of December 31, 2000 and 1999 follows. Fair value is based on the market stock price as of December 31, 2000 and 1999 for publicly traded common stock. Fair value for other investments is based on other similar financial instruments.

		2000		1999	
DESCRIPTION	DATE ACQUIRED	CARRYING VALUE (IN MILLIONS)	FAIR VALUE (IN MILLIONS)	CARRYING VALUE (IN MILLIONS)	FAIR VALUE (IN MILLIONS)
Equity method securities	10/11/96	$45.0	$107.8	$47.0	$62.1
Cost method securities	11/01/99	$10.0	$ 10.0	$51.5	$51.5

Readers are cautioned that forward-looking statements contained under the heading of "Risk Management" should be read in conjunction with the disclosure under the heading: "Forward-Looking and Cautionary Statements".

RECENTLY ISSUED ACCOUNTING STANDARDS

In June 1998, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities". This standard requires all derivatives be measured at fair value and recorded on a company's balance sheet as an asset or liability, depending upon the company's underlying rights or obligations associated with the derivative instrument. In June 1999, the FASB issued SFAS No. 137, "Accounting for Derivative Instruments and Hedging Activities - Deferral of the Effective Date of FASB Statement No. 133". This statement defers the effective date of SFAS No. 133 to all fiscal quarters of all fiscal years beginning after June 15, 2000. In June 2000, the FASB issued SFAS No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities", which is an amendment of SFAS No. 133. SFAS No. 138 addresses a limited number of implementation issues resulting from the application of SFAS No. 133. The Company and Combined Companies will implement SFAS No. 133 as of January 1, 2001. Adoption of this pronouncement will result in a pre-tax loss of $5.2 million and $5.6 million ($3.3 million and $3.5 million after-tax) for the Company and Combined Companies, respectively, that will be recorded to Shareholder's Equity in Other Comprehensive Income as a cumulative effect of a change in accounting principle. Future results are not expected to be materially impacted by the adoption of this pronouncement.

In July 2000, the Emerging Issues Task Force ("EITF") reached a consensus on Issue No. 00-14, "Accounting for Certain Sales Incentives", which addresses the recognition, measurement and income statement classification for sales incentives offered to customers. Although this EITF is not effective until June 30, 2001, registrants who do not elect early adoption are subject to certain disclosure requirements at December 31, 2000. Upon adoption, approximately $24 million and $104 million for the Company and Combined Companies, respectively, in 2000, $14 million and $86 million in 1999, respectively, and $12 million and $93 million in 1998, respectively, will be reclassified from marketing expense to net sales. The Company's and Combined Companies' current policy of recognizing a liability for sales incentives at the later of the date at which the related revenue is recorded or the date at which the sales incentive is offered, complies with the consensuses reached in this Issue.

FORWARD-LOOKING AND CAUTIONARY STATEMENTS

The Company, Combined Companies and their officers may, from time to time, make written or oral statements regarding the future performance of the Company or Combined Companies including statements contained in the filings with the Securities and Exchange Commission. Investors should be aware that these statements are based on currently available financial, economic and competitive data and on current business plans. Such statements are inherently uncertain and investors should recognize that events could cause the Company's and/or Combined Companies' actual results to differ materially from those projected in forward-looking statements made by or on behalf of the Company and/or Combined Companies. Such risks and uncertainties are primarily in the areas of financial information about operating segments, results of operations by business unit, liquidity, legal, environmental liabilities and risk management.

ITEM 7A: QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Refer to the "Risk Management" section included in Item 7 - Management's Discussion and Analysis of Financial Condition and Results of Operation.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

CONSOLIDATED STATEMENTS OF OPERATIONS
BORDEN, INC.

(In millions, except per share data)	Year ended December 31, 2000	1999	1998
Net sales	$ 1,524.0	$1,374.7	$1,412.7
Cost of goods sold	1,120.5	936.0	1,008.2
Gross margin	403.5	438.7	404.5
Distribution expense	75.9	70.5	64.0
Marketing expense	87.9	75.4	78.9
General & administrative expense	146.2	133.4	126.2
Loss (gain) on divestiture of businesses	0.9	(7.4)	(8.3)
Net (gain) loss on sale of assets	(10.1)	(1.3)	0.8
Business realignment and asset write-offs	38.4	41.6	2.5
Operating income	64.3	126.5	140.4
Interest expense	62.7	63.1	64.4
Affiliated interest expense, net of affiliated interest income of $0.3, $0.9 and $2.2, respectively	17.0	19.1	22.8
Interest income and other	(17.8)	(34.8)	(30.9)
Investment write-downs and other charges	68.0	3.0	26.7
(Loss) income from continuing operations before income tax	(65.6)	76.1	57.4
Income tax (benefit) expense	(6.6)	20.8	33.8
(Loss) income from continuing operations	(59.0)	55.3	23.6
Discontinued operations:			
(Loss) income from operations, net of tax	-	(0.4)	2.3
Gain (loss) on disposal, net of tax	93.0	(2.0)	36.7
Net income	34.0	52.9	62.6
Preferred stock dividends	(73.7)	(73.7)	(73.7)
Net loss applicable to common stock	$ (39.7)	$ (20.8)	$ (11.1)

CONSOLIDATED STATEMENTS OF OPERATIONS
(CONTINUED)
BORDEN, INC.

(In millions, except per share data)	Year ended December 31, 2000	1999	1998
Basic and Diluted Per Share Data			
(Loss) income from continuing operations	$ (0.30)	$ 0.28	$ 0.12
Discontinued operations:			
Income from operations, net of tax	-	-	0.01
Gain (loss) on disposal, net of tax	0.47	(0.01)	0.18
Net income	0.17	0.27	0.31
Preferred stock dividends	(0.37)	(0.37)	(0.37)
Net loss applicable to common stock	$ (0.20)	$(0.10)	$(0.06)
Dividends per common share	$ 0.31	$ 0.32	$ 0.30
Dividends per preferred share	$ 3.00	$ 3.00	$ 3.00
Average number of common shares outstanding during the period	199.0	199.0	199.0

See Notes to Consolidated and Combined Financial Statements

CONSOLIDATED BALANCE SHEETS
BORDEN, INC.

(In millions)

ASSETS	December 31, 2000	December 31, 1999
CURRENT ASSETS		
Cash and equivalents	$ 27.8	$ 195.2
Accounts receivable (less allowance for doubtful accounts of $13.1 in 2000 and $11.8 in 1999)	248.4	215.0
Loan receivable from affiliate	6.1	56.2
Inventories:		
Finished and in-process goods	68.7	62.8
Raw materials and supplies	58.6	50.4
Deferred income taxes	46.6	42.4
Other current assets	15.2	15.3
	471.4	637.3
INVESTMENTS AND OTHER ASSETS		
Investments	61.9	64.0
Investment in affiliate	10.0	51.5
Deferred income taxes	84.6	109.5
Prepaid pension assets	111.5	129.7
Other assets	41.2	36.3
Assets sold under contractual arrangement (net of allowance of $62.6 in 1999) (See Note 18)	-	48.2
	309.2	439.2
PROPERTY AND EQUIPMENT		
Land	28.0	25.6
Buildings	88.0	97.9
Machinery and equipment	778.3	739.1
	894.3	862.6
Less accumulated depreciation	(321.1)	(323.8)
	573.2	538.8
INTANGIBLES		
Net of accumulated amortization of $25.1 in 2000 and $16.1 in 1999	179.8	112.1
TOTAL ASSETS	$ 1,533.6	$ 1,727.4

See Notes to Consolidated and Combined Financial Statements

CONSOLIDATED BALANCE SHEETS
BORDEN, INC.

(In millions, except share data)

LIABILITIES AND SHAREHOLDERS' EQUITY	December 31, 2000	December 31, 1999
CURRENT LIABILITIES		
Accounts and drafts payable	$ 158.8	$ 137.4
Debt payable within one year	43.5	17.7
Income taxes payable	92.4	244.1
Loans payable with affiliates	283.1	246.6
Other current liabilities	191.0	178.6
	768.8	824.4
OTHER LIABILITIES		
Liabilities sold under contractual arrangement	-	41.6
Long-term debt	530.5	541.1
Non-pension post-employment benefit obligations	156.0	176.1
Other long-term liabilities	64.0	80.0
	750.5	838.8
COMMITMENTS AND CONTINGENCIES (SEE NOTE 19)		
SHAREHOLDERS' EQUITY		
Preferred stock - Issued 24,574,751 shares	614.4	614.4
Common stock - $0.01 par value: authorized 300,000,000 shares, Issued 198,974,994 shares	2.0	2.0
Paid in capital	353.3	355.7
Receivable from parent	(414.9)	(414.9)
Accumulated other comprehensive income	(60.3)	(52.5)
Accumulated deficit	(480.2)	(440.5)
	14.3	64.2
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 1,533.6	$ 1,727.4

See Notes to Consolidated and Combined Financial Statements

CONSOLIDATED STATEMENTS OF CASH FLOWS
BORDEN, INC.

(In millions)	Year ended December 31, 2000	1999	1998
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES			
Net income	$ 34.0	$ 52.9	$ 62.6
Adjustments to reconcile net income to net cash from (used in) operating activities:			
(Gain) loss on disposal of discontinued operations, net of tax	(93.0)	2.0	(36.7)
Loss (gain) on divestiture of businesses	0.9	(7.4)	(8.3)
Net (gain) loss on the sale of assets	(10.1)	(1.3)	0.8
Deferred tax provision	15.0	5.8	84.5
Depreciation and amortization	62.4	54.2	50.9
Business realignment and asset write-offs	38.4	41.6	2.5
Unrealized gain on interest rate swap	(4.9)	(10.8)	(4.1)
Investment write-downs and other charges	68.0	3.0	26.7
Net change in assets and liabilities:			
Trade receivables	(36.5)	3.9	(0.9)
Inventories	(12.2)	(0.4)	(5.8)
Trade payables	27.6	13.5	(17.8)
Income taxes	(45.1)	(30.8)	(47.6)
Other assets	13.1	(6.3)	44.8
Other liabilities	(34.3)	(48.2)	(108.6)
Net assets of discontinued operations	-	-	3.0
	23.3	71.7	46.0
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES			
Capital expenditures	(104.5)	(74.8)	(52.5)
Proceeds from the divestiture of businesses	10.9	7.6	335.9
Purchase of businesses	(118.1)	(119.6)	(14.4)
Proceeds from the sale of fixed assets	9.9	9.6	-
Purchase of affiliate's receivables, net of cash collected	(0.5)	-	-
Return from (investment in) affiliate, net	6.6	(52.3)	67.6
	(195.7)	(229.5)	336.6
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES			
Net short-term debt borrowings (repayments)	33.3	(3.8)	3.8
Borrowings of long-term debt	122.0	-	-
Repayment of long-term debt	(140.0)	(0.6)	(236.0)
Affiliated borrowings/receipts (repayments/loans)	86.7	(225.5)	411.8
Interest received from parent	48.6	48.9	60.4
Common stock dividends paid	(61.6)	(64.4)	(60.4)
Preferred stock dividends paid	(73.7)	(73.7)	(73.7)
Other distributions	(10.3)	-	-
	5.0	(319.1)	105.9

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
BORDEN, INC.

(In millions)	Year ended December 31, 2000	1999	1998
(Decrease) increase in cash and equivalents	$ (167.4)	$(476.9)	$488.5
Cash and equivalents at beginning of year	195.2	672.1	183.6
Cash and equivalents at end of year	$ 27.8	$ 195.2	$672.1

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION			
Cash paid:			
Interest, net	$ 65.0	$ 55.1	$ 47.6
Taxes	19.2	46.1	21.2
Non-cash activity:			
Distribution of note receivable from Company's parent to cancel options	-	-	39.2
Investment retained in IHDG	-	-	3.0
Capital contribution by parent	44.3	26.4	42.9
Accrued dividends on investment in affiliate	6.5	1.5	-
Distribution of net assets of infrastructure management services business to the Company's parent	6.0	-	-
Reclassification of minimum pension liability adjustment from/(to) shareholders' equity	1.8	1.5	(3.6)

See Notes to Consolidated and Combined Financial Statements

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
BORDEN, INC.

(In millions)

	Preferred Stock	Common Stock	Paid-in Capital	Receivable from Parent	Accumulated Other Comprehensive Income	Accumulated Deficit	Total
Balance, December 31, 1997	$614.4	$2.0	$384.0	$(464.1)	$(48.0)	$(408.6)	$79.7
Net income						62.6	62.6
Translation adjustments and other					0.6		0.6
Minimum pension liability (net of $2.0 tax)					(3.6)		(3.6)
COMPREHENSIVE INCOME							$ 59.6
Preferred stock dividends						(73.7)	(73.7)
Common stock dividends			(59.5)				(59.5)
Interest accrued on notes from parent (net of $19.9 tax)			30.7	9.6			40.3
Capital contribution from parent			42.9				42.9
Cancel option on Decorative Products			(39.2)	39.2			-
Balance, December 31, 1998	$ 614.4	$ 2.0	$358.9	$(415.3)	$(51.0)	$(419.7)	$89.3
Net income						52.9	52.9
Translation adjustments and other					(3.0)		(3.0)
Minimum pension liability (net of $0.8 tax)					1.5		1.5
COMPREHENSIVE INCOME							$ 51.4
Preferred stock dividends						(73.7)	(73.7)
Common stock dividends			(64.1)				(64.1)
Interest accrued on notes from parent (net of $14.0 tax)			34.5	0.4			34.9
Capital contribution from parent			26.4				26.4
Balance, December 31, 1999	$ 614.4	$ 2.0	$355.7	$(414.9)	$(52.5)	$(440.5)	$64.2

See Notes to Consolidated and Combined Financial Statements

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
BORDEN, INC.

(In millions)

	Preferred Stock	Common Stock	Paid-in Capital	Receivable from Parent	Accumulated Other Comprehensive Income	Accumulated Deficit	Total
Balance, December 31, 1999	$614.4	$2.0	$355.7	$(414.9)	$(52.5)	$(440.5)	$64.2
Net income						34.0	34.0
Translation adjustments					(9.6)		(9.6)
Minimum pension liability (net of $0.9 tax)					1.8		1.8
COMPREHENSIVE INCOME							$ 26.2
Preferred stock dividends						(73.7)	(73.7)
Common stock dividends			(61.6)				(61.6)
Other distributions			(16.3)				(16.3)
Interest accrued on notes from parent (net of $17.4 tax)			31.2				31.2
Capital contribution from parent			44.3				44.3
Balance, December 31, 2000	$ 614.4	$ 2.0	$353.3	$(414.9)	$(60.3)	$(480.2)	$14.3

See Notes to Consolidated and Combined Financial Statements

COMBINED STATEMENTS OF OPERATIONS
BORDEN, INC. AND AFFILIATES

(In millions)	Year ended December 31, 2000	1999	1998
Net sales	$ 2,094.7	$1,922.6	$2,118.8
Cost of goods sold	1,408.6	1,202.3	1,405.8
Gross margin	686.1	720.3	713.0
Distribution expense	120.0	113.2	108.6
Marketing expense	302.8	274.1	290.4
General & administrative expense	210.7	188.8	205.0
Gain on divestiture of businesses	(3.9)	(56.5)	(380.0)
Net (gain) loss on sale of assets	(8.6)	(0.1)	0.6
Business realignment and asset write-offs	44.1	41.6	19.7
Operating income	21.0	159.2	468.7
Interest expense	62.7	63.2	65.5
Affiliated interest expense	2.4	5.3	5.4
Interest income and other	(15.5)	(33.6)	(34.7)
Investment write-downs and other charges	68.0	3.0	26.7
(Loss) income from continuing operations before income tax	(96.6)	121.3	405.8
Income tax (benefit) expense	(68.0)	31.7	133.4
(Loss) income from continuing operations	(28.6)	89.6	272.4
Discontinued operations:			
Income from operations, net of tax	3.1	2.2	1.2
Gain (loss) on disposal, net of tax	37.0	(3.1)	36.7
Income before cumulative effect of change in accounting principle	11.5	88.7	310.3
Cumulative effect of change in accounting principle	-	(2.8)	-
Net income	11.5	85.9	310.3
Affiliate's share of income	(0.1)	(5.1)	(142.0)
Preferred stock dividends	(73.7)	(73.7)	(73.7)
Net (loss) income applicable to common stock	$ (62.3)	$ 7.1	$ 94.6

See Notes to Consolidated and Combined Financial Statements

COMBINED BALANCE SHEETS
BORDEN, INC. AND AFFILIATES

(In millions)

ASSETS	December 31, 2000	December 31, 1999
CURRENT ASSETS		
Cash and equivalents	$ 43.2	$ 227.5
Accounts receivable (less allowance for doubtful accounts of $13.9 in 2000 and $13.2 in 1999)	301.6	274.1
Loan receivable from affiliate	6.1	56.2
Inventories:		
Finished and in-process goods	115.2	110.9
Raw materials and supplies	87.2	80.5
Deferred income taxes	66.7	58.5
Other current assets	20.6	20.2
Net assets of discontinued operations (See Note 6)	-	61.8
	640.6	889.7
INVESTMENTS AND OTHER ASSETS		
Investments	61.9	64.0
Investment in affiliate	10.0	51.5
Deferred income taxes	84.6	81.7
Prepaid pension assets	122.5	140.8
Other assets	31.0	31.8
	310.0	369.8
PROPERTY AND EQUIPMENT		
Land	38.4	36.0
Buildings	163.6	171.2
Machinery and equipment	1,076.2	1,009.6
	1,278.2	1,216.8
Less accumulated depreciation	(498.7)	(486.6)
	779.5	730.2
INTANGIBLES		
Net of accumulated amortization of $160.6 in 2000 and $141.2 in 1999	457.7	403.3
TOTAL ASSETS	$ 2,187.8	$ 2,393.0

See Notes to Consolidated and Combined Financial Statements

COMBINED BALANCE SHEETS
BORDEN, INC. AND AFFILIATES

(In millions)

LIABILITIES AND SHAREHOLDERS' EQUITY	December 31, 2000	December 31, 1999
CURRENT LIABILITIES		
Accounts and drafts payable	$ 198.6	$ 184.3
Debt payable within one year	44.1	18.0
Income taxes payable	121.4	254.9
Loans with affiliates	79.2	14.5
Other current liabilities	233.5	244.9
	676.8	716.6
OTHER LIABILITIES		
Long-term debt	535.8	544.1
Non-pension post-employment benefit obligations	166.8	183.8
Other long-term liabilities	81.8	85.7
	784.4	813.6
COMMITMENTS AND CONTINGENCIES (SEE NOTE 19)		
SHAREHOLDERS' EQUITY		
Preferred stock	614.4	614.4
Common stock	2.0	2.0
Paid in capital	623.9	664.4
Receivable from parent	(414.9)	(414.9)
Affiliate's interest in subsidiary	66.3	66.2
Accumulated other comprehensive income	(95.5)	(84.1)
(Accumulated deficit) retained earnings	(69.6)	14.8
	726.6	862.8
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 2,187.8	$ 2,393.0

See Notes to Consolidated and Combined Financial Statements

COMBINED STATEMENTS OF CASH FLOWS
BORDEN, INC. AND AFFILIATES

(In millions)	Year ended December 31, 2000	1999	1998
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES			
Net income	$ 11.5	$ 85.9	$ 310.3
Adjustments to reconcile net income to net cash from (used in) operating activities:			
(Gain) loss on disposal of discontinued operations, net of tax	(37.0)	3.1	(36.7)
Gain on divestiture of businesses	(3.9)	(56.5)	(380.0)
Net (gain) loss on the sale of assets	(8.6)	(0.1)	0.6
Deferred tax provision	(9.9)	28.7	157.3
Depreciation and amortization	103.7	84.6	79.9
Business realignment and asset write-offs	44.1	41.6	25.8
Unrealized gain on interest rate swap	(4.9)	(10.8)	(4.1)
Investment write-downs and other charges	68.0	3.0	26.7
Net change in assets and liabilities:			
Trade receivables	(33.9)	(4.7)	49.2
Inventories	(9.9)	(12.1)	15.2
Trade payables	21.5	4.5	(33.7)
Income taxes	(81.3)	(18.9)	(93.4)
Other assets	17.4	22.0	94.5
Other liabilities	(48.3)	(87.7)	(250.3)
Net assets of discontinued operations	5.5	(4.1)	5.5
	34.0	78.5	(33.2)
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES			
Capital expenditures	(156.1)	(141.9)	(100.2)
Proceeds from the divestiture of businesses	10.9	31.2	1,071.2
Purchase of businesses	(118.1)	(119.6)	(14.4)
Proceeds from the sale of fixed assets	9.9	14.2	15.8
Purchase of affiliate's receivables, net of cash collected	(0.5)	-	-
Equity investment in affiliate	-	(50.0)	-
	(253.9)	(266.1)	972.4
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES			
Net short-term debt borrowings (repayments)	32.9	(10.5)	6.4
Borrowings of long-term debt	125.0	-	-
Repayment of long-term debt	(140.0)	(0.2)	(236.7)
Affiliated borrowings/receipts (repayments/loans)	114.7	(179.6)	134.3
Distribution to affiliate	-	-	(272.2)
Interest received from parent	48.6	48.9	60.4
Common stock dividends paid	(61.6)	(64.4)	(60.4)
Preferred stock dividends paid	(73.7)	(73.7)	(73.7)
Other distributions	(10.3)	-	-
	35.6	(279.5)	(441.9)

COMBINED STATEMENTS OF CASH FLOWS (CONTINUED)
BORDEN, INC. AND AFFILIATES

(In millions)	Year ended December 31, 2000	1999	1998
(Decrease) increase in cash and equivalents	$ (184.3)	$(467.1)	$497.3
Cash and equivalents at beginning of year	227.5	694.6	197.3
Cash and equivalents at end of year	$ 43.2	$ 227.5	$694.6
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION			
Cash paid:			
Interest, net	$ 47.4	$ 40.8	$ 32.0
Taxes	17.9	21.5	89.0
Non-cash activity:			
Distribution of note receivable from Company's parent to cancel options	-	-	39.2
Investment retained in IHDG	-	-	3.0
Capital contribution by parent	46.7	26.4	42.9
Affiliate's share of income	0.1	5.1	142.0
Accrued dividends on investment in affiliate	6.5	1.5	-
Distribution of net assets of infrastructure management services business to the Company's parent	6.0	-	-
Distribution of net assets of Wise to BWHLLC	58.7	-	-
Reclassification of minimum pension liability adjustment from/(to) shareholders' equity	1.8	3.3	(5.4)

See Notes to Consolidated and Combined Financial Statements

COMBINED STATEMENTS OF SHAREHOLDERS' EQUITY
BORDEN, INC. AND AFFILIATES

(In millions)

	Preferred Stock	Common Stock	Paid-in Capital	Receivable from Parent	Affiliate's Interest in Subsidiary	Accumulated Other Comprehensive Income	Retained Earnings (Accumulated Deficit)	Total
Balance, December 31, 1997	$614.4	$2.0	$666.5	$(464.1)	$203.3	$(181.2)	$ (86.9)	$754.0
Net income							310.3	310.3
Translation adjustments and other			(0.2)			97.4		97.2
Minimum pension liability (net of $3.0 tax)						(5.4)		(5.4)
COMPREHENSIVE INCOME								$402.1
Preferred stock dividends							(73.7)	(73.7)
Common stock dividends			(59.5)					(59.5)
Interest accrued on notes from parent (net of $19.9 tax)			30.7	9.6				40.3
Cancel option on Decorative Products			(39.2)	39.2				-
Capital contribution from parent			42.9					42.9
Affiliate's interest in subsidiary			12.3		(142.5)		(142.0)	(272.2)
Balance, December 31, 1998	$614.4	$2.0	$653.5	$(415.3)	$ 60.8	$ (89.2)	$ 7.7	$833.9
Net income							85.9	85.9
Translation adjustments and other						1.8		1.8
Minimum pension liability (net of $1.7 tax)						3.3		3.3
COMPREHENSIVE INCOME								$ 91.0
Preferred stock dividends							(73.7)	(73.7)
Common stock dividends			(64.1)					(64.1)
Interest accrued on notes from parent (net of $14.0 tax)			34.5	0.4				34.9
Capital contribution from parent			26.4					26.4
Increase in foreign tax basis and other			14.1		0.3			14.4
Affiliate's interest in subsidiary					5.1		(5.1)	-
Balance, December 31, 1999	$614.4	$2.0	$664.4	$(414.9)	$ 66.2	$ (84.1)	$ 14.8	$862.8

See Notes to Consolidated and Combined Financial Statements

COMBINED STATEMENTS OF SHAREHOLDERS' EQUITY
BORDEN, INC. AND AFFILIATES

(In millions)

	Preferred Stock	Common Stock	Paid-in Capital	Receivable from Parent	Affiliate's Interest in Subsidiary	Accumulated Other Comprehensive Income	Retained Earnings (Accumulated Deficit)	Total
Balance, December 31, 1999	$614.4	$2.0	$664.4	$(414.9)	$66.2	$(84.1)	$14.8	$862.8
Net income							11.5	11.5
Translation adjustments						(13.2)		(13.2)
Minimum pension liability (net of $0.9 tax)						1.8		1.8
COMPREHENSIVE INCOME								$ 0.1
Preferred stock dividends							(73.7)	(73.7)
Common stock dividends			(61.6)					(61.6)
Other distributions			(52.9)				(22.1)	(75.0)
Interest accrued on notes from parent (net of $17.4 tax)			31.2					31.2
Capital contribution from parent			46.7					46.7
Decrease in foreign tax basis and other			(3.9)					(3.9)
Affiliate's interest in subsidiary					0.1		(0.1)	-
Balance, December 31, 2000	$614.4	$2.0	$ 623.9	$(414.9)	$ 66.3	$ (95.5)	$ (69.6)	$726.6

See Notes to Consolidated and Combined Financial Statements

NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS
(Dollars in millions except per share data)

1. BACKGROUND

As a result of a merger completed on March 14, 1995, Borden, Inc. (the "Company", the "Registrant") is controlled by affiliates of Kohlberg Kravis Roberts & Co. ("KKR"). The Company is a Registrant under the Securities and Exchange Commission Rules and Regulations as a result of public debt outstanding prior to the merger and therefore elected not to apply push-down accounting in its consolidated financial statements.

At the time of the merger, the Company's principal lines of business included international and domestic food operations ("Foods"), a salty snacks business ("Wise") as well as other businesses. Subsidiaries of BW Holdings, LLC ("BWHLLC", an affiliate of KKR), Wise Holdings, Inc. ("Wise Holdings") and Borden Foods Holdings Corporation ("Foods Holdings"), purchased Wise and Foods on July 2, 1996, and October 1, 1996, respectively. Since these sales, Wise and Foods, as of their respective sales dates, are no longer legally part of the Company on a consolidated basis. However, management of the Company continued to exercise significant operating and financial control over Wise and Foods and both Wise Holdings and Foods Holdings were guarantors of the Company's credit facility and all of the Company's publicly held debt. Because of the aforementioned control and guarantees, the Company has included, supplementally in this filing, combined financial statements of Borden, Inc. and Affiliates (the "Combined Companies") which present the financial condition and results of operations and cash flows of the Company combined with the financial condition and results of operations and cash flows of Wise and Foods. The Combined Companies' financial statements do not reflect push-down accounting and therefore present financial information on a basis consistent with that upon which credit was originally extended to the Company.

On October 30, 2000, Wise Holdings was sold by BWHLLC (see Note 18). For purposes of the Combined Financial Statements, Wise Holdings is treated as if its net assets were distributed out of the Combined Companies ("the Wise Distribution") on October 30, 2000. On October 30, 2000, Wise Holdings' financial guarantees ceased. As a result of the Wise Distribution, Wise is reflected as a discontinued operation in the Combined Financial Statements for all periods presented.

2. NATURE OF OPERATIONS

The Company is engaged primarily in manufacturing, processing, purchasing and distributing primarily forest products and industrial resins, formaldehyde, melamine crystal and other specialty and industrial chemicals worldwide as well as consumer glues and adhesives in North America. The Company also provided infrastructure management services prior to the distribution of that business in the first quarter of 2000 (see Note 4). Prior to its sale on March 13, 1998, the Company engaged in a Decorative Products business, which is included in the Company's discontinued operations, consistent with the Company's ownership.

In addition to the Company's businesses, the Combined Companies includes the Foods business and the Wise business, prior to the Wise Distribution, which are engaged primarily in manufacturing, processing and distributing food products.

Domestic products for the chemical business are sold throughout the United States to industrial users. To the extent practicable, international distribution techniques parallel those used in the United States and are concentrated in Canada, Western Europe, Latin America and the Far East. The Foods and Wise products included in the Combined Companies are marketed primarily through food brokers and distributors in the United States.

Approximately 54% of the Company's and the Combined Companies' manufacturing and processing facilities are located in the United States and the remainder are located in foreign countries. The majority of the long-lived assets of the Company and the Combined Companies are located in the United States. Approximately 32% and 29% of the Company and Combined Companies' sales are generated in foreign countries.

Information about the Company's operating and geographic segments is provided in Item 1 on pages 6 to 9 and is an integral part of the Consolidated and Combined Financial Statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies followed by the Company, as summarized below, are in conformity with generally accepted accounting principles. The Combined Companies' policies are consistent with those of the Company.

PRINCIPLES OF CONSOLIDATION AND COMBINATION - The Consolidated Financial Statements include the accounts of Borden, Inc. and its subsidiaries, after elimination of intercompany accounts and transactions. The Combined Financial Statements include the accounts of Borden, Inc., Foods and Wise (prior to the Wise Distribution), after the elimination of intercompany accounts and transactions. The Company's share of the net earnings of 20% to 50% owned companies is included in income on an equity basis. The Company amortizes any excess of cost over the underlying equity in net assets of an equity investment.

USE OF ESTIMATES - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates included in the financial statements include reserves for expenses related to business redesign, valuation allowances for deferred tax assets, other tax liabilities and general insurance liabilities. Other significant estimates include accruals for trade promotion, litigation and environmental remediation. Actual results could differ from those estimates.

CASH AND EQUIVALENTS - The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. Included in the Company's cash equivalents are interest bearing time deposits of $11.1 in 2000 and $103.3 in 1999. The Combined Companies' cash equivalents included interest bearing time deposits of $16.0 in 2000 and $132.4 in 1999. The effect of exchange rate changes on cash is not material.

INVENTORIES - Inventories are stated at lower of cost or market. Cost is determined using the average cost and first-in, first-out methods.

PROPERTY AND EQUIPMENT - Land, buildings, and machinery and equipment are carried at cost. Depreciation is recorded on the straight-line basis by charges to expense at rates based on estimated useful lives of properties (average rates for buildings 4%; machinery and equipment 8%). Major renewals and betterments are capitalized. Maintenance, repairs and minor renewals are expensed as incurred. The Combined Companies have $3.0 of machinery and equipment recorded under capital leases at December 31, 2000.

INTANGIBLES - The excess of purchase price over net tangible and identifiable intangible assets of businesses acquired ("goodwill") is carried as intangibles in the Consolidated and Combined Balance Sheets. It is the Company's and Combined Companies' policy to carry goodwill arising prior to November 1, 1970, at cost, while goodwill arising after that date is amortized on a straight-line basis over not more than 40 years. Also included in intangibles are certain trademarks, patents and other intangible assets used in the operations of the businesses which amounted to $65.9 and $7.9 for the Company ($76.9 and $19.2 for the Combined Companies) at December 31, 2000 and 1999, respectively. These intangibles are amortized on a straight-line basis over the shorter of the legal or useful life of the asset.

IMPAIRMENT - The Company and Combined Companies periodically evaluate the recoverability of property, equipment, investments and intangibles by assessing whether the carrying value can be recovered over its remaining useful life through the expected future undiscounted operating cash flows of the underlying business. Any impairment loss required is determined by comparing the carrying value of the asset to operating cash flows on a discounted basis.

REVENUE RECOGNITION - Revenues are recognized when products are shipped and title transfers to the buyer.

SHIPPING AND HANDLING - In September 2000, the Emerging Issues Task Force ("EITF") reached a consensus on Issue No. 00-10, "Accounting for Shipping and Handling Fees and Costs," which addresses the income statement classification for shipping and handling fees and costs. In order to conform with the consensus, the Company and Combined Companies reclassified freight billed to customers of $15.4, $14.5 and $13.0 for the years ended December 31, 2000, 1999 and 1998, respectively, from distribution expense to net sales.

Shipping costs are incurred to move the Company's and Combined Companies' products from production and storage facilities to the customers. Handling costs are incurred from the point the product is removed from inventory until it is provided to the shipper and generally include costs to store, move and prepare the products for shipment. The Company and Combined Companies incurred shipping costs of $73.0 and $89.4, respectively, in 2000, $68.5 and $83.0 in 1999 and $62.1 and $77.8 in 1998. These costs are classified as distribution expense in the Consolidated and Combined Statements of Operations. Due to the nature of the Company's and Combined Companies' businesses, handling costs incurred prior to shipment are not significant.

ADVERTISING AND PROMOTION EXPENSE - Production costs of future media advertising are deferred until the advertising first occurs. All other advertising costs are expensed when incurred. Promotional expenses are generally expensed ratably over the year in relation to revenues or other performance measures.

FOREIGN CURRENCY TRANSLATIONS - Assets and liabilities of foreign affiliates, other than those located in highly inflationary economies, are translated at the exchange rates in effect at the balance sheet date, and the related translation adjustments are reported as a component of shareholders' equity. Income and expenses are translated at average exchange rates prevailing during the year.

The Company and the Combined Companies incurred realized and unrealized net foreign exchange (gains) losses aggregating ($0.2) and ($0.0), respectively, in 2000, ($0.7) and ($2.5) in 1999 and ($0.3) and $1.5 in 1998.

INCOME TAXES - Income tax expense is based on reported results of operations before income taxes. Deferred income taxes reflect the temporary difference between amounts of assets and liabilities recognized for financial reporting purposes and such amounts recognized for tax purposes. Deferred tax balances are adjusted to reflect tax rates, based on current tax laws, that will be in effect in the years in which temporary differences are expected to reverse. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized.

DERIVATIVE FINANCIAL INSTRUMENTS - The Company primarily uses two types of derivatives: interest rate swaps (which effectively convert a portion of the Company's variable rate obligations to fixed) and forward exchange contracts (which reduce the Company's cash flow exposure to changes in foreign exchange rates). Under interest rate swaps, the Company agrees with other parties to exchange, at specific intervals, the difference between fixed rate and floating rate interest amounts calculated by reference to an agreed notional principal amount. Interest rate swaps that are in excess of outstanding obligations are marked to market through other income and expense. The fair values of forward exchange contracts that hedge firm third party commitments are deferred and recognized as part of the underlying transactions as they occur, those that hedge existing assets and liabilities are recognized in income currently, and offset gains and losses of transactions being hedged.

EARNINGS PER SHARE - Basic and diluted net income attributable to common stock is computed by dividing net income by the weighted average number of common shares outstanding during the period. Options issued by subsidiaries that enable the holder to obtain stock of the subsidiary were assumed to be exercised if they were dilutive.

At December 31, 2000, there were 5.5 million options to purchase subsidiary stock outstanding, of which 1.1 million were considered dilutive to Earnings Per Share ("EPS"). At December 31, 1999, there were 6.2 million options to purchase subsidiary stock outstanding, of which 5.0 million were considered dilutive to EPS. At December 31, 1998, there were 5.6 million options to purchase subsidiary stock outstanding, none of which were considered dilutive to EPS.

The Company's diluted EPS is calculated as follows:

	2000	1999	1998
Net loss applicable to common shareholders	$ (39.7)	$ (20.8)	$ (11.1)
Effect of dilutive options in subsidiary stock	-	(0.5)	-
Diluted EPS - Numerator	$ (39.7)	$ (21.3)	$ (11.1)
Weighted average shares - Denominator	199.0	199.0	199.0
Diluted EPS	$ (0.20)	$ (0.11)	$ (0.06)

CONCENTRATIONS OF CREDIT RISK - Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of temporary cash investments and accounts receivable. The Company places its temporary cash investments with high quality institutions and, by policy, limits the amount of credit exposure to any one institution. Concentrations of credit risk with respect to accounts receivable are limited, due to the large number of customers comprising the Company's customer base and their dispersion across many different industries and geographies. The Company generally does not require collateral or other security to support customer receivables.

RECENTLY ISSUED ACCOUNTING STANDARDS -In June 1998, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities". This standard requires all derivatives be measured at fair value and recorded on a company's balance sheet as an asset or liability, depending upon the company's underlying rights or obligations associated with the derivative instrument. In June 1999, the FASB issued SFAS No. 137, "Accounting for Derivative Instruments and Hedging Activities - Deferral of the Effective Date of FASB Statement No. 133". This statement defers the effective date of SFAS No. 133 to all fiscal quarters of all fiscal years beginning after June 15, 2000. In June 2000, the FASB issued SFAS No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities", which is an amendment of SFAS No. 133. SFAS No. 138 addresses a limited number of implementation issues resulting from the application of SFAS No. 133. The Company and Combined Companies will implement SFAS No. 133 as of January 1, 2001. Adoption of this pronouncement will result in a pre-tax loss of $5.2 and $5.6 ($3.3 and $3.5 after-tax) for the Company and Combined Companies, respectively, that will be recorded to Shareholders' Equity in Other Comprehensive Income as a cumulative effect of a change in accounting principle. Future results are not expected to be materially impacted by the adoption of this pronouncement.

In July 2000, the Emerging Issues Task Force ("EITF") reached a consensus on Issue No. 00-14, "Accounting for Certain Sales Incentives", which addresses the recognition, measurement and income statement classification for sales incentives offered to customers. Although this EITF is not effective until June 30, 2001, registrants who do not elect early adoption are subject to certain disclosure requirements at December 31, 2000. Upon adoption, approximately $24 and $104 for the Company and Combined Companies, respectively, in 2000, $14 and $86 in 1999 and $12 and $93 in 1998 will be reclassified from marketing expense to net sales. The Company's and Combined Companies' current policy of recognizing a liability for sales incentives at the later of the date at which the related revenue is recorded or the date at which the sales incentive is offered, complies with the consensuses reached in this Issue.

RECLASSIFICATION - Certain prior year amounts have been reclassified to conform with the 2000 presentation.

4. BUSINESS ACQUISITIONS, DIVESTITURES, REALIGNMENT AND ASSET WRITE-OFFS

In 2000, management continued to review and adjust its structure to streamline its operations in order to improve business financial results and maximize returns to owners of the Company and Combined Companies. As a result of this process, the Company continued to make acquisitions, committed to certain business realignment activities and divested a business. The Wise Distribution and subsequent sale were completed in 2000 because Wise was determined to not be a long-term strategic fit. Management of the Company and Combined Companies is expected to continue to review its operating structures and strategic options in 2001.

Acquisitions

In 2000, the Company acquired the formaldehyde and certain other assets from Borden Chemicals and Plastics Limited Partnership ("BCP"), an affiliate of the Company, for $23.8, comprised of $14.1 cash and a $9.7 interest-bearing note due in January 2001. The acquisition was accounted for using the purchase method of accounting and, accordingly, its results of operations have been included from the date of acquisition. The purchase price approximates the fair value of the assets acquired.

In the fourth quarter of 2000, the Company acquired East Central Wax, Inc., a manufacturer of wax emulsions for the wood products industry, for $2.8 in cash. The acquisition was accounted for using the purchase method of accounting and, accordingly, its results of operations have been included from the date of acquisition. Based on a preliminary allocation, the excess of purchase price over net tangible and intangible assets is approximately $1.9 million and will be amortized over 40 years.

In May 2000, the Company acquired certain assets and liabilities of a Canadian based business for $91.5 in cash. The business manufactures glue, glue sticks, paints, tapes and craft/stationery products at its manufacturing facility in Ontario, Canada. The acquisition was accounted for using the purchase method of accounting and, accordingly, the business' results of operations have been included since the acquisition date. Based on a preliminary allocation, the excess purchase price over net tangible and identifiable intangible assets is approximately $16.3 and will be amortized over a period of 15 years.

In the fourth quarter of 1999, the Company purchased a resins manufacturing plant in Minnesota for $7.5 in cash. The facility produces resins for use in the manufacturing of wood and industrial products. The acquisition was accounted for using the purchase method of accounting and, accordingly, its results of operations have been included from the date of acquisition. The purchase price approximates the fair value of the assets acquired.

Early in the third quarter of 1999, the Company completed the acquisition of Blagden Chemicals, Ltd. ("Blagden") for $71.5 in cash. Blagden produces formaldehyde and resins for forest products, foundry, and industrial applications at three manufacturing facilities in the United Kingdom and a fourth in the Netherlands. The acquisition was accounted for using the purchase method of accounting and, accordingly, its results of operations have been included from the date of acquisition. Goodwill of $31 will be amortized over 40 years.

In May 1999, the Company completed the acquisition of Spurlock Industries, Inc. ("Spurlock") for $40.6 in cash. Spurlock is a formaldehyde and resins producer primarily for forest products applications with manufacturing facilities in Virginia, Arkansas, and New York. The acquisition was accounted for using the purchase method of accounting and, accordingly, its results of operations have been included from the date of acquisition. Goodwill of $14 will be amortized over a period of 40 years.

In February 1998, the Company acquired the resins and compounds division ("PMC") of Sun Coast Industries, Inc. for $14.4 in cash. The acquisition of this business further expanded the Company's growth in the melamine market. The acquisition was accounted for using the purchase method and, accordingly, its results of operations have been included from the date of acquisition. Goodwill of $4.2 was recorded related to this acquisition and is being amortized over 40 years.

Divestitures

In the fourth quarter of 2000, the Company sold its printing inks business for $10.3 resulting in a pre-tax loss of $3.5 ($2.2 after-tax).

On October 30, 2000, the shares of Wise Holdings were sold by BWHLLC to Palladium Equity Partners, LLC for $92.3 (see Note 1).

In the third and fourth quarters of 2000, the Combined Companies recorded gains of $3.1 and $1.7, respectively, due to lower than anticipated exit costs primarily associated with the 1998 divestiture of the Signature Flavors business. This amount is recorded as gain on the divestiture of businesses in the Combined Statements of Operations.

On February 25, 2000, the Company distributed 100% of its ownership in the infrastructure management services business to its parent. The distribution was treated as a dividend at the recorded net book value of approximately $16.

Subsequently, substantially all of the assets of the infrastructure management services business were sold to a subsidiary of Interliant, Inc. in exchange for $2.5 in cash and 1,041,179 shares of Interliant, Inc. stock.

The Company's realignment which began in 1996 included the 1998 sales of the Decorative Products, commercial and industrial wallcovering, and Latin American films businesses. In the fourth quarter of 1999, the Company recorded $7.4 of additional pre-tax gain due to lower than expected exit costs related primarily to the commercial and industrial wallcoverings sale. In addition to cash proceeds, consideration received on the sale of the Decorative Products business included a retained interest in the buyer (see Note 8). In October 1999, the Company sold the molding compounds business, a division of Sun Coast Industries acquired in 1998.

Foods substantially completed its divestiture of most of the KLIM operations and the Signature Flavors businesses and the sale of two international Foods operations in 1998. Certain proceeds for these businesses were received in 1999. In 1999, Foods sold its China KLIM business for approximately $7.1, which resulted in a pre-tax gain of approximately $10.8 ($3.5 after-tax). Also, in 1999, $37.8 of additional pre-tax gain was recorded due primarily to lower than expected exit costs related to the 1998 KLIM sale. The remaining reserves related to the KLIM sale are approximately $0.1 and $5.0 at December 31, 2000 and 1999, respectively.

In July 1999, Foods sold the chocolate milk business located in Denmark. The sale generated proceeds of $6.7 which resulted in a pre-tax gain of $1.9 ($1.2 after-tax).

The following schedule summarizes the net cash proceeds, pre-tax and after-tax gains and losses associated with business divestiture activities over the last three years.

	NET CASH PROCEEDS			GAIN (LOSS)		
	2000	1999	1998	2000	1999	1998
CONTINUING OPERATIONS						
Printing Inks	$ 10.3			$(3.5)		
Commercial & industrial wallcoverings (1)			$ 15.6	2.0	$ 5.5	
Latin America Films			15.5			$ 8.3
Molding compounds business		$ 7.6				
Other	0.6			0.6	1.9	
TOTAL CONSOLIDATED PRE-TAX	$ 10.9	$ 7.6	$ 31.1	$(0.9)	$ 7.4	$ 8.3
KLIM		$ 16.9	$339.9		$ 48.6	$55.9
Signature Flavors			376.5	$ 4.8		304.5
Cracker Jack & Domestic Cheese						5.7
Other		6.7	18.9		0.5	5.6
TOTAL COMBINED PRE-TAX	$ 10.9	$ 31.2	$766.4	$ 3.9	$ 56.5	$380.0
CONSOLIDATED AFTER-TAX (LOSS) GAIN				$(0.5)	$ 4.8	$ 6.0
COMBINED AFTER-TAX GAIN				$ 2.4	$ 45.0	$270.5
DISCONTINUED OPERATIONS (SEE NOTE 6)						
Decorative Products			$304.8			$102.7
Dairy					$ 0.9	8.9
Other					(5.8)	
TOTAL COMBINED PRE-TAX	-	-	304.8	-	(4.9)	111.6
Borden Foods					1.8	
TOTAL CONSOLIDATED PRE-TAX	$ -	$ -	$304.8	$ -	$(3.1)	$111.6
COMBINED AFTER-TAX GAIN (LOSS)				$ 37.0	$(3.1)	$ 36.7
CONSOLIDATED AFTER-TAX GAIN (LOSS)				$ 93.0	$(2.0)	$ 36.7

(1) A loss on the sale of the business was accrued in a period prior to 1998.

Business Realignment and Asset Write-Offs
- ---

In the fourth quarter of 2000, the Company recorded a charge of $24.5 related primarily to the closure of two forest products plants in the United States and the consolidation of administrative headquarters in the United Kingdom. These closures are part of an ongoing program to reduce the Company's operating expenses. The charge consists primarily of severance costs and asset write-downs. This amount is classified as business realignment and asset write-offs in the Consolidated and Combined Statements of Operations.

In the third quarter of 2000, the Combined Companies recorded a charge of $4.8 related to a Foods corporate workforce reduction program. The program was put in place to take advantage of the efficiencies generated from the implementation of enterprise-wide technology systems in 1999. In the fourth quarter, an additional $0.9 was recorded related to this program. This amount is classified as business realignment and asset write-offs in the Combined Statements of Operations.

In the second quarter of 2000, the Company recorded a charge of $9.0 related primarily to the closure of a United Kingdom formaldehyde and resins plant as a result of the acquisition of Blagden Chemicals, Ltd. in 1999. The charge primarily consists of severance costs. This amount is classified as business realignment and asset write-offs in the Consolidated and Combined Statements of Operations.

In June 2000, the Company sold certain rights to harvest shellfish for $10.5, resulting in a pre-tax gain of $10.5 ($6.8 after-tax). This amount is recorded as gain on the sale of assets in the Consolidated and Combined Statements of Operations.

In the first quarter of 2000, the Company recorded $2.8 primarily of severance and environmental remediation costs related to the closure of Chemical's resins operations primarily in Argentina and California. In the third quarter, the Company recorded an additional charge of $1.8 related primarily to additional environmental remediation costs associated with the plant closure in Argentina. These amounts are classified as business realignment and asset write-offs in the Consolidated and Combined Statements of Operations.

In June 1999, the Company finalized a plan for the closure of the Chemical resins operations in the Philippines. As part of this plan, long-lived assets will be disposed of and were written down to net realizable value as of June 30, 1999 based upon estimated proceeds of $5.0. This resulted in a 1999 charge of $13.0 which is classified as business realignment and asset write-offs on the Consolidated and Combined Statement of Operations and as a reduction of accumulated translation adjustments previously recorded on the balance sheet for the Philippines.

In the third quarter of 1999, management approved a plan to close a Brazil Chemical operation and Uruguay Chemical business. As a result, a charge of $3.6 was recorded which relates primarily to fixed assets and is recorded as business realignment and asset write-offs on the Consolidated and Combined Statements of Operations.

In 1999, management of the Company discontinued a plant expansion project. As a result, the Company has written off $25.0 of engineering, equipment and other costs which are classified as business realignment and asset write-offs in the Consolidated and Combined Statements of Operations.

In September 1998, the Combined Companies approved the closure of a domestic pasta plant in order to reduce manufacturing capacity. As a result, the Combined Companies recorded, and classified as a business realignment and asset write-offs, a $17.2 charge related to the closure of the plant and an additional charge of $6.1 to cost of goods sold for the write-down of inventory. The plant ceased operations in the fourth quarter of 1998.

In December 1997, the Company committed to exit a European Chemical operation and accrued a business realignment charge on this business in 1997 of $16.0. During 1998, the exit of this business was completed, and a pre-tax charge of $2.5 was recorded in 1998 for additional expenses incurred to exit this business, primarily severance.

5. AFFILIATE'S SHARE OF INCOME

In association with a limited partnership agreement between Foods and Foods' parent, Borden Foods Holdings LLC, an affiliate of the Company's parent, the affiliate was allocated income and gains on the sale of trademarks of $0.1, $5.1

and $142.0 in 2000, 1999 and 1998, respectively (see accompanying Combined Statements of Operations). In addition, a $272.2 cash distribution of a portion of the sale proceeds was made to the affiliate in 1998.

6. DISCONTINUED OPERATIONS

The Decorative Products operations were a separate segment of the Company and Combined Companies and Wise was a separate segment of the Combined Companies as defined by generally accepted accounting principles and have been reclassified to discontinued operations in the statements of operations, balance sheets and cash flows for all periods presented.

The summary of consolidated results below include the 1999 loss from discontinued operations recorded by the Company's investee, accounted for under the equity method, and the 1998 results of the Decorative Products business (see Note 4).

	2000	1999	1998
Net sales	$ -	$ -	$ 73.2
(Loss) income before income taxes	-	(0.6)	3.5
Income tax (benefit) expense	-	(0.2)	1.2
(Loss) income from discontinued operations	-	(0.4)	2.3

As a result of the Wise Distribution, the combined results include in income from discontinued operations the financial results of Wise for all periods presented. The following table presents the consolidated results above in addition to the results of Wise.

	2000	1999	1998
Net sales	$ 208.6	$ 229.0	$ 301.9
Income before income taxes	4.6	3.2	1.4
Income tax expense	1.5	1.0	0.2
Income from discontinued operations	3.1	2.2	1.2

For the comparative balance sheets presented, the net assets of Wise are separately identified on the Combined Balance Sheets as net assets of discontinued operations.

In addition to the amounts shown above, gains and losses (net of tax) recognized on the sale of discontinued operations are included in the discontinued operations of the Consolidated and Combined Financial Statements. As a result of a settlement reached with the Internal Revenue Service in the second quarter of 2000, amounts established for tax issues related to the divestiture of certain segments of the Company's business are no longer considered necessary. A portion of these amounts for the Company and Combined Companies was classified as gain on the sale of discontinued operations in 2000, consistent with the classification of these amounts when established (see also Item 7 relating to Management's discussion on income tax expense). Included as gain on disposal of discontinued operations for the Company and Combined Companies in 2000 for these amounts are $93.0 and $37.0, respectively. Amounts differ between consolidated and combined because Foods is not reflected as a sale of a discontinued operation in combined.

The consolidated 1999 net of tax loss on disposal of discontinued operations of $2.0 represents the loss of $3.7 recorded by the Company's investee, accounted for under the equity method, offset by a favorable claim settlement related to the 1997 divestiture of Dairy of $0.6, and a gain of $1.1 due to lower than expected exit costs related to the 1996 sale of the Foods business.

The Combined Companies had a 1999 net of tax loss from discontinued operations of $3.1. The losses differ from that of the Company because the $1.1 gain on the sale of the Foods business is eliminated in the Combined Financial Statements.

The consolidated and combined 1998 net of tax gain on disposal of discontinued operations of $36.7 relates to the sale of Decorative Products.

7. COMPREHENSIVE INCOME

Comprehensive income included foreign currency translation adjustment reclassifications as shown in the following table:

	CONSOLIDATED			COMBINED		
	2000	1999	1998	2000	1999	1998
Foreign currency translation adjustments	$(9.6)	$ 10.4	$ 0.6	$(13.2)	$ 11.8	$(11.0)
Reclassification adjustments	-	(13.4)	-	-	(10.0)	108.4
	$(9.6)	$ (3.0)	$ 0.6	$(13.2)	$ 1.8	$ 97.4

The reclassification adjustments in 1999 primarily represent the accumulated translation adjustment included as part of the charge to close the Chemical operations in the Philippines. The reclassification adjustment in 1998 reflects the accumulated translation adjustment recognized on the sale of the Combined Companies' KLIM business.

8. INVESTMENTS

Investments held by the Company and Combined Companies primarily consist of two common stock equity interests received as partial consideration on the sale of certain businesses and an investment in preferred stock of an affiliate. One of the common stock investments represents approximately 33% of the outstanding shares and is accounted for using the equity method. At December 31, 2000 and 1999, the unamortized excess of the Company's investment over its equity in the underlying net assets was $16.1 and $16.5, respectively. The other two investments are accounted for using the cost method.

The Company's and Combined Companies' investments also include certain other partnership, subsidiary and joint venture interests.

The Company and Combined Companies review the carrying value of investments in accordance with existing accounting guidance that requires investments to be adjusted to fair value if the decline in value is considered to be "other than temporary" based on certain criteria. The Company and Combined Companies recorded investment write-downs of $48.0, $3.0 and $26.7 in 2000, 1999 and 1998, respectively.

9. DEBT, LEASE OBLIGATIONS AND RELATED COMMITMENTS

Debt outstanding at December 31, 2000 and 1999 is as follows:

	2000		1999	
	Long-Term	Due Within One Year	Long-Term	Due Within One Year
9.2% Debentures due 2021	$ 117.1		$ 117.1	
7.875% Debentures due 2023	250.0		250.0	
Sinking fund debentures:				
8-3/8% due 2016	78.5		78.5	
9-1/4% due 2019	48.7		48.7	
Industrial Revenue Bonds (at an average rate of 9.8% in 2000 and 8.5% in 1999)	36.2	$ 1.1	43.2	$ 10.3
Other (at an average rate of 9.5% in 2000 and 9.8% in 1999)		1.8	3.6	7.4
Total current maturities of long-term debt		2.9		17.7
Short-term debt (primarily foreign bank loans at an average rate of 7.4%)		40.6		
Total debt - Consolidated	$ 530.5	$ 43.5	$ 541.1	$ 17.7
Other Foods debt (at an average rate of 3.6% in 2000 and 0.0% in 1999)	5.3		3.0	
Foods short-term debt (primarily foreign bank loans at an average rate of 2.9% in 2000 and 6.0% in 1999)		0.6		0.3
Total debt - Combined	$ 535.8	$ 44.1	$ 544.1	$ 18.0

In the second quarter of 1998, the Company's and Combined Companies' contractually committed lines of credit (the "Credit Agreement") was reduced due to the sales of certain Foods Unaligned businesses in accordance with the terms of the Credit Agreement. As a result, the $950.0 five year revolver (maturing July 13, 2002) was reduced to $895.0, and the $50.0, 364-day convertible revolver was canceled. In the fourth quarter of 2000, as a result of the Wise Distribution, the Credit Agreement was reduced to $809.0 in accordance with the terms of the Credit Agreement. As of December 31, 2000, the Company and Combined Companies had contractually committed lines of credit of $809.0 which mature on July 13, 2002. Current pricing under the LIBOR based borrowing option is LIBOR plus 87.5 basis points. The commitment fee on the unused portion of the facility is 37.5 basis points.

The Credit Agreement, as amended, contains covenants that significantly limit or prohibit, among other things, the Company's and its subsidiaries' ability to incur indebtedness, make prepayments of certain indebtedness, pay dividends, engage in transactions with affiliates, create liens, make changes in its businesses or control of the Company, sell assets, engage in mergers and consolidations, and use proceeds from asset sales and certain debt and equity issuances. In addition, the Credit Agreement requires that the Combined Companies limit its capital expenditures to certain specified amounts and maintain other financial ratios, including a minimum ratio of EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization as adjusted by the Credit Agreement) to interest expense and a maximum ratio of total debt to EBITDA.

At December 31, 2000 and 1999, there were no outstanding debt balances under the Credit Agreement. Provisions under the Credit Agreement require Foods to guarantee the Company's obligations under the Credit Agreement. The Company had $714.0 (net of $95.0 in letters of credit) available for borrowing under its Credit Agreement at December 31, 2000, and incurred commitment fees of $1.3 in 2000 and $0.8 in 1999.

Aggregate maturities of total debt and minimum annual rentals under operating leases at December 31, 2000, for the Company and the Combined Companies are as follows:

	CONSOLIDATED		COMBINED	
	DEBT	MINIMUM RENTALS UNDER OPERATING LEASES	DEBT	MINIMUM RENTALS UNDER OPERATING LEASES
2001	$ 43.5	$ 19.6	$ 44.1	$ 21.8
2002	1.4	18.9	2.0	21.0
2003	-	17.2	1.0	19.0
2004	-	15.8	1.0	16.3
2005	-	15.1	0.6	15.5
2006 and thereafter	529.1	5.0	531.2	5.3
	$574.0		$579.9	

The Combined Companies' future minimum lease rentals under capital leases as of December 31, 2000 are shown in the following table. No capital leases were in place as of December 31, 1999.

	2000
2001	$ 0.5
2002	0.5
2003	0.5
2004	0.5
2005	0.5
2006 and thereafter	3.3
	5.8
Less amounts representing interest at 6.75%	2.8
Present value of future minimum capital lease payments	3.0
Less current portion of capital lease obligations	0.3
Long-term portion of capital lease obligations	$ 2.7

Consolidated rental expense amounted to $23.9, $22.2 and $17.3 in 2000, 1999 and 1998, respectively. Combined rental expense amounted to $25.2, $23.9 and $21.6 in 2000, 1999 and 1998, respectively.

10. INCOME TAXES

Comparative analysis of the Company's provision (benefit) for income taxes from continuing operations follows:

	CURRENT			DEFERRED		
	2000	1999	1998	2000	1999	1998
Federal	$ (19.7)	$ (2.6)	$(58.3)	$ 12.4	$ 7.1	$75.2
State and Local	(1.1)	1.5	1.6	(1.6)	(0.3)	1.2
Foreign	(0.8)	16.1	6.0	4.2	(1.0)	8.1
	$ (21.6)	$ 15.0	$(50.7)	$ 15.0	$ 5.8	$84.5

The Company's income tax expense (benefit) from discontinued operations' operating results was $0.0, $(0.2) and $1.2 in 2000, 1999 and 1998, respectively. The Company's income tax (benefit) expense related to the loss/gain on disposal from discontinued operations was $(93.0), $(1.1) and $74.9 in 2000, 1999 and 1998, respectively.

The Combined Companies' provision (benefit) for income taxes from continuing operations is as follows:

	CURRENT			DEFERRED		
	2000	1999	1998	2000	1999	1998
Federal	$(57.7)	$(12.0)	$(39.5)	$(11.7)	$22.7	$137.5
State and Local	(2.1)	1.4	5.8	(2.2)	2.7	12.7
Foreign	1.7	13.6	9.8	4.0	3.3	7.1
	$(58.1)	$ 3.0	$(23.9)	$ (9.9)	$28.7	$157.3

The Combined Companies' income tax (benefit) expense from discontinued operations' operating results was $(1.5), $0.9 and $0.2 in 2000, 1999 and 1998, respectively. The Combined Companies' income tax expense (benefit) related to the loss/gain on disposal from discontinued operations was $(37.0), $(1.8) and $74.9 in 2000, 1999 and 1998, respectively.

The income tax benefit from the cumulative effect of change in accounting principle for the Combined Companies was $1.8 in 1999.

Reconciliations of the Company's and the Combined Companies' differences between income taxes computed at Federal statutory tax rates and provisions for income taxes are as follows:

	CONSOLIDATED			COMBINED		
	2000	1999	1998	2000	1999	1998
Income taxes computed at Federal statutory tax rate	$(23.0)	$26.6	$20.1	$(33.8)	$ 42.5	$142.0
State tax provision, net of Federal benefits	(2.7)	1.2	2.3	(3.8)	3.1	12.5
Foreign tax differentials	2.2	0.2	(2.5)	2.7	1.2	1.6
Foreign source income subject to U.S. taxation, net of valuation allowance	13.1	(7.2)	8.8	13.1	(7.3)	8.8
Divestiture tax differentials	-	-	-	7.9	(11.1)	(35.7)
Losses and other expenses not deductible for tax	(1.2)	-	2.1	3.1	2.9	5.1
Adjustment of prior estimates	5.0	-	3.0	(57.2)	0.4	(0.9)
Provision for income taxes	$(6.6)	$20.8	$33.8	$(68.0)	$ 31.7	$133.4

The domestic and foreign components of the Company's and the Combined Companies' income from continuing operations before income taxes are as follows:

	CONSOLIDATED			COMBINED		
	2000	1999	1998	2000	1999	1998
Domestic	$(69.0)	$33.3	$35.4	$(105.3)	$ 76.7	$387.3
Foreign	3.4	42.8	22.0	8.7	44.6	18.5
	$(65.6)	$76.1	$57.4	$ (96.6)	$121.3	$405.8

The tax effects of the Company's and the Combined Companies' significant temporary differences, and loss and credit carryforwards, which comprise the deferred tax assets and liabilities at December 31, 2000 and 1999 follow:

	CONSOLIDATED		COMBINED	
	2000	1999	2000	1999
ASSETS				
Non-pension post-employment benefit obligations	$ 50.6	$ 58.0	$ 52.7	$ 60.5
Divestiture reserve	16.8	9.0	17.5	13.3
Accrued expenses and other expenses	86.5	65.1	91.7	73.0
Foreign accrued expenses, pensions and other expenses	4.5	6.2	0.6	2.1
Loss and credit carryforwards	198.0	180.6	214.4	192.5
Gross deferred tax assets	356.4	318.9	376.9	341.4
Valuation allowance	(101.7)	(37.7)	(102.3)	(43.0)
	254.7	281.2	274.6	298.4
LIABILITIES				
Property, plant, equipment and intangibles	59.8	68.6	51.2	84.2
Foreign property, plant, equipment/other	16.9	21.4	22.3	28.1
Certain foreign intangibles	(1.2)	(4.3)	11.9	3.5
Pension liability	35.7	41.0	35.3	37.6
Deferred gain on sale of partnership interest	17.8	13.7	17.8	13.7
Other prepaids	0.7	0.5	2.0	2.7
Gross deferred tax liabilities	129.7	140.9	140.5	169.8
Net asset	$ 125.0	$140.3	$ 134.1	$128.6

The Company's and Combined Companies' net change of $64.0 and $59.3, respectively, in valuation allowance in 2000 is primarily related to foreign tax credits generated in 1999 and 1998, no longer expected to be utilized by the Company and Combined Companies as a result of a settlement resolving federal examination issues for the years 1996 and 1997 as well as foreign tax credits identified in 2000 that are no longer expected to be utilized.

The Company's net deferred tax asset at December 31, 2000 was $125.0. Of this amount, $127.3 represents net domestic deferred tax assets related to future tax benefits. Included in the domestic deferred tax asset is $27.2 of net operating loss carryforward for U.S. federal tax purposes, which begin expiring in 2021. Realization of the domestic net operating loss is dependent upon generation of approximately $78 of future income before the expiration dates. Also included within the domestic deferred tax asset is $61.5 of foreign tax credits with a related valuation allowance of $(50.8). These foreign tax credits consist of $59.7 of foreign tax credit carryover which was generated in 1998 and 1999 and will begin expiring in 2004 and $1.8 of foreign tax credit which was generated in 2000 and will begin expiring in 2006. Realization of the entire net domestic deferred tax asset is dependent on generation of approximately $364 of future taxable income.

The Combined Companies' net deferred tax asset at December 31, 2000 was $134.1. Of this amount, $158.8 represents net domestic deferred tax assets related to future tax benefits. Included in the domestic deferred tax asset is $37.2 of net operating loss carryforward for U.S. federal tax purposes, which begin expiring in 2021. Realization of the domestic net operating loss is dependent upon generation of approximately $106 of future income before the expiration dates. Also included within the domestic deferred tax asset is $67.3 of foreign tax credits with a related valuation allowance of $(50.8). This amount consists of $65.5 of foreign tax credit carryover which was generated in 1998 and 1999 and will begin expiring in 2004 and $1.8 of foreign tax credit which was generated in 2000 and will begin expiring in 2006. Realization of the entire net domestic deferred tax asset is dependent on generation of approximately $454 of future taxable income.

The Company has not recorded income taxes applicable to undistributed earnings of foreign subsidiaries that are indefinitely reinvested in foreign operations. Undistributed earnings permanently reinvested amounted to $134.1 at December 31, 2000.

11. PENSION AND RETIREMENT SAVINGS PLANS

Most U.S. employees of the Company and the Combined Companies are covered under a non-contributory defined benefit plan ("the Borden, Inc. Plan"). The Borden, Inc. Plan provides benefits for salaried employees based on eligible compensation and years of credited service and for hourly employees based on years of credited service. Certain employees in other countries are covered under contributory and non-contributory defined benefit foreign plans. Additionally, eligible salaried and hourly employees may contribute up to 5% of their pay (7% for certain longer service salaried employees), which is currently matched by the Company at a range of 50-75%. The Company has the option to match up to 100% of this amount and in certain cases the Company may match up to 125%, based on financial performance. Charges to operations for matching contributions under the Company's retirement savings plans in 2000, 1999 and 1998 amounted to $6.2, $5.9 and $5.3, respectively. Charges for matching contributions under the Combined Companies retirement savings plans in 2000, 1999 and 1998 amounted to $7.2, $7.1 and $6.7, respectively.

The Company's and the Combined Companies' funding of their pension plans equals or exceeds the minimum funding requirements imposed by Federal and foreign laws and regulations. Subsequent to the 1996 sales of Foods and Wise, the Company's pension plan retained the liabilities related to the employees of these businesses. The consolidated projected benefit obligation and plan assets include the domestic obligation and assets for Foods in 2000, and for Foods and Wise in 1999. In 1996, the Company recorded a receivable from Foods for its actuarially determined liability which is adjusted annually for actuarially determined expense and funding payments. The Wise liability was settled in 2000, as a result of the Wise Distribution (see Notes 1 and 4). As a result of the settlement of this liability, in addition to other lump sum settlements made during 2000, the Company and Combined Companies recorded a settlement charge of $8.9 in 2000.

The assets and benefit obligations of the plans were as follows:

	CONSOLIDATED		COMBINED	
	2000	1999	2000	1999
CHANGE IN BENEFIT OBLIGATION				
Benefit obligation at beginning of year	$332.3	$351.0	$353.2	$373.0
Service cost	4.7	5.0	5.2	5.4
Interest cost	23.5	22.2	24.8	23.3
Actuarial losses (gains)	8.8	(5.8)	7.8	(7.4)
Foreign currency exchange rate changes	(0.4)	0.2	(1.3)	1.3
Benefits paid	(46.6)	(42.0)	(48.4)	(44.1)
Plan amendments	(0.7)	2.0	(0.7)	2.0
Acquisitions	7.4	-	7.4	-
Settlements/curtailments	(22.6)	(0.3)	(22.7)	(0.3)
	$306.4	$332.3	$325.3	$353.2
CHANGE IN PLAN ASSETS				
Fair value of plan assets at beginning of year	$381.0	$347.7	$406.1	$371.3
Actual return on plan assets	67.4	75.4	72.3	75.9
Foreign currency exchange rate changes	(0.2)	0.2	(1.5)	1.6
Employer contribution	3.1	0.7	3.5	2.4
Benefits paid	(46.6)	(42.0)	(48.4)	(44.1)
Acquisitions	8.1	-	8.1	-
Settlements/curtailments	(25.9)	(1.0)	(25.9)	(1.0)
Fair value of plan assets at end of year	$386.9	$381.0	$414.2	$406.1
Plan assets in excess of benefit obligation	$ 80.5	$ 48.7	$ 88.9	$ 52.9
Unrecognized net actuarial loss	22.3	73.3	23.8	78.5
Unrecognized initial transition gain	(0.1)	(0.4)	(0.1)	(0.4)
Unrecognized prior service cost	4.7	6.1	4.7	6.1
Prepaid pension asset	$107.4	$127.7	$117.3	$137.1

Amounts recognized in the balance sheets consist of:

	CONSOLIDATED		COMBINED	
	2000	1999	2000	1999
Prepaid benefit cost based on a September 30 measurement date	$112.0	$129.9	$122.7	$140.9
Accrued benefit liability	(5.3)	(5.6)	(6.1)	(7.2)
Accumulated other comprehensive income	0.7	3.4	0.7	3.4
	$107.4	$127.7	$117.3	$137.1

Plan assets consist primarily of equity securities and corporate obligations.

Consolidated expense excludes the expenses related to the Foods and Wise domestic pension plan. Following are the components of net pension expense recognized by the Company and Combined Companies:

	CONSOLIDATED			COMBINED		
	2000	1999	1998	2000	1999	1998
Service cost	$ 2.9	$ 3.1	$ 6.0	$ 5.2	$ 5.6	$ 9.3
Interest cost on projected benefit obligation	18.8	17.8	29.9	24.8	23.7	36.3
Expected return on assets	(21.4)	(22.2)	(29.9)	(28.5)	(29.7)	(37.0)
Amortization of prior service cost	0.5	0.7	(2.0)	0.7	0.9	(2.1)
Amortization of initial transition asset	(0.3)	(0.4)	(2.1)	(0.3)	(0.4)	(2.3)
Recognized actuarial loss	6.4	5.4	9.4	8.2	6.9	11.5
Settlement/curtailment loss	8.9	0.6	27.1	8.9	0.6	24.2
Net pension expense	$ 15.8	$ 5.0	$ 38.4	$ 19.0	$ 7.6	$ 39.9

The weighted average rates used to determine net pension expense for both the Company and the Combined Companies were as follows:

	2000	1999	1998
Discount rate	7.7%	6.7%	7.4%
Rate of increase in future compensation levels	4.7%	4.2%	4.3%
Expected long-term rate of return on plan assets	8.7%	7.9%	8.4%

In 1999, the Company and Combined Companies elected to update the mortality table used to determine the projected benefit obligation and pension expense. The impact of this change in assumption was an increase in the obligation at December 31, 1999, of approximately $7.0 for the Company and Combined Companies and an increase in expense for fiscal year 2000 of approximately $0.8 and $1.1 for the Company and Combined Companies, respectively.

The projected benefit obligation and fair value of plan assets for the Company's pension plans with benefit obligations in excess of plan assets were $5.6 and $0.0, respectively, as of December 31, 2000, and $11.6 and $4.5, respectively, as of December 31, 1999.

The projected benefit obligation and fair value of plan assets for the Combined Companies' pension plans with benefit obligations in excess of plan assets were $6.1 and $0.0, respectively, as of December 31, 2000, and $12.0 and $4.5, respectively, as of December 31, 1999.

Most employees not covered by the Company's plans are covered by collectively bargained agreements, which are generally effective for five years. Under Federal pension law, there would be continuing liability to these pension trusts if the Company ceased all or most participation in any such trust, and under certain other specified conditions. The Consolidated Financial Statements include charges of $0.2, $1.3 and $1.0 in 2000, 1999 and 1998, respectively, for payments to pension trusts on behalf of employees not covered by the Company's plans. The Combined Financial Statements include charges of $0.3, $1.8 and $1.7 in 2000, 1999 and 1998, respectively.

12. NON-PENSION POSTRETIREMENT BENEFIT

The Company provides certain health and life insurance benefits for eligible domestic and Canadian retirees and their dependents. The cost of postretirement benefits is accrued during employees' working careers. Domestic participants who are not eligible for Medicare are provided with the same medical benefits as active employees, while those who are eligible for Medicare are provided with supplemental benefits. Canadian participants are provided with supplemental benefits to the national healthcare plan in Canada. The domestic postretirement medical benefits are contributory; the Canadian medical benefits are non-contributory. The domestic and Canadian postretirement life insurance benefits are non-contributory. Benefits are funded on a pay-as-you-go basis.

	CONSOLIDATED		COMBINED	
	2000	1999	2000	1999
CHANGE IN BENEFIT OBLIGATION				
Benefit obligation at beginning of year	$103.4	$107.0	$118.3	$120.7
Interest cost	7.3	6.7	8.6	7.8
Contributions by plan participants	2.0	2.2	2.5	2.8
Actuarial losses	8.2	6.4	12.9	8.3
Benefits paid	(11.8)	(12.4)	(14.2)	(14.8)
Plan amendment	(1.0)	(6.5)	(1.7)	(6.5)
Divestitures	-	-	(6.5)	-
Benefit obligation at end of year	108.1	103.4	119.9	118.3
Unrecognized net actuarial gain	23.8	35.5	21.2	35.6
Unrecognized prior service benefit	19.5	28.9	20.2	28.9
Accrued postretirement obligation at end of year	$151.4	$167.8	$161.3	$182.8

A 7.7% and 7.8% weighted average discount rate was used in determining the postretirement benefit obligation at December 31, 2000 and 1999, respectively. For measurement purposes, health care costs are assumed to increase 5.8% for pre-65 benefits and 9.3% in 2001 grading down gradually to a constant 5.8% annual increase by the year 2008 for post-65 benefits. The comparable assumptions for the prior year were 8.1% and 5.8% by the year 2004.

In 1999, the Company and Combined Companies elected to update the mortality table used to determine the projected benefit obligation and related expense. The impact of this change in assumption was an increase in the obligation at December 31, 1999 of $3.5 for the Company and Combined Companies, and an increase in the expense for fiscal year 2000 of $0.4 and $0.5 for the Company and Combined Companies, respectively.

Following are the components of net postretirement benefit recognized for 2000, 1999 and 1998:

	CONSOLIDATED			COMBINED		
	2000	1999	1998	2000	1999	1998
Service cost				$ 0.1		$ 0.1
Interest cost on projected benefit obligation	$ 7.3	$ 6.7	$ 9.2	8.6	$ 7.8	10.5
Amortization of prior service benefit	(9.3)	(8.7)	(9.5)	(9.3)	(8.7)	(9.5)
Immediate recognition of initial obligation	-	1.0	-	-	2.2	-
Recognized actuarial gain	(1.8)	(2.7)	(1.8)	(2.2)	(3.2)	(2.1)
Settlement / curtailment gain	(1.1)	-	(6.1)	(1.1)	-	(6.6)
Net postretirement benefit	$(4.9)	$(3.7)	$(8.2)	$(3.9)	$(1.9)	$(7.6)

Assumed health care cost trend rates have a significant effect on the amounts reported for health care plans. A one-percentage-point change in the assumed health care cost trend rates would have the following effects:

	1% increase	1% decrease
Effect on total service cost and interest cost components	$ 0.6	$ (0.6)
Effect on postretirement benefit obligation	7.5	(6.8)

13. SHAREHOLDERS' EQUITY

Preferred Stock

The Company has 24,574,751 shares of series A Cumulative Preferred Stock ("Preferred Stock") outstanding with a total of 100,000,000 shares authorized. Each share has a liquidation preference of $25 and is entitled to cumulative dividends at an annual rate of 12% payable quarterly in arrears. These shares are redeemable, in whole or in part, at the Company's discretion. At December 31, 2000, the redemption price is 105% of the issuance price and declines ratably in each year to par at June 26, 2005. At this time, the Company has no plans to redeem these shares.

Common Stock
- -------------

The Company has 198,974,994 shares of $0.01 par value common stock issued and outstanding and 300,000,000 shares authorized. Foods Holdings is capitalized with 100 shares of $0.01 par value common stock.

Other Shareholders' Equity
- ----------------------------

At December 31, 2000, the Company held $404.9 of notes receivable from its parent, which accrue interest at 12% per year, payable quarterly, and mature on September 29, 2005. The notes were received from an affiliate of the Company's parent as proceeds from the 1996 sales of Wise ($34.2) and Foods ($365.9) and the issuance of options on the common stock of the Consumer Adhesives business and Borden Decorative Products Holdings, Inc. ($44.0). Notes totaling $39.2 were transferred to BWHLLC in 1998 in settlement of the early cancellation of the Borden Decorative Products Holdings, Inc. option. At December 31, 2000, Other Shareholders' Equity included accrued interest of $10.0 related to the notes receivable from the Company's parent.

During 1996 the Company sold options to BWHLLC on what was then all of the common stock of the Consumer Adhesives business for 110% of the August 16, 1996 fair market value of the common stock. The options were issued at fair value with a five-year expiration. The exercise price of the options for the Consumer Adhesives business is $54.1. Management expects the 1996 options sold to BWHLLC for Consumer Adhesives' common shares to be exercised in 2001. During 2000, additional common shares of the Consumer Adhesives business were issued to and are held by the Company. The additional shares total 3.5 million, or approximately 26%, of the total Consumer Adhesives common stock shares outstanding at December 31, 2000.

At December 31, 2000 and 1999, the Combined Companies' equity includes $66.3 and $66.2, respectively, of affiliate's interest in subsidiary, primarily representing the 30% interest held by an affiliate of the Company's parent in a consolidated subsidiary of Foods. See Note 5 for additional information.

The Company declared common stock cash dividends of $61.6, $64.1 and $59.5 during 2000, 1999 and 1998, respectively. The dividends were recorded as a charge to paid-in capital to reflect a return of capital to the Company's parent.

As described in Note 1, the net assets of Wise of $58.7 are treated as if they were distributed out of the Combined Companies in 2000.

During 2000 the Company distributed 100% of its ownership in the infrastructure management services business to the Company's parent. The distribution was recorded at net book value of $16.3, including $8.6 owed by the Company to the infrastructure management services business in accordance with a tax sharing agreement. Subsequent to the distribution, substantially all of the assets of the infrastructure management services business were sold to a subsidiary of Interliant, Inc. (see Note 4). Subsequent to this sale, the remaining assets of the infrastructure management services business, with a net book value of approximately $0.3, were contributed back to the Company from the Company's parent.

The Company's parent also contributed tax benefits to the Company of $44.0, $26.4 and $42.9 during 2000, 1999 and 1998, respectively. The Company is included in its parent's tax return and the deductible interest expense on the parent's notes payable reduces the Company's tax liability. In addition, BWHLLC made a capital contribution to Wise of $2.4 in 2000.

The Company recorded a minimum pension liability adjustment of $1.8, $1.5 and $(3.6), for 2000, 1999 and 1998, respectively, ($1.8, $3.3 and $(5.4) for the Combined Companies in 2000, 1999 and 1998, respectively) relating to underfunded pension plans, which is reflected in accumulated other comprehensive income.

14. STOCK OPTION PLANS AND OTHER STOCK BASED COMPENSATION

Unit Appreciation Rights

Effective January 1, 1996, key employees of the Company and Combined Companies were offered units and unit appreciation rights ("UAR's") in their respective holding companies. Additional UAR's have been granted in subsequent years under these plans. In 2000, 24,071,241 UAR's were granted with a ten year life and a vesting period of 4 years. The remaining UAR's vest over 5 years, and any compensation expense incurred in conjunction with the UAR's will be charged to the Company or the Combined Companies. For 2000, 1999 and 1998, the Company has not recorded any compensation expense attributable to the UAR's. During 2000 and 1999, Foods recorded $0.1 and $0.9 of compensation expense related to their UAR's. Foods had no compensation expense in 1998. There were 49,953,789 UAR's outstanding at December 31, 2000, and 5,080,707 UAR's available for future grants.

Stock Options

Key subsidiaries of the Company and Combined Companies have issued stock options under their individual Stock Purchase and Option Plans for Key Employees. Under these plans, equity in the Chemical, Wise, Consumer Adhesives, infrastructure management services, and Decorative Products business units was sold to key management personnel. Fixed stock options were granted to purchase additional shares at varying exercise prices between $5.00 and $11.50. In addition, each company has granted fixed stock options to employees under their respective broad-based option plans. The options were issued with exercise prices at or above fair value, vest over five years and expire ten years from the date of the grant. As of December 31, 2000 there are 5,488,750 options outstanding among the companies and 1,350,813 options available for future grants.

The Company has adopted the disclosure-only provisions of SFAS No. 123, "Accounting for Stock-Based Compensation". Under the provisions of Accounting Principles Board ("APB") 25, "Accounting for Stock Issued to Employees", compensation expense of $0.1 and $1.5 were recorded in 2000 by the Company and Combined Companies, respectively. The expense recorded by the Combined Companies relates to the Wise Distribution. There was no compensation expense attributable to these stock options in 1999. In 1998, compensation cost of $1.6 was related to the sale of Decorative Products. Had compensation cost for the Company's stock option plans been determined based on the fair value at the grant date consistent with the provisions of SFAS No. 123, the Company's net income (loss) and basic and diluted net income (loss) per share would have been the amounts presented below:

	2000	1999	1998
Net loss applicable to common stock- as reported	$(39.7)	$(20.8)	$(11.1)
Net loss applicable to common stock - proforma	(40.8)	(22.1)	(10.7)
Basic and diluted net income (loss) per share - as reported	(0.20)	(0.10)	(0.06)
Basic and diluted net income (loss) per share - proforma	(0.21)	(0.11)	(0.05)

Proforma net income applicable to common stock for the Combined Companies is a loss of $(63.4) in 2000, $5.6 in 1999 and $95.0 in 1998.

To determine compensation cost according to SFAS No. 123, the fair value of each Option grant is estimated on the date of grant using the Black-Scholes option pricing model with a risk free weighted average interest rate of 6.48% and expected lives ranging from one to five years.

Information regarding the management stock option plans for the Company and Wise is as follows:

	2000		1999		1998	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Options outstanding, beginning of year	6,774,905	$ 5.88	5,624,155	$ 5.07	6,912,405	$ 5.18
Options exercised	(616,500)	10.06	-	-	(1,306,250)	5.00
Options granted	328,000	11.09	1,728,750	8.22	1,203,000	5.00
Options relating to distributed business	(564,655)	5.00	-	-	-	-
Options forfeited	(433,000)	5.22	(578,000)	5.00	(1,185,000)	5.92
Options outstanding end of year	5,488,750	5.87	6,774,905	5.88	5,624,155	5.07

Options relating to distributed business represent options for the infrastructure management services business which was distributed to the Company's parent during 2000 (see Note 18). These options were subsequently exercised upon the sale of the business. The outstanding options at December 31, 1999 and 1998 include outstanding options for Wise of 544,500 and 82,000, respectively, with a weighted average exercise price of $10.00.

Options exercised in 2000 relate to the Wise Distribution. The options exercised in 1998 related to the sale of the Decorative Products business.

The following table summarizes information about fixed-price stock options at December 31, 2000:

	OPTIONS OUTSTANDING				OPTIONS EXERCISABLE	
Range of Exercise Price	Weighted Average Fair Value At Grant	Number Outstanding	Weighted Average Remaining Life	Weighted Average Exercise Price	Number Exercisable	Weighted Exercise Price
$5.00-7.50	$ 1.24	4,892,500	2 years	$ 5.38	2,901,400	$ 5.13
$8.50-11.50	$ 2.56	596,250	4 years	$ 9.82	107,900	$ 8.68
$5.00-11.50	$ 1.39	5,488,750	3 years	$ 5.87	3,009,300	$ 5.26

There were 2,484,493 options exercisable at December 31, 1999, with a weighted average exercise price of $5.13. There were 1,538,531 options exercisable at December 31, 1998, with a weighted average exercise price of $5.09.

15. DERIVATIVE FINANCIAL INSTRUMENTS

Interest Rate Swaps

The Company enters into interest rate swaps to lower funding costs or to alter interest rate exposures between fixed and floating rates on long-term debt. Under interest rate swaps, the Company agrees with other parties to exchange, at specified intervals, the difference between fixed rate and floating rate interest amounts calculated by reference to an agreed notional principal amount. The notional amount of interest rate swaps was $24.3 at December 31, 2000 and $224.3 at December 31, 1999. The remaining swap has a maturity date of December 1, 2002. The net impact of interest rate swaps was an increase in the Company's and the Combined Companies' interest expense of $6.7 in 2000, $11.6 in 1999 and $10.7 in 1998. The year-end fair value of the interest rate swaps was a loss of $3.4 in 2000 and $15.0 in 1999. See Note 3 "Recently Issued Accounting Standards" for new standards that impact the current accounting treatment of these and all derivative instruments.

The following table summarizes the weighted average interest rates for the swaps used by the Company and Combined Companies. Variable rates change with market conditions and may vary significantly in the future. A 1% increase or decrease in market interest rates would result in a $0.2 increase or decrease, respectively, in the fair value of the interest rate swap agreements.

	2000	1999	1998
Pay fixed swaps			
Average rate paid	10.5%	10.4%	10.4%
Average rate received	6.3%	5.2%	5.6%

An interest rate swap, having a notional amount of $200.0, no longer met the criteria for hedge accounting and was marked to market prior to termination on September 1, 2000. On that date the Company recognized a gain of $4.9 in the Consolidated and Combined Statements of Operations. Unrealized gains on this instrument of $10.8 and $4.1 in 1999 and 1998, respectively, were included in the Consolidated and Combined Statements of Operations and other long-term liabilities. The Company does not hold or issue derivative financial instruments for trading purposes.

Foreign Exchange and Option Contracts

International operations account for a significant portion of the Company's and Combined Companies' revenue and operating income. It is the policy of the Company and Combined Companies to reduce foreign currency cash flow exposure due to exchange rate fluctuations by hedging anticipated and firmly committed transactions wherever economically feasible (within the risk limits established in the Company's policy). These contracts are part of a worldwide program to minimize foreign currency exchange operating income and balance sheet exposure.

The Company and Combined Companies closely monitor foreign currency cash flow transactions and enter into forward and option contracts to buy and sell foreign currencies only to reduce foreign exchange exposure and protect the U.S. dollar value of such transactions to the extent of the amount under contract.

In accordance with current accounting standards, gains and losses arising from contracts that hedge future assets and liabilities are deferred until the related transactions occur. Those arising from contracts that hedge existing assets and liabilities (e.g., outstanding payables denominated in foreign currency) are recorded in income and offset the gains and losses that occur as exchange rates change. The cash flows from forward and option contracts accounted for as hedges of identifiable transactions are classified consistent with the cash flows from the transaction being hedged. See Note 3 "Recently Issued Accounting Standards" for new standards that impact the current accounting treatment of these and all derivative instruments.

At December 31, 2000 and 1999, the Company had $88.9 and $75.1, respectively, of notional value of forward foreign currency exchange contracts outstanding. The Combined Companies had $95.8 and $89.2 of notional value of forward foreign exchange contracts outstanding at December 31, 2000 and 1999, respectively. At December 31, 1999, the Company and Combined Companies had foreign currency option contracts outstanding of $2.5. The unsecured contracts mature within 12 months and are principally with banks. The Company is exposed to credit loss in the event of non-performance by the other parties to the contracts. The Company evaluates the creditworthiness of the counterparties' financial condition and does not expect default by the counterparties.

16. FAIR VALUE OF FINANCIAL INSTRUMENTS

The following table presents the carrying or notional amounts and fair values of the Company's financial instruments at December 31, 2000 and 1999. The fair value of a financial instrument is the estimated amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Fair values are determined from quoted market prices where available or based on other similar financial instruments.

The carrying amounts of cash and cash equivalents, accounts receivable, accounts payable and other accruals are considered reasonable estimates of their fair values. The carrying value of the loans receivable from and payable to affiliates approximates fair values as management believes the loans bear interest at market interest rates.

The following table includes financial instrument carrying and fair values for the Company.

	2000		1999	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Nonderivatives				
Assets				
Investment securities	$ 55.0	$ 117.8	$ 98.5	$113.6
Liabilities				
Debt	574.0	449.6	558.8	473.9
	Notional Amount	Fair Value	Notional Amount	Fair Value
Derivatives relating to:				
Foreign currency contracts - gain			$ 1.7	$ 0.2
Foreign currency contracts - loss	$ 88.9	$ (1.8)	73.4	(0.3)
Option contracts - gain	-	-	2.5	0.2
Interest rate swaps - loss	24.3	(3.4)	224.3	(15.0)

The following table includes financial instrument carrying and fair values for the Combined Companies.

	2000		1999	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Nonderivatives				
Assets				
Investment securities	$ 55.0	$117.8	$ 98.5	$113.6
Liabilities				
Debt	579.9	455.3	562.2	477.3
	Notional Amount	Fair Value	Notional Amount	Fair Value
Derivatives relating to:				
Foreign currency contracts - gain			$ 15.8	$ 0.3
Foreign currency contracts - loss	$95.8	$(2.2)	73.4	(0.3)
Option contracts - gain	-	-	2.5	0.2
Interest rate swaps - loss	24.3	(3.4)	224.3	(15.0)

17. SUPPLEMENTAL INFORMATION

	CONSOLIDATED			COMBINED		
	2000	1999	1998	2000	1999	1998
Depreciation	$53.6	$50.5	$47.5	$ 84.5	$ 70.2	$ 66.2
Amortization	8.8	3.7	3.4	19.2	14.4	13.7
Advertising	2.2	2.1	2.9	23.7	16.3	13.0
Promotions	34.0	22.1	21.1	185.0	160.3	173.2
Research and Development	23.1	23.8	18.7	41.8	43.1	37.3

18. RELATED PARTY TRANSACTIONS

Foods and Wise
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Wise and Foods were sold to affiliates of the Company during 1996. Because of the Company's continuing control over Wise and Foods, their assets and liabilities, at the date of sale, are classified as "sold under contractual arrangements" in the Consolidated Financial Statements, as long as the Company had a loan receivable from Wise or Foods. During the third quarter of 2000, Wise repaid its loan receivable to the Company. In 1998, Foods repaid its term loan with the Company. These repayments ended the Company's remaining financial interests in Wise and Foods and therefore, transactions with Wise and Foods are subsequently reflected as unconsolidated affiliated balances, not as investments. The Company's net investment balance in Wise was $6.6 at December 31, 1999. See Note 1 for additional information.

In October 2000, the shares of Wise Holdings were sold by BWHLLC to Palladium Equity Partners, LLC in exchange for $92.3 in cash. (See Note 1.)

Wise repaid its $5.0 term loan to the Company in 1999. A Wise loan facility was extended by the Company providing for borrowings up to $15.0 maturing December 31, 2000. Wise had borrowings of $6.5 outstanding under the facility at December 31, 1999, which were repaid in 2000. The loan facility was cancelled in October 2000.

The Loan Agreement with Foods provides a revolving loan feature. For the years ended December 31, 2000 and 1999, the Foods revolving loan facility totaled $10.0 and $50.0, respectively, and matured on December 31, 2000. The variable interest rate is equal to the Company's cost of funds for 30 day LIBOR borrowings plus 0.25%. Foods had no borrowings under this facility at December 31, 2000 or 1999.

Included in consolidated accounts payable at December 31, 2000 and 1999 are $0.7 and $2.1, respectively, as a net payable to Foods primarily related to interest earned on funds invested overnight with the Company. Included in consolidated other assets at December 31, 2000 and 1999 are $10.9 and $8.8, respectively, as a receivable from Foods for its portion of the Combined Companies' pension liability.

Foods and Wise invest cash overnight at an interest rate set by the Company, which generally approximates money market rates. Foods had $206.9 and $234.6 invested at December 31, 2000 and 1999, respectively, which is included in loans payable with affiliates. Wise had $1.2 invested at December 31, 1999, which is classified in assets sold under contractual arrangements. Affiliated interest income of $0.2, $0.8, and $0.6, net of amounts paid for overnight investments, was accrued related to Wise during 2000, 1999 and 1998, respectively. The Company recorded net affiliated interest expense of $14.9, $14.7, and $18.0 related to Foods during 2000, 1999, and 1998, respectively.

The Company provides administrative services to Foods and Wise. Fees received for these services are offset against the Company's general and administrative expenses, and totaled $2.4, $11.9, and $14.1 for the years ended December 31, 2000, 1999, and 1998, respectively. The amount of services provided were reduced in 2000 with the distribution and sale of the infrastructure management services business (see below).

The Company renders management, consulting and financial services to Foods and Wise for an annual fee of $1.0 and $0.2, respectively, payable monthly in arrears. Wise was charged a ten-month pro-rata share in 2000 representing the period of time prior to the Wise Distribution.

As guarantors of the Company's debt, Foods and Wise receive an annual fee from the Company of $1.1 and $0.2, respectively, paid annually.

The effects of transactions among Wise, Foods and the Company have been eliminated in the Combined Financial Statements.

Other Related Parties
- ----------------------
In February 2000, the Company distributed 100% of its ownership in the infrastructure management services business to the Company's parent. The distribution was recorded at net book value of $16.3, including $8.6 owed by the Company to the infrastructure management services business in accordance with a tax sharing agreement. Subsequent to the distribution, substantially all of the assets of the infrastructure management services business were sold to a subsidiary of Interliant, Inc. in exchange for $2.5 in cash and 1,041,179 shares of Interliant, Inc. stock. In June 2000,

the remaining net assets of the infrastructure management services business, with a net book value of approximately $0.3, were contributed back to the Company from the Company's parent.

In June and September 2000, the Company purchased $50.0 and $40.0, respectively, of accounts receivable from WKI, in return for certain fees. At December 31, 2000, $0.5 of the purchased receivables was outstanding, all of which was collected in January 2001.

In the third quarter of 2000, the Company entered into a credit agreement with WKI to provide up to $40.0 of short-term financing. Amounts outstanding under this agreement bear interest at either (a) a variable rate based on the greatest of the Prime Rate, the Federal Reserve Bank Three-Month CD Rate plus 1% or the Federal Funds Effective Rate plus 0.5% plus (b) 3% or (c) the Eurodollar rate plus 4%. The original maturity date of the agreement was December 31, 2000 and was extended into April 2001. At December 31, 2000, $6.1 was outstanding under this agreement.

At December 31, 1999, the Company had loaned $56.2 in the form of demand notes to CCPC Acquisition Corp., to provide temporary financing to complete the acquisition of EKCO Group, Inc. ("EKCO"). The loan included variable interest at the monthly prime rate as quoted by The Wall Street Journal. In December 2000, the loan was repaid. The Company received $60.6 representing principal and accrued interest.

During 1998, CCPC Acquisition Corp., an affiliate of the Company's parent, acquired a controlling interest in Corning Consumer Products Company ("CCPC") from Corning Incorporated in a recapitalization transaction valued at approximately $603. In connection with this transaction, the Company loaned $346.0 to CCPC on a short-term basis at rates which approximated market conditions. The Company recorded $1.2 of interest income related to this loan, which is reflected in interest income and other in the 1998 Consolidated and Combined Statements of Operations. CCPC repaid the loan in 1998. In 1999, CCPC changed its name to WKI Holding Company, Inc.

In 1999, the Company made a $50.0 investment in WKI, an affiliate of the Company, in the form of 16% cumulative junior preferred stock. See Note 8 for additional information on investments.

The Company renders management, consulting and financial services to WKI for an annual fee of $2.5. Amounts outstanding at December 31, 2000 and 1999 were $1.7 and $0.1, respectively. WKI also reimburses the Company for certain expenses incurred on its behalf. Amounts outstanding for these expenses at December 31, 2000 were $0.5.

Affiliates of the Company and Combined Companies invest cash with the Company and Combined Companies at rates that generally approximate market. BWHLLC's invested cash with the Company and Combined Companies was $73.4 and $11.3 at December 31, 2000 and 1999, respectively. At December 31, 1999, cash invested with the Company and Combined Companies by the Company's parent was $0.7. At December 31, 2000, Borden Foods Holdings LLC, Foods' parent, had $2.3 cash invested with the Company and Combined Companies and an additional $3.0 invested with the Combined Companies, and CCPC Acquisition Corp., WKI's parent and an affiliate of the Company's parent, had $0.5 invested with the Company and Combined Companies. The Company recorded $2.3, $5.2 and $5.4 of interest expense on amounts invested by these unconsolidated affiliates during 2000, 1999 and 1998, respectively. Included in other current liabilities at December 31, 2000 and 1999, respectively, was $2.6 and $0.1 of affiliated interest payable related to these unconsolidated affiliates. Affiliated interest expense recorded by the Combined Companies is not significantly different for these affiliates than that recorded by the Company.

KKR renders management, consulting and financial services to the Company and its businesses for an annual fee of $10.0, payable quarterly in arrears.

As described in Note 4 and in Management's Discussion and Analysis, the Company acquired certain assets from BCP. A wholly owned subsidiary of the Company serves as the general partner of BCP. The purchase price of these assets is considered to be at fair value as determined by an independent appraisal.

During 2000, 1999 and 1998, the Company purchased $102.5, $64.7 and $66.4 of raw materials from BCP. In addition, the Company paid $25.3 in 2000 to BCP to exit certain raw material purchase contracts.

19. COMMITMENTS AND CONTINGENCIES

ENVIRONMENTAL MATTERS - The Company and Combined Companies, like others in similar businesses, are subject to extensive Federal, state and local environmental laws and regulations. Although the Company's and Combined Companies' environmental policies and practices are designed to ensure compliance with these laws and regulations, future developments and increasingly stringent regulation could require the Company and Combined Companies to make additional unforeseen environmental expenditures.

Accruals for environmental matters are recorded when it is probable that a liability has been incurred and the amount of the liability can be reasonably estimated. Environmental accruals are routinely reviewed on an interim basis as events and developments warrant and are subjected to a comprehensive review annually during the fiscal fourth quarter. The Company and the Combined Companies have each accrued approximately $26 (including those costs related to legal proceedings) at December 31, 2000 and 1999, for probable environmental remediation and restoration liabilities. This is management's best estimate of these liabilities. Based on currently available information and analysis, the Company believes that it is reasonably possible that costs associated with such liabilities may exceed current reserves by amounts that may prove insignificant, or by amounts, in the aggregate, of up to approximately $16.

LEGAL MATTERS - The Company and Combined Companies have recorded $4.1 in liabilities at December 31, 2000, for legal costs in amounts that management believes are probable and reasonably estimable. These liabilities at December 31, 1999, totaled $5.1 and $8.5 for the Company and Combined Companies, respectively. Actual costs are not expected to exceed these amounts. The Company may be held responsible for certain environmental liabilities incurred at BCP facilities, which were previously owned by the Company. The Company believes, based upon the information it currently possesses, and taking into account its established reserves for estimated liability and its insurance coverage, that the ultimate outcome of the foregoing proceedings and actions is unlikely to have a material adverse effect on the Company's financial statements.

OTHER - A wholly owned subsidiary of the Company that serves as the general partner of BCP, has certain fiduciary responsibilities to BCP. BCP was created in November 1987, is a separate and distinct entity from the Company and Combined Companies and is 99% owned by the public. In 2000, BCP's financial Results included a loss from continuing operations of approximately $75. Adverse business conditions and disappointing operating results have caused an increase in borrowings under its credit facility. Based on currently available information, the Company has recorded a liability of $20.0 for potential liabilities related to the continued decline in BCP's financial condition. The Company believes that it is reasonably possible, based on current information and analysis, that costs associated with BCP may exceed the current liability by amounts that may prove insignificant or by amounts, in the aggregate, of up to approximately $17.

20. QUARTERLY FINANCIAL DATA (UNAUDITED)

The following represents Quarterly Financial Data for the Company:

2000 QUARTERS	FIRST	SECOND	THIRD	FOURTH(1)
Net sales (2)	$356.5	$388.4	$403.2	$375.9
Gross profit (3)	90.5	100.9	87.1	49.1
Business realignment	2.8	9.0	1.8	24.8
Loss on divestiture of businesses	-	-	-	(0.9)
Income (loss) from continuing operations	12.3	12.4	(8.0)	(75.7)
Discontinued operations:				
Gain on disposal, net of tax	-	93.0	-	-
Net income (loss)	12.3	105.4	(8.0)	(75.7)
Preferred stock dividends	18.4	18.5	18.4	18.4
Net (loss) income applicable to common stock	(6.1)	86.9	(26.4)	(94.1)
Basic and diluted, per share of common stock:				
Income (loss) from continuing operations	0.06	0.06	(0.04)	(0.38)
Discontinued operations:				
Gain on disposal, net of tax	-	0.47	-	-
Net (loss) income applicable to common stock	(0.03)	0.44	(0.14)	(0.47)
Dividends per common share	0.13	0.06	0.06	0.06
Dividends per preferred share	0.75	0.75	0.75	0.75
Average number of common shares outstanding	199.0	199.0	199.0	199.0

1999 QUARTERS	FIRST	SECOND	THIRD	FOURTH (4)
Net sales (2)	$310.1	$347.6	$354.5	$362.5
Gross profit (3)	83.1	99.9	95.0	90.2
Business realignment and asset write-offs	-	10.0	21.6	10.0
Gain on divestiture of business	-	-	-	7.4
Income from continuing operations	13.3	22.6	3.8	15.6
Discontinued operations:				
Loss from operations, net of tax	-	-	-	(0.4)
Gain (loss) on disposal, net of tax	-	0.6	-	(2.6)
Net income	13.3	23.2	3.8	12.6
Preferred stock dividends	18.4	18.5	18.4	18.4
Net (loss) income applicable to common stock	(5.1)	4.7	(14.6)	(5.8)
Basic and diluted, per share of common stock:				
Income from continuing operations	0.07	0.12	0.02	0.07
Discontinued operations:				
Gain (loss) on disposal, net of tax	-	-	-	(0.01)
Net (loss) income applicable to common stock	(0.02)	0.03	(0.08)	(0.03)
Dividends per common share	0.06	0.06	0.14	0.06
Dividends per preferred share	0.75	0.75	0.75	0.75
Average number of common shares outstanding	199.0	199.0	199.0	199.0

(1) - As described in Note 4, the Company's fourth quarter 2000 results included costs of $24.5 related to plant closures. The Company's fourth quarter 2000 results also include a $25.3 charge to exit certain raw material purchase contracts which is recorded in cost of sales (see page 17). In the fourth quarter of 2000, the Company recorded investment write-downs of $48.0 (see Note 8) and recorded a liability of $20.0 related to a limited partnership for which a wholly owned subsidiary serves as general partner (see Note 19).

(2) - Amounts are adjusted reflecting the fourth quarter 2000 adoption of EITF Issue No. 00-10, which addresses the classification of amounts billed to customers for distribution costs. In accordance with EITF Issue No. 00-10, certain amounts have been reclassified from distribution expense to net sales.

(3) - Gross profit is defined as gross margin less distribution expense.

(4) - As described in Note 4, the Company's fourth quarter 1999 results include a $10.0 charge related to a plant expansion project that was discontinued.

The following represents Quarterly Financial Data for the Combined Companies:

2000 QUARTERS	FIRST	SECOND	THIRD	FOURTH (1)
Net sales (2)	$498.8	$511.0	$542.1	$542.8
Gross profit (3)	149.4	147.3	144.0	125.4
Business realignment	2.8	9.0	6.6	25.7
Gain on divestiture of businesses	-	-	3.1	0.8
(Loss) income from continuing operations	(0.4)	68.6	(17.6)	(79.2)
Discontinued operations:				
Income (loss) from operations, net of tax	0.4	1.5	1.8	(0.6)
Gain on disposal, net of tax	-	37.0	-	-
Net income (loss)	0.1	107.2	(15.8)	(80.0)
Preferred stock dividends	18.4	18.5	18.4	18.4
Net (loss) income applicable to common stock	(18.2)	88.7	(34.2)	(98.6)

1999 QUARTERS	FIRST	SECOND	THIRD	FOURTH (4)
Net sales (2)	$449.7	$463.7	$477.4	$531.8
Gross profit (3)	143.3	147.4	150.6	165.8
Business realignment and asset write-offs	-	10.0	21.6	10.0
Gain on divestiture of businesses	4.4	10.4	32.7	9.0
Income from continuing operations	12.6	15.0	18.9	43.1
Discontinued operations:				
(Loss) income from operations, net of tax	(0.5)	0.6	0.9	1.2
Gain (loss) on disposal, net of tax	-	0.6	-	(3.7)
Cumulative effect of change in accounting principle	(2.8)	-	-	-
Net income	12.2	16.2	19.8	37.7
Preferred stock dividends	18.4	18.5	18.4	18.4
Net (loss) income applicable to common stock	(7.1)	(1.7)	0.9	15.0

(1) - As described in Note 4, the Company's and Combined Companies' fourth quarter 2000 results included costs of $24.5 related to plant closures. The Company's and Combined Companies' fourth quarter 2000 results also include a $25.3 charge to exit certain raw material purchase contracts which is recorded in cost of sales (see page 17). In the fourth quarter of 2000, the Company and Combined Companies recorded investment write-downs of $48.0 (see Note 8) and recorded a liability of $20.0 related to a limited partnership for which a wholly owned subsidiary serves as general partner (see Note 19).

(2) - Amounts are adjusted reflecting the fourth quarter 2000 adoption of EITF Issue No. 00-10, which addresses the classification of amounts billed to customers for distribution costs. In accordance with EITF Issue No. 00-10, certain amounts have been reclassified from distribution expense to net sales.

(3) - Gross profit is defined as gross margin less distribution expense.

(4) - As described in Note 4, the Company's and Combined Companies fourth quarter 1999 results include a $10.0 charge related to a plant expansion project that was discontinued.

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
and Shareholders of Borden, Inc.

We have audited the accompanying consolidated balance sheets of Borden, Inc. (a wholly owned subsidiary of Borden Holdings, Inc.) and subsidiaries as of December 31, 2000 and 1999, and the related consolidated statements of operations, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2000. 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 auditing standards generally accepted in the United States of America. 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, such consolidated financial statements present fairly, in all material respects, the financial position of Borden, Inc. and subsidiaries at December 31, 2000 and 1999, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2000 in conformity with accounting principles generally accepted in the United States of America.

DELOITTE & TOUCHE LLP

Columbus, Ohio
February 9, 2001

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
and Shareholders of Borden, Inc.

We have audited the accompanying combined balance sheets of Borden, Inc. and Affiliates (which includes Borden, Inc. and subsidiaries, Borden Foods Holdings Corporation and subsidiaries and Wise Holdings, Inc. and subsidiaries (prior to distribution on October 30, 2000)) as of December 31, 2000 and 1999, and the related combined statements of operations, shareholders' equity and cash flows for each of the three years in the period ended December 31, 2000. These financial statements are the responsibility of the companies' management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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, such financial statements present fairly, in all material respects, the combined financial position of Borden, Inc. and Affiliates at December 31, 2000 and 1999, and the combined results of their operations and their combined cash flows for each of the three years in the period ended December 31, 2000 in conformity with accounting principles generally accepted in the United States of America.

DELOITTE & TOUCHE LLP

Columbus, Ohio
February 9, 2001

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Set forth below are the names and ages of the Directors and Executive Officers of the Company as of March 13, 2001, and the positions and offices with the Company held by each of them. Their terms of office extend to the next Annual Meeting of the Board of Directors or until their earlier resignation or replacement.

Name	Position & Office	Age on Dec. 31, 2000	Served in Present Position Since
C.R. Kidder	Chairman of the Board, Director Chief Executive Officer and President	56	1995
H.R. Kravis	Director	56	1995
A. Navab	Director	35	1995
G.R. Roberts	Director	57	1995
S.M. Stuart	Director	41	1995
W.H. Carter	Executive Vice President and Chief Financial Officer	47	1995
K.M. Kelley	Executive Vice President	43	1999
N.A. Reardon	Executive Vice President	48	1997
W.F. Stoll, Jr.	Executive Vice President and General Counsel	52	1996
R.P. Starkman	Senior Vice President and Treasurer	46	1995

C. Robert Kidder was elected a Director, Chairman of the Board and Chief Executive Officer of the Company on January 10, 1995. He is also a director of Electronic Data Systems Corporation and Morgan Stanley Dean Witter & Co. He is a member of the Executive and Compensation Committees of the Borden Board.

Henry R. Kravis acted as Chairman of the Board of the Company from December 21, 1994, to January 10, 1995. He has been a member of KKR & Co., LLC since 1996, was a General Partner of Kohlberg Kravis Roberts & Co. from its establishment through 1995 and has been a General Partner of KKR Associates, L.P. since its establishment. He is also a Director of Accuride Corporation, Amphenol Corporation, The Boyds Collection, Ltd., Evenflo Company Inc., The Gillette Company, IDEX Corporation, KinderCare Learning Centers, Inc., KSL Recreation Corporation, Owens-Illinois, Inc., PRIMEDIA Inc., Regal Cinemas, Inc., Sotheby's Holdings, Inc., and Spalding Holdings Corporation. He is a member of the Executive Committee of the Borden Board. Messrs. Kravis and Roberts are first cousins.

Alexander Navab became a member of KKR & Co., LLC in 2001, having been a Director of Kohlberg Kravis Roberts & Co. since 1999. He began as an Executive of Kohlberg Kravis Roberts & Co. in 1993. He is also a Director of CAIS Internet, Inc., Intermedia Communications, Inc., KSL Recreation Corporation and Regal Cinemas, Inc. He is Chairman of the Audit Committee and a member of the Compensation Committee of the Borden Board.

George R. Roberts has been a member of KKR & Co., LLC since 1996, was a General Partner of Kohlberg Kravis Roberts & Co. from its establishment through 1995, and has been a General Partner of KKR Associates, L.P. since its establishment. He is also a Director of Accuride Corporation, Amphenol Corporation, The Boyds Collection, Ltd., DPL, Inc., Evenflo Company Inc., IDEX Corporation, KinderCare Learning Centers, Inc., KSL Recreation Corporation, Owens-Illinois, Inc., PRIMEDIA Inc., Safeway, Inc., and Spalding Holdings Corporation. Messrs. Kravis and Roberts are first cousins.

Scott M. Stuart has been a member of KKR & Co., LLC since 1996, was a General Partner of Kohlberg Kravis Roberts & Co. and has been a General Partner of KKR Associates, L.P. since January 1995. He began as an Executive with Kohlberg Kravis Roberts & Co. in 1986. He is also a Director of AEP Industries, Inc., The Boyds Collection, Ltd., DPL, Inc., and KSL Recreation Corporation. He is Chairman of the Compensation Committee and a member of the Audit and Executive Committees of the Borden Board.

William H. Carter was elected Executive Vice President and Chief Financial Officer effective April 3, 1995.

Kevin M. Kelley was elected Executive Vice President, Corporate Strategy and Development effective April 5, 1999. Prior to that, since April 1996, he was Managing Director of Ripplewood Holdings LLC. From January 1995 to April 1996 he was a Managing Director with Onex Investment Corporation.

Nancy A. Reardon was elected Senior Vice President, Human Resources and Corporate Affairs effective March 3, 1997 and promoted to Executive Vice President in December 2000. Prior to joining the Company, she was Senior Vice President - Human Resources and Communications for Duracell International, Inc. from 1991 through February 1997.

William F. Stoll, Jr. was elected Senior Vice President and General Counsel effective July 1, 1996 and promoted to Executive Vice President in December 2000. Prior to joining the Company, he was a Vice President of Westinghouse Electric Corporation since 1993, and served as its Deputy General Counsel from 1988 to 1996.

Ronald P. Starkman was elected Senior Vice President and Treasurer of the Company effective November 20, 1995.

ITEM 11. EXECUTIVE COMPENSATION

The following table provides certain summary information concerning compensation of the Company's Chief Executive Officer and the four other most highly compensated Executive Officers as of December 31, 2000 (the "Named Executive Officers") for the periods indicated.

SUMMARY COMPENSATION TABLE

		ANNUAL COMPENSATION			LONG-TERM COMPENSATION AWARDS	(4)
NAME AND PRINCIPAL POSITION	YEAR	SALARY ($)	BONUS ($)	OTHER ANNUAL COMPENSATION ($)	SECURITIES UNDERLYING OPTIONS/LSAR (#)	ALL OTHER COMPENSATION ($)
C.R. Kidder	2000	1,194,063	0	(1)87,757	(5)	99,503
Chairman, President &	1999	1,171,500	1,054,350	(2)75,608	(5)	90,255
Chief Executive Officer	1998	1,100,000	547,470	(3)92,467	(5)	96,731
W.H. Carter	2000	462,538	200,000	0	(5)	31,878
Executive Vice President	1999	437,538	247,541	0	(5)	32,815
& Chief Financial Officer	1998	415,000	150,000	0	(5)	31,238
K.M. Kelley	2000	462,500	125,000	(6) 291,216	(5)	46,339
Executive Vice President	1999	334,327	185,625	(7)13,835	(5)	48,957
Strategy and Development						
N.A. Reardon	2000	387,795	50,000	0	(5)	22,289
Executive Vice President	1999	365,295	206,575	0	(5)	18,754
Human Resources and	1998	345,250	107,973	0	(5)	17,747
Corporate Affairs						
W.F. Stoll, Jr.	2000	387,425	90,000	0	(5)	22,260
Executive Vice President	1999	362,425	206,168	0	(5)	18,754
and General Counsel	1998	335,500	106,453	0	(5)	17,906

(1) Includes $60,000 pursuant to the Executive Perquisite Benefit Plan and $27,757 not paid to Mr. Kidder but allocable to his personal use of company aircraft.
(2) Includes $60,000 pursuant to the Executive Perquisite Benefit Plan and $15,608 not paid to Mr. Kidder but allocable to his personal use of company aircraft.
(3) Includes $60,000 pursuant to the Executive Perquisite Benefit Plan and $31,842 not paid to Mr. Kidder but allocable to his personal use of company aircraft.
(4) All other compensation is identified and quantified in the table below for the current year.
(5) No Executive Officer of the Company owns any stock of Borden, Inc., or options to acquire stock in Borden, Inc. For information on equity securities of Borden's parent or subsidiary entities owned by management, see Item 12.
(6) Includes $252,500 in forgiven principal and interest from a loan to Mr. Kelley.
(7) Tax gross-up payments on moving expenses.

	YEAR	MATCHING CONTRIBUTIONS (RSP AND ESP)(a)	RELOCATION EXPENSE	TOTAL
C.R. Kidder	2000	$99,503	$0	$99,503
W.H. Carter	2000	31,878	0	31,878
K.M. Kelley	2000	24,305	22,034	46,339
N.A. Reardon	2000	22,289	0	22,289
W.F. Stoll, Jr.	2000	22,260	0	22,260

(a) RSP and ESP refer to the Company's Retirement Savings Plan and the executive supplemental benefit plans.

The following table provides information on option/SAR exercises during 2000 by the Named Executive Officers and the value of their unexercised options/SARS at December 31, 2000.

AGGREGATED OPTION/SAR EXERCISES IN LAST FISCAL YEAR AND FISCAL YEAR-END OPTION/SAR VALUES

NAME	SHARES ACQUIRED ON EXERCISE (#)	VALUE REALIZED ($)	# OF SECURITIES UNDERLYING UNEXERCISED OPTIONS/SARS AT FISCAL YEAR END (1)		VALUE OF UNEXERCISED IN-THE-MONEY OPTIONS/SARS AT FISCAL YEAR END ($)	
			EXERCISABLE	UNEXERCISABLE	EXERCISABLE	UNEXERCISABLE
C.R. Kidder	N/A	N/A	0	12,225,730	0	0
W.H. Carter	N/A	N/A	0	5,791,370	0	0
K.M. Kelley	N/A	N/A	0	5,791,370	0	0
N.A. Reardon	N/A	N/A	0	4,222,220	0	0
W.F. Stoll, Jr.	N/A	N/A	0	4,222,220	0	0

(1) Represents unit appreciation rights in BW Holdings, LLC.

The following table provides information on option/SAR grants during 2000 to the Named Executive Officers.

INDIVIDUAL GRANTS

NAME	# OF SECURITIES UNDERLYING OPTIONS/SAR'S GRANTED (#) (1)	% OF TOTAL OPTIONS/SAR'S GRANTED TO EMPLOYEES IN FISCAL YEAR	EXERCISE OR BASE PRICE ($/SHARE)	EXPIRATION DATE	GRANT DATE PRESENT VALUE ($) (2)
C.R. Kidder	4,834,350	20.08%	4.15	7/1/10	2,078,771
W.H. Carter	3,381,750	14.05%	4.15	7/1/10	1,454,153
K.M. Kelley	3,381,750	14.05%	4.15	7/1/10	1,454,153
N.A. Reardon	1,812,600	7.53%	4.15	7/1/10	779,418
W.F. Stoll, Jr.	1,812,600	7.53%	4.15	7/1/10	779,418

(1) Represents Unit Appreciation Rights in BW Holdings, LLC.
(2) The fair value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model with risk free interest rates of 6.11%, dividend rates of 2.9%, expected volatility of 0.1% and expected life of four years.

The Long-Term Incentive Plans-Awards In Last Fiscal Year table has been eliminated since the Registrant has no long-term incentive plan.

Retirement Benefits

The Borden Employees Retirement Income Plan ("ERIP") for salaried employees was amended as of January 1, 1987, to provide benefit credits of 3% of earnings which are less than the Social Security wage base for the year plus 6% of earnings in excess of the wage base. Earnings include annual incentive awards paid currently but exclude any long-term incentive awards. Benefits for service through December 31, 1986, are based on the plan formula then in effect and have been converted to opening balances under the plan. Both opening balances and benefit credits receive interest credits at one-year Treasury bill rates until the participant commences receiving benefit payments. For the year 2000, the interest rate as determined in accordance with the plan language was 5.54%. Benefits vest after completion of five years of employment for employees hired on or after July 1, 1990.

The Company has supplemental plans which will provide those benefits which are otherwise produced by application of the ERIP formula, but which, under Section 415 or Section 401 (a)(17) of the Internal Revenue Code, are not permitted to be paid through a qualified plan and its related trust. The supplemental plan also provides a pension benefit using the ERIP formula based on deferred incentive compensation awards and certain other deferred compensation, which are not considered as part of compensation under the ERIP.

The total projected annual benefits payable under the formulas of the ERIP at age 65 without regard to the Section 415 or 401(a)(17) limits and recognizing supplemental pensions as described above, are as follows for the Named Executive Officers of the Company in 2000: C.R. Kidder - $183,747, W.H. Carter - $125,843, N.A. Reardon - $45,133, K.M. Kelley - $120,399, and W.F. Stoll, Jr. - $62,570.

In addition, certain Executive Officers receive Company matching contributions on the first 7% of contributions to the Retirement Savings Plan. Company matching contributions on employee contributions in excess of 5% are provided under the supplemental plans. This benefit is not provided if the executive has any other pension benefit guarantee.

Compensation of Directors

Each director who is not currently an employee of the Company receives an annual retainer of $45,000. Directors who are also employees of the Company receive no remuneration for serving as directors.

Directors who served prior to March 15, 1995 and who were not employees of the Company are provided, upon attaining age 70, annual benefits through a funded grantor trust equal to their final annual retainer if they served in at least three plan years. Such benefits can continue for up to 15 years.

Employment, Termination and Change in Control Arrangements

The Company has a special arrangement with William F. Stoll, Jr., Executive V.P. and General Counsel concerning retirement and termination. Under this arrangement, with respect to retirement, the Company will calculate the benefit Mr. Stoll would have received from his former employer, using predetermined assumptions, and deduct from this amount the retirement benefits accrued under the Borden Retirement Programs. Any shortfall in benefits will be paid by the Company as a non-qualified benefit. Special provisions also apply in the event of death or disability. Under this arrangement, with respect to termination, Mr. Stoll is guaranteed enhanced severance equal to two times base salary and two times incentive target if he is constructively terminated or terminated without cause prior to July 1, 2001.

The Company has an employment arrangement with certain key managers, including the Named Executive Officers, which provides payments upon the liquidation of BW Holdings, LLC or upon a termination of employment without cause prior to such a liquidation. Payments to the Named Executive Officers are: C.R. Kidder - $1,718,880, W.H. Carter - $1,202,400, K.M. Kelley - $1,202,400, N.A. Reardon - $644,480, and W.F. Stoll, Jr. - $644,480.

Compensation Committee Interlocks and Insider Participation

Messrs. Navab and Stuart are members of the Company's Compensation Committee. Both are general partners of KKR Associates, L.P. See "Certain Relationships and Related Transactions." Mr. Kidder, Chairman and Chief Executive Officer of the Company, is also a member of the Compensation Committee.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth certain information regarding the beneficial ownership of the Registrant's Common Stock and other equity securities issued by affiliated entities, as of March 13, 2001, by (a) persons known to the Registrant to be the beneficial owners of more than five percent of the outstanding voting stock of the Registrant, (b) each director of the Registrant, (c) each of the Named Executive Officers of the Registrant during the 2000 fiscal year of the Registrant and (d) all directors and executive officers of the Registrant as a group. Except as otherwise noted, the persons named in the table below have sole voting and investment power with respect to all securities shown as beneficially owned by them.

Name of Beneficial Owner	Beneficial Ownership of Equity Securities	
	Shares/Units	Percent
KKR Associates (1) 9 West 57th Street New York, New York 10019	198,974,994	100.0
C. Robert Kidder	369,569 (2)	*
Henry R. Kravis (1)	--	*
George R. Roberts (1)	--	*
Scott M. Stuart (1)	--	*
Alexander Navab (1)	--	*
William H. Carter	120,481 (2)	*
Kevin M. Kelley	120,481 (2)	*
Nancy A. Reardon	120,481 (2)	*
William F. Stoll, Jr.	120,481 (2)	*
All Directors and Executive Officers as a group (2)	887,637 (2)	*

* Beneficial ownership does not exceed 1.0% of the respective class of securities.

(1) The Borden Common Stock shown as beneficially owned by KKR Associates is directly held by Borden Holdings, Inc., a Delaware corporation which is wholly owned by BW Holdings, LLC, a Delaware limited liability company, the managing member of which is a limited partnership, of which KKR Associates is the sole general partner and as to which it possesses sole voting and investment power. KKR Associates is also the beneficial owner of 632,000,000 units of BW Holdings, LLC. KKR Associates is a limited partnership of which Messrs. Todd Fisher, Edward A. Gilhuly, Perry Golkin, James H. Greene, Jr., Johannes Huth, Henry R. Kravis, Robert I. MacDonnell, Michael W. Michelson, Alexander Navab, Paul E. Raether, Neil Richardson, George R. Roberts, Scott M. Stuart and Michael T. Tokarz are the general partners. Such persons may be deemed to share beneficial ownership of the shares shown as owned by KKR Associates. The foregoing persons disclaim beneficial ownership of any such shares.

(2) Represents units in BW Holdings, LLC. No director or executive officer owns directly any stock of the Registrant or options to acquire such stock.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

All of the Company's common stock is owned by a holding company which is owned by an affiliate of KKR Associates, a New York limited partnership of which Messrs. Todd Fisher, Edward A. Gilhuly, Perry Golkin, James H. Greene, Jr., Johannes Huth, Henry R. Kravis, Robert I. MacDonnell, Michael W. Michelson, Alexander Navab, Paul E. Raether, Neil Richardson, George R. Roberts, Scott M. Stuart and Michael T. Tokarz are the general partners. KKR Associates has sole voting and investment power with respect to such shares. Messrs. Kravis, Roberts, Stuart and Navab are directors of the Company.

KKR renders management, consulting and financial services to the Company and its businesses for an annual fee of $10 million, payable quarterly in arrears. Messrs. Kravis, Roberts, Navab and Stuart are general partners of KKR.

The Company has made a loan to Mr. Carter, Executive Vice President and Chief Financial Officer, in the amount of $375,000, of which $225,000 is secured with a mortgage on his residence. The interest rate applicable to the loan is prime less .25%. As of March 31, 2001, the full amount of the loan was outstanding, plus accrued interest of $18,125.

Pursuant to his terms of employment, Mr. Kelley received a loan from the Company in the amount of $675,000. The principal and accrued interest are payable upon termination of employment, only if such termination occurs prior to April 4, 2002, and only to the extent of amounts not forgiven.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(a) List of documents filed as part of this report

1. Financial Statements

   All financial statements of the registrant are set forth under Item 8 of this Report on Form 10-K.

2. Financial Statement Schedules

   Report of Independent Auditors (page 81)

   For the three years ended December 31, 2000:
   Schedule II - Valuation and Qualifying Accounts (page 82)

3. Exhibits (page 83)

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
and Shareholders of Borden, Inc.

We have audited the financial statements of Borden, Inc. and subsidiaries as of December 31, 2000 and 1999, and for each of the three years in the period ended December 31, 2000, and have issued our report thereon dated February 9, 2001; such financial statements and report are included elsewhere in this Form 10-K. Our audits also included the financial statement schedule of Borden, Inc. and subsidiaries, listed in Item 14. This consolidated financial statement schedule is the responsibility of the Company's management. Our responsibility is to express an opinion based on our audits. In our opinion, such consolidated financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

DELOITTE & TOUCHE LLP
Columbus, Ohio

February 9, 2001

SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS

	Balance December 31, 1997	Charged to Expense	Write-offs	Balance December 31, 1998
Allowance for doubtful accounts	$ 9.4	$ 2.9	$ (1.9)	$ 10.4

	Balance December 31, 1998	Charged to Expense	Write-offs	Balance December 31, 1999
Allowance for doubtful accounts	$ 10.4	$ 3.3	$ (1.9)	$ 11.8

	Balance December 31, 1999	Charged to Expense	Write-offs	Balance December 31, 2000
Allowance for doubtful accounts	$ 11.8	$ 3.8	$ (2.5)	$ 13.1

3. Exhibits

Management contracts, compensatory plans and arrangements are listed herein at Exhibits (10)(v) through (10)(xv).

(3)(i) Restated Certificate of Incorporation dated March 14, 1995, and Certificate of Amendment of Restated Certificate of Incorporation dated June 23, 1995, both incorporated herein by reference from Exhibit (3) to the June 30, 1995 Form 10-Q.

(ii) By-Laws incorporated herein by reference from Exhibit (3)(ii) to the September 30, 1996, Form 10-Q.

(4)(i) Form of Indenture dated as of January 15, 1983, as supplemented by the First Supplemental Indenture dated as of March 31, 1986, and the Second Supplemental Indenture, dated as of June 26, 1996, relating to the $200,000,000 8-3/8% Sinking Fund Debentures due 2016, incorporated herein by reference from Exhibits (4)(a) and (b) to Amendment No. 1 to Registration Statement on Form S-3, File No. 33-4381 and Exhibit (4)(iv) to the June 30, 1996, Form 10-Q.

(ii) Form of Indenture dated as of December 15, 1987, as supplemented by the First Supplemental Indenture dated as of December 15, 1987, and the Second Supplemental Indenture dated as of February 1, 1993, and the Third Supplemental Indenture dated as of June 26, 1996, incorporated herein by reference from Exhibits (4)(a) through (d) to Registration Statement on Form S-3, File No. 33-45770, and Exhibit (4)(iii) to the June 30, 1996, Form 10-Q, relating to the following Debentures and Notes:

(a) The $150,000,000 9-1/4% Sinking Fund Debentures due 2019.

(b) The $200,000,000 9-1/5% Debentures due 2021.

(c) The $250,000,000 7-7/8% Debentures due 2023.

(iii) Form of Indenture relating to Senior Securities, incorporated herein by reference from Exhibit 4.1 to the Company's Registration Statement on Form S-3, File No. 33-57577.

(iv) Form of Indenture relating to Subordinated Securities incorporated herein by reference from Exhibit 4.2 to the Company's Registration Statement on Form S-3, File No. 33-57577.

(10)(i) Recapitalization Agreement, dated as of October 14, 1997, among BORDEN, INC., a New Jersey corporation, BORDEN DECORATIVE PRODUCTS HOLDINGS, INC., a Delaware corporation and an indirect wholly owned subsidiary of Borden, and BDPI HOLDINGS CORPORATION, a Delaware corporation incorporated herein by reference to Exhibit (10)(i) to the 1997 Form 10-K Annual Report.

(ii) Credit Agreement dated as of December 15, 1994 amended and restated as of July 14, 1997, incorporated herein by reference to Exhibit (10)(ii) to the June 30, 1997, Form 10-Q.

(iii) Stockholders Agreement, dated as of June 20, 1996, by and among Borden, Inc. and J. Brendan Barba, Paul M. Feeny, David MacFarland, Robert Cron, Kenneth J. Avia, Melanie K. Barba, John Powers, Lauren Powers, Carolyn Vegliante and Lawrence Noll, incorporated herein by Reference to Exhibit 2 to Schedule 13D, dated July 1, 1996. File No. 005-37385.

(iv) Governance Agreement, dated as of June 20, 1996, between Borden, Inc. and AEP Industries Inc., incorporated herein by reference to Exhibit 5 to Schedule 13D, dated July 1, 1996, File No. 005-37385.

(v) Amended and Restated 1996 Unit Incentive Plan for Key Employees of Borden, Inc. and Associated Persons, as of June 29, 1999, incorporated herein by reference to Exhibit (10)(v) to the 1999 Form 10-K Annual Report.

(vi) Amended and Restated 1996 Unit Incentive Plan for Key Employees of Borden, Inc. and Associated Persons, as of December 31, 2000.

(vii) 1994 Stock Option Plan incorporated by reference to Exhibit (10)(v) to the 1993 Form 10-K Annual Report.

(viii) Executive Supplemental Pension Plan Amended and Restated as of January, 1996 incorporated by Reference to Exhibit (10)(xiii) to the 1998 Form 10-K Annual Report.

(ix) Advisory Directors Plan, incorporated herein by reference from Exhibit (10)(viii) to the 1989 Form 10-K Annual Report.

(x) Advisory Directors Plan Trust Agreement, incorporated herein by reference from Exhibit (10)(ix) to the 1988 Form 10-K Annual Report.

(xi) Management Agreements

(a) Employment Agreement with W. F. Stoll, Jr., dated June 6, 1996, incorporated by reference to Exhibit (10)(vi) to the June 30, 1996 Form 10-Q.

(b) Summary of Terms of Employment for Kevin M. Kelley, incorporated herein by reference to Exhibit (10) to the June 30, 1999 Form 10-Q.

(xii) Executive Perquisite Benefits Plan dated January 1, 1996, incorporated by reference to Exhibit (10)(xxiv) to the 1995 Form 10-K Annual Report.

(xiii) Consulting Agreement dated August 21, 1995, incorporated herein by reference to Exhibit (10) to the September 30, 1995 Form 10-Q.

(xiv) 1999 Management Incentive Plan for Borden Capital Management Partners, incorporated herein by reference To Exhibit (10)(xvi) to the 1999 Form 10-K Annual Report.

(xv) 2000 Management Incentive Plan for Borden Capital Management Partners.

(21) Subsidiaries of Registrant.

(23)(i) Accountants' Consent.

4. Financial Statement Schedules

The following is the separate financial statements of Foods Holdings filed in accordance with rule 3-10 of Regulation S-X. Foods Holdings is a guarantor of the Company's credit facility and all of the Company's outstanding publicly held debt.

(a) Reports on Form 8-K

No reports on Form 8-K were filed by the Company during the fourth quarter of 2000.

SIGNATURES

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

BORDEN, INC.

By /s/ Deborah K. Roche

Deborah K. Roche, Vice President/General Auditor and Controller
(Principal Accounting Officer)

Date: April 2, 2001

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Company and in the capacities indicated, on the date set forth above.

Signature	Title
/s/ C. Robert Kidder (C. Robert Kidder)	Chairman of the Board and Chief Executive Officer
/s/ Henry R. Kravis (Henry R. Kravis)	Director
/s/ George R. Roberts (George R. Roberts)	Director

EXHIBIT 21

BORDEN, INC., CONSOLIDATED

SUBSIDIARIES OF REGISTRANT AS OF DECEMBER 31, 2000

Subsidiaries of Registrant:	The percentage of voting securities owned, or other basis of control	State or other jurisdiction of incorporation or organization
BCP Management, Inc.	100	Delaware
BCP Finance Corporation	100	Delaware
BDS Two, Inc.	100	Delaware
BFI Ltd., L.P.	100	Delaware
Borden Chemical Holdings, Inc.	95.5	Delaware
Borden Chemical Canada, Inc.	100	Canada
Borden Chemical Investments, Inc.	100	Delaware
Borden Chemical, Inc.	100	Delaware
Borden Chemical International, Inc.	100	Delaware
Melamine Chemicals, Inc.	100	Delaware
Borden Chemical Foreign Sales Corp. V.I., Inc.	100	US V.I.
Borden Chemical Philippines, Inc.	98	Philippines
Borden Chemical Australia (Pty.) Ltd.	100	Australia
Borden/AEP Australia Superannuation (Pty) Limited	100	Australia
Borden Chemical Holdings (Panama), S.A.	100	Panama
Alba Quimica Industria e Comercio Ltda.	99	Brazil
Alba Amazonia S.A. Industrias Quimicas	99.9	Brazil
Alba Nordeste Industrias Quimica Ltda.	100	Brazil
Wenham Corp., S.A.(The)	100	Uruguay
Borden Chemical (M.) Sdn. Bhd.	100	Malaysia
Borden Chemical Resinas, Panama, S.R.L.	100	Panama
Quimica Borden Argentina S.A.	100	Argentina
Borden Chimie, S.A.	98	France
Borden International Holdings, Ltd.	100	UK
Borden Chemical GB, Ltd.	100	UK
Borden Chemical U.K. Limited	100	UK
Borden Bray, Ltd.	100	Ireland
Borden Chemical International Philippines, Inc.	98	Philippines
Compania Quimica Borden, S.A.	100	Panama
Quimica Borden Espana, S.A.	100	Spain
Borden Division de Consumo, S.A.	100	Spain
Compania Quimica Borden Ecuatoriana, S.A.	83.3	Ecuador
Gun Ei Borden International Resin Co. Ltd.	5	Japan
Italcolor S.A.	100	Uruguay
Elmer's Holdings, Inc.	98.5	Delaware
Elmer's Products, Inc.	100	Delaware
Elmer's International, Inc.	100	Delaware
Elmer's Products Canada, Inc.	100	Canada
Elmer's Investments, Inc.	100	Delaware
Ross Products, Inc.	100	Delaware

NOTE: The above subsidiaries have been included in Borden's Consolidated Financial Statements on a consolidated or equity basis as appropriate. The names of certain subsidiaries, active and inactive, included in the Consolidated Financial Statements and of certain other subsidiaries not included therein are omitted since when considered in the aggregate as a single subsidiary they do not constitute a significant subsidiary.

EXHIBIT 21

BORDEN, INC.

The following entities are included in the combined businesses as of December 31, 2000, but not included in the Registrant

Affiliates of Registrant	The percentage of voting securities owned, or other basis of control by its immediate parent	State or other jurisdiction of incorporation/ organization
Borden Foods Holdings Corporation	100	Delaware
Borden Foods Corporation	100	Delaware
Aunt Millie's Sauces, Inc.	100	New York
Albadoro S.p.A.	100	Italy
Monder Aliment S.p.A.	100	Italy
BF Foods International Corp.	100	Delaware
Borden Company Limited, The	100	Ireland
Borden Foods Limited	100	Ireland
Borden Exports Limited	100	Ireland
Borden International (Europe) Ltd.	100	Delaware
BF Andina Ltda	100	Colombia
BFC (Alisa) SDAD LtdA.	100	Panama
BFC (Colombia) S.A.	100	Panama
BF (Colombia) LLC	100	Delaware
BFC One Corporation	100	Delaware
Borden Foods International Corp.	100	Delaware
Borden Foods Canada Corporation	100	Canada
Borden Foods World Trade Corporation	100	Ohio
Borden International, Inc.	100	Delaware
Borden International Foods (Asia-Pacific) Ltd.	100	Hong Kong
Borden Redevelopment Corp.	100	Missouri
International Gourmet Specialties Company	100	New Jersey
Prince Company, Inc., The	100	Massachusetts

AMENDED AND RESTATED 1996 UNIT INCENTIVE PLAN FOR KEY EMPLOYEES OF BORDEN, INC. AND ASSOCIATED PERSONS AS OF DECEMBER, 2000

1. Purpose of Plan

This Amended and Restated 1996 Unit Incentive Plan for Key Employees of Borden, Inc. and Associated Persons (the "Plan") is designed:

(a) to promote the long term financial interests and growth of Borden, Inc. (the "Corporation") and its Associated Persons by attracting and retaining management personnel with the training, experience and ability to enable them to make a substantial contribution to the success of the Corporation's business;

(b) to motivate management personnel by means of growth-related incentives to achieve long range goals; and

(c) to further the identity of interests of Participants with those of the direct and indirect equityholders of the Corporation through opportunities to participate in increased value of, or distributions by, the Corporation and/or its Associated Persons.

2. Definitions

As used in the Plan, the following words shall have the following meanings:

(a) "Associated Person" shall mean any Subsidiary of BW Holdings, including, without limitation, the Corporation, or any Subsidiary of the Corporation, and any other entity designated by the Board of Directors, which may include, without limitation, a successor to BW Holdings.

(b) "BW Holdings" shall mean BW Holdings, LLC, a Delaware limited liability company.

(c) "BW Holdings Unit" shall mean a unit of limited liability company interest in BW Holdings.

(d) "Board of Directors" means the Board of Directors of the Corporation.

(e) "Committee" means the Compensation Committee of the Board of Directors.

(f) "Employee" means a person, including an officer, in the regular full-time employment of the Corporation or one of its Associated Persons who, in the opinion of the Committee, is, or is expected to be, primarily responsible for the management, growth or protection of some part or all of the business of the Corporation or its Associated Persons.

(g) "Equivalent Company" shall mean any Person so designated by the Committee that, at the relevant time, owns or operates, directly or indirectly, substantially all of the business and assets of BW Holdings and its Subsidiaries.

(h) "Exchange Act" means the Securities Exchange Act of 1934, as amended.

(i) "Fair Value" means such value of a BW Holdings Unit or similar ownership interest in an Equivalent Company as determined in accordance with any applicable resolutions or regulations of the Committee in effect at the relevant time and in accordance with the provisions of a Grant Agreement.

(j) "Grant" means an award made to a Participant pursuant to the Plan and described in Paragraph 5, including, without limitation, an award of a BW Holdings Unit Option, Unit Appreciation Right, Purchase BW Holdings Unit or Other Unit-Based Grant, or any combination of the foregoing.

(k) "Grant Agreement" means an agreement between the Corporation and a Participant that sets forth the terms, conditions and limitations applicable to a Grant.

(l) "Participant" means an Employee selected to participate in the Plan by the Committee in its sole discretion and to whom one or more Grants have been made and such Grants have not all been forfeited or terminated under the Plan; provided, however, a non-employee director of the Corporation or one of its Associated Persons may not be a Participant.

(m) "Subsidiary" means any corporation, partnership or other entity in an unbroken chain of corporations, partnerships or other entities beginning with BW Holdings if each of the corporations, partnerships or other entities, or group of commonly controlled corporations, partnerships or other entities other than the last corporation, partnership or other entity in the unbroken chain then owns 50% or more of the voting stock or other ownership interests in one of the other corporations, partnerships or other entities in such chain.

3. Administration of Plan

(a) The Plan shall be administered by the Committee. The Committee may adopt its own rules of procedure, and the action of a majority of the Committee, taken at a meeting or taken without a meeting by a writing signed by such majority, shall constitute action by the Committee. The Committee shall have the power and authority to administer, construe and interpret the Plan, to make rules for carrying it out and to make changes in such rules. Any such interpretations, rules and administration shall be consistent with the basic purposes of the Plan.

(b) The Committee may delegate to the Chief Executive Officer and to other senior officers of the Corporation its duties under the Plan subject to such conditions and limitations as the Committee shall prescribe, except that only the Committee may designate and make Grants to Participants who are subject to Section 16 of the Exchange Act at the time of such Grant.

(c) The Committee may employ attorneys, consultants, accountants, appraisers, brokers or other persons. The Committee, the Corporation, and the officers and directors of the Corporation shall be entitled to rely upon the advice, opinions or valuations of any such persons. All actions taken and all interpretations and determinations made by the Committee in good faith shall be final and binding upon all Participants, the Corporation and all other interested persons. No member of the Committee or the Board of Directors, or the board of directors or similar management body of any Associated Person, and none of the Corporation, BW Holdings, any Associated Person or any affiliate of any thereof shall be liable (personally or otherwise) for any action, determination or interpretation made in good faith with respect to the Plan or the Grants, and all such persons shall be fully protected by the Corporation with respect to any such action, determination or interpretation.

4. Eligibility

The Committee may from time to time make Grants under the Plan to such Employees and in such form having such terms, conditions and limitations as the Committee may determine in its sole discretion. No Grants may be made under this Plan to non-employee directors of Corporation or any of its Subsidiaries. Grants may be granted singly, in combination or in tandem. The terms, conditions and limitations of each Grant under the Plan shall be set forth in a Grant Agreement, in a form approved by the Committee, consistent, however, with the terms of the Plan; provided, however, such Grant Agreement shall contain provisions dealing with the treatment of Grants in the event of the termination, death or disability of a Participant, and may also include provisions concerning the treatment of Grants in the event of a change of control.

5. Grants

From time to time, the Committee will determine the forms and amounts of Grants for Participants. Such Grants may take the following forms in the Committee's sole discretion:

(a) BW Holdings Unit Options - These are options to purchase BW Holdings Units. At the time of the Grant the Committee shall determine, and shall have contained in the Grant Agreement or other Plan rules, the option exercise period, the option exercise price, and such other conditions or restrictions on the grant or exercise of the option as the Committee deems appropriate, which may include the requirement that the grant of options is predicated on the acquisition of Purchase BW Holdings Units by the optionee.

(b) Unit Appreciation Rights - These are rights that entitle the holder to receive payments from time to time from the Corporation in amounts and at times corresponding to the amounts and times when distributions on the BW Holdings Units are made and/or in amounts determined based on the relative values of a BW Holdings Unit at the time of payment and at the time of Grant, as specified in a Grant Agreement. Generally, Unit Appreciation Rights will provide for payments by the Corporation when the aggregate distributions on each BW Holdings Unit exceeds a trigger price specified in the Grant Agreement. The Committee, in the Grant Agreement or by the other Plan rules, may impose such conditions or restrictions on the Unit Appreciation Rights, may provide for the conversion of the Unit Appreciation Rights into BW Holdings Units, or options to purchase BW Holdings Units or other ownership interests in BW Holdings or any Associated Person, and may provide for such other terms and conditions applicable to the Unit Appreciation Rights as it deems appropriate. Unit Appreciation Rights may also be called "UARs" in a Grant Agreement.

(c) Purchase BW Holdings Unit - Purchase BW Holdings Units are BW Holdings Units offered to a Participant at such price as determined by the Committee, the acquisition of which will make him eligible to receive Grants under the Plan; provided, however, that the price of such Purchase BW Holdings Units may not be less than 50% of the fair market value (as determined by the Committee) of the BW Holdings Units on the date such Purchase BW Holdings Units are offered.

(d) Other Unit-Based Grants - The Committee may make other Grants under the Plan pursuant to which BW Holdings Units (or similar ownership interests of an Equivalent Company) are or may in the future be acquired, or payments are or may in the future be made, in each case, based on the performance or value of the Corporation and its Associated Persons. The Committee, in the Grant Agreement or by other Plan rules, may impose such conditions or restrictions on any such Grant as it deems appropriate, consistent with the purposes of the Plan. Such Other Unit-Based Grants may include, without limitation, appreciation rights providing for payments to the Employee when a specified value of the Units is achieved relative to a value specified at the time of the Grant in the Grant Agreement.

6. Limitations and Conditions

(a) The number of BW Holdings Units available for Grants under this Plan, and the number of such Units on which Grants under this Plan may be based, shall be 1,157,057, but may be increased or decreased (but in be event decreased to a number lower than the number of BW Holdings Units theretofore granted or with respect to which Grants theretofore Have been made under the Plan), by the Committee in its sole discretion. Unless restricted by applicable law, the number of BW Holdings Units related to Grants that are forfeited, terminated, cancelled or expire shall immediately become available for Grants.

(b) No Grants shall be made under the Plan beyond ten years after the effective date of the Plan, but the terms of Grants made on or before the expiration thereof may extend beyond such expiration. At the time a Grant is made or amended or the terms or conditions of a Grant are changed, the Committee may provide for limitations or conditions on such Grant.

(c) Nothing contained herein shall affect the right of the Corporation to terminate any Participant's employment at any time or for any reason.

(d) Deferrals of Grant payouts may be provided for, at the sole discretion of the Committee, in the Grant Agreements.

(e) Except as otherwise prescribed by the Committee, the amounts of the Grants for any employee of a Subsidiary, along with interest, dividend and other expenses accrued on deferred Grants shall be charged to the Participant's employer during the period for which the Grant is made. If the Participant is employed by more than one Subsidiary or by both the Corporation and a Subsidiary during the period for which the Grant is made, the Participant's Grant and related expenses will be allocated between the companies employing the Participant in a manner prescribed by the Committee.

(f) Other than as specifically provided with regard to the death of a Participant, no Grant or right to payment in respect thereof under the Plan shall be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance or charge, and any attempt to do so shall be void. No Grant or right to payment in respect thereof shall, prior to receipt thereof by the Participant, be in any manner liable for or subject to the debts, contracts, liabilities, engagements or torts of the Participant. Notwithstanding the foregoing, the Committee may, in its discretion, authorize all or a portion of the options or UARs to be granted to an optionee to be on terms which permit transfer by such optionee to (1) the spouse, children or grandchildren of the optionee ("Immediate Family Members"), (ii) a trust or trusts for the exclusive benefit of such Immediate Family Members, or (iii) a partnership or other entity in which such Immediate Family members are the only partners, members or beneficiaries, <u>provided that</u>, (x) the option agreement pursuant to which such options are granted must be approved by the Committee, and must expressly provide for transferability in a manner consistent with this Section, (y) subsequent transfers of transferred options shall be prohibited except transfers by will or by the applicable laws of this Plan. Following transfer, any such options shall continue to be subject to the same terms and conditions as were applicable immediately prior to transfer.

(g) Participants shall not be, and shall not have any of the rights or privileges of, members of BW Holdings or equity holders in any Associated Person in respect of any BW Holdings Units or interests in an Associated Person purchasable in connection with any Grant unless and until such Participant is registered as the owner thereof and, if applicable, certificates representing any such BW Holdings Units or such other interests have been issued by BW Holdings or such Associated Person to such Participants.

(h) No election as to benefits or exercise of BW Holdings Unit Options, Unit Appreciation Rights or other rights may be made during a Participant's Lifetime by anyone other than the Participant except by a legal representative appointed for or by the Participant.

(i) Absent express provisions to the contrary, any grant under this Plan shall not be deemed compensation for purposes of computing benefits or contributions under any retirement plan of the Corporation or its Subsidiaries and shall not affect any benefits under any other benefit plan of any kind or subsequently in effect under which the availability or amount of benefits is related to level of compensation. This Plan is not a "Retirement Plan" or "Welfare Plan" under the Employee Retirement Income Security Act of 1974, as amended.

(j) Unless the Committee determines otherwise, no benefit or promise under the Plan shall be secured by any specific assets of the Corporation or any of its Subsidiaries, nor shall any assets of the Corporation or any of its Subsidiaries be designated as attributable or allocated to the satisfaction of the Corporation's obligations under the Plan.

7. <u>Transfers and Leaves of Absence</u>

For purposes of the Plan, unless the Committee determines otherwise: (a) a transfer of a Participant's employment without an intervening period of separation among the Corporation and any Associated Person shall not be deemed a termination of employment, and (b) a Participant who is granted in writing a leave of absence shall be deemed to have remained in the employ of the Corporation during such leave of absence.

8. <u>Adjustments</u>

In the event that the Corporation (or any Equivalent Company) consummates a Public Offering, or any similar event occurs, or there is a change in the powers, designations, preferences and relative participating, optional or other rights, if any, or the qualifications, limitations or restrictions of the outstanding BW Holdings Units or equity interests in an Equivalent Company or a reclassification, recapitalization or merger, change of control, or similar event affecting the Corporation, BW Holdings or an Equivalent Company, the Committee may adjust appropriately the outstanding Grants as it deems to be equitably required, including without limitation converting the Grants into common equity of, or grants of options or other rights to purchase ownership interests in, the Corporation or the Equivalent Company that consummates a Public Offering on such terms as the Committee deems to be appropriate in its sole discretion.

9. Merger, Consolidation, Exchange, Acquisition, Liquidation or Dissolution

In its absolute discretion, and on such terms and conditions as it deems appropriate, coincident with or after the grant of any BW Holdings Unit Option, Unit Appreciation Right or any Other Unit-Based Grant, the Committee may provide that such BW Holdings Unit Option, Unit Appreciation Right or Other Unit-Based Grant cannot be exercised or triggered after the merger or consolidation of BW Holdings or the Corporation into another corporation, the exchange of all or substantially all of the assets of BW Holdings or the Corporation for the securities of another corporation, the sale of all or substantially all the assets of BW Holdings or the Corporation, the acquisition by another corporation of 80% or more of BW Holdings' or the Corporation's then outstanding units or shares of voting stock or the recapitalization, reclassification, liquidation or dissolution of BW Holdings or the Corporation, and if the Committee so provides, it shall, on such terms and conditions as it deems appropriate in its absolute discretion, also provide, either by the terms of such BW Holdings Unit Option, Unit Appreciation Right or Other Unit-Based Grant or by a resolution adopted prior to the occurrence of such merger, consolidation, exchange, acquisition, recapitalization, reclassification, liquidation or dissolution, that, for some period of time prior to such event, such BW Holdings Unit Option, Unit Appreciation Right or Other Unit-Based Grant shall be exercisable or able to be triggered as to all units or shares subject thereto, notwithstanding anything to the contrary herein (but subject to the provisions of Paragraph 6(b)) and that, upon the occurrence of such event, such BW Holdings Unit Option, Unit Appreciation Right or Other Unit-Based Grant shall terminate and be of no further force or effect; provided, however, that the Committee may also provide, in its absolute discretion, that even if the BW Holdings Unit Option, Unit Appreciation Right or Other Unit-Based Grant shall remain exercisable or able to be triggered after any such event, from and after such event, any such BW Holdings Unit Option, Unit Appreciation Right or Other Unit-Based Grant shall be exercisable or able to be triggered only for the kind and amount of securities and/or other property, or the cash equivalent thereof, receivable as a result of such event by the holder of Unit Appreciation Rights immediately prior to such event or a number of units or shares of stock for which such BW Holdings Unit Option or Other Unit-Based Grant could have been exercised immediately prior to such event.

10. Amendment and Termination

The Committee shall have the authority to make such amendments to any terms and conditions applicable to outstanding Grants as are consistent with this Plan provided that, except for adjustments under Paragraph 8 or 9 hereof, no such action shall modify such Grant in a manner adverse to the Participant without the Participant's consent except as such modification is provided for or contemplated in the terms of the Grant.

The Board of Directors may amend, suspend or terminate the Plan except that no such action, other than an action under Paragraph 8 or 9 hereof, may be taken which would decrease the exercise price or trigger price of outstanding BW Holdings Unit Options or Unit Appreciation Rights, change the requirements relating to the Committee or extend the term of the Plan.

11. Foreign Options and Rights

The Committee may make Grants to Employees who are subject to the laws of nations other than the United States, which Grants may have terms and conditions that differ from the terms thereof as provided elsewhere in the Plan for the purpose of complying with foreign laws.

12. Withholding Taxes

The Corporation shall have the right to deduct from any cash payment made under the Plan any federal, state or local income or other taxes required by law to be withheld with respect to such payment. It shall be a condition to the obligation of the Corporation to deliver BW Holdings Units upon exercise of a BW

Holdings Unit Option or exercise or settlement of any Other Unit-Based Grant that the Participant pay to the Corporation such amount as may be requested by the Corporation for the purpose of satisfying any liability for such withholding taxes. Any Grant Agreement may (but is not required to) provide that the Participant may elect, in accordance with any conditions set forth in such Grant Agreement, to satisfy a portion or all of such withholding taxes in the form of a reduced payment by the Corporation (including by reducing the number of BW Holdings Units to be received upon exercise of a BW Holdings Unit Option).

13. Effective Date and Termination Dates

The Plan shall be effective on and as of the date of its approval by the stockholders of the Corporation and no further grants shall be made under the plan after ten years from such date.

BORDEN CAPITAL
MANAGEMENT PARTNERS

2000 INCENTIVE PLAN
OVERVIEW

TABLE OF CONTENTS

PERFORMANCE HAS ITS REWARDS

The Incentive Plan provides a form of compensation that is driven by individual and company performance, and in the process supports BCMP's values. Awards from the Incentive Plan will be paid in addition to your regular salary increases and in no way affect your annual salary review at midyear.

Strong teamwork is rewarded in special ways by the Incentive Plan. The Plan is designed to reward team players who add value to BCMP over the years to come.

The 2000 Incentive Plan bases its rewards in part on the financial measure called EBITDA - Earnings Before Interest, Taxes, Depreciation and Amortization. EBITDA is a powerful financial tool for letting us know how we're doing in managing the business for profitable growth. The other important factors in the incentive plan are BCMP performance against overall goals and your performance against individual performance objectives.

This document explains the basics of the Borden Capital Management Partners Incentive Plan. Please read it carefully so you'll understand how the Plan ties your compensation to your performance.

SUMMARY OF HOW THE INCENTIVE PLAN WORKS

YOU PARTICIPATE IN THE PLAN	- You meet the eligibility criteria. - Your target award is established.
WE WORK HARD THROUGHOUT THE YEAR TO INCREASE EBITDA.	- We strive to achieve and exceed the goals we set for ourselves and the company.
THE YEAR ENDS AND THE BOOKS CLOSE.	- BWHLLC's EBITDA is compared to the EBITDA Target. - Using a rating system, the company and you will be rated on performance against objectives. - Ratings increase when we achieve our super goals or perform at an extraordinary level. - You will receive an award early the following year as long as EBITDA results are above minimum target and your performance meets certain minimum requirements.
YOU MAY RECEIVE AN AWARD FROM THE PLAN.	- The amount awarded depends on numerous factors, including the year's EBITDA achievement and performance ratings for the company and you.*

*All awards payable from the Incentive Plan are subject to the approval and discretion of the CEO and the Borden, Inc. Board of Directors.

PLAN PARTICIPATION

WHO'S ELIGIBLE

All associates employed by Borden Capital Management Partners beginning on January 1, 2000, or hired during the year prior to October 1, 2000, will be eligible to participate in the Incentive Plan. There is no eligibility waiting period.

TARGET AWARD

The Incentive Plan is designed to generate a certain level of additional income for you when the annual EBITDA Target and performance objectives are met. That amount is called your TARGET AWARD. The Target Award depends on your band within the BCMP organizational chart shown below.

BAND		INCENTIVE TARGET %
Band G	Partners	60%+
Band F	Principals	40 - 60%
Band E	Engagement Managers	20 - 40%
Band D	Consultants	15 - 25%
Band C	Analysts	10%
Band B	Administrators	5 - 10%
Band A	Administrative Assistants	5%

When BCMP and individual associates accomplish and exceed objectives, the Incentive Plan awards combined with base salary will deliver total cash compensation that is above competitive markets.

ESTABLISHING PERFORMANCE TARGETS

The Incentive Plan rewards us based on how well we have accomplished the established performance targets. Our targets are aggressive but they are also realistic. Accomplishing set objectives defines for us a job well done. But before we know how well we are doing, we have to define what we are trying to accomplish. Each year, we will formally establish the financial target and performance objectives at two levels within the organization, against which we will judge our achievements.

FINANCIAL TARGET	PERFORMANCE OBJECTIVES
BW Holdings, LLC	- Company
Operating EBITDA	- Individual

FINANCIAL TARGET

OPERATING EBITDA

The financial measure chosen for BCMP's 2000 Incentive Plan is EBITDA, or Earnings Before Interest, Taxes, Depreciation and Amortization.

You are probably all familiar with this fundamental measure of profitability. Our focus is on the BWHLLC operating EBITDA - essentially the aggregate cash earnings achieved by each member of the Borden Family of Companies in running its day-to-day operations (including businesses in the process of divestment). BCMP influences these results through partnering on strategic and other projects, governance, and functional counseling and support.

The EBITDA is measured at BWHLLC to include Wise, CCPC and Borden Foods as well as the other operating companies. BCMP's own financial performance includes the small ownership portions of AEP and BCP. Operating EBITDA also reflects the expenses incurred by BCMP, and thus the degree to which we can control those costs and partly offset them with income, e.g., from successful tail management. The operating EBITDA measure, however, excludes both restructuring charges and one-time gains or losses on acquisitions or divestitures (but success in either area can benefit the rating of BCMP performance objectives). If we make a significant acquisition or divestiture, the financial target will be revised, e.g., when CCPC was acquired in April 1998, the BWHLLC EBITDA target was revised.

While BCMP uses BWHLLC's operating EBITDA for incentive purposes, most of the Borden Family Companies use Economic Value Added, or EVA as the measure for incentive.

For BCMP, EVA doesn't work well because of three factors: acquisitions and divestitures; the complex financial and legal structure of our organization; and tax considerations.

The BCMP Partners and Borden Board of Directors have agreed that operating EBITDA is the best measure of how well we are achieving day-to-day and long-term objectives that align with the underlying goal of increasing the value and financial health of BWHLLC for its investors. That measure in turn will drive potential awards under the Incentive Plan.

The 2000 EBITDA Target has been set at $406,600 million, with a positive and negative swing (explained later) of $81,320 million. This creates an overall range from $325,280 million ($406,600 - $81,320) to $487,920 million ($406,600 + $81,320).

PERFORMANCE OBJECTIVES

Besides EBITDA, your individual Incentive Award is also based on setting and meeting performance objectives at two different levels - company and individual.

Measurements for each of the performance objectives are established plus super goals as appropriate. SUPER GOALS are aggressive milestones or outstanding performance levels that result in extraordinary positive impact on the department or organization. Setting super goals is a way to "aim high" in hopes of exceeding our normal expectations. The purpose of setting super goals is to articulate as clearly as possible a "home run". Not every objective will have a defined super goal.

COMPANY OBJECTIVES

To help meet the overall EBITDA Target, the Partners will articulate certain business objectives and super goals with more potential organizational impact than others. While associates are accountable for achieving all objectives, high impact objectives should receive the most focus. As with financial objectives, performance objectives may be revised due to changing business needs.

INDIVIDUAL PERFORMANCE OBJECTIVES

Each year, you will be asked to develop a list of your individual performance objectives for the coming year. The defined objectives should support the objectives of the company.

You will also set super goals for yourself. These are measurements for specific objectives that are considered extraordinary for your level.

Tips on how to write "aligned objectives"

- Align objectives to BCMP objectives whenever possible.

- Determine how objectives could support a part of a BCMP objective.

- If an individual associate's job design is such that a direct link to BCMP objectives is difficult, negotiate goals that move the organization forward, e.g., improve quality and customer service, implement efficiencies, and/or simplify processes.

A planning template has been provided to all associates to assist you in writing up your individual performance objectives and super goals. You will coordinate your list with your manager, who will help ensure that your objectives are appropriately aggressive, yet attainable - and, of course, in line with the goals of the company.

DETERMINING THE INCENTIVE AWARD

There are three steps to arrive at your individual Incentive Award.

Step 1. Determine BWHLLC's operating EBITDA.

Step 2. Determine BCMP's overall performance rating against objectives and total award pool.

Step 3. Determine your individual performance rating and award.

STEP 1. DETERMINE BWHLLC'S OPERATING EBITDA

This leads us to a total Incentive Award to be shared by all BCMP associates. Actual 2000 EBITDA performance will be compared to the 2000 financial performance range ($325,280 million to $487,920 million). Financial performance must exceed $325,280 million in order for incentive payments to be made. Target Incentive Awards will be paid if the EBITDA target of $406,600 million is achieved.

STEP 2. DETERMINE BCMP'S OVERALL PERFORMANCE RATING AGAINST OBJECTIVES AND TOTAL AWARD POOL

At the end of each year, the Board of Directors will assess BCMP's performance against objectives and assign an overall rating using the following scale:

PERFORMANCE RATINGS

1.0	1.5	2.0	2.5	3.0	3.5	4.0	4.5	5.0
MEETS NO OBJECTIVES	-	MEETS 50% OF OBJECTIVES	-	MEETS OBJECTIVES	-	MEETS OBJECTIVES & 50% OF SUPER GOALS	-	MEETS OBJECTIVES & ALL SUPER GOALS

The combination of BWHLLC's operating EBITDA and BCMP's overall performance rating against objectives is then compared to the Incentive Award Table described below to determine BCMP's total award pool.

THE INCENTIVE AWARD TABLE

Using the table on the next page, we locate the combination of the EBITDA and the performance rating. The percentage we find represents the amount of the Target Award that will become the Incentive Award pool for the year.

The left-most column on the table reflects BWHLLC's operating EBITDA Target plus and minus the swing, which is divided into fifths that differentiate the rows up and down.

Each $16.3 million ($81.3 / 5) increase or decrease in actual 2000 EBITDA over or under the EBITDA Target moves you one row higher or lower on the table, and the Incentive Award will increase or decrease as shown. If actual EBITDA performance falls between two rows, the incentive award will be determined using a proportional increase or decrease.

If EBITDA exceeds the high end of the range, Incentive Awards continue to rise following the established pattern. Below the bottom of the range, however, no Incentive Awards are paid.

PERCENTAGE OF TARGET

BWHLLC EBITDA									
487.9M	0%	50%	100%	150%	200%	250%	300%	350%	400%
	0%	50%	100%	140%	180%	200%	250%	300%	350%
	0%	50%	100%	130%	160%	170%	200%	250%	300%
	0%	50%	100%	120%	140%	150%	160%	200%	250%
	0%	50%	100%	110%	120%	130%	140%	150%	200%
					TARGET				
406.6M	0%	40%	80%	90%	100%	110%	120%	130%	150%
	0%	35%	70%	80%	90%	100%	110%	120%	138%
	0%	30%	60%	70%	80%	90%	100%	110%	126%
	0%	25%	50%	60%	70%	80%	90%	100%	114%
	0%	20%	40%	50%	60%	70%	80%	90%	102%
$325.3M	0%	15%	30%	40%	50%	60%	70%	80%	90%

1.0	1.5	2.0	2.5	3.0	3.5	4.0	4.5	5.0
MEETS NO OBJECTIVES	-	MEETS 50% OF OBJECTIVES	-	MEETS OBJECTIVES	-	MEETS OBJECTIVES & 50% of SUPER GOALS	-	MEETS OBJECTIVES & ALL SUPER GOALS

PERFORMANCE RATINGS

EXAMPLE: DETERMINING BCMP'S TOTAL INCENTIVE AWARD

Let's look at a few examples to see how to apply the Incentive Award Table.

EXAMPLE A: Assume that BWHLLC's 2000 EBITDA Target of $406.6 million is met exactly. The company is then evaluated based on its objectives and receives a 3.0 rating. Using the chart, the total award from the Incentive Plan would be 100% of the Target Award.

EXAMPLE B: Now let's say that BWHLLC exceeds the EBITDA Target by achieving $439.2 million in 2000. Remember that the swing has been set at $81.3 million, creating plus or minus increments of $16.3 million. Again using the table, the $32.6 million EBITDA achievement over Target ($439.2 - $406.6) elevates the award exactly two rows above the Target EBITDA. The company's 3.0 rating would result in a total award of 140% of the Target Award.

STEP 3. DETERMINE YOUR INDIVIDUAL PERFORMANCE RATING AND AWARD

After the end of the year, you should provide a self-assessment of your performance against objectives to your manager. Your manager will consider this input in reaching an overall performance rating for you. Achieving super goals or exceptional performance may substantially raise performance ratings. Rating performance is not an exact science; the process does require judgment.

Your overall performance rating will be compared to the Incentive Award table to determine your individual incentive award. Remember that the overall financial performance continues to determine which row of the table is used. The total of individual awards may not exceed the total BCMP award pool created by the combination of BWHLLC financial performance and BCMP's overall performance against objectives.

It's recognized that managers may be inconsistent in their ratings and planned objectives may not always be aligned. BCMP partners will review individual associate ratings across departments prior to submission to the Board of Directors to ensure consistency and relative fairness.

EXAMPLE: DETERMINING YOUR INDIVIDUAL AWARD

Assume that as an Analyst with a base salary of $40,000 with a 10% target, your Target Award is $4,000. Using Example A, Target EBITDA is met, and BCMP receives a 3.0 rating to receive 100% of the Target Award. Your individual rating is 4.0, so your Incentive Target Award is $4,800 (120% of your Target Award from the table).

Using Example B, BWHLLC financial performance exceeds EBITDA Target with a BCMP performance against objectives rating of 3.0 which generates a pool of 140% of target. Your individual rating is 4.0 and by using the chart your award is 160% or $6,400 total payments may not exceed the available pool.

LEAVING THE PLAN

IF YOU LEAVE THE BORDEN FAMILY OF COMPANIES

The Incentive Plan is designed to award associates who are contributing to the success of BW Holdings, LLC. You must be actively employed within the Borden Family of Companies on December 31 to be eligible for an award earned during that year. If your employment ends for reason other than transfer to another Borden Family Company or retirement, death or disability, you will no longer be eligible for Incentive Awards.

IF YOU RETIRE, DIE OR BECOME DISABLED

If you retire at or after age 55 with at least 10 years of service, die or become disabled, you (or your beneficiary) will receive a cash payment equal to your Incentive Award for the year pro-rated for the number of months you worked. This payment will be made after the end of the year in which your employment ends.

IF YOU TRANSFER

If you transfer to another company within the Borden Family and are actively employed at the end of the year, you will receive a cash payment equal to your Incentive Award for the year prorated for the number of months you worked at BCMP.

TAXES

Payments from the Incentive Plan are treated as regular income. The company will withhold regular income tax and the payment will appear on your Form W-2. You may want to speak to your tax advisor regarding the tax implications of the Incentive Plan.

FOCUS ON PERFORMANCE

With the Incentive Plan, all BCMP associates have a mechanism in place that can truly reward a job well done. What you need to do every day - for yourself and the company - is to focus on increasing EBITDA and achieving your individual performance objectives.

Keep in mind, the Incentive Plan does NOT replace your regular salary review and recommended increases; it is a means to turn a solid performance on the job into a cash bonus in addition to those increases. The evaluation of your performance against your individual performance objectives is an important process not only for the Incentive Plan, but also as part of your July competency evaluation and base salary review.

If you have any questions about the Incentive Plan, please speak to your Human Resources representative.

ALL INCENTIVE PLAN PAYMENTS ARE SUBJECT TO DISCRETION. Notwithstanding the attainment of financial results or part or all of performance objectives, all awards under the Incentive Plan are subject to the approval of the CEO and the Borden, Inc. Board of Directors.

The company expects and intends to continue this Plan indefinitely but reserves the right to end or amend it at any time.

This document is intended to summarize the Incentive Plan for eligible associates of Borden Capital Management Partners, and it does not attempt to cover every detail. For complete details, please refer to the official Plan Document which governs the Plan. To obtain a copy of the Plan Document, contact your Human Resources representative. Every attempt has been made to ensure that all information presented here is accurate, however, if there are any discrepancies between this document and the official Plan Document, the official Plan Document will govern.

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in Registration Statement No. 33-57577 of Borden, Inc. on Form S-3 of our reports for each of Borden, Inc., Borden, Inc. and Affiliates, and Borden Foods Holdings Corporation each dated February 9, 2001, appearing in this Annual Report on Form 10-K of Borden, Inc. for the year ended December 31, 2000.

DELOITTE & TOUCHE LLP
Columbus, Ohio

March 30, 2001

BORDEN FOODS HOLDINGS CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2000 AND 1999
AND FOR EACH OF THE THREE YEARS
IN THE PERIOD ENDED DECEMBER 31, 2000

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
And Shareholder of Borden Foods Holdings Corporation

We have audited the accompanying consolidated balance sheets of Borden Foods Holdings Corporation and subsidiaries (a wholly owned subsidiary of Borden Foods Holdings, LLC) as of December 31, 2000 and 1999, and the related consolidated statements of operations, shareholder's equity and cash flows for each of the three years in the period ended December 31, 2000. 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 auditing standards generally accepted in the United States of America. 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, such consolidated financial statements present fairly, in all material respects, the financial position of Borden Foods Holdings Corporation and subsidiaries at December 31, 2000 and 1999, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2000 in conformity with accounting principles generally accepted in the United States of America.

DELOITTE & TOUCHE LLP

Columbus, Ohio
February 9, 2001

CONSOLIDATED STATEMENTS OF OPERATIONS

BORDEN FOODS HOLDINGS CORPORATION

(In thousands, except per share and share amounts)	Year ended December 31, 2000	1999	1998
Net sales	$ 570,659	$547,934	$ 706,088
Cost of goods sold	284,671	264,012	393,062
Gross margin	285,988	283,922	313,026
Distribution expense	44,030	42,650	44,947
Marketing expense	214,935	198,693	211,430
General & administrative expense	67,656	51,959	69,185
Gain on divestiture of businesses	(4,848)	(46,938)	(243,845)
Business realignment expense	5,737	-	9,003
Operating income (loss)	(41,522)	37,558	222,306
Interest expense	233	486	2,475
Interest income	(16,496)	(15,820)	(20,293)
Other (income) expense, net	-	(332)	2,013
Income (loss) before income taxes and cumulative effect of accounting change	(25,259)	53,224	238,111
Income tax expense	5,529	11,050	54,175
Income (loss) before cumulative effect of accounting change	(30,788)	42,174	183,936
Cumulative effect of accounting change, net of tax	-	(2,806)	-
Net income (loss)	(30,788)	39,368	183,936
Affiliate's share of income	(66)	(5,098)	(142,033)
Net income (loss) applicable to common shares	$ (30,854)	$ 34,270	$ 41,903
Per Share Data			
Basic and diluted earnings (loss) per common share before cumulative effect of accounting change	$(308,540)	$370,760	$ 419,030
Cumulative effect of accounting change per common share	-	(28,060)	-
Net basic and diluted earnings (loss) per common share	$(308,540)	$342,700	$ 419,030
Average number of common shares outstanding during the year	100	100	100

See accompanying Notes to the Consolidated Financial Statements.

CONSOLIDATED BALANCE SHEETS

BORDEN FOODS HOLDINGS CORPORATION

(In thousands)

ASSETS	December 31, 2000	1999
CURRENT ASSETS		
Cash and equivalents	$ 222,374	$ 266,825
Accounts receivable (less allowance for doubtful accounts of $787 and $1,317, respectively)	51,126	55,201
Inventories:		
Finished and in-process goods	46,531	48,066
Raw materials and supplies	28,608	30,089
Deferred income taxes	9,584	15,383
Other current assets	8,243	11,793
	366,466	427,357
OTHER ASSETS	7,461	10,819
PROPERTY AND EQUIPMENT		
Land	9,586	9,542
Buildings	43,362	41,790
Machinery and equipment	224,937	189,652
	277,885	240,984
Less accumulated depreciation	(88,062)	(64,462)
	189,823	176,522
INTANGIBLES, NET		
Goodwill	10,692	11,006
Trademarks and other intangibles	105,464	108,496
	116,156	119,502
TOTAL ASSETS	$ 679,906	$ 734,200

See accompanying Notes to the Consolidated Financial Statements.

CONSOLIDATED BALANCE SHEETS

BORDEN FOODS HOLDINGS CORPORATION

(In thousands, except per share and share amounts)

LIABILITIES AND SHAREHOLDER'S EQUITY	December 31, 2000	December 31, 1999
CURRENT LIABILITIES		
Accounts and drafts payable	$ 39,823	$ 46,858
Accrued customer allowances	12,093	17,781
Income taxes payable	8,000	11,640
Current maturities of long-term debt	369	346
Current obligations under capital lease	252	-
Loans due to affiliates	3,029	2,513
Other current liabilities	27,817	46,845
	91,383	125,983
OTHER LIABILITIES		
Long-term debt	2,529	3,033
Long-term obligations under capital lease	2,770	-
Deferred income taxes	6,203	34,585
Other long-term liabilities	56,609	36,314
	68,111	73,932
COMMITMENTS AND CONTINGENCIES (SEE NOTE 16)		
SHAREHOLDER'S EQUITY		
Common stock - $0.01 par value; 100 shares authorized, issued, and outstanding	-	-
Paid in capital	423,104	405,817
Shareholder's investment in affiliates	66,338	66,272
Retained earnings	34,470	65,324
Accumulated translation adjustments	(3,500)	(3,128)
	520,412	534,285
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	$679,906	$734,200

See accompanying Notes to the Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

BORDEN FOODS HOLDINGS CORPORATION

(In thousands)	Year ended December 31, 2000	1999	1998
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES			
Net income (loss)	$ (30,788)	$ 39,368	$ 183,936
Adjustments to reconcile net income (loss) to net cash from (used in) operating activities:			
Depreciation	27,599	17,614	13,422
Amortization	3,606	3,754	3,887
Deferred tax (benefit) expense	(5,295)	19,387	11,301
Gain on divestiture of businesses	(4,848)	(46,938)	(243,845)
Business realignment expense	5,737	-	9,003
Net change in assets and liabilities:			
Trade receivables	4,075	(7,862)	49,564
Inventories	3,016	(14,111)	21,394
Trade payables	(7,035)	(8,989)	(16,600)
Accrued customer allowances	(5,688)	(1,819)	(11,006)
Current tax payable	(3,640)	6,183	(24,912)
Other current assets and liabilities	(11,991)	(17,602)	(70,653)
Other long-term assets and liabilities	22,444	11,734	(6,927)
Other, net	4,859	(180)	7,248
	2,051	539	(74,188)
CASH FLOWS (USED IN) FROM INVESTING ACTIVITIES			
Capital expenditures	(46,781)	(58,190)	(37,952)
Proceeds from the sale of fixed assets	161	4,466	15,852
Proceeds from the divestiture of businesses	-	23,571	733,226
	(46,620)	(30,153)	711,126
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES			
Net short-term debt payments	(346)	(6,178)	(15,263)
Proceeds (repayment) of loans due to affiliates	516	2,513	(27,914)
Repayment of long-term debt due to affiliates	-	-	(47,616)
Repayment of long-term debt	(16)	-	(2,572)
Repayment of capital lease obligations	(36)	-	-
Distribution to affiliate	-	-	(272,205)
	118	(3,665)	(365,570)
(DECREASE) INCREASE IN CASH AND EQUIVALENTS	(44,451)	(33,279)	271,368
CASH AND EQUIVALENTS AT BEGINNING OF YEAR	266,825	300,104	28,736
CASH AND EQUIVALENTS AT END OF YEAR	$ 222,374	$266,825	$ 300,104

See accompanying Notes to the Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

BORDEN FOODS HOLDINGS CORPORATION

(In thousands)	For the year ended December 31, 2000	1999	1998
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION			
Cash paid:			
Interest	$ 172	$ 493	$ 3,619
Income taxes, net of refunds	(1,268)	(25,264)	67,614

See accompanying Notes to the Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDER'S EQUITY

BORDEN FOODS HOLDINGS CORPORATION

(In thousands)

	Paid in Capital	Shareholder's Investment in Affiliates	Retained Earnings (Deficit)	Accumulated Translation Adjustments	Total
Balance at December 31, 1997	$ 401,057	$ 203,297	$ (10,849)	$ (43,639)	$ 549,866
Net income			183,936		183,936
Foreign currency translation adjustments				(4,409)	(4,409)
Reclassification adjustment				39,942	39,942
COMPREHENSIVE INCOME					$ 219,469
Reallocation of consideration to BFC from Investment LP	12,301	(12,301)			-
Affiliate's share of income		142,033	(142,033)		-
Distribution to affiliate		(272,205)			(272,205)
Decrease in tax basis related to adjustment of purchase price allocation	(24,314)				(24,314)
Contribution from affiliate	1,944				1,944
Balance at December 31, 1998	$ 390,988	$ 60,824	$ 31,054	$ (8,106)	$ 474,760
Net income			39,368		39,368
Foreign currency translation adjustments				4,696	4,696
Reclassification adjustment				282	282
COMPREHENSIVE INCOME					$ 44,346
Affiliate's share of income		5,098	(5,098)		-
Increase in tax basis related to adjustment of purchase price allocation and other	14,829	350			15,179
Balance at December 31, 1999	$ 405,817	$ 66,272	$ 65,324	$ (3,128)	$ 534,285
Net loss			(30,788)		(30,788)
Foreign currency translation adjustments				(372)	(372)
COMPREHENSIVE INCOME					$ (31,160)
Affiliate's share of income		66	(66)		-
Increase in tax basis related to adjustment of purchase price allocation	17,287				17,287
Balance at December 31, 2000	$ 423,104	$ 66,338	$ 34,470	$ (3,500)	$ 520,412

See accompanying Notes to the Consolidated Financial Statements.

BORDEN FOODS HOLDINGS CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands)

1. BACKGROUND AND BASIS OF PRESENTATION

In 1994, Borden, Inc. ("Borden") entered into an agreement providing for the acquisition ("Acquisition") of all of Borden's outstanding common stock by affiliates of Kohlberg Kravis Roberts & Co. ("KKR"). The Acquisition was completed on March 14, 1995. Borden, a public registrant as a result of public debt that was outstanding prior to the Acquisition, elected not to apply push down accounting in its consolidated financial statements and, as such, Borden's consolidated and combined financial statements are reported on Borden's historical cost basis. The accompanying consolidated financial statements have been prepared on a purchase accounting basis from the date of KKR's acquisition of Borden, and include the accounts of all majority-owned subsidiaries including Borden Foods Corporation ("BFC") and BFC Investments, LP (the "Investment LP"). All significant intercompany transactions have been eliminated.

In 1996, Borden, in a taxable transaction, sold certain food businesses and certain trademarks to Borden Foods Holdings Corporation ("Foods Holdings" or the "Company"). The purchase price was based on a third party valuation. There was no change in the book basis of assets and liabilities because the sale was between related parties and Borden's principal stockholders will continue to control the Company. Within the terms of the sale, Foods Holdings has fully and unconditionally guaranteed obligations under Borden's Credit Agreement and all of Borden's publicly held debt on a pari passu basis (see Note 9). As a result of this financial guarantee and in accordance with Regulation S-X rule 3-10, Borden is required to include in its filings with the Securities and Exchange Commission separate financial statements for Foods Holdings as if it were a registrant.

Foods Holdings, a wholly owned subsidiary of Borden Foods Holdings, LLC ("LLC"), owns approximately 98% of BFC; the remaining interest in BFC is owned directly by the LLC. In connection with the formation of Foods Holdings, the LLC transferred notes to Foods Holdings in exchange for 100 shares of common stock. Foods Holdings used the notes to acquire a 98% interest in BFC. LLC directly contributed cash to BFC in exchange for the remaining 2% interest in BFC.

In a series of transactions in 1996 and 1997, BFC purchased a majority interest in Investment LP and LLC acquired the remaining minority interest in Investment LP. At such time, Investment LP transferred certain consideration to Borden in exchange for Foods' trademarks. The portion of BFC and Investment LP directly owned by LLC is recorded in Shareholder's Investment in Affiliates.

2. NATURE OF OPERATIONS

The Company is a leading producer and marketer of a variety of food products worldwide, including pasta, pasta sauce, bouillon, dry soups and shelf stable meals. At December 31, 2000, the Company's operations included 8 production facilities, 4 of which are located in the United States. The remaining facilities are located in Canada and Italy.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

USE OF ESTIMATES - The preparation of the consolidated financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates in the accompanying financial statements are the accruals for trade and consumer promotions, reserves for expenses on businesses sold, allocation of tax basis between Investment LP and the Company, litigation, general insurance liabilities, and employee benefit plan liabilities. Actual results could differ from those estimates.

REVENUE RECOGNITION - Net sales are recognized when products are shipped and title transfers to customers. Reserves for estimated returns, allowances, consumer discounts and trade discounts are established when revenues are recognized.

SHIPPING AND HANDLING - Shipping costs are incurred to physically move the Company's products from the production or storage facility to the customer. Handling costs are incurred from the point the products are removed from inventory until they are provided to the shipper and generally include costs to store, move and prepare the products for shipment. The Company incurred shipping costs of $16,414, $14,492 and $15,713 in 2000, 1999 and 1998, respectively. Due to the nature of the Company's operations, handling costs incurred prior to shipment are not significant. These costs are classified as distribution expense in the Consolidated Statement of Operations.

ADVERTISING AND PROMOTION COSTS - Production costs of future media advertising are expensed on the first air-date or print release date of the advertising. All other advertising costs are charged to marketing expense as incurred. Advertising costs were $21,497, $14,156 and $10,130 in 2000, 1999 and 1998, respectively. Promotion costs are generally expensed when the related products are shipped. Promotion costs with written contracts are expensed over the life of the contract in accordance with performance measures. Promotion expense was $151,023, $142,829 and $152,037 in 2000, 1999 and 1998, respectively.

RESEARCH AND DEVELOPMENT COSTS - Significant funds are committed to the research and development of new, innovative products that are expected to contribute to operating profits in future years. All costs associated with research and development are charged to expense as incurred. Research and development costs were $18,725, $19,235 and $18,643 in 2000, 1999 and 1998, respectively.

CASH AND EQUIVALENTS - Cash and equivalents consist of highly liquid investments purchased with an original maturity of three months or less. Included in cash equivalents are overnight investments with Borden (see Note 7).

INVENTORIES - Inventories are stated at the lower of cost or market with cost being determined using the average cost and first-in, first-out methods.

PROPERTY AND EQUIPMENT - Property and equipment are stated at cost and, where appropriate, include capitalized interest during construction. Depreciation is recorded on the straight-line basis over useful lives ranging from 3 to 10 years for machinery and equipment and 30 years for buildings and improvements. Major renewals and betterments are capitalized. Maintenance, repairs and minor renewals are expensed when incurred.

INTANGIBLES - The excess of purchase price over the value of net tangible assets of businesses acquired is carried as intangibles in the consolidated balance sheets. Goodwill is amortized on a straight-line basis over not more than 40 years, while trademarks and patents are amortized on a straight-line basis over the shorter of their legal or useful lives. Accumulated amortization of intangibles was $21,230 and $17,624 at December 31, 2000 and 1999, respectively.

IMPAIRMENT - The Company periodically evaluates the recoverability of property, equipment and intangibles by assessing whether the net book value of the assets can be recovered through expected future cash flows (undiscounted and before interest) of the underlying business. The amount of impairment loss is measured as the difference between the net book value of the assets and the estimated fair value of the related assets.

INCOME TAXES - Income taxes are accounted for using the liability method in accordance with Statement of Financial Accounting Standards ("SFAS") No. 109 "Accounting for Income Taxes". Deferred income taxes are recorded to recognize the future effects of temporary differences which arise between financial statement assets and liabilities and their bases for income tax reporting purposes. Taxes related to foreign operations have been provided for in accordance with SFAS No. 109.

FOREIGN CURRENCY TRANSLATIONS - The local currency is the functional currency for international subsidiaries and, as such, assets and liabilities are translated at the exchange rates in effect at the balance sheet date. Income and expenses are translated at average exchange rates prevailing during the year. Translation adjustments resulting from changes in exchange rates are reported as a separate component of shareholder's equity. The Company realized net foreign exchange losses of $197 and $1,773 in 2000 and 1998, respectively, and a net foreign exchange gain of $1,820 in 1999.

RECLASSIFICATION ADJUSTMENTS WITHIN COMPREHENSIVE INCOME - Adjustments shall be made to reflect comprehensive income items that are included in net income during the current period. The reclassification adjustments represent the accumulated translation adjustment recognized on the sale of Denmark Foods in 1999 and on the sale of KLIM and Belgium Foods businesses in 1998.

DERIVATIVE FINANCIAL INSTRUMENTS - The Company uses foreign exchange forward contracts to reduce its exposure to market risks from changes in foreign exchange rates. In accordance with current accounting standards, gains and losses arising from forward contracts that hedge future transactions are deferred until the related transactions occur. Those arising from forward contracts that hedge existing transactions (i.e., outstanding payables denominated in foreign currency), are recorded currently in income and offset the gains and losses that occur as exchange rates change. The Company does not hold or issue derivatives for speculative trading purposes.

CONCENTRATION OF CREDIT RISK - Financial instruments which potentially subject the Company to concentrations of credit risk consist principally of temporary cash investments, marketable securities, and accounts receivable. The Company places its temporary cash investments with Borden and its affiliates. Concentrations of credit risk with respect to accounts receivable are limited, due to the large number of customers comprising the Company's customer base and their dispersion across many different industries and geographies. The Company generally does not require collateral or other security to support customer receivables.

UNITS AND UNIT APPRECIATION RIGHTS ("UAR") - The Financial Accounting Standards Board ("FASB") issued SFAS No. 123, "Accounting for Stock-Based Compensation," which was adopted for disclosure only. As permitted by SFAS No. 123, the Company will continue to apply its current accounting policy of the intrinsic value method under Accounting Principles Board Opinion No. 25 and will include the additional disclosures required by SFAS No. 123.

PER SHARE INFORMATION - Basic and diluted earnings or loss per common share is computed by dividing net income or loss by the weighted average number of common shares outstanding during the year.

RECENTLY ISSUED ACCOUNTING STATEMENTS - In 1998, the FASB issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." This statement establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. It requires that an entity recognize all derivatives as either assets or liabilities in the statement of financial position and measures those instruments at fair value. If certain conditions are met, a derivative may be specifically designated as a hedge. The accounting for change in fair value of a derivative depends on the intended use of the derivative and the resulting designation. If the derivative is designated as a fair value hedge, the changes in the fair value of the derivative and of the hedged item attributable to the hedged risk are recognized in earnings. If the derivative is designated as a cash flow hedge, the effective portions of changes in the fair value of the derivative are recorded as an adjustment in Shareholder's Equity through comprehensive income and are recognized in the income statement when the hedged item affects earnings. In 1999, FASB issued SFAS No. 137, "Accounting for Derivative Instruments and Hedging Activities - Deferral of the Effective Date of FASB Statement No. 133." This statement deferred the effective date of SFAS No. 133 to the Company's fiscal quarters and fiscal years beginning January 1, 2001. The Company adopted SFAS No. 133 effective January 1, 2001 and recorded a pre-tax transition adjustment of $380 in other expense for marking foreign exchange forward contracts to fair value (see Note 14). The Company elected not to apply hedge accounting to these contracts because they are marked to market through earnings at the same time that the exposed assets and liabilities are remeasured through earnings.

In 1998, the American Institute of Certified Public Accountants issued Statement of Position 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use." SOP 98-1 provides guidance on the capitalization of costs incurred for computer software developed or obtained for internal use. The Company adopted SOP 98-1 on a prospective basis as of January 1, 1999, with an estimated impact of approximately $1,325 in costs being capitalized in 1999 that would have been expensed prior to adoption.

Also in 1998, the American Institute of Certified Public Accountants issued Statement of Position 98-5, "Reporting on the Costs of Start-up Activities." SOP 98-5 requires the costs of opening a new facility, introducing a new product or service, conducting business in a new market, or similar start-up activities be expensed as incurred. Amounts previously capitalized are to be expensed and reported as a cumulative effect of a change in accounting principle in the year of adoption. Accordingly, the Company adopted SOP 98-5 in 1999 and reported a charge of $2,806 (net of tax benefit of $1,794) to write-off amounts previously capitalized.

In 1999, the Securities and Exchange Commission ("SEC") issued Staff Accounting Bulletin ("SAB") No. 101, "Revenue Recognition", which provides guidance on the recognition, presentation and disclosure of revenue in financial statements filed with the SEC. The Company adopted SAB No. 101 as of December 31, 2000 with no significant impact on the consolidated financial statements.

In 2000, the Emerging Issues Task Force ("EITF") reached a consensus on Issue No. 00-14, "Accounting for Certain Sales Incentives", which addresses the recognition, measurement and income statement classification for sales incentives offered to customers. Although this EITF is not effective until June 30, 2001, registrants who do not elect to adopt early are subject to the disclosure requirements as of December 31, 2000. Upon adoption, certain promotion costs of $79,976, $72,449 and $80,546 for the years ended 2000, 1999 and 1998, respectively, will be reclassified from marketing expense to net sales. The Company will continue recognizing a liability for sales incentives at the later of the date at which the related revenue is recorded or the date at which the sales incentive is offered in compliance with the consensus reached on this Issue.

RECLASSIFICATION - Certain prior year amounts have been reclassified to conform to the 2000 presentation.

4. BUSINESS REALIGNMENT

Restructuring of Aligned Businesses

Prior to 1998, the Company recorded pre-tax charges, primarily for severance, pension settlements and other employee related benefits, for the closure of certain pasta plants. In 1998, the loss was decreased by $2,646, as net proceeds from the sale of facilities were greater than previously estimated. The sale of these facilities, as well as the machinery and equipment, generated proceeds of $2,424 and $15,892 in 1999 and 1998, respectively.

In 1998, the Company announced the closing of the Tolleson, Arizona pasta plant due to the consolidation of production into other pasta facilities and recorded pre-tax charges of $16,300. These charges included (a) $8,195 non-cash charge to write down the facility to its net realizable value, (b) $6,118 fair market value adjustment of an inventory purchase commitment (recorded in cost of goods sold), and (c) $1,987 for severance, pension settlements and other employee related benefits. No reserve amounts remained in other current liabilities as December 31, 1999.

In 2000, the Company recorded charges of $5,737 to implement a workforce reduction plan. The workforce reduction plan was put into place to take advantage of the efficiencies generated from the implementation of enterprise-wide information technology systems in 1999 and work process redesign. The plan is expected to reduce ongoing general and administrative expenses and plant overhead costs. As of December 31, 2000, reserves of $3,737 primarily for severance remained in other current liabilities.

Divested Unaligned Businesses

Prior to 1998, the Company announced its intention to sell certain businesses, which were not considered to be aligned with its grain-based meal solution strategy. Among the unaligned businesses were the milk powder, sweetened condensed milk, reconstituted lemon juice, candy popcorn and processed cheese businesses.

On December 31, 1997, the Company completed the sale of the domestic Cracker Jack candy popcorn business to Recot, Inc., a subsidiary of Frito-Lay which is a Texas based unit of PepsiCo, Inc., and the domestic FunCheese business to Mid-America Dairymen, Inc., a dairy marketing co-op headquartered in Missouri.

On January 24, 1998, the Company completed the sale of the Signature Flavor business to Eagle Family Foods, Inc. a newly formed entity managed by GE Investments and Warburg, Pincus & Co. LLC. Signature Flavor grocery brands included Eagle Brand, Cremora, ReaLemon, Kava, and None Such.

On February 12, 1998, the Company completed the sale of the KLIM business, including the KLIM milk powder business in Latin America and Asia, the non-dairy coffee creamer operations in South Africa and the ice cream business in Puerto Rico, to Nestle, S.A. An estimated after tax loss from the sale was recorded in 1997. In 1999, the Company received additional proceeds of $9,476 for working capital settlements on the sale of KLIM, of which $8,400 was included in other receivables as of December 31, 1998.

On May 22, 1998, the Company completed the sale of Borden Foods Puerto Rico, Inc., a Puerto Rican foods distributor. The Company also completed the sale of Belgium Foods to Meroso Invest N.V. on November 13, 1998.

On April 30, 1999, the Company sold the milk powder business located in China to Royal Numico. The Company had previously elected to exit the milk powder business and sold significant KLIM operations, excluding China, to Nestle, S.A. in 1998. At that time, the Company established divestiture reserves of $4,289 for costs to close operations in China, and recorded $12,794 to write-down assets to estimated net realizable value. As a result of the sale, certain remaining liabilities for closure costs of $3,112 were no longer required.

On July 14, 1999, the Company completed the sale of the chocolate milk business located in Denmark.

The proceeds, gains and taxes related to the divestitures in 2000, 1999 and 1998 were as follows:

DIVESTED BUSINESS	PROCEEDS		PRE-TAX GAIN (LOSS)		
	1999	1998	2000	1999	1998
Cracker Jack & FunCheese					$ 7,385
Signature Flavor		$376,500	$ 4,278		209,447
KLIM	$ 9,767	339,882	570	$34,549	32,700
China	7,112			10,838	
Borden Foods Puerto Rico		8,844			(683)
Belgium Foods		8,000			(5,004)
Denmark Foods	6,692			1,551	
TOTAL	$ 23,571	$733,226	$ 4,848	$46,938	$243,845
		TAX EXPENSE	(9,906)	(7,831)	(55,247)
		AFTER TAX GAIN (LOSS)	$(5,058)	$39,107	$188,598

In 2000, additional income taxes were provided for anticipated liabilities on divestitures related to open tax years.

The unaligned businesses generated a combined operating income of $1,896 from net sales of $11,067 in 1999 and a combined operating loss of $323 from net sales of $119,802 in 1998.

During 1998, the Company established reserves of $134,811 for work-force reductions, closure of facilities, selling and legal fees, contract terminations, transition services and other costs related to the divestiture of unaligned businesses. Of this amount, $19,317 related to non-cash charges associated with remaining assets to be sold.

In 1999, the Company reduced current liabilities by $37,159, which included $3,112 related to closing operations in China, for the resolution of divestiture related severance and lower than expected exit costs. The Company also reduced current liabilities by $4,848 in 2000 due to lower than expected exit costs.

Activities related to divestiture reserves during 2000 and 1999, which were recorded as other current liabilities and other long-term liabilities, were as follows:

	Work-Force Reductions(1)	Business & Contractual Obligations(2)	Selling, Legal & Other(3)	TOTAL
Balance at December 31, 1998	$7,110	$35,071	$19,711	$61,892
Utilized	(3,529)	(4,608)	(5,638)	(13,775)
Other(4)	(2,230)	(22,193)	(12,736)	(37,159)
Balance at December 31, 1999	$1,351	$8,270	$1,337	$10,958
Utilized	(1,351)	(2,199)	(663)	(4,213)
Other(4)	-	(4,217)	(631)	(4,848)
Balance at December 31, 2000	$ -	$1,854	$ 43	$1,897

(1) Includes severance and other employee related benefits.
(2) Includes charges related to the termination of leases, distributor arrangements, and other contractual agreements.
(3) Includes selling and legal fees, facility closings, and other miscellaneous costs.
(4) Changes in estimates.

5. AFFILIATE'S SHARE OF INCOME

In accordance with Investment LP's limited partnership agreement with the Company and LLC, the first allocation of a trademark gain is to the Company's priority return, which is a return of 10% per annum, cumulative and compounded annually on the Company's net capital contributions. The allocation of the remaining gain, computed on a tax basis, is 10% to the Company and 90% to LLC. After giving effect to all special allocations specified by the partnership agreement, net income or loss shall be allocated to the partners in proportion to their respective percentage interests.

LLC was allocated an affiliate's share of income (see accompanying consolidated statements of operations) of $66, $5,098 and $142,033 in 2000, 1999 and 1998, respectively. In 1998, a $272,205 distribution of a portion of the sale proceeds from the divestitures of the candy popcorn, domestic processed cheese, Signature Flavor Belgium Foods and KLIM businesses was made to LLC.

6. CHANGE IN ACCOUNTING ESTIMATE

The Company reduced accruals corresponding to trade spending by approximately $5,700 during 1998. These accruals had been provided in earlier years for anticipated customer settlements in the ordinary course of business. Due to a concerted effort to improve the management of trade spending, the settlements were significantly lower than management had previously estimated. The income recognized for the change in estimates is included in marketing expense.

7. RELATED PARTIES

Borden and a subsidiary of Borden provide certain administrative services to the Company at negotiated fees. These services include processing of payroll, active and retiree group insurance claims, securing insurance coverage for catastrophic claims, and information systems support. The Company reimburses the Borden subsidiary for payments for general disbursements and post-employment benefit claims. The amount owed by the Company for reimbursement of payments, services and other costs was $211 and $789 at December 31, 2000 and 1999, respectively.

During the first quarter of 2000, the subsidiary of Borden was sold to a third party. The third party continues to provide services that include processing of payroll, active and retiree group insurance claims, and securing insurance coverage for catastrophic claims. Subsequent to the sale of the subsidiary, fees for these services were no longer considered affiliate charges.

Also, as eligible U.S. employees are provided employee pension benefits under the Borden domestic pension plan and can participate in the Borden retirement savings plan, the Company provides Borden with contributions for these benefits, certain of which are determined by Borden's actuary (see Note 12). In 2000, Borden charged the Company $4,039 for retiree postretirement benefits associated with certain sold or closed plants.

The following summarizes the affiliate charges and reimbursements in 2000, 1999 and 1998:

	Year ended December 31,		
	2000	1999	1998
Employee benefits	$8,086	$2,803	$3,365
Group and general insurance	626	4,732	4,688
Administrative services	3,983	12,151	12,984
	$12,695	$19,686	$21,037

The Company performs certain administrative services on behalf of other Borden affiliates. These services include customer service, purchasing and quality assurance. The Company charged these affiliates $732, $765, and $1,122 for such services in 2000, 1999 and 1998, respectively. The receivable for these services was $146 and $972 at December 31, 2000 and 1999, respectively.

The Company invests cash with Borden. The Company's investment balance was $206,963 and $234,550 at December 31, 2000 and 1999, respectively. The funds are invested overnight earning a rate set by Borden that generally approximates money market rates. The Company earned interest income of $15,001, $14,753 and $19,423 on these funds during 2000, 1999 and 1998, respectively. Amounts receivable for interest were $789 and $1,861 at December 31, 2000 and 1999, respectively.

Borden continues to provide executive, financial and strategic management to the Company for which it charges an annual fee of $1,000.

8. DEBT

Debt outstanding at December 31, 2000 and 1999 consisted of the following:

	2000		1999	
	Long-term	Due within one year	Long-term	Due within one year
Loans due to affiliates (see Note 9)		$3,029		$ 2,513
Foreign bank loans at 3%	$ 195	35	$ 263	346
Industrial Revenue Bonds (non-interest bearing)	2,334	334	2,770	
Total debt	$ 2,529	$3,398	$ 3,033	$ 2,859

Maturities of debt for the next five years and thereafter are as follows:

2001	$3,398
2002	375
2003	715
2004	719
2005	388
Thereafter	332
	$5,927

9. AFFILIATED CREDIT FACILITIES

In 1999, the Company borrowed funds from LLC for use in operations. At December 31, 2000 and 1999, loans payable to LLC were $3,029 and $2,513 carrying a variable interest rate of approximately 7.25% and 5.70%, respectively. Interest payable to LLC was $328 and $112 as of December 31, 2000 and 1999, respectively.

The Company had entered into consecutive loan agreements to borrow funds up to $10,000 in 2000 and $50,000 in 1999 from Borden with a maturity date of December 31, 2000. Borrowings with three days notice and outstanding at least 30 days incurred interest at Borden's cost of funds for 30 day LIBOR plus 0.25%. Same day borrowings incurred interest at the prime rate. There was no outstanding balance under the loan facility as of December 31, 2000 and 1999. The Company did not extend the loan agreement beyond December 31, 2000. A nominal commitment fee based on a variable rate tied to Borden's leverage was charged on the unused portion of the loan facility.

The Company has fully and unconditionally guaranteed obligations under Borden's Credit Agreement and all of Borden's publicly held debt on a pari passu basis. Borden's Credit Agreement provides a line of credit up to $809,000 under a five-year revolver maturing July 13, 2002. Borden's outstanding credit facility and public borrowings amounted to approximately $530,530 and $547,745 at December 31, 2000 and 1999, respectively.

In connection with this guarantee, the Company charges Borden an annual fee of $1,050. As an affiliated guarantor, the Company's liability shall not exceed the greater of its outstanding affiliated borrowings or 95% of its adjusted net assets while Borden or any other obligated parties have obligations outstanding.

The Credit Agreement, as amended, contains covenants that significantly limit or prohibit, among other things, Borden and its affiliated guarantors and its subsidiaries' ability to incur indebtedness, make prepayments of certain indebtedness, pay dividends, engage in transactions with affiliates, create liens, make changes in its business or control of the Company, sell assets, engage in mergers and consolidations, and use proceeds from asset sales and certain debt and equity issuances. In addition, the Credit Agreement requires that Borden and its affiliate guarantors limit its capital expenditures to certain specified amounts and maintain other financial ratios, including a minimum ratio of adjusted EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) to interest expense and a maximum ratio of total debt to EBITDA.

10. LEASES

The Company leases under operating lease agreements certain buildings, forklifts and vehicles, and subleases office space from Borden. In 2000, the Company entered into a capital lease for certain manufacturing equipment through 2005, with an option to renew for five more years. The Company has agreed to provide payments based on unit production until the equipment costs are fully recovered. Upon expiration or termination of this agreement for any cause other than for special reasons, the Company shall pay for any unrecovered costs of equipment at such time.

The future minimum lease payments under capital and operating leases for the years ending December 31 are as follows:

		Operating Leases	
	Capital Lease	Affiliated	Non-Affiliated
2001	$ 475	$ 1,456	$ 803
2002	475	1,456	653
2003	475	1,185	582
2004	475	-	479
2005	475	-	382
Thereafter	3,432	-	310
Total minimum operating lease payments	$ 5,807	$ 4,097	$ 3,209
Less amounts representing interest at 6.75%	2,785		
Present value of future minimum capital lease payments	3,022		
Less current obligations under capital lease	252		
Long-term obligations under capital lease	$ 2,770		

Total rental expense for operating leases was $2,869, $4,214 and $4,232 for 2000, 1999 and 1998, respectively, which includes $1,573, $1,987 and $1,747 for affiliated leases.

11. INCOME TAXES

In 1996, Borden, in a taxable transaction, sold certain food businesses and certain trademarks to the Company. There was no change in the book basis of the assets and liabilities because the sale was between related parties and Borden's principal stockholders will continue to control the Company. Since inception, certain adjustments have been made to the initial capitalization and tax basis. In 1998, the initial capitalization and tax basis was reallocated from BFC to Investment LP, both consolidated subsidiaries, resulting in additional domestic tax basis. The Company recognized additional basis in 1999 upon the legal conveyance of Canadian Foods assets from a subsidiary of Borden. In 2000, Borden's 1996/1997 IRS audit settlement resulted in additional tax basis for the Company. However, the additional domestic tax basis resulted in an increase in deferred tax assets and Shareholder's Equity of $7,802 for the three years ended December 31, 2000 in accordance with Emerging Issues Task Force 94-10, "Accounting by a Company for the Income Tax Effects of Transactions among or with Its Shareholders under FASB Statement No. 109".

Income tax provision for the years ended December 31, 2000, 1999 and 1998, consisted of the following:

	2000	1999	1998
Current:			
Federal	$ 9,735	$ (7,567)	$ 32,675
State and local	(1,250)	(193)	6,167
Foreign	2,339	(577)	4,032
	10,824	(8,337)	42,874
Deferred:			
Federal	$ (5,077)	13,445	10,361
State and local	(315)	3,468	1,740
Foreign	97	2,474	(800)
	(5,295)	19,387	11,301
	$ 5,529	$ 11,050	$ 54,175

The domestic and foreign components of income (loss) before income taxes were as follows:

	2000	1999	1998
Domestic	$(30,605)	$ 51,455	$ 241,604
Foreign	5,346	1,769	(3,493)
Total	$(25,259)	$ 53,224	$ 238,111

The following table reconciles the maximum statutory U.S. Federal income tax rate multiplied by income (loss) before taxes to the recorded income tax expense:

	2000	1999	1998
U.S. Federal income tax expense (benefit)	$ (8,841)	$ 18,628	$ 83,339
State income tax expense (benefit), net of Federal	(1,010)	2,129	5,140
Divestiture tax differential	8,015	(10,474)	(39,304)
Foreign rate differentials	351	1,278	4,454
Other	7,014	(511)	546
Income tax expense	$ 5,529	$ 11,050	$ 54,175

In 2000, additional income taxes were provided for changes in estimated liabilities on divestitures related to open tax years and resulting from the settlement of the 1996/1997 IRS audit. These amounts are included in divestiture tax differential and other in the above reconciliation.

The Company had $22,209 and $8,954 recorded as other long-term liabilities for income tax liabilities not expected to be settled within one year at December 31, 2000 and 1999, respectively.

Temporary differences, associated with the Company's assets and liabilities, are shown in the table below. Deferred income tax assets and liabilities have been recorded at December 31, 2000 and 1999 as follows:

	2000	1999
ASSETS:		
Non-pension post-employment	$ 2,742	$ 2,996
Coupon accrual	1,991	1,885
Divestiture reserves	740	4,347
Trademarks and other intangibles	582	-
Net operating losses - domestic	9,252	-
Net operating losses - foreign	599	4,427
Foreign tax credits	5,795	5,145
Other	2,991	7,162
Gross deferred tax assets	24,692	25,962
Valuation allowance	(599)	(4,427)
	24,093	21,535
LIABILITIES:		
Property and equipment	17,557	22,149
Trademarks and other intangibles	-	16,608
Other	3,155	1,980
	20,712	40,737
NET ASSET (LIABILITY)	$ 3,381	$ (19,202)

The Company recorded valuation allowances of $599 and $4,427 at December 31, 2000 and 1999, respectively, for the foreign net operating losses, which expire through 2003, due to uncertainty as to whether the deferred tax asset is realizable. The decrease from 1999 is due to the utilization and expiration of operating loss carryforwards relating to operations in Italy and Ireland. The foreign tax credits expire in 2003.

12. PENSION AND OTHER BENEFIT PLANS

Most employees of the Company participate in foreign and domestic pension plans. For most salaried employees, benefits under these plans generally are based on compensation and credited service. For most hourly employees, benefits under these plans are based on specified amounts per year of credited service.

Pension benefits to eligible U.S. employees are provided under the Borden domestic pension plan to which the Company contributes. This amount is considered to be an amount due to affiliate since Borden retains the legal obligation for these benefits. Amounts payable by the Company for its portion of the net pension liability were $10,862 and $8,776 as of December 31, 2000 and 1999, respectively, which were recorded in other long-term liabilities.

The Company provides certain health and life insurance benefits for eligible domestic and Canadian retirees and their dependents. The costs of these benefits are accrued as a form of deferred compensation earned during the period that employees render service. Benefits are funded on a pay-as-you-go basis.

Domestic participants who are not eligible for Medicare are provided with the same medical benefits as active employees, while those who are eligible for Medicare are provided with supplemental benefits. Canadian participants are provided with supplemental benefits to the national healthcare plan in Canada. The domestic postretirement medical benefits are contributory for retirements after 1983. The postretirement life insurance benefit is noncontributory.

The Company also provides certain post-employment benefits, primarily medical and life insurance benefits for long-term disabled employees, to qualified former or inactive employees. The cost of benefits provided to former or inactive employees after employment, but before retirement, are accrued when it is probable that a benefit will be provided. The amounts of such charges are not considered significant.

A reconciliation of the changes in Borden's domestic pension plan and in the Company's Canadian and domestic postretirement plans' benefit obligations and fair value of assets over the two-year period ended December 31, 2000, and statements of the funded status as of December 31, 2000 and 1999 were as follows:

	BORDEN PENSION BENEFIT		OTHER BENEFITS	
CHANGE IN BENEFIT OBLIGATION	2000	1999	2000	1999
Benefit obligation at beginning of year	$320,663	$338,984	$8,551	$7,303
Service cost	4,123	4,317	41	15
Interest cost	22,886	21,433	856	685
Plan participants' contributions	-	-	334	409
Actuarial loss (gain)	7,241	(4,753)	362	1,238
Benefits paid	(43,398)	(41,291)	(1,675)	(2,174)
Acquisitions	7,395	-	-	-
Divestitures	(22,356)	-	-	-
Amendments and other	(710)	1,973	3,329	1,075
Benefit obligation at end of year	$295,844	$320,663	$11,798	$8,551
CHANGE IN PLAN ASSETS				
Fair value of plan assets at beginning of year	$376,460	$342,706	-	-
Actual returns on plan assets	66,580	75,045	-	-
Employer contributions	-	-	$1,341	$1,765
Plan participants' contributions	-	-	334	409
Benefits paid	(43,398)	(41,291)	(1,675)	(2,174)
Acquisitions	8,056	-	-	-
Divestitures	(25,856)	-	-	-
Fair value of plan assets at end of year	$381,842	$376,460	$0	$0
FUNDED STATUS				
Funded status at end of year	$85,998	$55,797	$(11,798)	$(8,551)
Unrecognized net actuarial (gain) loss	(71,773)	(41,553)	1,368	1,021
Unrecognized prior service cost	4,135	5,314	(661)	-
Prepaid (accrued) benefit cost at end of year	$18,360	$19,558	$(11,091)	$(7,530)

The Borden domestic pension plan had an actuarial loss in 2000 due to early settlements of the discounted liability and a change in actuarial assumptions relating to future lump sum settlements.

The assumptions used in the measurement of the benefit obligations of Borden for the domestic pension plan and of the Company for the Canadian and domestic postretirement plans were as follows:

WEIGHTED AVERAGE ASSUMPTIONS AS OF DECEMBER 31,	BORDEN PENSION BENEFIT 2000	BORDEN PENSION BENEFIT 1999	OTHER BENEFITS 2000	OTHER BENEFITS 1999
Discount rate	7.75%	7.75%	7.75% (6.75% Cdn)	7.75% (6.75% Cdn)
Expected rate of return on plan assets	8.75%	8.75%	NA	NA
Rate of compensation increase	4.75%	4.75%	4.75% (3.75% Cdn)	4.75% (3.75% Cdn)

For measurement purposes, health care costs are assumed to increase 5.75% for pre-65 benefits and increase 9.25% in 2001 grading down gradually to a constant level 5.75% annual increase for post-65 benefits by 2008.

The components of net periodic benefit costs for the Borden domestic pension plan and the Company's Canadian and domestic postretirement plans provided for the years ended December 31, 2000, 1999 and 1998 were as follows:

COMPONENTS OF NET PERIODIC BENEFIT COST	BORDEN PENSION BENEFIT 2000	BORDEN PENSION BENEFIT 1999	BORDEN PENSION BENEFIT 1998	OTHER BENEFITS 2000	OTHER BENEFITS 1999	OTHER BENEFITS 1998
Service cost	$4,123	$4,317	$5,623	$ 50	$ 15	$ 15
Interest cost	22,886	21,433	24,269	878	685	744
Expected return on plan assets	(26,267)	(27,309)	(26,693)	-	-	-
Amortization of prior service cost	455	391	281	-	-	-
Recognized net actuarial loss (gain)	-	-	-	16	-	43
Settlement / Curtailment loss (gain)	14	-	(1,419)	-	-	(147)
Other	-	-	-	-	1,160	-
Net periodic benefit cost	$1,211	$(1,168)	$2,061	$ 944	$1,860	$ 655

Amounts charged to the Company for participation in the Borden domestic pension plan are actuarially determined and were $2,177, $1,243 and $855 (including a curtailment gain of $905 due to the divestiture of the Signature Flavor business) for the years ended December 31, 2000, 1999 and 1998, respectively.

Assumed health care cost trend rates have a significant effect on the amounts reported for health care plans. A 1% change in the assumed health care cost trend rates would have the following effects:

	1% INCREASE	1% DECREASE
Effect on total service cost and interest cost components of net periodic health care benefit	$ 42	$ (38)
Effect on the health care component of the accumulated benefit obligation	691	(623)

Certain employees of the Company participate in a Canadian pension plan. A reconciliation of the changes in the Canadian pension plan's benefit obligations and fair value of assets over the two-year period ended December 31, 2000, and statements of the funded status as of December 31, 2000 and 1999 were as follows:

	CANADIAN PENSION BENEFIT	
CHANGE IN BENEFIT OBLIGATION	2000	1999
Benefit obligation at beginning of year	$20,530	$20,980
Service cost	370	327
Interest cost	1,263	976
Actuarial gain	(1,036)	(1,608)
Benefits paid	(1,753)	(1,275)
Amendments	-	58
Adjustment for change in exchange rates	(915)	1,072
Benefit obligation at end of year	$18,459	$20,530
CHANGE IN PLAN ASSETS		
Fair value of plan assets at beginning of year	$25,088	$23,526
Actual returns on plan assets	4,923	539
Benefits paid	(1,753)	(1,275)
Employer contributions	322	1,095
Adjustment for change in exchange rates	(1,251)	1,203
Fair value of plan assets at end of year	$27,329	$25,088
FUNDED STATUS		
Funded status at end of year	$8,870	$4,558
Unrecognized net actuarial (gain) loss	(2,214)	1,870
Unrecognized prior service cost	50	5
Prepaid benefit cost at end of year	$6,706	$6,433

The assumptions used in the measurement of the Company's benefit obligation for the Canadian pension plan were as follows:

WEIGHTED AVERAGE ASSUMPTIONS AS OF DECEMBER 31,	CANADIAN PENSION BENEFIT 2000	1999
Discount rate	6.75%	6.75%
Expected rate of return on plan assets	7.75%	7.75%
Rate of compensation increase	3.75%	3.75%

The components of net periodic benefit costs for the Company's Canadian pension plan for the years ended December 31, 2000, 1999 and 1998 were as follows:

COMPONENTS OF NET PERIODIC BENEFIT	CANADIAN PENSION BENEFIT 2000	1999	1998
Service cost	$ 370	$ 437	$ 369
Interest cost	1,263	1,302	1,090
Expected return on plan assets	(1,899)	(1,918)	(1,676)
Amortization of prior service cost	6	6	1
Net periodic benefit	$ (260)	$ (173)	$ (216)

Certain employees of the Company participate in other international pension plans. These other international pension plans have not been included in the notes to the consolidated financial statements as they are not significant.

Most employees not covered by one of the above plans are covered by collectively bargained agreements, which are generally effective for five years. Under federal pension law, there would be continuing liability to these pension trusts if Borden or the Company ceased all or most participation in such trusts, and under certain other specified conditions. Charges to the Company for payments to pension trusts on behalf of employees not covered by Borden plans were not considered significant.

The Company has certain other benefit and severance plans that are accrued when payment is probable that a benefit will be provided and amounts can be reasonably estimated.

13. RETIREMENT SAVINGS PLAN

Eligible salaried and hourly non-bargaining U.S. employees of the Company may contribute to a Borden sponsored retirement savings plan. The Company provides a 50% matching contribution up to 5% of an employee's pay (7% for certain longer service salaried employees). Amounts incurred by the Company for matching contributions were $1,063, $1,125 and $1,522 for the years ended December 31, 2000, 1999 and 1998, respectively.

14. FINANCIAL INSTRUMENTS

Due to its foreign operations, the Company is exposed to foreign exchange risk on transactions, which are denominated in a currency other than the operating unit's functional currency. To reduce this exposure, the Company closely monitors its foreign currency cash flow transactions and enters into foreign exchange forward contracts, whenever economically feasible, to buy and sell foreign currencies to protect the U.S. dollar value of such transactions, to the extent of the amount under contract.

The unsecured forward contracts mature within 12 months and are executed, by an affiliate, with banks. The Company is exposed to credit loss in the event of non-performance by the other parties to the contracts. The Company evaluates the creditworthiness of the counterparties' financial condition and does not expect default by the counterparties.

The following table presents the notional amount and fair value, based on dealer quotes, of the Company's outstanding foreign exchange forward contracts at December 31, 2000 and 1999. The fair value of a these forward contracts is the amount at which the financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The carrying amounts of cash and cash equivalents, accounts receivable and payable, accrued liabilities and debt are considered reasonable estimates of their fair values.

	2000		1999	
	Notional Amount	Fair Value	Notional Amount	Fair Value
DERIVATIVES RELATING TO:				
Foreign currency contracts - gains			$14,136	$ 94
Foreign currency contracts - losses	$ 6,892	$ (380)		
	$ 6,892	$ (380)	$14,136	$ 94

As discussed in Note 9, the Company guarantees obligations under Borden's Credit Agreement and all of Borden's outstanding publicly held debt on a pari passu basis. Management does not expect these guarantees to have a significant adverse effect on the financial position of the Company. Fair value was not assigned to these guarantees due to the complexity of the arrangements and the absence of the expected funding and market for these financial instruments.

15. UNIT INCENTIVE PLAN

A Unit Incentive Plan ("Incentive Plan") was formed to provide for the granting of options, unit appreciation rights ("UAR's"), units and other unit-based equity interests in LLC to key employees of the Company and associated persons at the discretion of the Board of Directors of the Company.

LLC sold 1,080,000 Class A units to certain management employees of the Company under the Incentive Plan. The Class A units are generally restricted as to transfer and allow for LLC, at its discretion, to repurchase the units upon certain conditions, including termination of the unitholders' employment, prior to full vesting after five years. Since the initial offering, LLC has sold an additional 20,000 Class A units and has repurchased 812,000 Class A units from management. Class A units outstanding at December 31, 2000 and 1999 were 288,000 and 323,000, respectively.

In 1999, LLC sold 389,125 Class C units to certain management employees of the Company. The Class C units are generally restricted as to transfer and allow for LLC, at its discretion, to repurchase the units upon certain conditions, including termination of the unitholders' employment, prior to full vesting after five years. LLC has subsequently repurchased 16,000 Class C units from management. Class C units outstanding at December 31, 2000 and 1999 were 373,125 and 386,000, respectively.

In 2000, LLC sold 99,492 Class D units to certain management employees of the Company. The Class D units are generally restricted as to transfer and allow for LLC, at its discretion, to repurchase the units upon certain conditions, including termination of the unitholders' employment, prior to full vesting after five years. LLC has subsequently repurchased 2,942 Class D units from management in 2001.

Under the Incentive Plan, the Company issued UAR's to the unitholders. The UAR entitles the unitholder to receive an amount in cash equal to the excess of the market price (as defined in the UAR agreement) of the Class A, Class C, or Class D unit over the exercise price of the UAR. The UAR's vest ratably over five years and expire upon certain events, including termination of the unitholders' employment, but in no case to exceed ten years. Four UAR's were issued for each Class A unit purchased (one UAR with an exercise price of $10 per unit and three UAR's with an exercise price of $20 per unit), for each Class C unit purchased (four UAR's with an exercise price of $8 per unit) and for each Class D unit purchased (four UAR's with an exercise price of $8.50 per unit). During 1998, the exercise prices for Class A units were revalued to $5.85 and $15.85, respectively.

The Company issued 375,220 and 104,500 UAR's with an exercise price of $10.50 and $8.50, respectively, to non-unit holders in 2000, and issued 592,000 UAR's with an exercise price of $8.00 to non-unit holders in 1999. Each UAR entitles the recipient to receive an amount in cash equal to the excess of the market price (as defined in the UAR agreement) over the exercise price. The UAR's vest ratably over five years and expire upon certain events, including termination of the recipient's employment, but in no case to exceed ten years. Non-unitholders had 375,220 (at $10.50), 89,000 (at $8.50) and 475,000 (at $8.00) UAR's outstanding at December 31, 2000.

The weighted-average remaining contractual life of the outstanding UAR's is approximately 7.25 years as of December 31, 2000. UAR's awarded to Class A unitholders will expire on January 1, 2006. UAR's awarded to Class C unitholders and non-unitholders in 1999 will expire on October 1, 2008. UAR's awarded to Class D unitholders and non-unitholders in 2000 will expire on December 1, 2009. The remaining UAR's awarded in 2000 will expire on June 1, 2010.

Compensation expense is accrued in other long-term liabilities and shall be adjusted in subsequent periods up to the measurement date for changes, increase or decreases, in the market price of the UAR's. Compensation expense was $93 and $867 for the years ended December 31, 2000 and 1999. Since the exercise price exceeded the underlying value of the UAR's, no compensation expense was recorded in relation to the issuance of UAR's in 1998.

As the UAR's are settled in cash, the change in value of the UAR's is accounted for under the liability method as prescribed by Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" (APB No. 25). Due to the cash nature of the award, treatment under SFAS No. 123, "Accounting for Stock Based Compensation," would be synonymous with APB No. 25 and accordingly, no fair market value disclosures are applicable.

16. COMMITMENTS AND CONTINGENCIES

Legal Matters

In 1995, a Fresno, California jury returned a verdict against the Company for wrongful termination of a tomato packing agreement. In granting the award for lost profits to Helm Tomatoes, Inc., the jury found that while the business had a legal right to terminate the agreement, it was estopped from doing this by an oral representation made by a former employee. The Company had previously established a reserve in other current liabilities of $14,500 for the verdict, interest and legal costs. In 1999, the Company and Helm Tomatoes, Inc. reached agreement to settle the claim with payments from the Company of $3,300 in May 1999 and $3,400 in May 2000. A gain of $7,500, derived from the difference between the initial reserve less the settlement and legal fees, was recorded in general and administrative expense during 1999.

The Company is involved in certain other legal proceedings arising through the normal course of business. Management is of the opinion that the final outcomes of such proceedings should not have a significant impact on the Company's results of operations or financial position.

Inventory Commitments and Risks

The Company has entered into a long-term supply agreement through 2004, subject to renewal thereafter, for diced tomatoes and tomato concentrates. The supply agreement requires the Company to purchase, at prices determined by formulas, 100% of its requirements for diced tomatoes and a specified minimum of tomato concentrate per crop year. Based on the pricing formula, the minimum purchase commitment for tomato concentrate is approximately $5,400 per crop year.

Raw materials, such as semolina and tomatoes, account for a high percentage of the Company's total production costs. The Company purchases a major portion of these raw materials under market sensitive supply contracts, and therefore the Company's operating results are subject to short term fluctuations in these raw material market prices. Because of the highly competitive and price sensitive nature of the markets in which the Company operates, the ability to pass these raw material price increases through to the customer is limited and often depends upon the Company's competitors raising their prices as well.