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, 1996 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 March 21, 1997: $0.

Number of shares of common stock, par value $0.01 per share, outstanding as of the close of business on March 21, 1997: 198,974,994

DOCUMENTS INCORPORATED BY REFERENCE

Document	Incorporated
none	none

The Exhibit Index is located herein at sequential pages 77 through 80.

BORDEN, INC.

INTRODUCTION

The following filing with the Securities and Exchange Commission ("SEC") by Borden, Inc. ("the Company") presents four separate financial statements: Borden, Inc. Consolidated Financial Statements, Borden, Inc. and Affiliates Combined Financial Statements, the Financial Statements of Wise Holdings, Inc. ("Wise Holdings") and the Financial Statements of Borden Foods Holdings Corporation ("Foods Holdings"). The consolidated statements present the Company after the effect of the sales of (i) the Company's former salty snacks business ("Wise") to 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 Notes 1, 4 and 5 to the consolidated and combined financial statements. The Company, Wise Holdings, 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 because management of the Company will continue to control significant financial and managerial decisions with respect to Wise Holdings and Foods Holdings. The Combined Companies financial statements do not reflect push-down accounting and therefore present financial information on a basis consistent with that on which credit was originally extended to the Company. Also, in accordance with rule 3-10 of Regulation S-X, the financial statements of Wise Holdings and Foods Holdings are included in Part IV of this Registration Statement on Form 10-K because Wise Holdings and Foods Holdings are guarantors of the Company's credit facility and all of the Company's outstanding publicly held debt.

BORDEN, INC.

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PART I

PART I

Item 1. Business

The Company was incorporated on April 24, 1899. The Company is engaged primarily in manufacturing, processing, purchasing and distributing a broad range of products through the following segments: dairy, chemical, decorative products and other. The Combined Companies include the 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.

In September 1994 the Company entered into a merger agreement providing for the acquisition of all of the Company's outstanding common stock by affiliates of Kohlberg Kravis Roberts & Co. ("KKR") in exchange for shares of RJR Nabisco Holdings Corp. ("RJR Holdings") common stock owned by affiliates of KKR. The acquisition was completed on March 14, 1995, following approval of the merger of an affiliate of KKR with and into the Company by shareholders of the Company at a special meeting held on that date. The Company is currently controlled by affiliates of KKR. In 1996, the Company's management made a definitive decision to sell its Wise business. On October 1, 1996, the Company sold its Foods business to Foods Holdings and classified this segment as a discontinued operation in the Company's financial statements in accordance with generally accepted accounting principles. Management of the Company will continue to exercise significant financial and managerial control with respect to Wise Holdings and Foods Holdings. In addition, Wise Holdings and Foods Holdings have guaranteed the Company's obligations under its credit facility and its outstanding publicly held debt securities.

Also in 1995, the Company began the process of redesigning its operating structure. As a result of this redesign, management decided to divest certain businesses that did not fit into the Company's long-term strategic plan. Businesses included in the classification, "businesses held for sale," for the segment data were the packaging and plastic films business, certain other non-food operations and an equity interest in a Spanish food company (see Note to the Consolidated and Combined Financial Statements). During the first quarter of 1996 the Company sold substantially all of its interest in the Spanish food company. On October 11, 1996, the Company sold its packaging and plastic films business. The European bakery business was sold on December 18, 1996. These operations were reclassified to businesses held for sale for segment reporting.

PRODUCTS

The dairy segment includes homogenized milk, ice cream, sherbet, yogurt, cottage cheese, frozen novelties, lowfat dairy products, milk-based products for the foodservice trade, and fruit juices and drinks.

The chemical segment includes adhesives for the forest products industry, foundry and industrial resins, and UV curable coatings and specialty inks.

The decorative products segment includes residential wallcoverings, flexible vinyl films and sheeting, and heat transfer paper.

The Company's other segment includes consumer adhesives. The Combined Companies' other segment includes consumer adhesives and Wise.

The Combined Companies include the Company and its subsidiaries, together with the Foods and Wise businesses. The Wise business includes salty snacks. The Foods business includes pasta and sauces, processed cheese, non-dairy creamer, sweetened condensed milk, reconstituted lemon and lime juices, bouillon, confections, dehydrated soups and whole milk powder. Foods management has announced its strategy to focus on grain-based meal solutions. Certain businesses not aligned with Foods' strategy are intended to be divested over time. Among the businesses to be sold are its milk powder, processed cheese, sweetened condensed milk and its reconstituted lemon juice businesses.

MARKETING AND DISTRIBUTION

Domestic products included in the dairy segment are marketed primarily to retail stores, and to a lesser extent, directly to wholesalers, through distributors, and to institutions and government agencies. Domestic products for the Chemical and other segments are sold throughout the United States to industrial users and by in-house and independent sales forces to distributors, wholesalers, jobbers and retailers. 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 and Wise products are marketed primarily through food brokers and distributors, and directly to wholesalers, retail stores, food service businesses, food processors, institutions and government agencies. 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.

COMPETITION

The Company's and the Combined Companies' businesses in all industry segments must deal with intense competition on local and national levels, both in the United States and in foreign markets. Total advertising and promotion expenditures in support of the Company's products were $447.5 million in 1996, $655.2 million in 1995 and $666.6 million in 1994. The Combined Companies' total advertising and promotion expenditures in support of products were $590.4 million in 1996, $655.2 million in 1995 and $666.6 million in 1994. Decreases between years are the result of divestitures.

MANUFACTURING AND RAW MATERIALS

The primary raw material used by the dairy segment is raw milk. The primary raw materials used by the chemical segment are methanol, phenol and formaldehyde. The primary raw materials used by the decorative products segment are paper, polyvinyl chloride resin, and various commodity chemicals. The primary raw materials used by the other segment 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, milk, cheese, oil and potatoes.

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

CUSTOMERS

The Company and the Combined Companies are not dependent on any single customer or limited to a group of customers, the loss of which would have a material adverse effect on their businesses. Their primary customers consist of food brokers and distributors, mass merchants, 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 that are held for use or are 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 1997 and 2005. No individual patent or trademark is considered to be material.

RESEARCH AND DEVELOPMENT

Research and development expenditures were $41.1 million in 1996, $40.8 million in 1995 and $30.3 million in 1994 for the Company and $50.1 million, $40.8 million and $30.3 million for the Combined Companies in 1996, 1995 and 1994, respectively. The development and marketing of new products are carried out at the operating unit level and integrated with quality controls for existing product lines.

WORKING CAPITAL

Working capital for all segments is generally funded through operations and short-term borrowings.

EMPLOYEES

At December 31, 1996, the Company had approximately 11,500 employees. The Combined Companies' employees totaled approximately 20,000. Relationships with union and non-union employees are generally good.

FINANCIAL INFORMATION ABOUT OPERATING SEGMENTS

In the consolidated financial information presented below, the Foods segment is shown as a discontinued operation in the Identifiable Assets at Year End, Depreciation and Amortization Expense, and Capital Expenditures charts. The Foods segment, consistent with treatment as a discontinued operation, is excluded from the Sales to Unaffiliated Customers and Operating Income (Loss) charts.

Businesses included in the Company's businesses held for sale classification are the packaging and plastic films business, certain other non-food operations, an equity interest in a Spanish food company and the Wise business through July 2, 1996.

In the combined financial information presented below, Foods is shown as a distinct segment and Wise is included in the other segment.

INDUSTRY SEGMENTS:

SALES TO UNAFFILIATED CUSTOMERS:

	CONSOLIDATED			COMBINED		
(Dollars in millions)	1996	1995	1994	1996	1995	1994
Foods				$1,949.8	$1,836.2	$1,820.9
Dairy	$ 910.9	$ 818.9	$ 875.1	910.9	818.9	875.1
Chemical	1,174.2	1,139.5	995.2	1,174.2	1,139.5	995.2
Decorative Products	365.0	354.1	314.9	365.0	354.1	314.9
Other	84.7	77.0	75.4	362.7	359.2	360.9
Businesses held for sale	1,146.5	1,718.3	2,179.9	1,002.5	1,436.1	1,894.4
	$3,681.3	$4,107.8	$4,440.5	$5,765.1	$5,944.0	$6,261.4

OPERATING INCOME (LOSS):

(Dollars in millions)	CONSOLIDATED 1996	CONSOLIDATED 1995	CONSOLIDATED 1994	COMBINED 1996	COMBINED 1995	COMBINED 1994
Foods				$(19.9)	$ (62.7)	$ 61.0
Dairy	$ 28.3	$ 23.7	$(168.2)	28.3	23.7	(168.2)
Chemical	127.8	140.2	125.8	127.8	140.2	125.8
Decorative Products	31.8	23.2	29.4	31.8	23.2	29.4
Other	9.2	10.8	11.3	6.4	(2.3)	21.9
Businesses held for sale	26.7	(11.9)	(243.5)	32.7	1.2	(254.1)
Corporate	36.0	(367.1)	(6.5)	52.7	(367.1)	(6.5)
	$259.8	$(181.1)	$(251.7)	$259.8	$(243.8)	$(190.7)

UNUSUAL OR INFREQUENTLY OCCURRING ITEMS INCLUDED
IN OPERATING INCOME (LOSS): (1)

(Dollars in millions)	CONSOLIDATED 1996	CONSOLIDATED 1995	CONSOLIDATED 1994	COMBINED 1996	COMBINED 1995	COMBINED 1994
Foods				$(22.8)	$ (39.6)	$ (23.4)
Dairy			$(167.5)			(167.5)
Chemical		$ 1.6	4.8		1.6	4.8
Decorative Products		0.1	(0.1)		0.1	(0.1)
Other			1.8			1.8
Businesses held for sale		5.6	(135.8)		5.6	(135.8)
Corporate	$62.0	(238.1)	71.7	$ 78.7	(238.1)	71.7
	$62.0	$(230.8)	$(225.1)	$ 55.9	$(270.4)	$(248.5)

(1) See "Management's Discussion and Analysis of Financial Condition and Results of Operations" for further information concerning these items.

IDENTIFIABLE ASSETS AT YEAR END:

(Dollars in millions)	CONSOLIDATED 1996	CONSOLIDATED 1995	COMBINED 1996	COMBINED 1995
Foods			$1,279.6	$1,151.9
Dairy	$ 307.9	$ 286.6	307.9	286.6
Chemical	703.1	565.0	703.1	565.0
Decorative Products	244.2	226.4	244.2	226.4
Other	60.6	50.4	161.7	153.4
Businesses held for sale	96.0	1,005.7	96.0	902.7
	1,411.8	2,134.1	2,792.5	3,286.0
Discontinued Operations		1,151.9		
Corporate Assets	1,339.1	523.2	513.5	523.2
	$2,750.9	$3,809.2	$3,306.0	$3,809.2

DEPRECIATION AND AMORTIZATION EXPENSE:

(Dollars in millions)	CONSOLIDATED 1996	1995	1994	COMBINED 1996	1995	1994
Foods				$ 49.3	$ 48.7	$ 45.5
Dairy	$ 14.7	$ 14.2	$ 29.2	14.7	14.2	29.2
Chemical	23.4	19.0	16.9	23.4	19.0	16.9
Decorative Products	6.6	6.0	5.5	6.6	6.0	5.5
Other	3.5	1.0	1.0	10.3	8.8	9.0
Businesses held for sale	53.9	61.4	89.0	50.6	53.6	81.0
Discontinued Operations	36.3	48.7	45.5			
Corporate	0.5	6.3	6.2	0.5	6.3	6.2
	$138.9	$156.6	$193.3	$155.4	$156.6	$193.3

CAPITAL EXPENDITURES:

(Dollars in millions)	CONSOLIDATED 1996	1995	1994	COMBINED 1996	1995	1994
Foods				$ 50.2	$ 32.6	$ 30.4
Dairy	$ 28.8	$ 13.8	$ 18.2	28.8	13.8	18.2
Chemical	92.8	59.7	35.3	92.8	59.7	35.3
Decorative Products	21.2	6.4	4.0	21.2	6.4	4.0
Other	1.4	1.1	0.6	7.2	3.8	1.5
Businesses held for sale	61.0	69.2	47.2	59.6	66.5	46.3
Discontinued Operations	31.9	32.6	30.4			
Corporate	5.4	19.7	14.7	5.4	19.7	14.7
	$242.5	$202.5	$150.4	$265.2	$202.5	$150.4

GEOGRAPHIC SEGMENTS:

SALES TO UNAFFILIATED CUSTOMERS:

(Dollars in millions)	CONSOLIDATED 1996	1995	1994	COMBINED 1996	1995	1994
United States	$2,249.1	$2,599.8	$3,031.4	$3,680.4	$3,824.3	$4,270.0
Europe	936.5	1,005.7	856.8	1,150.4	1,200.6	968.3
Other	495.7	502.3	552.3	934.3	919.1	1,023.1
	$3,681.3	$4,107.8	$4,440.5	$5,765.1	$5,944.0	$6,261.4

OPERATING INCOME (LOSS):

(Dollars in millions)	CONSOLIDATED 1996	CONSOLIDATED 1995	CONSOLIDATED 1994	COMBINED 1996	COMBINED 1995	COMBINED 1994
United States	$160.0	$(209.8)	$(436.7)	$135.2	$(275.9)	$(410.6)
Europe	61.0	31.5	64.5	72.4	23.8	64.6
Other	38.8	(2.8)	120.5	52.2	8.3	155.3
	$259.8	$(181.1)	$(251.7)	$259.8	$(243.8)	$(190.7)

UNUSUAL OR INFREQUENTLY OCCURRING ITEMS
INCLUDED IN OPERATING INCOME (LOSS): (1)

(Dollars in millions)	CONSOLIDATED 1996	CONSOLIDATED 1995	CONSOLIDATED 1994	COMBINED 1996	COMBINED 1995	COMBINED 1994
United States	$62.0	$(151.1)	$(301.2)	$ 55.9	$(180.0)	$(324.6)
Europe		(22.0)	11.5		(32.7)	11.5
Other		(57.7)	64.6		(57.7)	64.6
	$62.0	$(230.8)	$(225.1)	$ 55.9	$(270.4)	$(248.5)

(1) See "Management's Discussion and Analysis of Financial Condition and Results of Operations" for further information concerning these items.

IDENTIFIABLE ASSETS:

(Dollars in millions)	CONSOLIDATED 1996	CONSOLIDATED 1995	COMBINED 1996	COMBINED 1995
United States	$2,290.6	$1,553.0	$2,262.4	$2,222.8
Europe	267.5	761.2	412.7	921.5
Other	192.8	343.1	630.9	664.9
Discontinued operations		1,151.9		
	$2,750.9	$3,809.2	$3,306.0	$3,809.2

Item 2. Properties
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As of December 31, 1996, the Company operated a domestic flexible vinyl and sheeting production facility in Massachusetts and operated 6 foreign residential wallcoverings and heat transfer paper production facilities located in Canada and England.

As of December 31, 1996, the Company operated 27 domestic dairy facilities in 11 states. The most significant of these facilities are the milk processing facilities in Texas and the milk and cultured products facilities in Utah and Hawaii.

As of December 31, 1996, the Company operated 27 domestic resin production and manufacturing facilities in 16 states, the most significant being the forest products adhesive plants in Oregon and North Carolina and a specialty resins plant in Kentucky. In addition, the Company operated 28 foreign resin production and manufacturing facilities primarily in Canada, South America, Great Britain and the Far East.

As of December 31, 1996, the Company operated 1 domestic facility which produces and manufactures household, school and consumer glues in New York.

As of December 31, 1996, the Company operated 2 manufacturing and processing facilities in 2 states included in businesses held for sale.

As of December 31, 1996, the Foods and Wise businesses operated 21 domestic food manufacturing facilities in 14 states and Puerto Rico. The most significant of these facilities are an Illinois plant producing caramel corn, bouillon and dehydrated soup, pasta plants in Arizona, Massachusetts, Michigan, Minnesota and Missouri, and a Pennsylvania plant that produces salty snacks. In addition, the Foods business operated 18 foreign food manufacturing and processing facilities located principally in Canada, Latin America and Western Europe.

While many of the Company's and the Combined Companies' manufacturing and processing facilities are well maintained and effectively utilized, management substantially increased capital spending during 1996 for new facilities and improvements to existing facilities. See Management's Discussion and Analysis - Liquidity and Capital Resources. 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 $6.5 million in 1996, $11.4 million in 1995 and $7.1 million in 1994. The Company estimates that it will spend $3.3 million for environmental control facilities during 1997. The Combined Companies incurred environmental capital expenditures of $6.9 million in 1996, $11.4 million in 1995 and $7.1 million in 1994. The Combined Companies estimate $3.5 million in expenditures relating to control facilities during 1997.

Item 3. Legal Proceedings
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Environmental Proceedings
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The Company has been notified that it is or may be a potentially responsible party with respect to the cleanup of certain waste sites (currently approximately 65 in number) in proceedings brought under the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA") or similar state environmental laws. While the Company cannot predict with certainty the total cost of such cleanup, 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. The Company has recorded liabilities for environmental remediation costs for these and other sites in amounts which 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, up to approximately $30 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. Similar actions are pending in state court in Camden, New Jersey in connection with a waste disposal site in New Jersey and in state court in Los Angeles, California in connection with a landfill site in Monterey Park, California (September 1994) and in federal court in Columbus, Ohio (April 1996) in connection with a waste disposal site.

The U.S. Environmental Protection Agency ("EPA") has issued a notice of violation alleging the violation of air pollution regulations by a plant in Massachusetts (September 1988).

A notice of violation has been issued by the Maine Department of Environmental Protection (April 1991) alleging the violation of certain solid waste and wetlands regulations at a Scarborough, Maine facility.

Borden Chemicals and Plastics Limited Partnership
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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"). 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, and no claim can, with certain exceptions, be made with respect to the first $500,000 of liabilities which the Company would otherwise be responsible for thereunder in any year, but such excluded amounts may not exceed $3.5 million in the aggregate. Excluded amounts under the EIA have aggregated approximately $3.5 million through December 31, 1996. Accordingly, certain BCP legal proceedings are discussed below.

In 1985 the Louisiana Department of Environmental Quality ("LDEQ") and the Company entered into a Settlement Agreement that called for the implementation of a long-term groundwater and soil remediation program at the Geismar complex to address contaminants. The Company and BCP have implemented the Settlement Agreement, and have worked in cooperation with the LDEQ to remediate the groundwater and soil contamination. The Settlement Agreement contemplated, among other things, that the Company would install a series of groundwater monitoring and recovery wells, and recovery trench systems. BCP is addressing issues raised by the LDEQ concerning whether the extent of the groundwater contamination has been identified. The Company has paid substantially all of the costs to date of the Settlement Agreement with LDEQ. It is unknown how long the remediation program will continue or whether the LDEQ will require BCP to incur costs to take further remedial measures in response to data generated by the planned additional testing. If the LDEQ requires BCP to take further remedial measures, a portion of such costs may be covered under the EIA.

In February 1993, an EPA Administrative Law Judge held that the Illiopolis, Illinois facility had violated CERCLA and the Emergency Planning and Community Right to Know Act ("EPCRA") by failing to report certain relief valve releases that occurred between February 1987 and July 1989, which BCP and the Company believe are exempt from CERCLA and EPCRA reporting. BCP's petition for reconsideration was denied, a penalty hearing has been scheduled, and further appeals are possible if the parties cannot reach an agreement. Settlement negotiations between the parties are ongoing. Management does not believe that any ultimate penalty arising from this proceeding would have a material adverse effect on the Company.

On October 27, 1994, the U.S. Department of Justice ("DOJ") acting on behalf of the EPA, filed an action against BCP and its General Partner, BCP Management, Inc., a wholly owned subsidiary of the Company, in U.S. District Court for the Middle District of Louisiana. The complaint seeks civil penalties and corrective action for alleged violations of the Resource Conservation and Recovery Act ("RCRA"), CERCLA and the Clean Air Act at the Geismar facility. Prior to the filing of the complaint, BCP and the DOJ had engaged in settlement discussions, and BCP expects that such discussions will continue. BCP plans to vigorously defend against all the allegations. If unsuccessful, BCP could be subject to penalties, costs for corrective action and costs needed to obtain a RCRA permit. The maximum statutory penalties that would apply in a successful enforcement action by the government would exceed $150.0 million. BCP believes, assuming it is unsuccessful and based on information currently available to it, that the more likely amount of any liability for civil penalties would not exceed several million dollars. If unsuccessful, BCP could also be subject to costs for facility-wide corrective action to address the contamination at the Geismar complex. The cost of any corrective action could be material to BCP, depending on the scope of such corrective action which cannot be determined at this time. The extent to which any costs that may be incurred by BCP in any of the above described legal proceedings will be subject to the EIA will depend, in large part, on whether such costs or penalties are attributable to facts or circumstances that existed and requirements in effect prior to November 30, 1987. The costs that may be subject to the EIA have not yet been determined.

Other Legal Proceedings
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The States of Ohio and Louisiana have suits pending against the Company (August 1993 and October 1994) alleging antitrust violations in connection with the sale of milk to schools in certain of their school districts. Similar allegations by the State of West Virginia were settled in June 1995 by payment of $70,000. Federal Grand Jury investigations in Ohio (February 1993) and the Plains States (September 1993) are dormant. Private antitrust suits alleging price fixing of wholesale/retail accounts are pending in Florida (July 1993) and Virginia (September 1993).

A former shareholder has sued the Company in U.S. District Court for the Southern District of Florida (August 1995) claiming violations of securities laws by failing to timely announce the proposed acquisition of the Company by affiliates of Kohlberg Kravis Roberts & Co. Discovery is proceeding.

The Company and its former Directors were sued in U.S. District Court for the Southern District of New York (December 1993) for alleged violations of the Securities Exchange Act of 1934 in connection with certain 1993 financial projections. A Motion to Dismiss filed by the defendants was granted by the Judge Magistrate and approved by the District Court. Plaintiffs have appealed.

The Company was sued on November 1, 1995, in the U.S. District Court for the Southern District of New York by the Quaker Oats Company and one of its subsidiaries ("Quaker") in connection with the 1994 sale to Quaker of the Company's Brazilian pasta business. The lawsuit alleges, among other things, that the Company made misrepresentations and omissions to Quaker constituting securities fraud, common law fraud, negligent misrepresentation and breach of contract. Quaker is seeking rescission of its purchase as well as damages. Discovery is proceeding.

The Internal Revenue Service ("IRS") has proposed adjustments to the utilization of certain capital losses in the Company's tax returns for the period 1989 to 1993. The Company filed a Petition for Readjustment in the U.S. Tax Court in July 1995. Trial is currently scheduled for October 1997. If the Company's petition is denied, the Company could incur tax liability of approximately $60 million, plus interest. The IRS also seeks penalties.

On July 19, 1995, a Fresno, California jury returned a verdict against the Foods business for approximately $11.5 million for wrongful termination of a tomato packing agreement. In granting the award for lost profits to Helm Tomatoes, Inc., a Fresno based agribusiness, the jury found that while the Foods business had a legal right to terminate the agreement, it was estopped from doing so by an oral representation made by a former Foods employee. The Foods business intends to seek to set aside the jury verdict.

The Company and the Combined Companies are involved in other litigation throughout the United States which is considered to be in the ordinary course of their business.

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 and the Combined Companies.

Item 4. Submission of Matters to a Vote of Security Holders

The Company's Annual Shareholder Meeting was held November 21, 1996. 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

As a result of the merger on March 14, 1995, all common stock was cancelled and retired and was de-listed from trading on exchanges in the United States, Japan, and Switzerland. 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 only dividend paid during 1996 and 1995 was during the fourth quarter of 1996 when the Company declared a $16.5 million dividend on its common stock. The Company's ability to pay dividends on its common stock is restricted by its credit agreement with certain banks. (See Note 7 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, respectively.

CONSOLIDATED FOR THE YEARS	1996	1995	1994	1993	1992
SUMMARY OF EARNINGS					
Net sales (1)	$3,681.3	$4,107.8	$4,440.5	$4,381.2	$4,719.4
Income (loss) from continuing operations (2)	75.5	(393.4)	(594.4)	(153.7)	(232.7)
Loss applicable to common stock (3)	(333.1)	(424.9)	(597.7)	(630.7)	(364.4)
Income (loss) per common share from continuing operations	$0.38	$(2.05)	$(4.14)	$(1.09)	$(1.62)
Loss per common share	(1.67)	(2.21)	(4.16)	(4.47)	(2.54)
Dividends:					
Common share	$0.083		$0.252	$ 0.90	$1.185
Preferred series A share	3.125	$2.392			
Preferred series B share			1.32	1.32	1.32
Average number of common shares outstanding during the year	199.0	192.3	143.7	141.0	143.4
FINANCIAL STATISTICS					
Total assets (4)	$2,750.9	$3,809.2	$4,004.4	$4,184.0	$5,246.0
Long-term debt	567.8	1,211.8	1,379.0	1,240.8	1,329.9

COMBINED COMPANIES FOR THE YEARS	1996	1995	1994	1993	1992
SUMMARY OF EARNINGS					
Net sales	$5,765.1	$5,944.0	$6,261.4	$6,226.2	$6,661.6
Income (loss) from continuing operations	81.9	(442.5)	(566.2)	(97.0)	(95.5)
Income (loss) applicable to common stock	5.1	(424.9)	(597.7)	(630.7)	(364.4)
FINANCIAL STATISTICS					
Total assets	$3,306.0	$3,809.2	$4,004.4	$4,184.0	$5,246.0
Long-term debt	582.4	1,211.8	1,379.0	1,240.8	1,329.9

(1) The decrease in net sales of $426.5 or 10.4% to $3,681.3 in 1996 from $4,107.8 in 1995 is primarily a result of the sale of six dairy plants during 1995, the sale of a wallcovering operation during the second quarter of 1996, the sale of Wise during the third quarter of 1996, and the sale of the packaging and plastic films business in the fourth quarter of 1996.

(2) The Company reported income from continuing operations of $75.5, an improvement of $468.9 from the $393.4 loss from continuing operations recorded in 1995. This improvement is the result of numerous unusual or non-recurring charges incurred in 1995, including accrued losses for the divestiture of the packaging and plastic films business and certain other non-food operations, and an additional charge relating to a 1994 divestiture. The improvement of $201.0 or 33.8% from the 1994 loss from continuing operations of $594.4 to a loss of $393.4 in 1995 is primarily the result of merger related expenses and expenses incurred in conjunction with the 1994 credit line renegotiation.

(3) The 1996 loss applicable to common stock of $333.1 was primarily the result of the loss on the sale of Foods to Foods Holdings.

(4) The decrease of $1,058.3 or 27.8% in total assets from $3,809.2 in 1995 to $2,750.9 in 1996 was primarily caused by the sale of Wise, Foods, packaging and plastic films and the European bakery businesses.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

BACKGROUND

Management's discussion and analysis presents an overview of the financial results of the Company and the Combined Companies as well as the operating results of each business unit. The Company's results include the Foods business unit through the date of the sale to Foods Holdings as a discontinued operation for all periods presented. The Wise business was not a separate segment of the business and accordingly its operations are included in continuing operations through the sale date, July 2, 1996. The Company's results of operations also include the loss on the sale of Wise to an affiliate of KKR in continuing operations and the loss on the sale of Foods to affiliates of KKR in discontinued operations. From a Combined Companies perspective the Food and Wise businesses are continuing. Accordingly the sales, including any losses on the sales, are not reflected in the Combined Companies' financial statements.

The business units of the Company are identical to those listed in Item 1 of the filing. The Combined Companies include the Foods and Wise results of operations and combining adjustments to reflect the Wise loss on sale and the Wise operating results previously included in businesses held for sale in the Company's results of operations.

OVERVIEW

The following table presents Statement of Operations data of the Company and the Combined Companies for the years ended December 31, 1996, 1995 and 1994.

	CONSOLIDATED			COMBINED		
(Dollars in millions)	1996	1995	1994	1996	1995	1994
Net sales	$3,681.3	$4,107.8	$4,440.5	$5,765.1	$5,944.0	$6,261.4
Operating income (loss)	259.8	(181.1)	(251.7)	259.8	(243.8)	(190.7)

Sales

Consolidated net sales from continuing operations in 1996 decreased $426.5 million or 10.4% to $3,681.3 million from $4,107.8 million in 1995 primarily as a result of businesses sold in 1995 and 1996. The 1995 consolidated net sales decrease of $332.7 million from 1994 sales is also attributable to the divestiture of businesses. Combined net sales from continuing operations in 1996 was consistent with 1995 sales. The 1995 combined net sales decrease versus 1994 was a result of the divestiture of businesses.

Operating Income

The Company reported operating income of $259.8 million in 1996 compared to operating losses of $181.1 in 1995 and $251.7 in 1994. The Combined Companies reported operating income of $259.8 million in 1996 compared to operating losses of $243.8 million in 1995 and $190.7 million in 1994. The fluctuations in operating income are attributable to numerous unusual or non-recurring charges detailed in the chart below and in the results of operations by business unit.

Unusual Items Included in Operating Income

(Dollars in millions)	CONSOLIDATED 1996	CONSOLIDATED 1995	CONSOLIDATED 1994	COMBINED 1996	COMBINED 1995	COMBINED 1994
Included in Operating Income (Loss):						
Gain (loss) on disposal of businesses and plant closings	$ 62.0	$(213.0)	$ 59.3	$55.9	$(245.1)	$ 59.3
Asset impairment			(263.8)		(8.2)	(292.7)
Business redesign		(27.9)			(27.9)	
Restructuring reversal (expense)		10.1	(20.6)		10.8	(15.1)
	$ 62.0	$(230.8)	$(225.1)	$55.9	$(270.4)	$(248.5)

The Company's 1996 gain on disposal of businesses of $62.0 million reflects the sale of the remaining equity interest in the Spanish food company partially offset by a loss of $16.7 million on Wise.

The Company's 1995 loss on disposal of businesses of $213.0 million includes accrued losses for the divestiture of the packaging and plastic films business, seven dairy plants, certain other non-food operations and an additional charge relating to the 1994 sale of an international business. The sale or shutdown of six dairies was completed during 1995 and the sale of the packaging and plastic films business, one wallcovering facility and the seventh dairy plant was completed in 1996.

In 1994 the Company recorded a net pretax gain of $59.3 million from the sale of two international businesses and one domestic business.

Impairment writedowns of goodwill, plant and equipment of $152.8 million for Borden/Meadow Gold Dairies ("BMG Dairies") and $111.0 million for dairy facilities held for sale in 1994 were recorded due to ongoing and projected operating losses reported by these businesses which indicated that the carrying values of such assets were not expected to be recovered by their future cash flows. Consistent with the Company's accounting policy, future cash flows were measured at the business unit level at which the business is managed. Future cash flows were based on forecasted trends for individual operations and assumed capital spending in line with expected requirements.

The 1995 restructuring reversal of $10.1 million represents excess reserves for completed restructuring programs. The 1994 net restructuring charges of $20.6 million included charges for headcount reductions and dairy plant closings, partially offset by a reversal of prior restructuring charges. In addition, $9.8 million of restructuring charges reversed in 1994 related to discontinued operations, partially offsetting the 1994 charge to loss on disposal. Management reviewed the prior restructuring programs in light of events that occurred during 1994 and determined that a portion of the reserves for these programs would not be utilized.

The Combined Companies' $55.9 million gain on disposal in 1996 reflects the transactions recorded by the Company with the exception of the $16.7 million loss on the sale of Wise, which was not recognized by the Combined Companies. In addition, the Combined Companies recognized a $26.0 million charge for the closure of certain domestic Foods plants in 1997 partially offset by a gain of $3.2 million on the sale of a Foods business late in 1996.

The Combined Companies' 1995 loss on disposal reflects the activity recorded by the Company, as well as $32.1 million for the reserve for two Foods plants.

The asset impairment recorded by the Combined Companies in 1995 and 1994 reflected the impairment of Foods goodwill. In 1994 the Company and the Combined Companies reversed previously recorded restructuring charges.

Other Expense and Income Tax Expense

(Dollars in millions)	CONSOLIDATED 1996	1995	1994	COMBINED 1996	1995	1994
Other expense	$104.1	$173.2	$319.1	$103.1	$174.5	$322.6
Income tax expense	80.2	39.1	23.6	74.8	24.2	52.9

Other expense for 1996 totaled $104.1 million, down $69.1 million from the 1995 total of $173.2 million. The decrease is attributable to a reduction of $48.0 million in non-cash charges associated with interest rate swaps, a $22.3 million reduction in interest expense attributable to lower debt levels, and a loss on the sale of RJR Holdings shares of $22.0 million recorded in 1995. These favorable variances were partially offset by a $33.6 million decrease in income from an equity investment in Borden Chemicals and Plastics Limited Partnership ("BCP").

Other expense for 1995 decreased to $173.2 million from $319.1 million in 1994, due primarily to merger-related expenses of $96.5 million and the $64.0 million of expenses incurred in 1994 in conjunction with the renegotiation of the bank credit line and for payments to terminate other debt agreements. Additionally, other expense declined $25.1 million as a result of the $470.0 million reduction in the Company's investment in TMI Associates, L.P., a limited partnership. This variance was partially offset by the loss on sale of RJR Holdings shares of $22.0 million and the unrealized swap loss of $35.9 million recorded in 1995. Merger expenses incurred in 1995 of $4.1 million consisted of fees paid to financial advisors in connection with the merger with affiliates of KKR. 1994 merger expenses of $96.5 million primarily included fees paid to KKR and financial advisors and other incremental expenses directly related to the merger.

BCP Management, Inc. ("BCPM") is the general partner in BCP and holds a 2% equity interest in BCP. BCPM's results, which are included in other expense (income) in the Consolidated and Combined Statements of Operations, increased 42.2% in 1995 to $33.7 million from $23.7 million in 1994. The 1995 increase relates primarily to the record earnings reported by the BCP partnership which was due to significant increases in selling prices for methanol and polyvinyl chloride.

Income Tax Expense

Income tax expense in 1996 for both the Company and the Combined Companies is higher than the statutory rates mainly from the write-off of assets with tax basis lower than book basis.

Both the consolidated and combined statements show losses before income taxes for 1995 and 1994 but still reflect income tax expense. The 1995 expense was primarily due to provisions for previously unrepatriated foreign earnings related to the Spanish food company and the Foods business units, the write-off of assets with lower tax basis, and nondeductible merger expenses. The 1994 expense was a result of adjustments to prior estimates, nondeductible merger expenses, write-off of assets with lower tax basis and U.S. taxation of foreign source income.

RESULTS OF OPERATIONS BY BUSINESS UNIT:

Following is a comparison of net sales and operating income (loss) by business unit for both the Company and the Combined Companies:

(Dollars in millions)

	Twelve months ended December 31,		
NET SALES	1996	1995	1994
BMG Dairies	$ 910.9	$ 818.9	$ 875.1
Decorative Products	365.0	354.1	314.9
Chemical	1,174.2	1,139.5	995.2
Other	84.7	77.0	75.4
Subtotal	2,534.8	2,389.5	2,260.6
Businesses held for sale	1,146.5(1)	1,718.3(1)	2,179.9(1)
CONSOLIDATED NET SALES	3,681.3	4,107.8	4,440.5
Foods	1,949.8	1,836.2	1,820.9
Wise(2)	278.1	282.1	285.5
Combining adjustments(3)	(144.1)	(282.1)	(285.5)
COMBINED NET SALES	$5,765.1	$5,944.0	$6,261.4

	Twelve months ended December 31,		
OPERATING INCOME (LOSS)	1996	1995	1994
BMG Dairies	$ 28.3	$ 23.7	$ (168.2)
Decorative Products	31.8	23.2	29.4
Chemical	127.8	140.2	125.8
Other	9.2	10.8	11.3
Corporate	36.0	(367.1)	(6.5)
Subtotal	233.1	(169.2)	(8.2)
Businesses held for sale	26.7(1)	(11.9)(1)	(243.5)(1)
CONSOLIDATED OPERATING INCOME (LOSS)	259.8	(181.1)	(251.7)
Foods	(19.9)	(62.7)	61.0
Wise(2)	(2.8)	(13.1)	10.6
Combining adjustments(3)	22.7	13.1	(10.6)
COMBINED OPERATING INCOME (LOSS)	$ 259.8	$(243.8)	$(190.7)

(1) Includes Wise results prior to sale to affiliate on July 2, 1996.
(2) Represents 100% of Wise results for the applicable period presented.
(3) Represents an adjustment to exclude the Wise results included with consolidated results as well as loss on sale of Wise, which is not included in the Combined Companies results.

BMG Dairies 1996 sales of $910.9 million increased $92.0 million or 11.2% from 1995. The increase is attributable to increased raw milk costs during the year which were generally passed on to customers through higher product pricing. In addition, sales volume improved slightly over the prior year. The 19.4% increase in operating income is attributable to operating efficiencies and a favorable sales mix.

BMG Dairies sales of $818.9 million in 1995 decreased 6.4% from $875.1 million in 1994 primarily as a result of sales volume reductions in Oklahoma and Texas. Operating results improved to income of $23.7 million versus a loss of $168.2 million in 1994, primarily due to the 1994 charges of $152.8 million to write down impaired assets and $14.7 million for restructuring. Excluding these charges operating results improved as a result of reduced depreciation expense resulting from the 1994 impairment writedown.

Decorative Products sales for 1996 rose to $365.0 million from $354.1 million in 1995. There was a decrease in sales in the North American wallcoverings operation due to weak market conditions and a reduction in sales to mass merchants. However, this was offset by an increase in the U.K. operation where export sales to Eastern Europe were strong. Operating income increased $8.6 million to $31.8 million in 1996 as a result of the absence of $7.6 million in one-time accounting charges taken in 1995 related to product samples, merchandising costs, and inventory obsolescence, as well as increased sales and a reduction in selling and marketing costs associated with mass merchants.

Sales for Decorative Products increased 12.4% in 1995 to $354.1 million from $314.9 million in 1994 primarily due to additional volume with a mass merchandiser, increases in export sales volumes and an overall price increase. Operating income for 1995 declined 21.1% to $23.2 million from $29.4 million in 1994 primarily as a result of the one-time $7.6 million accounting charge related to product samples, merchandising costs and inventory obsolescence. Operating income was also affected by costs associated with establishing new business, including racks, display units and the buy-back of competitors' products, which was only partially offset by increased sales.

Chemical sales increased 3.0% in 1996 to $1,174.2 million from $1,139.5 million in 1995. The increase is a result of a 16.3% increase in volume in North American Forest Products partially offset by sales price declines resulting from lower raw material costs which were passed on to customers. Increases in Forest Products resulted from increased formaldehyde and wood fiber resins volume from the opening of two new plants late in 1995, increased housing starts, and additional demand for plywood and oriented fiber board. Chemical operating income decreased $12.4 million or 8.8% to $127.8 million in 1996 from $140.2 million in 1995. The decline is primarily as a result of price competition in Latin America and Spain, and accounting charges in Brazil and Australia.

Chemical sales of $1,139.5 million for 1995 increased 14.5% from 1994 sales of $995.2 million, primarily due to increased selling prices resulting from higher raw material costs, and increased sales volumes in specialty resins. Operating income increased 11.4% to $140.2 million from $125.8 million in 1994, primarily as a result of increased sales volumes and the ability to recover higher raw material costs.

Other sales increased $7.7 million or 10.0% to $84.7 million in 1996 from $77.0 million in 1995. Operating income declined 14.8% from $10.8 million in 1995 to $9.2 million in 1996. 1995 Other sales increased 2.1% to $77.0 million from $75.4 million in 1994. Operating income for 1995 decreased 4.4% to $10.8 million versus $11.3 million in 1994 primarily due to higher raw material and promotional costs.

Corporate operating income improved $403.1 million to $36.0 million of income for 1996, versus a loss of $367.1 million in 1995. The increase is due to the absence of non-recurring charges recorded in 1995 for severance, general insurance, legal and accounting fees associated with the Company's redesign, litigation and environmental accruals, and also due to net gains on divested businesses of $62.0 million in 1996 as compared to losses of $213.0 in 1995. The 1996 net gain on divestiture is primarily comprised of a gain on the sale of an equity interest in a Spanish food company partially offset by the loss incurred on the sale of Wise to an affiliate of the Company's principal stockholder.

Corporate operating expenses increased in 1995 resulting in a $367.1 million loss as compared to $6.5 million loss in 1994, due to charges recorded for expenses related to the reorganization of the Company into the new business structure, additional accruals for environmental remediation, and the losses on divested businesses. The 1995 loss on divestiture of businesses of $213.0 million includes accrued losses for the divestiture of the packaging and plastic films businesses, seven dairy plants, certain other non-food operations and an additional charge relating to the 1994 sale of an international business. In 1994 the Company recorded a net pretax gain of $59.3 million from the sale of two international businesses and one domestic business, which were not part of the discontinued operations plan of 1993.

Sales for the operations classified as "Businesses held for sale" decreased $572 million to $1,147 million in 1996 as compared to $1,718 million in 1995. The decrease was caused primarily by the divestiture of businesses, including Wise and the packaging and plastic films business. Operating income was $26.7 million in 1996, compared with a loss of $11.9 million in 1995. The improvement is attributable to favorable operating results.

1995 sales for businesses held for sale of $1,718 million decreased overall from 1994 sales of $2,180 million, primarily due to divestitures during 1994 which were partially offset by an increase in sales of packaging and plastic films from 1994. The operating loss for 1995 of $11.9 million for these businesses decreased from a loss of $243.5 million in 1994, primarily due to significant charges for impairment of assets in 1994.

Sales for Foods increased $113.6 million or 6.2% to $1,949.8 million in 1996 from $1,836.2 million in 1995 due to increases in product lines within Foods' Signature Flavors, International Foods, FunCheese, and Italian Foods business units. The increase at Signature Flavors is atttributable to higher volumes in soups/bouillon. The increase in International Foods is primarily attributable to volume increases for non-dairy creamer and milk powder, as well as increased selling prices in the Latin America region. FunCheese increases are primarily attributable to sales volume and improved private label selling prices. The increase in Italian Foods is due to volume increases in dry pasta.

The Foods operating loss of $19.9 million in 1996 improved from $62.7 million in 1995. The improvement is primarily attributable to lower promotional costs. The remaining improvement is attributable to an improvement in Signature Flavors and International Foods partially offset by decreases in the FunCheese and Italian Foods operations. Signature Flavors improved $15.5 million over the prior year due to higher volumes, price increases and favorable sales mix, and lower distribution and promotion expenses. The International Foods improvement of $9.4 million is attributable to increased volumes and pricing in Asia Pacific, increased non-dairy creamer volume, and improved operating efficiency in South Africa. The decline in the Italian Foods business of $17.1 million is attributable to increased packaging and semolina costs. The FunCheese decline of $8.3 million is attributable to increased trade promotional spending related to the introduction of a new product in 1996.

1995 sales for Foods of $1,836.2 million increased slightly compared with 1994 sales of $1,820.9 million, primarily resulting from increased sales for the FunCheese unit and whole milk powder in Colombia, which were offset by lower sales in Italian Foods and Signature Flavors. Sales for Italian Foods declined due to lower volumes resulting from extremely competitive conditions. Signature Flavors' decline was primarily related to lower sales of reconstituted lemon juice. Sales for FunCheese increased due to higher sales volumes of single wrapped cheese slices and substitute cheese products. Sales of whole milk powder in Colombia increased due to strong volumes and the introduction of a new product.

Foods reported an operating loss for 1995 of $62.7 million versus income of $61.0 million for 1994 due to weak results in Italian Foods, Signature Flavors and International whole milk powder exports, partially offset by favorable results for FunCheese. Italian Foods' results were impacted severely by high semolina costs and higher promotional costs related to strong competition. Signature Flavors experienced declines in operating results for substantially all product lines. The most significant declines occurred in reconstituted lemon juice, boullion and dry soups, and condensed milk, all of which reflected overall volume declines industrywide, private label competition and changes in merchandising strategy. The decline in the whole milk powder export business relates primarily to a change in distributors in the Far East which disrupted sales volumes and increased competition in the Far East. Results for FunCheese improved due to reduced production and distribution costs. 1995 results were also impacted by $66.7 million in non-recurring charges.

1996 sales for Wise decreased 1.4% to $278.1 million from $282.1 million in 1995 as a result of the conversion of unprofitable company-owned routes to independent distributors. Operating loss for 1996 improved $10.3 million to a $2.8 million loss resulting from reduced promotional price support and lower expenses relating to the route conversions.

Wise sales for 1995 were $282.1 million versus $285.5 million for 1994, with the 1.2% decrease resulting primarily from the impact of competitive promotions. The operating loss for 1995 of $13.1 million versus income of $10.6 million for 1994 resulted primarily from increased promotional costs and increased costs in packaging and raw materials.

CASH FLOWS
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Cash provided by the Company's operating activities during 1996 was $36.4 million compared to $82.3 million in 1995 and cash used of $242.7 million in 1994. The decrease between 1996 and 1995 is attributable to the Foods operations being included for only nine months in 1996 compared to twelve months in 1995. This is partially offset by the reduction of the loss between 1996 and 1995. The improvement between 1995 and 1994 is primarily attributable to a decrease in the amount of receivables sold.

Combined Companies' operating cash flows increased to $157.7 million in 1996 from $82.3 million in 1995 as a result of the significant turnaround in the Combined Companies income from operations.

The Company's and the Combined Companies' capital expenditures increased approximately 20% in 1996 to $242.5 million and $265.2 million, respectively. The increase reflects management's commitment to build value in its core businesses and its continued progress toward the redesign of operations which began in 1995. The 1996 capital expenditures primarily related to increased capacity in the Chemical operations, consolidation of operations for Dairy and profit maintaining projects in the Foods business. The Company expects to continue to spend at the same level in 1997 as in 1996. The 1997 budgeted capital expenditures include plans to increase capacity in the Chemical operations, updating equipment to increase manufacturing efficiencies in the Dairy operations, new information systems and software company-wide, and several profit maintaining projects in Foods.

Capital expenditures in 1995 increased 35% to $202.5 million from the 1994 total of $150.4 million due to the Company's ability to invest more capital into the businesses as a result of the capital infusion by affiliates of KKR.

Cash generated from the Company's divestitures totaled $478.6 million in 1996. The divestiture activity is a result of management's redesign process which began in 1995. The redesign resulted in the divestiture of the packaging and plastic films business, several dairy plants, certain other non-food operations and an equity interest in a Spanish food business. In addition, the 1996 divestiture proceeds include the sale of the European bakery business which was not originally included in the 1995 plan.

The Company's 1996 investing cash flows also include $76.5 million received from Foods Holdings for the repayment of affiliate debt and other receivables, a portion of which related to the Foods transaction.

The 1995 net inflow for investing activities includes $282.1 million related to proceeds on the sale of an investment in RJR Holdings. Proceeds from divested businesses in 1994 of $409.1 million consisted of a Brazilian pasta operation, a Far East dairy business, three Foods operations, and businesses sold under the 1993 divestuture program.

The Company's and the Combined Companies' 1996 financing cash outflows of $370.2 million and $378.7 million, respectively, reflect debt and dividend payments.

The 1995 cash flows from financing generated a net use of $141.4 million, which is the net result of a $994.7 million capital infusion from affiliates of KKR used to repay debt and decrease minority interest. The 1994 financing cash flows reflect the borrowing under the credit agreement signed December 1994.

LIQUIDITY AND CAPITAL RESOURCES

As of December 31, 1996, the Company and the Combined Companies had $1.2 billion in contractually committed lines of credit (the "Credit Agreement") of which $1.1 billion was available. During 1996 the Credit Agreement was amended and restated to permit the implementation of management's redesign plan. Provisions under the Credit Agreement require Foods Holdings and Wise Holdings to guarantee the Company's obligations under the Credit Agreement. The cash available under the Credit Agreement will be used to repay debt in 1997 and fund working capital needs.

The Company and the Combined Companies expect to have adequate liquidity to fund working capital requirements, support capital expenditures, repay debt and pay preferred dividends during 1997 and in future years due to cash flows from operations, divestitures and amounts available under the Credit Agreement.

The Company expects to repay approximately $420 million of debt during 1997. The debt consists of approximately $305 million in zero coupon convertible notes due in 2002. Noteholders have an option to sell the notes to the Company, and the Company is permitted to redeem the notes, beginning in May 1997. The remainder of the repayment obligation consists of principal maturities during 1997. In addition management expects to pay $73.7 million in preferred dividends during 1997.

As of December 31, 1996, the Company and the Combined Companies had $140.7 million and $147.3 million, respectively, in deferred tax assets which related to net operating loss and alternative minimum tax carryforwards. These carryforwards are expected to reduce future tax liabilities.

The Foods business is in the process of evaluating and redesigning its current portfolio of products to be more in line with consumer trends. Although specifics have yet to be determined, management intends to divest certain unaligned businesses. Management expects the proceeds from such dispositions to exceed its current carrying cost. Management intends to use the proceeds from the divestitures to build the core business through strategic acquisitions and investments in the existing business. Also, management intends to simplify its current manufacturing structure. A $26.0 million charge, substantially all of which is noncash, has been provided for the closure of certain domestic Foods plants in 1997. Management anticipates approximately $12 million in additional charges in 1997 related to these closures, substantially all of which will be cash.

RISK MANAGEMENT

Foreign Exchange

International operations account for approximately one third of the Company's sales and operating income. The Company is exposed 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 policy to reduce foreign currency cash flow exposure due to exchange rate fluctuations by hedging firmly committed foreign currency transactions wherever economically feasible. The Company does not speculate in foreign currencies. The Company does 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.

The Company monitors its foreign currency cash flow transactions and executes forward contracts to reduce its foreign exchange exposures. The use of forward contracts protects the Company's cash flows against unfavorable movements in exchange rates, to the extent of the amount under contracts.

As of December 31, 1996, forward exchange contracts outstanding totaled $93.7 million for the Company and $247 million for the Combined Companies and will generally mature within six months. 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 firm third party commitments until the related transaction occurs. Gains and losses arising from contracts that hedge existing transactions are recorded currently in income, and offset gains or losses arising from the transactions being hedged.

Interest Rate Swaps

The Company has historically 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 does not enter into speculative swaps or other financial contracts. As of December 31, 1996, $224.3 million notional amount of interest rate swaps was outstanding. On average, during 1996, the Company paid 10.4% and received 5.5% on the swaps. Under interest rate swaps, the Company agrees with the 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. These swaps mature on various dates beginning December 31, 1999, and ending December 1, 2002. The Company is 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 commercial finance companies having an investment grade credit rating.

Commodity Futures Contracts

The Combined Companies use commodity futures contracts to hedge the price risks associated with raw materials used in production, commitments and certain transactions. The Combined Companies defer the impact of changes in the market value of these contracts until the hedged transaction is completed. Changes in market value of the commodity futures contracts are included in the measurement amounts of qualifying subsequent purchases of raw materials. The Combined Companies do not enter into these contracts for speculative purposes. These contracts generally mature in less than one year. As of December 31, 1996, the notional value of commodity futures contracts outstanding totaled $4.6 million.

Forward-Looking and Cautionary Statements

The Company and its officers from time to time make written or oral forward-looking statements, including statements contained in the Company's filings with the Securities and Exchange Commission. Investors should be aware of factors that could cause the Company's actual results to differ materially from those projected in forward-looking statements made by or on behalf of the Company. Such factors are primarily in the areas of liquidity, legal, environmental and risk management.

Item 8. Financial Statements and Supplementary Data

CONSOLIDATED STATEMENTS OF OPERATIONS
BORDEN, INC.

(In millions) Year Ended December 31,	1996	1995	1994
Net sales	$3,681.3	$ 4,107.8	$ 4,440.5
Cost of goods sold	2,660.3	3,013.8	3,172.6
Gross margin	1,021.0	1,094.0	1,267.9
Distribution expense	235.4	267.2	318.5
Marketing expense	410.2	462.3	635.1
General & adminstrative expense	177.6	342.7	340.9
(Gain) loss on divestiture	(62.0)	213.0	(59.3)
Impairment loss			263.8
Restructuring (reversal) expense		(10.1)	20.6
Operating income (loss)	259.8	(181.1)	(251.7)
Interest expense	112.8	135.1	137.6
Minority interest	3.1	15.1	40.2
Other (income) expense	(11.8)	23.0	141.3
Income (loss) from continuing operations before income taxes	155.7	(354.3)	(570.8)
Income tax expense	80.2	39.1	23.6
Income (loss) from continuing operations	75.5	(393.4)	(594.4)
Discontinued operations:			
(Loss) income from operations	(1.1)	(40.3)	55.4
(Loss) income from disposal	(330.7)	67.6	(58.7)
Net loss	(256.3)	(366.1)	(597.7)
Preferred stock dividends	(76.8)	(58.8)	
Net loss applicable to common stock	$ (333.1)	$ (424.9)	$ (597.7)

See Notes to Consolidated and Combined Financial Statements

CONSOLIDATED STATEMENTS OF OPERATIONS (CONTINUED)
BORDEN, INC.

(In millions, except per share data) Year Ended December 31,	1996	1995	1994
Per Share Data			
Income (loss) from continuing operations	$ 0.38	$ (2.05)	$ (4.14)
Discontinued operations:			
(Loss) income from operations		(0.20)	0.39
(Loss) income from disposal	(1.66)	0.35	(0.41)
Net loss	(1.28)	(1.90)	(4.16)
Preferred stock dividends	(0.39)	(0.31)	
Net loss per common share	$ (1.67)	$ (2.21)	$ (4.16)
Dividends per common share	$ 0.083		$ 0.252
Dividends per preferred share	3.125	$ 2.392	
Average number of common shares outstanding during the period	199.0	192.3	143.7

See Notes to Consolidated and Combined Financial Statements

CONSOLIDATED BALANCE SHEETS
BORDEN, INC.

(In millions) December 31,	1996	1995
ASSETS		
CURRENT ASSETS		
Cash and equivalents	$125.0	$ 146.2
Accounts receivable (less allowance for doubtful accounts of $15.7 and $24.8, respectively)	355.1	660.1
Inventories:		
Finished and in-process goods	142.3	336.2
Raw materials and supplies	77.4	184.1
Deferred income taxes	179.6	102.9
Other current assets	45.9	149.3
	925.3	1,578.8
INVESTMENTS AND OTHER ASSETS		
Investments in and advances to affiliated companies	106.8	36.7
Deferred income taxes	213.4	308.2
Other assets	89.0	110.2
Assets sold under contractual arrangement (net of allowance of $863.9)	739.7	
	1,148.9	455.1
PROPERTY AND EQUIPMENT		
Land	54.3	93.6
Buildings	267.5	562.4
Machinery and equipment	934.3	1,968.7
	1,256.1	2,624.7
Less accumulated depreciation	(693.7)	(1,465.8)
	562.4	1,158.9
INTANGIBLES		
(Net of accumulated amortization of $100.0 and $210.5, respectively)	114.3	616.4
TOTAL ASSETS	$ 2,750.9	$ 3,809.2

See Notes to Consolidated and Combined Financial Statements

CONSOLIDATED BALANCE SHEETS
BORDEN, INC.

(In millions, except per share data) December 31,	1996	1995
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Debt payable within one year	$414.0	$ 140.4
Accounts and drafts payable	254.9	478.7
Income taxes	282.8	218.8
Other current liabilities	503.0	780.3
	1,454.7	1,618.2
OTHER LIABILITIES		
Liabilities sold under contractual arrangement	481.6	
Long-term debt	567.8	1,211.8
Non-pension postemployment benefit obligations	285.9	331.8
Other long-term liabilities	89.9	145.9
Minority interest	10.9	33.0
	1,436.1	1,722.5
Commitments and Contingencies (Note 17)		
SHAREHOLDERS' EQUITY (DEFICIT)		
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	379.9	312.7
Receivable from parent	(443.6)	
Accumulated translation adjustment	(27.2)	(129.6)
Minimum pension liability and other	(109.2)	(107.9)
Accumulated deficit	(556.2)	(223.1)
	(139.9)	468.5
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$2,750.9	$3,809.2

See Notes to Consolidated and Combined Financial Statements

CONSOLIDATED STATEMENTS OF CASH FLOWS
BORDEN, INC.

(In millions) Year Ended December 31,	1996	1995	1994
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES			
Net loss	$ (256.3)	$ (366.1)	$ (597.7)
Adjustments to reconcile net loss to net cash from operating activities:			
Loss (income) on disposal of discontinued operations	263.5	(98.3)	
Deferred tax provision on discontinued operations	67.2	30.7	
Depreciation and amortization	138.9	156.6	193.3
(Gain) loss on divestiture, net	(62.0)	213.0	94.7
Unrealized (gain) loss on interest rate swap	(12.1)	35.9	
Loss on sale of investment		22.0	
Impairment losses		8.2	292.7
Restructuring	(9.6)	(52.5)	(56.9)
Sale of receivables			(150.0)
Trade receivables	(26.9)	(48.9)	(91.8)
Inventories	2.6	15.3	(43.1)
Trade payables	31.3	(51.2)	57.5
Current and deferred taxes	28.2	(21.8)	24.0
Other assets	13.1	123.1	62.7
Other liabilities	(65.5)	(74.6)	(43.1)
Discontinued operations, working capital and non-cash charges	(76.0)	190.9	15.0
	36.4	82.3	(242.7)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of investment in RJR Holdings		282.1	
Capital expenditures	(242.5)	(202.5)	(150.4)
Proceeds from the divestiture of businesses	478.6	7.4	409.1
Purchase of businesses		(7.0)	
Return of investment in unconsolidated affiliate	76.5		
	312.6	80.0	258.7
CASH FLOWS (USED IN) FROM FINANCING ACTIVITIES			
Net short-term debt payments	(11.6)	(191.5)	(84.1)
Repayment of long-term debt	(274.7)	(436.1)	(492.6)
Long-term debt financing		3.1	615.8
Issuance of minority interest	9.0		
Purchase of TMI interest	(19.2)	(471.5)	
Equity contribution	3.8	994.7	
Dividends paid	(77.5)	(43.4)	(35.6)
Issuance of stock under stock options and benefits and awards plans		3.3	5.5
	(370.2)	(141.4)	9.0

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

(In millions) Year Ended December 31,	1996	1995	1994
(Decrease) increase in cash and equivalents	(21.2)	20.9	25.0
Cash and equivalents at beginning of period	146.2	125.3	100.3
Cash and equivalents at end of period	$ 125.0	$ 146.2	$ 125.3
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION			
Cash paid:			
Interest	$ 82.3	$ 100.8	$ 144.0
Income taxes	25.8	51.7	8.0
Non-cash activity:			
Reclassification of note from long-term to short-term	305.3		
Proceeds relating to the Wise sale	44.3		
Proceeds relating to the Foods sale	521.8		
Proceeds from the sale of options recorded in equity	44.0		
Investment in AEPI common stock	80.0		
Capital contribution by parent	31.0		
Proceeds from sale of European bakery and Spanish food company	30.1		
Investment in RJR Holdings stock			$ 281.1
Treasury stock issued to KKR affiliates			309.5

See Notes to Consolidated and Combined Financial Statements

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
BORDEN, INC.
(In millions)

	Preferred Stock	Common Stock	Treasury Stock	Paid In Capital	Accumulated Translation Adjustment	Minimum Pension Liability and Other	Retained Earnings (Deficit)	Total
Balance, December 31, 1993	$ 0.0	$121.9	$(532.6)	$88.1	$ (173.6)	$ (95.5)	$835.1	$243.4
Stock issued for preferred Series B converted, exercised options and benefits and award plans			3.7	1.8				5.5
Treasury stock issued to KKR affiliates			279.4	30.1				309.5
Translation adjustments					33.2			33.2
Minimum pension liability adjustment						(11.8)		(11.8)
Valuation allowance - securities						(38.1)		(38.1)
Net loss							(597.7)	(597.7)
Cash dividends - common							(33.2)	(33.2)
Stock rights redemption payment $0.01 2/3 per right							(2.4)	(2.4)
Balance, December 31, 1994	$0.0	$121.9	$(249.5)	$120.0	$(140.4)	$(145.4)	$201.8	$(91.6)
Issuance of series A cumulative preferred shares	614.4			(614.4)				0.0
Cancellation of common shares		(121.9)		121.9				0.0
Issuance of new common shares		2.0						2.0
Cancellation of treasury shares			245.4	(245.4)				0.0
Stock issued for preferred Series B converted, exercised options and benefits and award plans			4.1	2.2				6.3
KKR additional capital contribution				928.4				928.4
Translation adjustments					10.8			10.8
Minimum pension liability adjustment						(0.6)		(0.6)
Valuation allowance - securities						38.1		38.1
Net loss							(366.1)	(366.1)
Cash dividends - preferred							(58.8)	(58.8)
Balance, December 31, 1995	$614.4	$2.0	$0.0	$312.7	$(129.6)	$(107.9)	$(223.1)	$468.5

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (CONTINUED)
BORDEN, INC.

(In millions)

	Preferred Stock	Common Stock	Paid In Capital	Receivable from Parent	Accumulated Translation Adjustment	Minimum Pension Liability and Other	Retained Earnings (Deficit)	Total
Balance, December 31, 1995	$614.4	$2.0	$312.7	$0.0	$(129.6)	$(107.9)	$(223.1)	$468.5
Net loss							(256.3)	(256.3)
Cash dividends - preferred							(76.8)	(76.8)
Translation adjustments					102.4			102.4
Minimum pension liability adjustment						(1.3)		(1.3)
Note receivable from Wise transaction				(34.2)				(34.2)
Options sold to parent			44.0	(44.0)				0.0
Parent notes receivable from Foods transaction				(345.9)				(345.9)
Interest accrued on notes from parent			8.7	(19.5)				(10.8)
Common stock dividend			(16.5)					(16.5)
Capital contribution from parent			31.0					31.0
Balance, December 31, 1996	$614.4	$2.0	$379.9	$(443.6)	$(27.2)	$(109.2)	$(556.2)	$(139.9)

See Notes to Consolidated and Combined Financial Statements

COMBINED STATEMENTS OF OPERATIONS
BORDEN, INC. AND AFFILIATES

(In millions) Year Ended December 31,	1996	1995	1994
Net sales	$ 5,765.1	$ 5,944.0	$ 6,261.4
Cost of goods sold	3,933.8	4,119.9	4,221.5
Gross margin	1,831.3	1,824.1	2,039.9
Distribution expense	354.9	367.2	416.1
Marketing expense	990.3	1,013.3	1,136.7
General & adminstrative expense	282.2	444.9	429.3
(Gain) loss on divestiture	(55.9)	245.1	(59.3)
Impairment loss		8.2	292.7
Restructuring (reversal) expense		(10.8)	15.1
Operating income (loss)	259.8	(243.8)	(190.7)
Interest expense	116.4	140.2	143.4
Minority interest	2.7	16.2	41.2
Other (income) expense	(16.0)	18.1	138.0
Income (loss) from continuing operations before income taxes	156.7	(418.3)	(513.3)
Income tax expense	74.8	24.2	52.9
Income (loss) from continuing operations	81.9	(442.5)	(566.2)
Discontinued operations:			
Income from operations		8.8	27.2
Income (loss) from disposal		67.6	(58.7)
Net income (loss)	81.9	(366.1)	(597.7)
Preferred stock dividends	(76.8)	(58.8)	
Net income (loss) applicable to common stock	$ 5.1	$ (424.9)	$ (597.7)

See Notes to Consolidated and Combined Financial Statements

COMBINED BALANCE SHEETS
BORDEN, INC. AND AFFILIATES

(In millions) Year Ended December 31,	1996	1995
ASSETS		
CURRENT ASSETS		
Cash and equivalents	$ 160.2	$ 146.2
Accounts receivable (less allowance for doubtful accounts of $23.0 and $24.8, respectively)	549.9	660.1
Inventories:		
Finished and in-process goods	286.5	336.2
Raw materials and supplies	142.3	184.1
Deferred income taxes	202.3	102.9
Other current assets	82.4	149.3
	1,423.6	1,578.8
INVESTMENTS AND OTHER ASSETS		
Investments in and advances to affiliated companies	106.8	36.7
Deferred income taxes	267.9	308.2
Other assets	106.9	110.2
	481.6	455.1
PROPERTY AND EQUIPMENT		
Land	75.9	93.6
Buildings	441.0	562.4
Machinery and equipment	1,504.3	1,968.7
	2,021.2	2,624.7
Less accumulated depreciation	(1,116.1)	(1,465.8)
	905.1	1,158.9
INTANGIBLES		
(Net of accumulated amortization of $201.5 and $210.5, respectively)	495.7	616.4
TOTAL ASSETS	$ 3,306.0	$ 3,809.2

See Notes to Consolidated and Combined Financial Statements

COMBINED BALANCE SHEETS
BORDEN, INC. AND AFFILIATES

(In millions) Year Ended December 31,	1996	1995
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Debt payable within one year	$ 421.8	$ 140.4
Accounts and drafts payable	412.5	478.7
Income taxes	304.0	218.8
Other current liabilities	671.9	780.3
	1,810.2	1,618.2
OTHER LIABILITIES		
Long-term debt	582.4	1,211.8
Non-pension postemployment benefit obligations	308.2	331.8
Other long-term liabilities	95.3	145.9
Minority interest	14.5	33.0
	1,000.4	1,722.5
Commitments and Contingencies (Note 17)		
SHAREHOLDERS' EQUITY		
Preferred stock	614.4	614.4
Common stock	2.0	2.0
Paid in capital	683.1	312.7
Receivable from parent	(443.6)	
Affiliate's interest in subsidiary	87.9	
Accumulated translation adjustment	(121.2)	(129.6)
Minimum pension liability and other	(109.2)	(107.9)
Accumulated deficit	(218.0)	(223.1)
	495.4	468.5
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 3,306.0	$ 3,809.2

See Notes to Consolidated and Combined Financial Statements

COMBINED STATEMENTS OF CASH FLOWS
BORDEN, INC. AND AFFILIATES

(In millions) Year Ended December 31,	1996	1995	1994
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES			
Net income (loss)	$ 81.9	$ (366.1)	$ (597.7)
Adjustments to reconcile net income (loss) to net cash from operating activities:			
Reversal of reserve for disposal of discontinued operations		(98.3)	
Depreciation and amortization	155.4	156.6	193.3
(Gain) loss on divestiture, net	(55.9)	245.1	94.7
Unrealized (gain) loss on interest rate swap	(12.1)	35.9	
Loss on sale of investment		22.0	
Impairment losses		8.2	292.7
Restructuring	(9.6)	(52.5)	(56.9)
Sale of receivables			(150.0)
Trade receivables	(14.8)	6.7	(40.8)
Inventories	(16.1)	10.3	(44.4)
Trade payables	21.7	(27.0)	49.7
Current and deferred taxes	37.6	8.9	24.0
Other assets	51.8	129.5	74.8
Other liabilities	(82.2)	(4.7)	(12.4)
Discontinued operations, working capital		7.7	(69.7)
	157.7	82.3	(242.7)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of investment in RJR Holdings		282.1	
Capital expenditures	(265.2)	(202.5)	(150.4)
Proceeds from the divestiture of businesses	500.2	7.4	409.1
Purchase of businesses		(7.0)	
	235.0	80.0	258.7
CASH FLOWS (USED IN) FROM FINANCING ACTIVITIES			
Net short-term debt payments	(19.7)	(191.5)	(84.1)
Repayment of long-term debt	(281.1)	(436.1)	(492.6)
Long-term debt financing		3.1	615.8
Issuance of minority interest	15.0		
Purchase of TMI interest	(19.2)	(471.5)	
Equity contribution	3.8	994.7	
Dividends paid	(77.5)	(43.4)	(35.6)
Issuance of stock under stock options and benefits and awards plans		3.3	5.5
	(378.7)	(141.4)	9.0

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

(In millions) Year Ended December 31,	1996	1995	1994
Increase in cash and equivalents	14.0	$ 20.9	$ 25.0
Cash and equivalents at beginning of year	146.2	125.3	100.3
Cash and equivalents at end of year	$ 160.2	$ 146.2	$ 125.3
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION			
Cash paid:			
Interest	$ 83.1	$100.8	$144.0
Income taxes	37.2	51.7	8.0
Non-cash activity:			
Reclassification of note from long-term to short-term	305.3		
Proceeds relating to the Wise stock sale	34.2		
Proceeds relating to the Foods stock sale	264.9		
Proceeds from sale of interest in subsidiary to affiliate	81.0		
Proceeds from the sale of options recorded in equity	44.0		
Investment in AEPI common stock	80.0		
Capital contribution by parent	31.0		
Proceeds from sale of European bakery and Spanish food company	30.1		
Investment in RJR Holdings stock			$ 281.1
Treasury stock issued to KKR affiliates			309.5

See Notes to Consolidated and Combined Financial Statements

COMBINED STATEMENTS OF SHAREHOLDERS' EQUITY
BORDEN, INC. AND AFFILIATES
(In millions, except per right data)

	Preferred Stock	Common Stock	Treasury Stock	Paid In Capital	Accumulated Translation Adjustment	Minimum Pension Liability and Other	Retained Earnings (Deficit)	Total
Balance, December 31, 1993	$ 0.0	$121.9	$(532.6)	$88.1	$ (173.6)	$ (95.5)	$835.1	$243.4
Stock issued for preferred Series B converted, exercised options and benefits and award plans			3.7	1.8				5.5
Treasury stock issued to KKR affiliates			279.4	30.1				309.5
Translation adjustments					33.2			33.2
Minimum pension liability adjustment						(11.8)		(11.8)
Valuation allowance - securities						(38.1)		(38.1)
Net loss							(597.7)	(597.7)
Cash dividends - common							(33.2)	(33.2)
Stock rights redemption payment, $0.01 2/3 per right							(2.4)	(2.4)
Balance, December 31, 1994	$ 0.0	$121.9	$(249.5)	$120.0	$(140.4)	$(145.4)	$201.8	$(91.6)
Issuance of series A cumulative preferred shares	614.4			(614.4)				0.0
Cancellation of common shares		(121.9)		121.9				0.0
Issuance of new common shares		2.0						2.0
Cancellation of treasury shares			245.4	(245.4)				0.0
Stock issued for preferred Series B converted, exercised options and benefits and award plans			4.1	2.2				6.3
KKR additional capital contribution				928.4				928.4
Translation adjustments					10.8			10.8
Minimum pension liability adjustment						(0.6)		(0.6)
Valuation allowance - securities						38.1		38.1
Net loss							(366.1)	(366.1)
Cash dividends - preferred							(58.8)	(58.8)
Balance, December 31, 1995	$614.4	$2.0	$0.0	$312.7	$(129.6)	$(107.9)	$(223.1)	$468.5

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

(In millions)

	Preferred Stock	Common Stock	Paid In Capital	Receivable from Parent	Affiliate's Interest In Sub.	Accumulated Translation Adjustment	Minimum Pension Liability and Other	Retained Earnings (Deficit)	Total
Balance, December 31, 1995	$614.4	$2.0	$312.7	$0.0	$0.0	$(129.6)	$(107.9)	$(223.1)	$468.5
Net income								81.9	81.9
Cash dividends - preferred								(76.8)	(76.8)
Translation adjustments						8.4			8.4
Minimum pension liability adjustment							(1.3)		(1.3)
Note receivable from Wise for stock issuance			34.2	(34.2)					0.0
Options sold to parent			44.0	(44.0)					0.0
Notes receivable from Foods transaction				(345.9)					(345.9)
Issuance of Foods common stock			264.9						264.9
Interest accrued on notes from parent			12.8	(19.5)					(6.7)
Cash dividends - common stock			(16.5)						(16.5)
Capital contribution from parent			31.0						31.0
Affiliate's interest in subsidiary					87.9				87.9
Balance, December 31, 1996	$614.4	$2.0	$683.1	$(443.6)	$87.9	$(121.2)	$(109.2)	$(218.0)	$495.4

See Notes to Consolidated and Combined Financial Statements

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

1. BACKGROUND

In September 1994, Borden, Inc. (the "Company", the "Registrant") entered into a merger agreement providing for the acquisition of all of the Company's outstanding common stock by an affiliate of Kohlberg Kravis Roberts & Co. ("KKR"), (the "Acquisition"). The Acquisition was completed on March 14, 1995. An affiliate of KKR owns 100% of the Company's outstanding common stock. The Company is a Registrant under the Securities and Exchange Commission Rules and Regulations as a result of public debt outstanding prior to the Acquisition and therefore elected not to apply push-down accounting in its consolidated financial statements.

At the time of the Acquisition, the Company's principal lines of business included international and domestic food operations ("Foods") and a salty snacks business ("Wise") as well as those described in Note 2, below, under Nature of Operations. In 1995, the Company announced that it was considering the possible sale of Wise and Foods to affiliates of BW Holdings LLC ("BWHLLC"), an affiliate of the Company's parent. Subsidiaries of BWHLLC, 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 (See Notes 4 and 5, respectively). As a result of these sales, Wise and Foods, as of their respective sale dates, are no longer legally part of Borden, Inc. (the "Registrant") on a consolidated basis. However, management of the Registrant will continue to exercise significant operating and financial control over Wise and Foods. In addition, Wise Holdings and Foods Holdings provide financial guarantees to obligations under the Company's credit facility and all of the Company's outstanding 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.

The consolidated and combined financial statements for the years ended December 31, 1994 and 1995 are the same as previously reported except for the reclassification of the Foods results of operations and cash flows to discontinued operations in the consolidated statements of operations and cash flows.

2. NATURE OF OPERATIONS

The Company is engaged primarily in manufacturing, processing, purchasing and distributing a broad range of products worldwide. The Company's principal lines of business are dairy, chemical and decorative products. The chemical business represents the largest line based on sales, identifiable assets and operating income. The Combined Companies include the Foods and Wise businesses which are engaged primarily in manufacturing, processing and distributing food products.

Domestic products for the dairy line of business are marketed primarily to retail stores, and to a lesser extent, directly to wholesalers, through distributors, and to institutions and government agencies. Domestic products for the other lines of business are sold throughout the United States and Puerto Rico to industrial users and, in the case of consumer products, by in-house and independent sales forces to distributors, wholesalers, jobbers and retailers. To the extent practicable, international distribution techniques parallel those used in the United States and are concentrated in Western Europe, South America and the Far East. The Foods and Wise products, included in the Combined Companies, are marketed primarily through food brokers and distributors.

Approximately half of the Company's and the Combined Companies' manufacturing and processing facilities are located in the United States and the other half are located in Europe and other foreign countries. However, the Company's and the Combined Companies products are predominantly sold in the United States. The majority of the identifiable assets of the Company and the Combined Companies are also located in the United States.

The Company sold its packaging and plastic films business on October 11, 1996 and its European bakery business on December 18, 1996.

Information about the Company's industry and geographic segments is provided on pages 4 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 material intercompany accounts and transactions. The combined financial statements include the accounts of Borden, Inc., Foods and Wise, after the elimination of material intercompany accounts and transactions. The Company's proportionate share of the net earnings of unconsolidated 20% to 50% owned companies is included in income. The carrying value in excess of the applicable reporting entity's interest in the companies' underlying net assets is amortized to reduce its proportionate share of net earnings. Investments of less than 20% ownership are carried at cost.

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 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 included in the financial statements include valuation of the Foods and Wise businesses, reserves for losses on disposals of certain operations, valuation allowance for deferred tax assets 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. The effect of exchange rate changes on cash flows is not material.

INVENTORIES - Inventories are stated at the 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 costs and expenses at rates based on estimated useful lives of properties (average rates for buildings 2.9%; machinery and equipment 6.0%). Major renewals and betterments are capitalized. Interest costs for the Company and the Combined Companies aggregating $2.0, $1.5 and $0.6 for the years ended December 31, 1996, 1995 and 1994, respectively, for the purchase and construction of long-term assets were capitalized and are being amortized over the respective useful lives of the related assets. Maintenance, repairs and minor renewals are expensed as incurred.

INTANGIBLES - The excess of purchase price over net tangible assets of businesses acquired ("goodwill") is carried as intangibles in the consolidated balance sheets. It is the Company's 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 forty years. Also included in intangibles are certain trademarks, patents and other intangible assets used in the operations of the businesses which amounted to $14.1 and $34.5 ($33.6 and $34.5 for the Combined Companies) at December 31, 1996, and 1995, 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 periodically evaluates the recoverability of property, equipment, and intangibles by assessing whether the carrying value can be recovered over its remaining useful life through 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.

ADVERTISING AND PROMOTION EXPENSE - Production costs of future media advertising are deferred until the advertising 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.

GENERAL INSURANCE - The Company and the Combined Companies are generally self-insured for losses and liabilities relating to workers' compensation, health and welfare claims, physical damage to property, business interruption and comprehensive general, product and vehicle liability. Losses are accrued for the estimated aggregate liability for claims incurred using certain actuarial assumptions followed in the insurance industry and experience.

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. For entities in highly inflationary countries; a combination of current and historical rates is used in translating assets and liabilities. Related exchange adjustments are included in net income.

The Company and the Combined Companies incurred realized and unrealized net foreign exchange losses aggregating $1.2 and $1.9, respectively in 1996. The Company and the Combined Companies realized and unrealized net foreign exchange losses aggregated $1.0 and $20.1 in 1995 and 1994, respectively. The 1994 losses were principally attributable to foreign exchange losses in Brazil.

INCOME TAXES - Income tax 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 uses two principal 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). 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 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 value 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 transactions are recognized in income currently, and offset gains and losses of transactions being hedged.

In addition to the above the Combined Companies use commodity futures contracts to hedge the price risks associated with raw materials used in production, commitments and certain transactions. The Combined Companies defer the impact of changes in the market value of these contracts until the hedged transaction is completed. Changes in market value of the commodity futures contracts are included in the measurement amounts of qualifying subsequent purchases of raw materials. The Combined Companies do not enter into these contracts for speculative purposes. These contracts generally mature in less than one year.

EARNINGS PER SHARE - Earnings per common share are computed based on the weighted average number of common shares outstanding.

CONCENTRATIONS OF CREDIT RISK - Financial instruments which 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 STATEMENT - In 1996, the American Institute of Certified Public Accountants issued Statement of Position 96-1, "Environmental Remediation Liabilities", which requires adoption no later than fiscal years beginning after December 15, 1996. The new statement provides additional guidance on the recognition of expenses relating to environmental liabilities. Management believes the new statement will not materially impact the Company's results of operations or cash flows.

RECLASSIFICATION - Certain prior year amounts have been reclassified to conform with the 1996 presentation.

4. ASSET DIVESTITURES

In 1995 the Company began the process of redesigning its operating structure. As a result of this redesign, management decided to divest certain businesses that did not fit into the Company's long-term strategic plan. Businesses included in this classification, "businesses held for sale," were the packaging and plastic films business, certain other non-food operations and the equity interest in a Spanish food company. In 1996, management made a definitive decision to sell its European bakery and Wise businesses. These operations were reclassified to businesses held for sale in the consolidated and combined financial statements.

During the first quarter of 1996, the Company sold its remaining equity interest in the Spanish food company for $139.9 resulting in a pretax gain of $82.9 ($42.1 net of tax).

On July 2, 1996, the Company sold Wise to Wise Holdings for $45.0. The purchase price of the business was determined based upon an independent valuation by an investment banking firm. The proceeds consisted of $34.2 of notes receivable from the Company's parent, which are recorded as a reduction of equity, a $10.1 note receivable from Wise and $0.7 in cash. The excess of the book value over the proceeds of $16.7 has been recorded as a loss on divestiture in the consolidated financial statements.

Because management of the Company exercises significant control over the salty snacks business, the assets and liabilities of Wise, at the date of sale, are classified as "sold under contractual arrangements" in the consolidated financial statements. In addition, any future losses incurred by Wise will be recorded in the consolidated financial statements to the extent of the Company's net investment in Wise. The Company's net investment in Wise as of December 31, 1996 was $10.2. The Combined Companies continue to report Wise at the Company's historical values since Wise remains a member of the controlled group and since in management's best estimate, future operating cash flows from Wise are expected to exceed the historical carrying value of the business.

On October 11, 1996, the Company completed the sale of its packaging and plastic films business, to AEP Industries Inc. ("AEPI"). The purchase price consisted of $263.0 in cash and 2,412,818 shares of newly issued AEPI common stock valued at $80.0 (approximately 34% of AEPI), its value at June 30, 1996, the date of the definitive agreement.

On December 18, 1996, the Company sold its European bakery business. Proceeds consisted of $99.4 in cash and $17.4 in a note receivable. The related gain on the sale was not material. The note, due on June 30, 1998, has graduated interest rates ranging from 7.5% to 12.5%, payable quarterly.

In December 1996 management approved the closure of certain domestic Foods plants in 1997, which are not aligned with the Combined Companies' strategy. Accordingly, $26.0 has been provided to write down the facilities to their net realizable value. Management anticipates approximately $12.0 in additional cash charges in 1997 related to these closures.

5. DISCONTINUED OPERATIONS

On October 1, 1996, the Company sold Foods to Foods Holdings for $527.1. Proceeds consisted of $354.8 of receivables and accrued interest from the Company's parent recorded as a reduction of shareholders' equity, a note receivable from Foods Holdings for $167.0, and cash of $5.3. The purchase price of the business was determined based upon a valuation by an investment banking firm. Foods management is evaluating and redesigning its current portfolio of businesses. In connection with this redesign the valuation and the purchase price may be reevaluated.

The loss on disposal of $330.7 including the excess of the book value over the proceeds of $166.6, a tax effect of $67.2, and a write-off of the accumulated translation adjustment of $96.9 has been recorded as a loss from discontinued operations in the consolidated financial statements. Since Foods remains a member of the controlled group and because management's best estimate of future operating cash flows from Foods is expected to exceed the historical carrying value of the business, no loss was incurred in the Combined Companies' financial statements.

Because management of the Company exercises significant control over the Foods business the assets and liabilities of Foods at the date of sale are classified as "sold under contractual arrangements" in the consolidated financial statements. In addition, any future losses incurred by Foods will be recorded in the consolidated financial statements to the extent of the Company's net investment in Foods. The Company's net investment in Foods as of December 31, 1996 was $247.9.

In 1993 the Company announced a program to divest the North American snacks operations, seafood, jams and jellies, and various other businesses. During 1995 management made the decision to retain the remaining businesses classified as discontinued operations and reversed the remaining reserve for loss on disposal, resulting in pretax income from disposal of $98.3 ($67.6 net of tax).

The operating losses relating to the businesses in this program that were retained by the Company and the Combined Companies and were previously classified as discontinued operations have been reclassified to continuing operations with an offsetting net of tax credit in income from discontinued operations of $8.8 ($14.5 pretax) for the year ended December 31, 1995, and $27.2 ($43.9 pretax) in 1994.

The December 1995 Consolidated Balance Sheets and Consolidated Statements of Cash Flows for the years ended December 31, 1995 and 1994 have been reclassified to reflect the decision to retain these businesses.

The results indicated below for the businesses divested have been reported separately as discontinued operations in the consolidated statements of operations.

	1996	1995	1994
Net sales	$1,376.5	$1,836.2	$1,988.0
(Loss) income before income taxes	(19.5)	(49.6)	101.4
Income tax (benefit) expense	(18.4)	(9.3)	46.0
Net (loss) income from discontinued operations	(1.1)	(40.3)	55.4

6. INVESTMENTS

As discussed in Note 4, on October 11, 1996, Borden sold its packaging and plastic films business to AEPI. Proceeds included common stock of AEPI valued at $80.0 at the transaction date. AEPI is a manufacturer of a wide range of plastic film products which are used in a number of industrial, commercial and agricultural applications and are sold throughout the United States, Europe and the Far East. The investment balance was $81.5 at December 31, 1996, which represents 2.4 million shares of AEPI common stock or 34% ownership.

At December 31, 1996, the unamortized excess of the Company's investments over its equity in the underlying net assets of AEPI was $46.3. Amortization is over 40 years and is included as a reduction of equity earnings of AEPI.

At December 31, 1994, the Company owned 51,106,768 common shares of RJR Holdings with an aggregate cost of $309.5, which were classified as available for sale and were marked to market at $281.1. An additional 179,940,461 shares of RJR Holdings were contribued during the first quarter of 1995. In the first quarter 1995 the Company sold all of its 231,047,229 shares of RJR Holdings stock. The sale resulted in a pretax loss of $22.0.

7. DEBT, LEASE OBLIGATIONS AND RELATED COMMITMENTS

Debt outstanding at December 31, 1996 and 1995 is as follows:

	1996		1995	
(In millions)	Long-Term	Due within One Year	Long-Term	Due within One Year
Borrowings under credit line (at 6.9% and 6.8%, respectively)			$ 245.0	
9 7/8% Notes due 1997		$ 78.1	78.1	
Medium Term Notes, Series A (at an average rate of 8.0% and 7.9%, respectively)		26.5	26.5	$40.0
Zero-Coupon Convertible Bonds due 2002 (1)		305.3	288.5	
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 8.4% for both years)	54.2	0.3	54.6	0.3
Other (at an average rate of 8.5% and 7.4%, respectively)	19.3	0.1	24.8	9.5
Total current maturities of long-term debt		410.3		49.8
Short-term debt (primarily foreign bank loans at an average rate of 6.7% and 6.4%, respectively)		3.7		90.6
Total debt - Consolidated	$ 567.8	$414.0	$1,211.8	$140.4
Other Foods debt (at an average rate of 8.2%)	14.6	0.1		
Foods short-term debt (primarily foreign bank loans at an average rate of 9.5%)		7.7		
Total debt - Combined	$ 582.4	$421.8	$1,211.8	$140.4

(1) The zero-coupon bonds due 2002 are included in 1997 maturities at $305.3, due to a put option to the Company in that year, which management believes will be exercised.

In connection with the Acquisition, the Company re-negotiated an existing agreement and entered into a new five year $2.075 billion Credit Agreement, dated December 15, 1994, (the "Credit Agreement") with certain financial institutions for whom Citibank is the Administrative Agent. The Credit Agreement was amended on June 7, 1995, to reduce the amount available to $1.2 billion including letters of credit, eliminate requirements for collateral and provide for more favorable pricing terms. It was further amended and restated on May 7, 1996, to include provisions to allow for the sale of certain business units to affiliates of the Company provided that entities of such business units become guarantors of the Company's obligations under the Credit Agreement. Borrowing rates under the Credit Agreement are a function of the Company's senior debt ratings as reported by Moody's and Standard and Poors and the type of borrowing. As of

December 31, 1996, the applicable margins for LIBOR and Base Rate borrowings were 1.25% and 0.50%, respectively. At December 31, 1996, there were no borrowings outstanding under the Credit Agreement. Provisions under the Credit Agreement require Foods Holdings and Wise Holdings to guarantee the Company's obligations under the Credit Agreement.

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, make investments, 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 limits the uses of proceeds from asset sales and certain debt and equity issuances. In addition, the Credit Agreement requires that the Company 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) to interest expense and a maximum ratio of total debt to EBIDTA.

As of December 31, 1996, the Company and the Combined Companies were in compliance with the covenants.

Aggregate maturities of total debt and minimum annual rentals under operating leases at December 31, 1996, for the Company and the Combined Companies are as follows:

	CONSOLIDATED		COMBINED	
	DEBT	MINIMUM RENTALS UNDER OPERATING LEASES	DEBT	MINIMUM RENTALS UNDER OPERATING LEASES
1997	$414.0	$21.7	$ 421.8	$30.1
1998	0.6	17.5	2.0	23.1
1999	11.6	13.9	13.0	17.7
2000	11.5	8.8	12.2	12.0
2001	1.1	6.7	1.7	8.6
2002 and thereafter	543.0	20.0	553.5	21.4
	$981.8		$1,004.2	

The Company had $1,086.1 available for borrowing under its five year credit agreement at December 31, 1996, and incurred $3.3 of commitment fees during 1996.

8. INCOME TAXES

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

	CURRENT			DEFERRED		
	1996	1995	1994	1996	1995	1994
Federal	$ 3.2	$(70.8)	$(81.6)	$ 33.8	$ 71.5	$ 82.4
State and Local	3.4	2.3	(3.3)	6.0	0.0	11.4
Foreign	59.4	31.5	31.7	(25.6)	4.6	(17.0)
	$ 66.0	$(37.0)	$(53.2)	$ 14.2	$ 76.1	$ 76.8

The income tax expense (benefit) from discontinued operations' loss on disposal was $67.2, $30.7 and $(36.0) in 1996, 1995 and 1994, respectively.

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

	CURRENT			DEFERRED		
	1996	1995	1994	1996	1995	1994
Federal	$ 70.9	$(91.8)	$(53.8)	$(43.2)	$ 66.1	$ 71.1
State and Local	1.4	2.3	0.6	6.0	0.0	9.8
Foreign	67.3	41.5	41.5	(27.6)	6.1	(16.3)
	$139.6	$(48.0)	$(11.7)	$(64.8)	$ 72.2	$ 64.6

The income tax expense (benefit) from discontinued operations' loss on disposal was $30.7 and $(36.0) in 1995 and 1994, respectively.

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

	CONSOLIDATED			COMBINED		
(Dollars in millions)	1996	1995	1994	1996	1995	1994
Income taxes computed at Federal statutory tax rate	$ 54.5	$(124.0)	$(199.8)	$ 54.9	$(146.4)	$(179.6)
State tax provision, net of Federal benefits	6.1	1.5	5.7	4.8	1.5	6.7
Foreign tax differentials	3.7	10.6	(1.0)	3.0	12.6	(1.7)
Foreign source income subject to U.S. taxation		3.8	32.1		3.8	32.0
Write-offs of assets with lower tax bases and differences in tax rates	15.0	63.9	67.2	10.9	69.2	75.8
Losses and merger and other expenses not deductible for tax	0.9	7.3	46.4	1.2	7.5	46.6
Adjustment of prior estimates		(12.0)	55.5		(12.0)	55.6
Unrepatriated foreign earnings		88.0	17.5		88.0	17.5
Other - net						
Provision for income taxes	$ 80.2	$ 39.1	$ 23.6	$ 74.8	$ 24.2	$ 52.9

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

	CONSOLIDATED			COMBINED		
(Dollars in millions)	1996	1995	1994	1996	1995	1994
Domestic	$ 68.7	$(442.3)	$(623.6)	$ 46.2	$(525.1)	$(596.2)
Foreign	87.0	88.0	52.8	110.5	106.8	82.9
	$155.7	$(354.3)	$(570.8)	$156.7	$(418.3)	$(513.3)

The net current and non-current components of the Company's and the Combined Companies' deferred income taxes recognized in the balance sheets at December 31, 1996 and 1995 follow:

	CONSOLIDATED		COMBINED	
(Dollars in millions)	1996	1995	1996	1995
Net current asset	$176.5	$ 99.7	$199.3	$ 99.7
Net non-current asset	201.1	278.3	259.9	278.3
Net asset	$377.6	$378.0	$459.2	$378.0

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, 1996 and 1995 follow:

	CONSOLIDATED		COMBINED	
(Dollars in millions)	1996	1995	1996	1995
ASSETS				
Non-pension post-employment benefit obligations	$113.7	$136.0	$113.7	$136.0
Restructuring and other reserves		8.8		8.8
Divestiture reserve	46.2	30.3	46.2	30.3
Accrued and other expenses	197.4	58.9	218.4	58.9
Foreign property, plant and equipment	7.0	19.5	5.1	19.5
Minimum pension liability	9.1	69.0	9.1	69.0
Loss and credit carryforwards	140.7	362.8	147.3	362.8
Dairy impairment	41.7	56.5	41.7	56.5
Other prepaids	54.9	39.5	158.3	39.5
Gross deferred tax assets	610.7	781.3	739.8	781.3
Valuation allowance	(25.8)	(72.3)	(32.4)	(72.3)
	584.9	709.0	707.4	709.0
LIABILITIES				
Property, plant, equipment, and intangibles	81.1	158.1	72.8	158.1
Foreign property, plant, equipment/other	30.7	51.6	27.0	51.6
Certain foreign intangibles	9.1	25.5	6.7	25.5
Deferred gain on sale of partnership interest	17.6	17.6	17.6	17.6
Pension and health plan contributions	64.1	43.3	64.1	43.3
Other	4.7	34.9	60.0	34.9
Gross deferred tax liabilities	207.3	331.0	248.2	331.0
Net asset	$377.6	$378.0	$459.2	$378.0

The net change in valuation allowance for the Company of $46.5 in 1996 is primarily related to loss carryforwards that were fully reserved for foreign operations of the packaging business and the foods business that were sold in 1996. The net change of $3.8 in 1995 and $9.8 in 1994 related to loss carryforwards of foreign operations which were not expected to be realized.

The net change in valuation allowance for the Combined Companies of $39.9 in 1996 is primarily related to loss carryforwards that were fully reserved for foreign operations of the packaging business that was sold in 1996. The net change of $3.8 in 1995 and $9.8 in 1994 related to loss carryforwards of foreign operation which are not expected to be realized.

The Company's net deferred tax asset at December 31, 1996 was $377.6. Of this amount $392.9 represent net domestic deferred tax assets related to future tax benefits. Included in the domestic deferred tax asset is $3.4 of net operating loss carryforward for U.S. federal tax purposes, which begin expiring in 2010. Realization of the domestic net operating loss is dependent upon generation of approximately $8.6 of future income before the expiration date in 2010. Realization of the entire net deferred tax asset is dependent on generation of approximately $1,123.0 of future taxable income.

The Combined Companies' net deferred tax asset at December 31, 1996 was $459.2. Of this amount $470.3 represents net domestic deferred tax assets related to future tax benefits. Included in the domestic deferred tax asset is $3.4 of net operating loss carryforward for U.S. federal tax purposes, which begin expiring in 2010. Realization of the domestic net operating loss is dependent upon generation of approximately $8.6 of future income before the expiration date in 2010. Realization of the entire net deferred tax asset is dependent on generation of approximately $1,344.0 of future taxable income.

Management believes that it is more likely than not that sufficient additional income will be earned to fully realize this benefit. This belief is based on an analysis of the future plans of the Company's and the Combined Companies' owners and management, the expected future benefits resulting from the 1995 and earlier restructuring programs, the effect of the divestitures of unprofitable operations and various cost reduction plans. Management has considered the limitations on loss carryforwards resulting from the change in ownership of the Company in reaching this conclusion.

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 $249.0 at December 31, 1996. The determination of the tax effect relating to such earnings is not practicable.

The Internal Revenue Service has examined the Company's and the Combined Companies' tax returns for the period 1989-1993 and has proposed adjustments to the utilization of certain capital losses. The Company and the Combined Companies disagree with the position of the Service and are contesting the proposed adjustments. The Company and the Combined Companies expect that the ultimate resolution of this matter, after considering amounts already provided, will not have a material effect on its financial statements.

9. PENSION AND RETIREMENT SAVINGS PLANS

Most U.S. employees of the Company and the Combined Companies are covered under a noncontributory 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 to the Company's retirement savings plans. (Certain longer service salaried employees may contribute up to 7% of their pay.) The contributions are matched at 50% by the Company.

Following are the components of the net pension expense recognized by the Company:

	DOMESTIC			FOREIGN		
	1996	1995	1994	1996	1995	1994
Service cost-benefits earned during the period	$ 7.9	$ 7.5	$10.3	$ 4.0	$ 4.6	$ 4.3
Interest cost on the projected benefit obligation	27.6	31.6	30.8	11.9	12.6	10.9
Actual (return) loss on plan assets	(26.9)	(87.1)	9.2	(13.8)	(15.4)	(7.1)
Net amortization and deferral	(1.2)	56.2	(48.8)	3.3	4.8	(3.6)
	$ 7.4	$ 8.2	$ 1.5	$ 5.4	$ 6.6	$ 4.5

In addition to the net pension expense in 1996, the Company recognized a net curtailment and settlement gain of $2.2 reflecting the sale of the packaging and plastic films business and the European bakery business.

There were no material differences in the domestic and foreign net pension expense between the Company and the Combined Companies.

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

	DOMESTIC			FOREIGN		
	1996	1995	1994	1996	1995	1994
Discount rate	6.8%	8.8%	7.5%	8.4%	8.9%	8.0%
Rate of increase in future compensation levels	4.3%	5.3%	4.5%	4.9%	5.3%	4.7%
Expected long-term rate of return on plan assets	7.8%	9.8%	9.0%	9.6%	10.0%	9.5%

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 included charges of $7.0, $4.1 and $5.1 in 1996, 1995 and 1994, respectively, for payments to pension trusts on behalf of employees not covered by the Company's plans. The combined financial statements included charges of $7.3, $4.1 and $5.1 in 1996, 1995 and 1994, respectively.

The Company's and the Combined Companies' funding of its pension plans equals or exceeds the minimum funding requirements imposed by Federal and foreign laws and regulations. There were no material differences in the domestic plans' funded status between the Company and the Combined Companies. The funded status of the domestic plans was as follows:

	1996	1995
DOMESTIC PLANS	Accumulated Benefits Exceed Plan Assets	Accumulated Benefits Exceed Plan Assets
Plan assets at fair value	$ 393.6	$ 400.4
Actuarial present value of:		
Vested benefit obligations	(391.1)	(406.5)
Accumulated benefit obligations	(408.6)	(424.0)
Projected benefit obligations	(408.8)	(426.3)
Plan assets (less) than projected benefit obligation	(15.2)	(25.9)
Unrecognized prior service cost (benefit)	3.1	(2.1)
Unrecognized loss	182.1	184.5
Unrecognized net transition (asset)	(6.6)	(9.6)
Minimum liability adjustment	(178.3)	(170.5)
Net pension liability	$ (14.9)	$ (23.6)

The combined funded status of the foreign plans represents the combined plans including Foods foreign plans. The funded status of these plans was as follows:

	1996 CONSOLIDATED		1996 COMBINED		1995	
FOREIGN PLANS	Plan Assets Exceed Accumulated Benefits	Accumulated Benefits Exceed Plan Assets	Plan Assets Exceed Accumulated Benefits	Accumulated Benefits Exceed Plan Assets	Plan Assets Exceed Accumulated Benefits	Accumulated Benefits Exceed Plan Assets
Plan assets at fair value	$117.4	$ 11.1	$ 146.9	$ 13.5	$166.2	$ 15.0
Actuarial present value of:						
Vested benefit obligations	(99.4)	(14.6)	(118.7)	(18.2)	(118.4)	(29.8)
Accumulated benefit oblig.	(99.0)	(14.7)	(119.9)	(18.7)	(121.9)	(31.7)
Projected benefit obligations	(112.0)	(15.0)	(133.0)	(20.2)	(140.4)	(34.8)
Plan assets (less) greater than projected benefit obligation	5.4	(3.9)	13.9	(6.7)	25.8	(19.8)
Unrecognized prior service cost (benefit)	0.3	0.3		0.3	(0.2)	0.4
Unrecognized loss	14.9	3.9	24.3	4.7	13.3	9.0
Unrecognized net transition (asset) obligation	(0.1)	0.1	(0.1)	0.2	0.1	
Minimum liability adjustment		(4.6)		(4.6)		(7.2)
Net pension asset (liability)	$ 20.5	$ (4.2)	$ 38.1	$ (6.1)	$ 39.0	$ (17.6)

The weighted average discount rates and rates of increase in future compensation levels used in determining the projected benefit obligation for domestic plans were for consolidated and combined 7.5% and 4.5%, respectively, as of December 31, 1996, and 6.8% and 4.3%, respectively, as of December 31, 1995. The foreign plans weighted average discount rates and rates of increase in future compensation levels were 8.2% and 4.7%, respectively as of December 31, 1996 and 8.3% and 4.9%, respectively, as of December 31, 1995. These rates were the same for both consolidated and combined reporting.

Plan assets consist primarily of equity securities and corporate obligations.

In accordance with SFAS No. 87, the Company recorded an additional minimum pension liability for underfunded plans, representing the excess of accumulated benefits over plan assets and accrued pension costs, of $5.2 and $2.8 at December 31, 1996 and 1995, respectively. This liability, which had no effect on income, reduced equity by $1.3 and $0.6, net of income taxes, in 1996 and 1995, respectively.

Charges to operations for matching contributions under the Company's retirement savings plans in 1996, 1995 and 1994 amounted to $7.6, $16.1, and $9.7, respectively. Charges to operations for matching contributions under the Combined Companies retirement savings plans in 1996, 1995 and 1994 amounted to $10.5, $16.1, and $9.7, respectively.

10. NON-PENSION POSTEMPLOYMENT BENEFITS

The Company provides certain health and life insurance benefits for eligible domestic retirees and their dependents. The cost of postretirement benefits is accrued during employees' working careers. 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. The postretirement medical benefits are contributory; the postretirement life insurance benefit is noncontributory.

The components of net postretirement benefit expense for 1996, 1995 and 1994 are as follows:

(Dollars in millions)	CONSOLIDATED 1996	1995	1994	COMBINED 1996	1995	1994
Service cost	$ 0.2	$ 1.1	$ 3.4	$ 0.2	$ 1.1	$ 3.4
Interest cost	11.3	13.3	17.9	11.8	13.3	17.9
Net amortization/deferral	(13.7)	(16.7)	(9.6)	(13.8)	(16.7)	(9.6)
Net postretirement (benefit) expense	$ (2.2)	$ (2.3)	$ 11.7	$ (1.8)	$ (2.3)	$ 11.7

The status of the Company's and Combined Companies' unfunded postretirement benefit obligation at December 31, 1996, 1995 and 1994 was as follows:

(Dollars in millions)	CONSOLIDATED 1996	1995	COMBINED 1996	1995
Actuarial present value of accumulated postretirement benefit obligation:				
Retirees	$(157.1)	$(147.7)	$(175.1)	$(147.7)
Fully eligible active plan participants	(1.3)	(3.6)	(1.7)	(3.6)
Other active plan participants	(2.2)	(27.3)	(3.2)	(27.3)
	(160.6)	(178.6)	(180.0)	(178.6)
Unrecognized prior service benefit	(61.7)	(72.7)	(61.7)	(72.7)
Unrecognized (gain)	(46.8)	(54.9)	(46.5)	(54.9)
Accrued postretirement benefit liability	$(269.1)	$(306.2)	$(288.2)	$(306.2)

The discount rate used in determining the accumulated postretirement benefit obligation at December 31, 1996 and 1995 was 7.5% and 6.8%, respectively.

The assumed health care cost trend rate used in measuring the accumulated postretirement benefit obligation at December 31, 1996 was 9.5% for 1997, gradually declining to 5.5% by the year 2004. The comparable assumptions for the prior year were 9.5% and 4.8%. A one percentage point increase in the health care cost trend rate would increase the accumulated postretirement benefit obligation of the Company and the Combined Companies as of December 31, 1996, by $18.0 and the sum of the service and interest costs in 1996 by $1.4.

The Company provides certain other postemployment benefits, primarily medical and life insurance benefits for long-term disabled employees, to qualified former or inactive employees.

11. SHAREHOLDERS' EQUITY

Preferred Stock

On June 26, 1995, the Company issued 24,574,751 shares of series A Cumulative Preferred Stock ("Preferred Stock"). Each share has a liquidation preference of $25 and is entitled to cumulative dividends at an annual rate of 12%, payable quarterly in arrears. There are 100,000,000 shares authorized at December 31, 1996. These shares are redeemable, in whole or in part, at the Company's discretion at any date after June 26, 1998. The redemption price is 107% of the issuance price in the first twelve months after such date, declining ratably in each year to par at June 26, 2005.

Common Stock

In December, 1994, affiliates of KKR acquired 90,131,307 shares of the Company's $0.625 par value common stock. Thereafter, affiliates of KKR acquired an additional 28,138,000 shares of such common stock.

The Acquisition was completed on March 14, 1995. On that date all $0.625 par value common stock, was cancelled and retired. The Company issued $0.01 par value common stock to affiliates of KKR during 1995. At December 31, 1996 and 1995 common stock consisted of 300,000,000 shares authorized and 198,974,994 shares issued and outstanding.

During 1996 Foods Holdings and Wise Holdings were each capitalized with 100 shares of $0.01 par value common stock.

Other Shareholders' Equity
- --------------------------
In 1994 other shareholders' equity activity consisted primarily of accumulated translation adjustments and valuation adjustments on investment securities. The 1995 activity included a $928.4 capital contribution from affiliates of KKR, and the reversal of the valuation allowance on investment securities as the securities were sold.

During 1996 the Company received notes receivable and accrued interest receivable from its parent amounting to $399.6 recorded as a charge to equity. Notes and accrued interest were received as proceeds from Wise Holdings and Foods Holdings for the Wise and Foods businesses. The principal amount of the notes is $34.2 and $345.9 with accrued interest amounting to $19.5. Interest is received quarterly at 12% and the notes mature on September 29, 2005. The Combined Companies issued capital in Wise and Foods in exchange for the Notes. The Notes were initially used to capitalize Wise Holdings and Foods Holdings.

On August 16, 1996, the Company sold options valued at $44.0 to BWHLLC. The options were issued on all of the common stock of Elmer's Holdings, Inc. and Borden Decorative Products Holdings, Inc. for 110% of the August 16, 1996 fair market value of the common stock. The options were issued at fair value and expire in five years. The exercise price of the options is $54.1 for Elmer's Holdings, Inc. and $108.4 for Borden Decorative Products Holdings, Inc. Proceeds from the option sale consisted of a $44.0 note receivable from the Company's parent. The principal amount of the note is $44.0 with interest received quarterly at 12%. The principal is due September 29, 2005.

The Company declared common stock dividends during the fourth quarter of 1996 amounting to $16.5. The dividends were recorded as a charge to paid-in capital to reflect a return of capital to the Company's parent.

In addition, $31.0 was recorded as a credit to paid-in capital representing tax benefits contributed to the Company by its parent. The parent is included in the Company's tax return and expense relating to the interest accrued on the Notes was used to decrease the Company's tax liability.

The Combined Companies, in conjunction with the Foods transaction, recorded an $87.9 credit to affiliate's interest in a subsidiary. The credit represents an affiliate's minority interest in a 70% owned consolidated subsidiary of Foods.

12. STOCK OPTION PLANS AND OTHER STOCK-BASED COMPENSATION

Subsidiaries and affiliates of the Company and Combined Companies have issued stock options under their individual stock option plans. Under these plans equity in the BMG Dairies, Wise, Elmer's, Decorative Products and Chemical business units were sold to key management personnel. Those participating were granted fixed stock options to purchase additional shares at an exercise price of $5. The options were issued at fair value, vest over five years and expire ten years from the date of the grant. There are 7,157,034 options currently outstanding among the five companies and 774,610 options available for future grants.

Effective January 1, 1996 key employees of Foods and Borden, Inc. were offered units and unit appreciation rights in their respective holding companies. The unit appreciation rights ("UAR's") vest over five years, and any compensation expense incurred in conjunction with the UAR's will be charged to the Company or the Combined Companies. At December 31, 1996 there was no compensation expense attributable to the UAR's. There were 24,030,800 UAR's outstanding in the aggregate at December 31, 1996, and 690,160 UAR's available for future grants.

The Company has adopted the disclosure-only provisions of Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation." Accordingly, no compensation cost has been recognized for the stock option plan. Had compensation cost for the Company's stock option plans been determined based on the fair value at the grant date for awards in 1996 consistent with the provisions of Statement of Financial Accounting Standards No. 123, the Company's net loss and net loss per share would have been reduced to the pro forma amounts presented below:

	1996
Net loss - as reported	$ (256.3)
Net loss - pro forma	(261.1)
Net loss per share - as reported	(1.28)
Net loss per share - pro forma	(1.31)

Pro forma net income for the Combined Companies is $77.1.

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 5.37% and expected lives of five years.

Information regarding the 1996 option plans is as follows:

	1996	
	Shares	Weighted Average Price
Options outstanding, beginning of year	0	$0
Options exercised	0	$0
Options granted	7,177,034	$5.18
Options forfeited	(20,000)	$5.00
Options outstanding, end of year	7,157,034	$5.18

The following table summarizes information about fixed-price stock options at December 31, 1996:

Range of Exercise Price	Fair Value at Grant	Number Outstanding	Weighted Average Remaining Life	Weighted Average Exercise Price	Number Exercisable
$ 5.00	$ 1.16	6,895,034	4 years	$ 5.00	0
$10.00	$ 0.13	262,000	4 years	$10.00	0

13. 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 $224.3 and $234.3 at December 31, 1996 and 1995, respectively. These swaps have maturities ranging from 1999 to 2002. The net impact of interest rate swaps was an increase for the Company's and the Combined Companies' interest expense of $10.7 in 1996, $11.2 in 1995 and $11.2 in 1994.

The following table indicates the types of swaps used by the Company and their weighted average interest rates. Variable rates change with market conditions and may vary significantly in the future. The weighted average notional amounts in 1996 were $224.3 for Receive fixed swaps and $5.8 for Pay fixed swaps. A 1% increase in market interest rates would result in a $2.1 increase in the fair value of the interest rate swap agreements. A 1% decline in the interest rates would result in a $2.1 decrease in the fair value of the interest rate swap agreements.

	1996	1995	1994
Receive fixed swaps			
Average rate received	8.0%	8.0%	7.9%
Average rate paid	5.7%	6.6%	5.3%
Pay fixed swaps			
Average rate paid	10.4%	10.2%	10.1%
Average rate received	5.5%	6.1%	4.6%

An interest rate swap held by the Company no longer met the criteria for hedge accounting and was marked to market during the first quarter of 1995. The unrealized gain on this instrument of $12.1 in 1996 and the 1995 unrealized loss of $35.9 were included in the consolidated statements of operations. The average fair value of the interest rate swaps in 1996 was $(40.4). The Company does not hold or issue derivative financial instruments for trading purposes, other than the interest rate swap discussed above.

Foreign Exchange Contracts

International operations account for a significant portion of the Company's revenue and operating income. The Company is exposed to foreign exchange risk on transactions which are denominated in a currency other than the operating unit's functional currency. It is the Company's policy 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).

The Company closely monitors its foreign currency cash flow transactions and enters into forward contracts to buy and sell foreign currencies only to reduce its 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 transactions are deferred until the related transactions occur. Those arising from 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 cash flows from forward contracts accounted for as hedges of identifiable transactions are classified consistent with the cash flows from the transaction being hedged.

At December 31, 1996 and 1995, the Company had $93.7 and $399.9 of notional value, respectively, of forward foreign currency exchange contracts outstanding. The Combined Companies had $247.0 and $399.9 of notional value, forward foreign exchange contracts outstanding at December 31, 1996 and 1995, respectively. These contracts are part of a worldwide program to minimize foreign currency exchange operating income and balance sheet exposure. 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.

Commodity Futures

The Combined Companies are exposed to risk from fluctuating prices for commodities used primarily to manufacture salty snacks. Some of the risk is hedged through commodity futures executed over the counter with various brokers. The Combined Companies utilize commodity futures to effectively fix the price paid for oil, which is a principal component in the manufacturing process, over the life of the contract. Cost of products sold reflect the commodity cost including the effects of the commodity futures. As of December 31, 1996, $4.6 of commodity futures were outstanding, maturing through March 1997. The maturity of the contracts highly correlates to the actual purchases of the commodity. Under such contracts the Combined Companies pay the counterparty at a fixed rate, and receives from the counterparty a floating rate per hundred pounds of oil; only the net differential is actually paid or received. The amounts paid or received are calculated based on the notional amounts under the contracts. The use of such commodity futures effectively protects the Combined Companies against an increase in the price of the commodity, to the extent of the notional amount under the contract. This also effectively prevents the Combined Companies from benefiting in the event of a decrease in the price of the commodity, to the extent of the notional amount under the contract. The fair value of commodity futures as of December 31, 1996, was unfavorable $0.7 based on dealer quotes. This fair value has not been recorded by the Combined Companies as of December 31, 1996, and will be reflected in the cost of the commodity as it is actually purchased.

14. FAIR VALUE OF FINANCIAL INSTRUMENTS

The following table presents the carrying or notional amounts and fair values, based on dealer quotes, of the Company's consolidated financial instruments at December 31, 1996 and 1995. The fair value of a financial instrument is the 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 other available valuation methods. The carrying amounts of cash and cash equivalents, accounts receivable, accounts payable and other accruals are considered reasonable estimates of their fair values.

	1996		1995	
NONDERIVATIVES	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Assets				
Investment securities	$81.5	$132.7		
Liabilities				
Debt	$981.8	$940.3	$1,352.2	$1,358.6
	Notional Amount	Fair Value	Notional Amount	Fair Value
DERIVATIVES RELATING TO:				
Foreign currency contracts - gain	$ 46.4	$ 0.8	$220.2	$ 3.7
Foreign currency contracts - loss	47.3	(0.6)	179.7	(2.2)
Interest rate swap - loss	224.3	(38.2)	234.3	(52.4)

The carrying or notional amount of the Combined Companies' financial instruments and their related fair values based on dealer quotes is as follows:

	1996		1995	
NONDERIVATIVES	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Assets				
Investment securities	$81.5	$132.7		
Liabilities				
Debt	$1,004.2	$962.7	$1,352.2	$1,358.6
	Notional Amount	Fair Value	Notional Amount	Fair Value
DERIVATIVES RELATING TO:				
Foreign currency contracts - gain	$ 151.7	$ 3.3	$220.2	$ 3.7
Foreign currency contracts - loss	95.3	(1.0)	179.7	(2.2)
Interest rate swap - loss	224.3	(38.2)	234.3	(52.4)
Commodity futures - loss	4.6	(0.7)		

15. SUPPLEMENTAL INFORMATION

	CONSOLIDATED			COMBINED		
(Dollars in millions)	1996	1995	1994	1996	1995	1994
Depreciation and amortization	$138.9	$156.6	$193.3	$155.4	$156.6	$193.3
Advertising and promotions	447.5	655.2	666.6	590.4	655.2	666.6
Research and development	41.1	40.8	30.3	50.1	40.8	30.3

The Company's depreciation and amortization includes amortization of $8.2, $19.7 and $29.2 for 1996, 1995 and 1994, respectively. The Combined Companies' depreciation and amortization includes amortization of $19.8, $19.7 and $29.2 for 1996, 1995 and 1994, respectively.

The Company's advertising and promotions includes promotions of $391.6, $519.2 and $517.4 for 1996, 1995 and 1994, respectively. The Combined Companies' advertising and promotions includes promotions of $514.0, $519.2 and $517.4, respectively.

Other current liabilities include the following amounts:

	CONSOLIDATED		COMBINED	
(Dollars in millions)	1996	1995	1996	1995
General insurance accruals	$ 76.9	$ 120.7	$ 97.4	$ 120.7
Loss on disposal	113.9	159.0	94.5	159.0

16. RELATED PARTY TRANSACTIONS

Wise and Foods were sold to affiliates of the Company during 1996. As stated in Note 1 to the consolidated and combined financial statements, the Combined Companies continue to include Wise and Foods in their financial statements. The effects of transactions among the business units of the Combined Companies and Wise and Foods have been eliminated in the financial statements.

The Company and the Combined Companies' financial statements include a $443.6 charge to equity for the principal and interest amounts of notes receivable from the Company's parent (see Note 11). The Company incurred an equity charge for a portion of the proceeds from the Wise and Foods sale transactions. The Combined Companies' equity charge represents the proceeds associated with the sale of Wise and Foods common stock. Both the Company and the Combined Companies include $44.0 in notes receivable associated with the sale of options in two business units.

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. Any future losses incurred by Wise and Foods will be recorded in the consolidated financial statements to the extent of the Company's investment in Wise and Foods. The investment balance consists of the assets and the liabilities at the date of sale, a valuation allowance, and the net balance of any affiliated transactions. The Company's net investment balance in Wise and Foods at December 31, 1996 was $10.2 and $247.9, respectively.

The net investment in Foods and Wise includes a $167.0 and $10.1 term loan receivable, respectively. An interest rate of 12%, payable quarterly, was charged to Foods and Wise. The notes are due November 30, 1999. Interest was accrued as of the beginning of 1996 and totalled $19.6 for Foods and $1.2 for Wise. Foods also had a net loan outstanding from other international affiliates of $22.7.

In third quarter 1996 the Company entered into a loan agreement to lend up to $250.0 to Foods and $10.0 to Wise at interest rates at prime. Foods had $24.4 outstanding and Wise had no outstanding balance at December 31, 1996.

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

17. COMMITMENTS AND CONTINGENCIES

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

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.

LEGAL MATTERS - The Company has recorded liabilities for environmental remediation costs in amounts which 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, up to approximately $30. In addition, the Company may be held responsible for certain environmental liabilities incurred at Borden Chemicals and Plastics Limited Partnership ("BCP") facilities which were previously owned by the Company. The Company is also in litigation in connection with the 1994 sale of its Brazilian pasta business to Quaker Oats Company. The lawsuit alleges that the Company made misrepresentations and omissions of significant information in connection with the sale. The Company does not expect the outcome of the above cases to have a material impact on operations.

OTHER COMMITMENTS - A wholly owned subsidiary serving as general partner of Borden Chemicals and Plastics Limited Partnership ("BCP") has certain fiduciary responsibilities to BCP's unitholders. The Company believes that such responsibilities will not have a material adverse effect on its financial statements.

18. SUBSEQUENT EVENT

On March 20, 1997 Borden Foods Holdings Corporation announced its intention to sell certain businesses from its current portfolio to focus its efforts on building the grain-based meal solution business which includes pasta, sauces, bouillon and soup mixes. Among businesses to be sold are milk powder, processed cheese, sweetened condensed milk and reconstituted lemon juice. The method of dispositions, timing and pricing is currently being evaluated, however, management expects proceeds from such dispositions to exceed its carrying cost.

19. QUARTERLY FINANCIAL DATA (UNAUDITED)

The following represents Quarterly Financial Data for the Company:

1996 QUARTERS	FIRST	SECOND	THIRD	FOURTH
Net sales (1)	$ 968.4	$1,005.8	$ 911.5	$ 795.6
Gross profit	204.0	229.6	186.7	165.3
Income (loss) from continuing operations	49.2	(2.6)	0.8	28.1
Discontinued operations:				
(Loss) income from operations	(4.9)	(2.9)	6.7	
Loss on disposal (2)			(330.7)	
Net income (loss)	44.3	(5.5)	(323.2)	28.1
Preferred stock dividends	(18.4)	(18.4)	(18.4)	(21.6)
Net income (loss) applicable to common stock	25.9	(23.9)	(341.6)	6.5
Per share of common stock:				
Income (loss) from continuing operations	0.25	(0.01)		0.14
Discontinued operations:				
(Loss) income from operations	(0.02)	(0.01)	0.03	
Loss on disposal			(1.66)	
Net income (loss) per common share	0.13	(0.12)	(1.72)	0.04
Dividends per common share				0.08
Dividends per preferred share (3)	0.75	0.75	0.75	0.88
Average number of common shares outstanding	199.0	199.0	199.0	199.0

1995 QUARTERS	FIRST	SECOND	THIRD	FOURTH
Net sales	$1,071.2	$1,061.6	$1,005.8	$ 969.2
Gross profit	201.4	221.8	199.8	203.8
Loss from continuing operations	(56.0)	(24.8)	(11.4)	(301.2)
Discontinued operations:				
Income (loss) from operations	12.0	2.3	(11.8)	(42.8)
Reversal of disposal reserve	37.9		29.7	
Net (loss) income	(6.0)	(22.5)	6.5	(344.1)
Preferred stock dividends	0.0	(22.0)	(18.4)	(18.4)
Net loss applicable to common stock	(6.0)	(44.5)	(11.9)	(362.5)
Per share of common stock:				
Loss from continuing operations	(0.32)	(0.13)	(0.06)	(1.51)
Discontinued operations:				
Income (loss) from operations	0.07	0.01	(0.06)	(0.22)
Reversal of disposal reserve	0.19		0.15	
Net loss per common share	(0.03)	(0.22)	(0.06)	(1.82)
Dividends per preferred share (3)		1.02	0.75	0.75
Average number of common shares outstanding	177.3	199.0	199.0	199.0

(1) The decrease in net sales of $115.9 or 12.7% to $795.6 in the fourth quarter from $911.5 in the third quarter of 1996 is primarily a result of the sale of the packaging and plastic films business in the fourth quarter. The decrease in net sales of $94.3 or 9.4% to $911.5 in the third quarter from $1,005.8 in the second quarter of 1996 is primarily a result of the sale of Wise and a wallcovering operation during the third quarter.

(2) The loss on disposal of $330.7 in the third quarter relates to the sale of Foods.

(3) The 1995 quarterly earnings per share amounts do not add to the annual amounts as a result of differences in average shares outstanding between the quarterly and annual calculations.

The following represents Quarterly Financial Data for the Combined Companies:

1996 QUARTERS	FIRST	SECOND	THIRD	FOURTH
Net sales	$1,430.4	$1,457.0	$1,440.4	$1,437.3
Gross profit	352.9	370.3	359.0	394.2
Income (loss) from continuing operations	44.3	(5.5)	8.5	34.6
Net income (loss)	44.3	(5.5)	8.5	34.6
Preferred stock dividends	(18.4)	(18.4)	(18.4)	(21.6)
Net income (loss) applicable to common stock	25.9	(23.9)	(9.9)	13.0

1995 QUARTERS	FIRST	SECOND	THIRD	FOURTH
Net sales	$1,493.5	$1,486.6	$1,458.7	$1,505.2
Gross profit	352.6	361.7	352.3	390.3
Loss from continuing operations	(52.0)	(22.9)	(23.6)	(344.0)
Discontinued operations:				
Income from operations	8.0	0.4	0.4	
Reversal of disposal reserve	37.9		29.7	
Net (loss) income	(6.0)	(22.5)	6.5	(344.1)
Preferred stock dividends	0.0	(22.0)	(18.4)	(18.4)
Net loss applicable to common stock	(6.0)	(44.5)	(11.9)	(362.5)

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
and Shareholders of
Borden, Inc.
180 East Broad Street
Columbus, Ohio 43215

We have audited the accompanying consolidated balance sheets of Borden, Inc. and subsidiaries as of December 31, 1996 and 1995, and the related statements of operations, shareholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, such 1996 and 1995 financial statements present fairly, in all material respects, the financial position of the Company at December 31, 1996 and 1995, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

DELOITTE & TOUCHE LLP

Columbus, Ohio
February 26, 1997

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
and Shareholders of
Borden, Inc.
180 East Broad Street
Columbus, Ohio 43215

We have audited the accompanying combined balance sheets of Borden, Inc. and subsidiaries, Borden Foods Holdings Corporation and subsidiaries and Wise Holdings, Inc. and subsidiaries (affiliated corporations), all of which are under common ownership and common management, as of December 31, 1996 and 1995, and the related combined statements of operations, shareholders' equity and cash flows for the years then ended. 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 generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the combined financial position of Borden, Inc., Borden Foods Holdings Corporation and Wise Holdings, Inc. (affiliated corporations) at December 31, 1996 and 1995, and the combined results of their operations and their combined cash flows for the years then ended in conformity with generally accepted accounting principles.

DELOITTE & TOUCHE LLP

Columbus, Ohio
February 26, 1997, except for Note 18, as to which the date is March 20, 1997.

REPORT OF INDEPENDENT ACCOUNTANTS

Price Waterhouse LLP
The Huntington Center
41 South High Street
Columbus, Ohio 43215

Board of Directors and
Shareholders of Borden, Inc.

In our opinion, the accompanying consolidated statements of operations, of cash flows and of changes in shareholders' equity for the year ended December 31, 1994 present fairly, in all material respects, the results of operations and cash flows of Borden, Inc. for the year ended December 31, 1994, in conformity with generally accepted accounting principles. 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 of these statements in accordance with generally accepted auditing standards which 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above. We have not audited the consolidated financial statements of Borden, Inc. for any period subsequent to December 31, 1994.

PRICE WATERHOUSE LLP

February 16, 1995, except as to paragraph 1 of Note 1, the second sentence of paragraph 2 and 3 of Note 11, which are as of March 15, 1995; except as to paragraphs 2 and 3 of Note 1 and Note 5, which are as of March 24, 1997.

REPORT OF INDEPENDENT ACCOUNTANTS

Price Waterhouse LLP
Two Easton Oval, Suite 500
Columbus, Ohio 43219

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

In our opinion, the accompanying combined statements of operations, of cash flows and of changes in shareholders' equity for the year December 31, 1994 present fairly, in all material respects, the results of operations and cash flows of Borden, Inc. and Affiliates for the year ended December 31, 1994, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion of these financial statements based on our audit. We conducted our audit of these statements in accordance with generally accepted auditing standards which 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for the opinion expressed above. We have not audited the combined financial statements of Borden, Inc. and Affiliates for any period subsequent to December 31, 1994.

PRICE WATERHOUSE LLP
February 16, 1995; except as to paragraph 1 of Note 1, the second sentence of paragraph 2 and paragraph 3 of Note 11, which are as of March 15, 1995.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

A Form 8-K was filed on February 21, 1995, reporting a change in accountants.

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 14, 1997, and the positions and offices with the Company currently held by each of them. Their terms of office extend to the next Annual Meeting of the Board of Directors or until their successors are elected.

Name	Position & Office	Age on Dec. 31, 1996	Served In Present Position Since
C. R. Kidder	Chairman of the Board, Director, Chief Executive Officer and President	52	1995
H. R. Kravis	Director	52	1994
A. Navab	Director	31	1994
C. S. Robbins	Director	38	1994
G. R. Roberts	Director	53	1994
S. M. Stuart	Director	37	1994
W. H. Carter	Executive Vice President and Chief Financial Officer	43	1995
R. L. de Ney	Executive Vice President-Corporate Strategy and Development	47	1995
R. C. Kesselman	Executive Vice President; Chairman-Wise Foods and Elmer's Products	53	1995
J. M. Saggese	Executive Vice President; Chairman and Chief Executive Officer-Borden Chemical; Chairman - Borden Decorative Products	65	1990
D. A. Smith	Executive Vice President; Chairman and Chief Executive Officer-Borden Foods	50	1995
N.A. Reardon	Senior Vice President-Human Resources and Corporate Affairs	44	1997
R. P. Starkman	Senior Vice President and Treasurer	42	1995
W.F. Stoll, Jr.	Senior Vice President and General Counsel	48	1996

C. Robert Kidder was elected a Director, Chairman of the Board and Chief Executive Officer of the Company on January 10, 1995. He was Chairman of the Board of Duracell International Inc. and Duracell, Inc. from August 1991 through October 1994 and served as Chairman of the Board and Chief Executive Officer of both companies from April 1992 through September 30, 1994, Chairman of the Board, President and Chief Executive Officer of both companies from August 1991 until April 1992, and President and Chief Executive Officer of both companies from June 1988 until August 1991. He is also a director of Electronic Data Systems Corporation, AEP Industries, Inc. and Dean Witter, Discover & 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 General Partner of Kohlberg Kravis Roberts & Co. and KKR Associates, L.P. since its establishment. He is also a Director of AutoZone, Inc., Bruno's, Inc., Flagstar Companies, Inc., Flagstar Corporation, Gillette Company, IDEX Corporation, K-III Communications Corp., Merit Behavioral Care Corporation, Newsquest Capital, PLC., Owens-Illinois, Inc., Owens-Illinois Group, Inc., Safeway Inc., Sotheby's., Union Texas Petroleum Holdings, Inc. and World Color Press, Inc. He is a member of the Executive Committee of the Borden Board. Messrs. Kravis and Roberts are first cousins.

Alexander Navab has been an Executive of Kohlberg Kravis Roberts & Co. since June 1993. He was employed by James D. Wolfensohn Incorporated, an investment banking firm, from September 1991 to June 1993. He is also a Director of Newsquest Capital, PLC. and World Color Press, Inc. He is a member of the Audit Committee of the Borden Board.

Clifton S. Robbins has been a General Partner of Kohlberg Kravis Roberts & Co. and KKR Associates, L.P. since January 1995 and an Executive with Kohlberg Kravis Roberts & Co. since 1987. He is also a Director of AEP Industries, Inc., IDEX Corporation, BCP Management, Inc., Kindercare Learning Centers, Inc., and Newsquest Capital, PLC. He is Chairman of the Compensation Committee and a member of the Executive Committee of the Borden Board.

George R. Roberts has been a General Partner of Kohlberg Kravis Roberts & Co. and KKR Associates, L.P. since its establishment. He is also a Director of AutoZone, Inc., Bruno's, Inc., Flagstar Companies, Inc., Flagstar Corporation, IDEX Corporation, K-III Communications Corp., Merit Behavioral Care Corporation, Newsquest Capital, PLC., Owens-Illinois, Inc., Owens-Illinois Group, Inc., Safeway Inc., Union Texas Petroleum Holdings, Inc. and World Color Press, Inc. Messrs. Kravis and Roberts are first cousins.

Scott M. Stuart has been a General Partner of Kohlberg Kravis Roberts & Co. and KKR Associates, L.P. since January 1995 and an Executive with Kohlberg Kravis Roberts & Co. since 1986. He is also a Director of AEP Industries, Inc., Newsquest Capital, PLC. and World Color Press, Inc. He is Chairman of the Audit Committe and is a member of the Executive and Compensation Committees of the Borden Board.

William H. Carter was elected Executive Vice President and Chief Financial Officer effective April 3, 1995. Prior to that, since 1987, he was a partner in Price Waterhouse LLP. He is a Director of AEP Industries, Inc.

Richard L. de Ney was elected Executive Vice President-Corporate Strategy and Development effective February 16, 1995. He joined the Company on January 10, 1995, as Executive Vice President-Administration. Prior to that he was a Managing Director at Bear Stearns and Company, Inc. from 1987 to 1995.

Ronald C. Kesselman was elected an Executive Vice President of the Company March 5, 1996. He serves as Chairman of Wise Foods, Inc. and Elmer's Products, Inc. From June 1994 to July 1995 he was President of the Company's North American Snacks group. He joined the Company in January 1992 as Group Vice President for Food Service Products and later that year added responsibility for Seafood Products.

Joseph M. Saggese is an Executive Vice President of the Company, Chairman and Chief Executive Officer of Borden Chemical, Inc. and Chairman of Borden Decorative Products, Inc. Previously he served as President of the Worldwide Packaging and Industrial Products division of the Company since July 1, 1990. He has also served since July 1990 as Chairman, President and Chief Executive Officer of BCP Management, Inc., a wholly owned subsidiary of the Company and General Partner of Borden Chemicals and Plastics Limited Partnership.

Douglas A. Smith was elected an Executive Vice President of the Company effective November 1, 1995, and serves as Chairman and Chief Executive Officer of Borden Foods Corporation. Prior to joining the Company, he served as President of Kraft Canada, Inc., formerly Kraft General Foods Canada, since 1991.

Nancy A. Reardon was elected Senior Vice President, Human Resources and Corporate Affairs effective March 3, 1997.

Previously Ms. Reardon was Senior Vice President-Human Resources and Communications for Duracell International, Inc. from 1991 through February 1997.

Ronald P. Starkman was elected Senior Vice President and Treasurer of the Company effective November 20, 1995. He was Senior Managing Director of Claremont Capital Group, Inc. from December 1994 to November 1995. Prior to that he was Senior Vice President-Investment Banking for Lehman Brothers from 1993 to 1994, and Vice President and Assistant Treasurer at American Express from 1986 to 1993.

William F. Stoll, Jr. was elected Senior Vice President and General Counsel effective July 1, 1996. 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.

Item 11. Executive Compensation

The following table provides certain summary information concerning compensation of the Company's Chief Executive Officer and the five other most highly compensated Executive Officers as of December 31, 1996, (the "Named Executive Officers") for the periods indicated.

SUMMARY COMPENSATION TABLE

		ANNUAL COMPENSATION		
NAME AND PRINCIPAL POSITION	YEAR	SALARY ($)	BONUS ($)	OTHER ANNUAL COMPENSATION ($)
C.R. Kidder Chairman, President & Chief Executive Officer	1996	950,000	912,000	(1)160,655
	1995	873,750	360,000	14,721
W.H. Carter Executive Vice President & Chief Financial Officer	1996	370,000	250,137	5,753
	1995	262,500	96,250	0
R.L. de Ney Executive Vice President, Corporate Strategy & Development	1996	372,500	237,597	0
	1995	339,792	NONE	5,253
R.D. Kautto (5) Senior Vice President & President & Chief Executive Officer, Borden Services Company	1996	278,167	189,569	0
J.M. Saggese Executive Vice President, Chairman & Chief Executive Officer, Borden Chemical & Borden Decorative Products	1996	450,000	25,000	(2)59,006
	1995	390,833	340,393	0
	1994	364,000	264,264	8,064
D.A. Smith (6) Executive Vice President, Chairman & Chief Executive Officer, Borden Foods Corporation	1996	500,000	(7)500,000	256,205

SUMMARY COMPENSATION TABLE

	LONG TERM COMPENSATION			
	AWARDS		PAYOUTS	
NAME AND PRINCIPAL POSITION	RESTRICTED STOCK AWARD(S) ($)	SECURITIES UNDERLYING OPTIONS/LSARS (#)	LONG TERM INCENTIVE PLAN (LTIP) PAYOUTS ($)	ALL OTHER COMPENSATION ($)
C.R. Kidder Chairman, President & Chief Executive Officer	NONE	(4)	NONE	199,576
	NONE	NONE	NONE	59,487
W.H. Carter Executive Vice President & Chief Financial Officer	NONE	(4)	NONE	16,319
	NONE	NONE	NONE	14,962
R.L. de Ney Executive Vice President, Corporate Strategy & Development	NONE	(4)	NONE	42,204
	NONE	NONE	NONE	28,122
R.D. Kautto (5) Senior Vice President & President & Chief Executive Officer, Borden Services Company	NONE	(4)	NONE	22,279
J.M. Saggese Executive Vice President, Chairman & Chief Executive Officer, Borden Chemical & Borden Decorative Products	NONE	(4)	NONE	29,640
	NONE	NONE	NONE	60,757
	NONE	21,000	NONE	31,119
D.A. Smith (6) Executive Vice President, Chairman & Chief Executive Officer, Borden Foods Corporation	NONE	(4)	NONE	123,506

(1) Includes $60,000 pursuant to the Executive Perquisite Benefit Plan and $36,800 not paid to Mr. Kidder but allocable to his personal use of Company aircraft.

(2) Includes $40,000 pursuant to the Executive Perquisite Benefit Plan and $17,000 as compensation for discontinued perquisites.

(3) All other compensation consists of the following:

	YEAR	EXECUTIVE FAMILY SURVIVOR PROTECTION PLAN (a)	MATCHING CONTRIBUTIONS (RSP AND ESP) (b)	CAPITAL ACCUMULATION ACCOUNT (c)	RELOCATION EXPENSE
C.R. Kidder	1996	0	45,850	0	153,726
	1995	17,475	30,581	4,200	7,231
W.H. Carter	1996	0	16.319	0	0
	1995	5,250	6,562	3,150	0
R.L. de Ney	1996	0	13,037	0	29,167
	1995	6,824	11,943	4,200	5,155
R.D. Kautto	1996	0	750	0	21,529
J.M. Saggese	1996	0	29,640	0	0
	1995	31,776	24,781	4,200	0
	1994	15,905	11,014	4,200	0
D.A. Smith	1996	0	4,188	0	119,318

(a) The Executive Family Survivor Protection Plan provided for (i) a benefit of 2% of annual earnings each year (base pay and short-term incentive bonus) payable at termination, and (ii) a death benefit of one times earnings and the cost of providing a preretirement annuity to a surviving spouse or dependent children upon death of the executive as an employee. This Plan has been discontinued.

(b) The Capital Accululation Account provided a benefit of $350 per month payable at termination in lieu of certain previously provided medical benefits. This Plan has been discontinued.

(4) 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.

(5) Mr. Kautto was Senior Vice President-Human Resources and Corporate Affairs the Registrant through March 2, 1997. He continues as President

of Borden Services Company.

(6) Mr. Smith is considered an Executive Officer of the Registrant even though Borden Foods Corporation is technically not a subsidiary of the Registrant. The financial statements of Borden Foods Holdings Corporation are included in the Registrant's Form 10-K, and its financial performance is included in the Registrant's combined financial statements.

(7) Includes $200,000 paid pursuant to terms of employment.

The Aggregated Option/SAR Exercises In Last Fiscal Year and For Year End Option/SAR Values table has been eliminated since there were no option/SAR's exercised during 1996 by any of the Named Executive Officers, and none of the Named Executive Officers have options or SAR's to acquire Borden, Inc. stock.

The Long-Term Incentive Plans - Awards In Last Fiscal Year table has been eliminated since the Registrant's long-term incentive plan has been discontinued.

The Option/LSAR Grants In Last Fiscal Year table has been eliminated since there were no grants of options or LSAR's by the Registrant during 1996 to the Named Executive Officers.

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 and an additional 1.5% and 3% respectively for certain older employees. 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 1996, the interest rate was 5.45%.

The Company's supplemental pension plan provides for a grandfathering of benefits for certain key employees as of January 1, 1983, including certain Executive Officers, that, generally speaking, provide for the payment of any shortfall if the sum of (a) the pension actually payable on retirement under the ERIP (and any excess or supplemental plans), together with (b) the amount (converted to a pension equivalent) attributable to Company contributions that would be standing to the employee's credit at retirement under the Company's Retirement Savings Plan if the employee had contributed at the maximum permitted rate eligible for Company matching from December 31, 1983 until retirement, does not equal or exceed the sum of (c) the retirement income calculated on the basis of the December 31, 1982, ERIP pension formula (with certain adjustments), and (d) the amount (converted to a pension equivalent) attributable to company contributions (equal to 3.3% of compensation) that would be standing to the employee's credit at retirement had the Company's Retirement Savings Plan as in effect on January 1, 1983, been in effect continuously to retirement. The projected pension figure for J.M. Saggese appearing at the end of this section includes the effect of the foregoing grandfathering.

The ERIP contains additional transitional provisions for employees who met certain age and service requirements on January 1, 1987. The transitional minimum benefit is a final average pay benefit for service prior to 1988 plus a career average pay benefit based on each year's earning for years 1988 through 1996 (1% of each year's earnings up to the Social Security wage base plus 1-1/2% of excess).

Benefits vest on a graded five-year schedule for employees hired prior to July 1, 1990. 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 1996: W. H. Carter - $93,850, R. L. de Ney - $71,735, R.D. Kautto - $38,583, C. R. Kidder - $124,954, J. M. Saggese - $259,484 and D.A. Smith - $66,905.

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.

Former directors 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 fifteen years.

EMPLOYMENT, TERMINATION AND CHANGE IN CONTROL ARRANGEMENTS

The Company has a salary continuance arrangement (the "CORE Arrangement") with two Executive Officers, Messrs. Saggese and Kautto, which provides payments for three years after the date of a change in control, but not less than for one year if employment is terminated without cause during that period. A change in control occurred on January 20, 1995. The rights of these Officers under the CORE Arrangement will expire as of January 20, 1998, if such Officers are not terminated without cause by that date. The payments include salary, bonus and other compensation and benefits. Payments could be reduced or eliminated by compensation earned from other specified employment. Arrangements have also been made for payment by the Company, upon certain conditions, of the legal expenses of these employees if they are required to enforce the provisions of their CORE Arrangements. If any excise tax (under Sec. 4999 of the Internal Revenue Code) is imposed in respect of payments under the CORE Arrangement, the Company will pay to such Officers an amount that will net the Officers the same sum as they would have retained if the excise tax did not apply.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

Messrs. Robbins and Stuart are members of the Company's Compensation Committee. Both gentlemen are general partners of KKR Associates, L.P. See "Certain Relationships and Related Transactions." Mr. Kidder, Chairman and Chief Executive Officer of the Company, became a member of the Compensation Committee in April, 1996.

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 14, 1997, 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 1996 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 (2)	369,569	*
Henry R. Kravis (1)	--	*
George R. Roberts (1)	--	*
Clifton R. Robbins (1)	--	*
Scott M. Stuart (1)	--	*
Alexander Navab	--	*
William H. Carter (2)	84,337	*
Richard L. de Ney (2)	72,000	*
Randy D. Kautto (2)	48,192	*
Joseph M. Saggese (3)	200,000	*
Douglas A. Smith (4)	120,000	*
All Directors and Executive Officers as a group (5)	See (5)	*

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* 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. Edward A. Gilhuly, Perry Golkin, James H. Greene, Henry R. Kravis, Robert I. MacDonnell, Michael N. Michelson, Paul E. Raether, Clifton S. Robbins, 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 of BW Holdings, LLC beneficially owned by these executive officers.

(3) Represents common shares of Borden Chemical Holdings, Inc. and Borden Decorative Products Holdings, Inc. beneficially owned by the executive in the aggregate, including 100,000 shares subject to currently exercisable options.

(4) Represents units of Borden Foods Holdings, LLC beneficially owned by the executive.

(5) Equity securities beneficially owned by all directors and executive officers as a group consist of: 670,482 units of BW Holdings, LLC; 120,000 units of Borden Foods Holdings, LLC; 160,000 shares of Borden Chemical Holdings, Inc. including 80,000 shares subject to currently exercisable options; 40,000 shares of Borden Decorative Products Holdings, Inc., including 20,000 shares subject to currently exercisable options; 50,000 shares of Elmer's Products Holdings, Inc., including 25,000 shares subject to currently exercisable options; and 35,000 shares of Wise Foods Holdings, Inc., including 10,000 shares subject to currently exercisable options. No director or executive officer owns directly any stock of the Registrant or options to acquire such stock.

Pursuant to Rule 13d-3, stock options that are presently exercisable or exercisable within 60 days after March 14, 1997, which are owned by each individual are deemed to be outstanding for purposes of computing the percentage of shares owned by that individual. Therefore, each percentage is computed based on the sum of (i) the shares actually outstanding as of March 14, 1997, and (ii) the number of Stock Options exercisable within 60 days of March 14, 1997, owned by that individual or entity whose percentage of share ownership is being computed, but not taking account of the exercise of Stock Options by any other person or entity.

Item 13. Certain Relationships and Related Transactions

The Company made a loan of $400,000 in 1995 to Mr. Kautto in the form of a note bearing interest at prime. Accrued interest is waived each year on the anniversary of the note if Mr. Kautto remains employed. Principal payments targeted at $133,333 each are due annually after three years. The amount of each annual payment due is increased or decreased on formula based on the amount that his annual bonus earned in the prior year differs from his targeted bonus. The entire principal and unwaived interest are due upon termination of employment. The loan is secured by any contractual payments due to Mr. Kautto from the Company.

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. Edward A. Gilhuly, Perry Golkin, James H. Greene, Henry R. Kravis, Robert I. MacDonnell, Michael N. Michelson, Paul E. Raether, Clifton S. Robbins, 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, Robbins, Roberts and Stuart 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, Robbins and Stuart are general partners of KKR and Mr. Navab is an executive of KKR.

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. Exhibits
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(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, 1986, as supplemented by the First Supplemental Debenture dated as of December 15, 1986, and the Second Supplemental Indenture, dated as of June 26, 1996, relating to the $315,000,000 Medium Term Notes, Series A, and the 9 7/8% Notes due November 1, 1997, incorporated herein by reference from Exhibits 4(a) through (d) to Amendment No. 1 to Registration Statement on Form S-3, File No. 33-8775 and Exhibit 4(ii) to the June 30, 1996 Form 10-Q.

(iii) 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.

(iv) Form of Indenture relating to Zero Coupon Notes due 2002, dated as of May 21, 1992, as supplemented by the First Supplemental Indenture, dated as of June 26, 1996, incorporated herein by reference from Exhibit 4(iv) to the 1992 Form 10-K Annual Report and Exhibit 4(i) to the June 30, 1996 Form 10-Q.

(v) Form of Lynx Equity Unit Agreement relating to Zero Coupon Notes due 2002, dated as of May 21, 1992, incorporated herein by reference from

Exhibit 4(v) to the 1992 Form 10-K Annual Report.

(vi) 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.

(vii) 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.

(viii) Amended and Restated Credit Agreement dated as of May 7, 1996 to the Credit Agreement dated as of December 15, 1994 among Borden, Inc., Borden Foods Holdings Corporation, Wise Holdings, Inc., and the lenders named therein, Citibank, N.A., as administrative agent for the Lenders, BT Securities Corporation, Chase Securities Inc., Citicorp Securities Inc. and Credit Suisse, as arrangers, BT Securities and Chase Securities as co- syndication agents and Credit Suisse, as Issuing Bank and documentation agent, incorporated by reference to Exhibit 10(v) to the June 30, 1996 Form 10-Q.

(10)(i) 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.

(ii) Voting Agreement, dated as of June 20, 1996, by and among Borden, Inc. and EGS Partners L.L.C., EGS Associates, L.P., BEV Partners, L.P., JONAS Partners, L.P., William Ehrman, Frederic Greenberg, Frederick Ketcher, Jonas Gerstl, James McLauren, Beverly Ehrman, Beverly Ehrman as custodian for Stephanie Ehrman and Linda Greenberg, incorporated herein by reference to Exhibit 3 to Schedule 13D, dated July 1, 1996, File No. 005-37385.

(iii) 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.

(iv) Employment Agreement with Mr. William F. Stoll, Jr., Senior Vice President and General Counsel, dated June 6, 1996, incorporated by reference to Exhibit 10(vi) to the June 30, 1996 Form 10-Q.

(v) Conveyance and Transfer Agreement, dated October 1, 1996 among Borden, Inc., BDH One, Inc., BDH Two, Inc., Borden Foods Investments Corporation, Borden Foods Holdings, LLC, Borden Foods Holdings Corporation, Borden Foods Corporation, BFC Investments L.P., and BDS Two, Inc., incorporated herein by reference to Exhibit 2.1 to Form 8-K, dated October 16, 1996, File No. 001-00071.

(vi) Purchase Agreement, dated as of June 20, 1996, between Borden, Inc. and AEP Industries Inc., incorporated herein by reference to Exhibit 4 to

Schedule 13D, dated July 1, 1996, File No. 005-37385.

(vii) 1996 Unit Incentive Plan for Key Employees of Borden, Inc.

(viii) 1996 Management Incentive Plan.

(a) Borden, Inc.

(b) Borden Services Company.

(c) Borden Foods.

(d) Borden Chemical.

(ix) 1994 Management Incentive Plan incorporated by reference to Exhibit 10(iv) to the Company's 1993 Form 10-K Annual Report.

(x) Amendment to 1994 Management Incentive Plan, incorporated by reference to Exhibit 10(xii) to the Company's 1995 Form 10-K Annual Report.

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

(xii) Executive Family Survivor Protection Plan as amended through December 9, 1993 incorporated by reference to Exhibit 10(vi) to the 1993 Form 10-K Annual Report.

(xiii) Executives Excess Benefits Plan as amended through December 9, 1993 incorporated by reference to Exhibit 10(vii) to the 1993 Form 10-K Annual Report.

(xiv) Executives Supplemental Pension Plan as amended through December 9, 1993 incorporated by reference to Exhibit 10(viii) to the 1993 Form 10-K Annual Report.

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

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

(xvii) Supplemental Benefit Trust Agreement as amended through December 9, 1993 incorporated by reference to Exhibit 10(xi) to the 1993 Form 10-K Annual Report.

(xviii) Amendment to Supplemental Benefit Trust Agreement dated November 15, 1994 incorporated herein by reference to Exhibit 10(xvi) to the Company's 1994 Form 10-K Annual Report.

(xix) Form of Indemnification Letter Agreements entered into with former Directors of the Company, incorporated herein by reference from Exhibit 10(xii) to the 1988 Form 10-K Annual Report.

(xx) (a) Agreement with Mr. A. S. D'Amato, Chairman and Chief Executive Officer, incorporated herein by reference from Exhibit 10(i) to the June

30, 1993 Form 10-Q.

(b) Amendment to Agreement with Mr. A. S. D'Amato, incorporated herein by reference from Exhibit 10(i) to the September 30, 1993 Form 10-Q.

(c) Supplement to Agreement with Mr. A. S. D'Amato incorporated by reference to Exhibit 10(xiv) (a) to the 1993 Form 10-K Annual Report.

(d) Form of salary continuance arrangement with Executive Officers, incorporated herein by reference from Exhibit 10(ix)(c) to the 1987 Form 10-K Annual Report.

(e) Description of arrangement with C. Robert Kidder, Chairman of the Board and Chief Executive Officer incorporated herein by reference to Exhibit 10(i) to the Company's 1994 Form 10-K Annual Report.

(f) Agreement with Mr. J. C. Van Meter, Executive Vice President and Chief Financial Officer, dated July 7, 1994 incorporated herein by reference to Exhibit 10(j) to the Company's 1994 Form 10-K Annual Report.

(g) Letter agreement with Mr. Kautto dated January 19, 1994 incorporated herein by reference to Exhibit 10(m) to the Company's 1994 Form 10- K Annual Report.

(h) Summary of Terms of Employment for W.H. Carter,incorporated by reference to Exhibit 10(xxiii)(n) to the 1995 Form 10-K Annual Report.

(i) Summary of Terms of Employment for D.A. Smith.

(j) Termination Agreement with A.L. Miller dated May 1, 1995, incorporated herein by reference to Exhibit 10 to the Company's June 30, 1995 Form 10-Q.

(k) Termination Agreement with R.L. Allen dated January 3, 1996,incorporated by reference to Exhibit 10(xxiii)(p) to the 1995 Form 10-K Annual Report.

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

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

(21) Subsidiaries of Registrant.

(23)(i) Accountants' Consent.

(ii) Accountants' Consent.

(27) Financial Data Schedule.

3. Financial Statement Schedules

The following are the separate financial statements of Foods Holdings and Wise Holdings filed in accordance with rule 3-10 of Regulation S-X. Foods Holdings and Wise Holdings are guarantors of the Company's credit facility and all of the Company's outstanding publicly-held dept.

BORDEN FOODS

FINANCIAL STATEMENTS
AS OF DECEMBER 31, 1996 and 1995
AND FOR EACH OF THE THREE YEARS
IN THE PERIOD ENDED DECEMBER 31, 1996

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholder
of Borden Foods Holdings Corporation
180 East Broad Street
Columbus, Ohio 43215

We have audited the accompanying balance sheets of Borden Foods as of December 31, 1996 and 1995, and the related statements of operations and of cash flows for each of the three years in the period ended December 31, 1996, and the statements of shareholder's equity and owner's investment for the years ended December 31, 1996 and 1995. These financial statements are the responsibility of Borden Foods' management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, such financial statements present fairly, in all material respects, the financial position of Borden Foods at December 31, 1996 and 1995, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 1996 in conformity with generally accepted accounting principles.

DELOITTE & TOUCHE LLP

Columbus, Ohio
February 26, 1997 (March 20, 1997 as to the third paragraph in Note 5)

BORDEN FOODS

STATEMENTS OF OPERATIONS

FOR THE YEARS ENDED DECEMBER 31, 1996 AND 1995 ON PURCHASE ACCOUNTING BASIS

FOR THE YEAR ENDED DECEMBER 31, 1994 ON HISTORICAL COST BASIS

	SUCCESSOR		PREDECESSOR
($ IN 000'S, EXCEPT PER SHARE DATA)	1996	1995	1994
NET TRADE SALES	$1,949,841	$1,838,889	$1,822,216
COSTS AND EXPENSES			
Cost of goods sold	1,195,672	1,112,211	1,052,302
Selling, general and administrative	639,517	662,762	598,392
Distribution expense	106,612	97,065	95,593
Asset write-downs	27,817		31,957
OPERATING INCOME (LOSS)	(19,777)	(33,149)	43,972
Interest expense (income), net	10,952	(7,935)	(2,186)
Other, net	851	(707)	(268)
Income (loss) before income taxes	(31,580)	(24,507)	46,426
Income tax provision (benefit)	(16,347)	(16,249)	23,614
Net income (loss)	($15,233)	($8,258)	$22,812

PER SHARE INFORMATION:

Net income (loss) per common share	($152,331)	($82,581)	$228,120
Average number of common shares outstanding during the period	100	100	100

See accompanying notes to the financial statements

BORDEN FOODS

BALANCE SHEETS

AS OF DECEMBER 31, 1996 AND 1995 ON PURCHASE ACCOUNTING BASIS

ASSETS ($ IN 000'S)	1996	1995
CURRENT ASSETS		
Cash and equivalents	$33,234	$49,538
Accounts receivable (net of allowance for doubtful accounts of $5,944 and $7,128)	153,654	160,261
Other receivables	17,332	20,353
Inventories:		
Finished and in-process goods	140,452	125,513
Raw materials and supplies	59,523	58,724
Deferred income taxes	17,559	
Loans due from affiliates	9,349	
Other amounts due from affiliates	24,972	
Other current assets	32,435	35,913
	488,510	450,302
OTHER NON CURRENT ASSETS	10,329	12,260
PROPERTY AND EQUIPMENT		
Land	23,147	23,494
Buildings and improvements	82,568	80,591
Machinery and equipment	243,212	222,153
	348,927	326,238
Less: accumulated depreciation	(66,606)	(35,056)
	282,321	291,182
INTANGIBLES		
Goodwill	161,296	168,253
Trademarks and other intangibles	203,987	209,693
	365,283	377,946
	$1,146,443	$1,131,690

See accompanying notes to the financial statements

BORDEN FOODS

BALANCE SHEETS

AS OF DECEMBER 31, 1996 AND 1995 ON PURCHASE ACCOUNTING BASIS

LIABILITIES & SHAREHOLDER'S EQUITY/OWNER'S INVESTMENT ($ IN 000's)	1996	1995
CURRENT LIABILITIES		
Debt payable within one year	$15,707	$23,525
Loans due to affiliates	56,396	
Accounts and drafts payable	145,363	151,502
Other amounts due to affiliates	32,527	
Accrued customer allowances	72,447	71,544
Other current liabilities	116,568	103,389
	439,008	349,960
LONG-TERM LIABILITIES		
Long-term debt payable to Borden	166,990	
Other long-term debt	6,701	10,630
Deferred income taxes	41,527	600
Non-pension post employment obligations	12,906	13,459
Other non current liabilities	11,053	9,141
Minority interest	3,540	1,216
	242,717	35,046
COMMITMENTS AND CONTINGENCIES		
SHAREHOLDER'S EQUITY/OWNER'S INVESTMENT		
Owner's investment		745,763
Common stock ($.01 par; 100 shares authorized, issued and outstanding)	-	
Shareholder's investment in affiliate	87,859	
Paid-in capital	349,475	
Accumulated translation account	25,056	921
Retained earnings from October 1, 1996	2,328	
	464,718	746,684
	$1,146,443	$1,131,690

See accompanying notes to the financial statements

BORDEN FOODS

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 1996 AND 1995 ON PURCHASE ACCOUNTING BASIS

FOR THE YEAR ENDED DECEMBER 31, 1994 ON HISTORICAL COST BASIS

	SUCCESSOR		PREDECESSOR
($ IN 000'S)	1996	1995	1994
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income (loss)	($15,233)	($8,258)	$22,812
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	46,075	44,780	46,130
Asset write-downs	27,817		31,957
(Increase) decrease in accounts receivable	6,607	5,175	(24,469)
Decrease in other receivables	3,021	2,300	15,804
Increase in inventories	(15,738)	(5,464)	(2,061)
(Increase) decrease in other current assets	3,478	98	(3,555)
Increase (decrease) in accounts payable	(6,139)	24,169	(7,835)
Increase in accrued customer allowances	903	40,664	37,686
Increase in other current liabilities	13,179	23,089	10,216
(Increase) decrease in long-term assets and liabilities	5,614	(199)	351
Other, net	(15,944)	(6,814)	7,857
Net cash provided by operating activities	53,640	119,540	134,893
CASH FLOWS FROM INVESTING ACTIVITIES:			
Capital expenditures	(49,901)	(31,311)	(30,360)
Acquisition of assets from Borden	(5,323)		
Proceeds from the sale of businesses	13,480		
Net cash used for investing activities	(41,744)	(31,311)	(30,360)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Other changes in Owner's Investment	(21,776)	(132,459)	(132,114)
Management contribution	5,323		
Increase (decrease) in other long-term debt	(3,929)	867	766
Increase (decrease) in debt payable within one year	(7,818)	1,362	(7,028)
Net cash used for financing activities	(28,200)	(130,230)	(138,376)
Change in cash and equivalents	(16,304)	(42,001)	(33,843)
Cash and equivalents at beginning of year	49,538	91,539	125,382
Cash and equivalents at end of year	$33,234	$49,538	$91,539

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:

CASH RECEIVED (PAID) DURING THE YEAR FOR:	1996	1995	1994
Interest, net	$3,330	$7,549	$2,139
Income taxes, foreign	(6,525)	(11,029)	(10,161)

SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES:

On October 1, 1996, Borden sold Borden Foods and certain trademarks to BFC and the Investment LP, respectively, for $550 million (less assets transferred and liabilities assumed of $22,909). In connection with this sale, Borden Foods issued long-term notes to Borden (see Note 4). During 1996, the LLC sold 1,080,000 Class A units to certain management employees of Borden Foods. The issuance of notes and the proceeds from the sale of Class A units were used along with the notes contributed to Borden Foods and affiliates in 1996 to purchase the assets of the Foods operations.

Long-term debt issued	$166,990
Notes contributed	345,900
Interest on notes contributed	8,878
Management contribution	5,323
	$527,091

See accompanying notes to the financial statements

BORDEN FOODS

STATEMENTS OF CHANGES IN SHAREHOLDER'S EQUITY/OWNER'S INVESTMENT

FOR THE YEARS ENDED DECEMBER 31, 1996 AND 1995 ON PURCHASE ACCOUNTING BASIS

($ IN 000'S)	OWNER'S INVESTMENT INTERCOMPANY BALANCES	OWNER'S INVESTMENT INTERCOMPANY LOANS	PAID-IN CAPITAL	ACCUMULATED TRANSLATION	RETAINED EARNINGS	SHAREHOLDER'S INVESTMENT IN AFFILIATE	TOTAL
BEGINNING BALANCE - JANUARY 1, 1995	$959,302	($71,901)					$887,401
Expenses allocated by Borden	35,640						35,640
Net collections made by Borden on Borden Foods behalf	(84,132)						(84,132)
Net transfer of balances to Borden Foods from Borden and affiliates	339						339
Foreign currency translation				921			921
Loans made to Borden and affiliates		(59,049)					(59,049)
Other intercompany changes	(26,178)						(26,178)
Net loss	(8,258)						(8,258)
ENDING BALANCE - DECEMBER 31, 1995	876,713	(130,950)		921			746,684
Net collections made by Borden on Borden Foods behalf	8,604						8,604
Net transfer of balances to Borden Foods from Borden and affiliates	(105,689)						(105,689)
Foreign currency translation				24,135			24,135
Short term borrowings from Borden	307,500						307,500
Repayments of short term borrowings	(224,600)						(224,600)
Other intercompany changes	(33,000)						(33,000)
Intercompany dividend to affiliate	(89,016)	89,016					0
Net loss prior to September 30, 1996	(17,561)						(17,561)
Recapitalization:							
Management contribution	(5,323)					5,323	0
Notes contributed	(345,900)		264,900			81,000	0
Excess of owner's investment over recapitalization	(84,575)		84,575				0
Equity income in affiliate	(1,536)					1,536	0
Issuance of debt to Borden	(166,990)						(166,990)
Amounts due to/from affiliates	(81,930)	41,934					(39,996)
Deferred taxes	(36,697)						(36,697)
Net income subsequent to October 1, 1996					2,328		2,328
ENDING BALANCE - DECEMBER 31, 1996	$0	$0	$349,475	$25,056	$2,328	$87,859	$464,718

See accompanying notes to the financial statements

BORDEN FOODS
NOTES TO THE FINANCIAL STATEMENTS
($ IN 000'S)

1. BACKGROUND AND NATURE OF OPERATIONS

In September 1994, Borden, Inc. ("Borden") entered into a merger agreement providing for the 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 financial statements (including Borden Foods through October 1, 1996) are reported on Borden's historical cost basis. As discussed in the basis of presentation, the accompanying financial statements have been prepared on a purchase accounting basis from the date of KKR's acquisition of Borden.

In 1996, Borden Foods Corporation ("BFC") was formed for the purposes of acquiring and operating certain of Borden's food businesses ("Borden Foods"). Borden Foods Holdings Corporation ("Holdings"), a wholly-owned subsidiary of Borden Foods Holdings, LLC (the "LLC"), owns approximately 98% of BFC; the remaining interest in BFC is owned directly by the LLC. Borden Foods Investment LP (the "Investment LP"), which is owned 30% by the LLC and 70% by BFC, was formed for the purposes of acquiring and holding certain trademarks associated with the operation of Borden Foods and holding a beneficial interest in a subsidiary of Borden which holds certain other Borden Foods trademarks.

Effective October 1, 1996, Borden, in a taxable transaction, sold Borden Foods and certain trademarks to BFC and the Investment LP, respectively, for $550 million less assets transferred and liabilities assumed of $22,909. In connection with this sale, Borden Foods issued long-term notes to Borden of $166,990 (see Note 4). The purchase price was based on an independent valuation of Borden Foods. There was no change in the book basis of Borden Foods' assets and liabilities as of October 1, 1996 because the sale was between related parties and Borden's principal stockholder will continue to control Borden Foods. Borden will continue to exercise significant financial control over Borden Foods. Holdings has fully and unconditionally guaranteed obligations under Borden's Credit Facility and all of Borden's publicly held debt on a pari passu basis. In connection with this guarantee, Holdings will charge Borden an annual fee of $1,050.

Borden Foods is a manufacturer and distributor of a variety of food products worldwide, including pasta, milk powder, processed cheese, sweetened condensed milk, concentrated lemon juice and bouillon. Borden Foods' operations include 34 production facilities, 15 of which are located in the United States. The remaining facilities are located primarily in Europe and Latin America. See Note 17 for further geographic segment information.

2. BASIS OF PRESENTATION

As a result of the 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 Borden Foods as if it were a registrant. The accompanying financial statements for 1996 and 1995 (successor financial statements) were prepared on a purchase accounting basis which allocates approximately $750 million, plus cash retained, less debt assumed, of the December 1994 KKR purchase price to Borden Foods. The purchase price has been allocated to tangible and intangible assets and liabilities of Borden Foods based on independent appraisals and management estimates. The 1994 Statement of Operations and Statement of Cash Flows included herein (predecessor financial statements) are prepared on Borden Foods' historical cost basis. Collectively, the predecessor and successor financial statements are herein referred to as the statements of "Borden Foods".

Prior to October 1, 1996, Borden Foods was managed as a division of Borden. Under this structure, Borden incurred various costs related to Borden Foods which included corporate and administrative expenses (see Note

4). The allocation of these costs, as well as intercompany purchases and sales, cash infusions and withdrawals and other transactions, are reflected in the Owner's Investment account through September 30, 1996. In connection with the formation of Borden Foods and the October 1, 1996 sale, the net assets of Borden Foods have been recapitalized to reflect the resulting capital structure.

The financial statements include the accounts of Borden Foods after elimination of material intercompany accounts and transactions. Minority interest reflects the consolidation of international operations in which Borden Foods owns more than a 50% interest but less than a 100% interest. The portion of BFC and Investment LP directly owned by LLC is recorded in Shareholder's Investment in Affiliate as of October 1, 1996.

During 1996, the LLC sold equity interests to certain members of Borden Foods' management for $5,323, resulting in an ownership interest in LLC of approximately 2%.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 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. The most significant estimates in the accompanying financial statements are the accruals for trade promotions, unfavorable litigation, general insurance, and corporate allocations. Actual results could differ from those estimates.

REVENUE RECOGNITION - Net trade sales are generally recognized when products are shipped. Liabilities are established for estimated returns, allowances and consumer and trade discounts when revenues are recognized.

ADVERTISING COSTS - Production costs of future media advertising are expensed on the first airdate or print release date of the advertising. All other advertising is expensed as incurred.

CASH AND CASH EQUIVALENTS - All highly liquid investments purchased with an original maturity of three months or less are considered cash equivalents. Included in cash equivalents are time deposits of $13,002 and $20,556 at December 31, 1996 and 1995, respectively.

INVENTORIES - Finished goods inventories are stated at the lower of cost or market with cost being determined using the average cost and first-in, first-out methods. Raw material inventories are stated at actual cost.

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. When properties are retired or otherwise disposed of, related cost and accumulated depreciation are removed from the accounts and any related gain or loss is recorded in the statements of operations.

INTANGIBLES - The excess of KKR's purchase price over the value of net tangible assets of Borden Foods is carried as intangibles in the balance sheet. Trademarks and patents are amortized on a straight-line basis over the shorter of their legal or useful lives; goodwill is amortized on a straight-line basis over 40 years. Accumulated amortization of intangibles was $19,448 and $9,724 at December 31, 1996 and 1995, respectively.

IMPAIRMENT OF LONG-LIVED ASSETS - The carrying amount of plant and equipment and intangibles is evaluated periodically in relation to the future undiscounted cash flows of the underlying businesses. Adjustments are made to fair value if the sum of expected undiscounted cash flows is less than book value.

GENERAL INSURANCE - Borden Foods is generally self-insured for losses and liabilities relating to workers' compensation, health and welfare claims, physical damage to property, business interruption and comprehensive general, product and vehicle liability. Losses are accrued for the estimated aggregate liability for claims incurred using certain actuarial assumptions followed in the insurance industry and Borden Foods' experience.

INCOME TAXES - Income taxes are accounted for using the liability method in accordance with SFAS No. 109 "Accounting for Income Taxes". Subsequent to October 1, 1996, Borden Foods is not included in the domestic consolidated tax return for Borden and 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. Prior to October 1, 1996, the domestic operations of Borden Foods were included in Borden's consolidated tax return, and accordingly, income tax assets and liabilities are included in Owner's Investment in the accompanying financial statements. Taxes related to foreign operations have been provided for in accordance with SFAS No. 109.

PENSION AND RETIREMENT SAVINGS PLANS - Most of the employees of Borden Foods are covered under the Borden domestic pension plan, one of the foreign plans sponsored by Borden Foods or one of the union-sponsored plans to which Borden Foods contributes. Substantially all domestic employees participate in Borden's retirement savings plans. Borden Foods' cost of providing the retirement savings plans represents its matching of eligible contributions made by participating employees and is recognized as a charge to income in the year the cost is incurred.

NON-PENSION POSTEMPLOYMENT BENEFITS - Borden Foods provides certain health and life insurance benefits for eligible retirees and their dependents, the cost of which is accrued during the employees' working careers. Borden Foods provides certain other postemployment benefits to qualified former or inactive employees. The cost of such benefits provided to former or inactive employees after employment, but before retirement, are accrued when it is probable that a benefit will be provided.

FOREIGN CURRENCY TRANSLATIONS - All assets and liabilities of foreign operations are translated into U.S. dollars at fiscal year-end exchange rates. Income and expense items are translated at average exchange rates prevailing during the fiscal year. The resulting translation adjustments are recorded in Shareholder's Equity/Owner's Investment.

DERIVATIVE FINANCIAL INSTRUMENTS - Borden Foods enters into forward foreign exchange contracts to hedge transactions and firm commitments denominated in foreign currencies. Gains and losses on forward contracts which hedge foreign currency transactions are recognized in income and offset the foreign exchange gains and losses on the underlying transactions. Amounts recognized on forward contracts were losses of $622 and $1,597 and a gain of $506 for the years ended December 31, 1996, 1995 and 1994, respectively. Gains and losses on forward contracts which hedge firm commitments are deferred and included in the basis of the transactions underlying the commitments. Amounts deferred on forward contracts were a loss of $389 and a gain of $354 at December 31, 1996 and 1995, respectively.

CONCENTRATION OF CREDIT RISK - Financial instruments which potentially subject Borden Foods to concentrations of credit risk consist principally of temporary cash investments and accounts receivable. Borden Foods 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 Borden Foods' customer base and their dispersion across many different industries and geographies. Borden Foods generally does not require collateral or other security to support customer receivables.

STOCK-BASED COMPENSATION - The Financial Accounting Standards Board has issued SFAS No. 123, "Accounting for Stock-Based Compensation", which Borden Foods adopted for disclosure only effective January 1, 1996. As permitted by SFAS No. 123, Borden Foods 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 - Net income (loss) per common share is computed by dividing net income (loss) by the weighted average number of common shares outstanding during the period from October 1, 1996 to December 31, 1996 and assuming these shares were outstanding for the full periods of 1994 and 1995 as well as the nine-month period ended September 30, 1996.

4. RELATED PARTIES

Borden Foods is engaged in various transactions with Borden and its affiliates in the ordinary course of business. Prior to January 1, 1996, certain general and administrative costs, such as group and general insurance, retirement benefits, and corporate administrative departments, were allocated to Borden Foods. A description of the allocation methods for these costs follows.

Pension and group insurance benefits were charged to Borden Foods based on allocations provided by Borden's actuary which were determined from actual employee census data. General insurance expenses, which include liability and property damage insurance, were allocated based on actual claims costs and a pro-rata share of Borden's catastrophic insurance coverage premiums. Corporate information services and corporate staff department services were allocated based on usage of resources such as personnel and data processing equipment. For purposes of these financial statements, certain other administrative expenses incurred by Borden in 1995 and 1994 have been allocated to Borden Foods based on a pro-rata share of Borden's total sales. Management believes the allocation methods described are reasonable. Amounts due to Borden resulting from these allocations, as well as the sales and purchases of products and materials to or from other Borden operations, are reflected in Owner's Investment through September 30, 1996.

Subsequent to January 1, 1996, a subsidiary of Borden provides certain administrative services to Borden Foods at negotiated fees. These services include: processing of payroll and active and retiree group insurance claims, administration of workers compensation claims, and securing insurance coverage for catastrophic claims. Borden Foods reimburses the Borden subsidiary for payments for general disbursements, and general and group insurance and post employment benefit claims. The amount owed by Borden Foods for reimbursement of payments and for services was $11,678 as of December 31, 1996.

Borden Foods is generally self-insured for general insurance claims and postemployment benefits other than pensions. The liabilities for these obligations are included in Borden Foods' financial statements. By agreement, Borden has retained the obligation for active group insurance claims incurred in 1996 and paid in 1997.

Employee pension benefits are provided under the Borden domestic pension plans to which Borden Foods contributes. The U.S. employees participate in the Borden retirement savings plan. Borden also provides certain health and life insurance benefits for eligible employees. Borden Foods has recognized expenses associated with these benefits, certain of which are determined and allocated by Borden's actuary. Borden Foods has assumed an actuarially-determined portion of Borden's U.S. net pension liability, however this amount is considered to be an amount due to affiliate since Borden retains the legal obligation for these benefits (see Note 9).

The following table summarizes the allocation of costs to Borden Foods in 1995 and 1994 and the charges for these costs in 1996:

	Year ended December 31,		
	1996	1995	1994
Employee benefits	$4,931	$3,776	$5,507
Group and general insurance	12,947	16,799	18,090
Corporate staff departments and overhead	16,728	15,065	11,850
	$34,606	$35,640	$35,447

Owner's Investment, on a historical cost basis, was $1,067,925 as of December 31, 1993. The following table reconciles this amount to the January 1, 1995 Owner's Investment balance as recorded on the Statement of Changes in Shareholder's Equity/Owner's Investment included in the accompanying financial statements:

Balance as of December 31, 1993	$1,067,925
Net Income for 1994	22,812
Change in accumulated translation	(4,799)
Loans made to Borden affiliates	(43,499)
Other intercompany changes	(80,096)
Affiliated dividends	(13,012)
Balance as of December 31, 1994	949,331
Purchase accounting adjustments	(61,930)
Balance as of January 1, 1995	$887,401

Adjustments for purchase accounting consist of a $43,029 decrease in property and equipment, a $6,333 decrease in long-term assets and a $12,568 decrease in intangible assets.

Prior to January 1, 1996, receipts, disbursements and the net cash position of Borden Foods were managed by Borden. Accordingly, both cash generated and required by Borden Foods' domestic operations are recorded in Owner's Investment for such periods. There was no interest expense allocated to Borden Foods with respect to such domestic "lendings" or "borrowings". An allocation of interest was not practical given the longevity of the Borden Foods operations and because Borden had not historically identified a capital structure comprised of separate elements of debt and equity applicable to Borden Foods as a separate entity. Net domestic lendings or borrowings are reflected in Owner's Investment through September 30, 1996.

Subsequent to January 1, 1996, Borden Foods manages its own receipts, disbursements and net cash position. Cash balances in international businesses which are not repatriated to the U.S. can be loaned to other Borden affiliates at a variable rate (currently LIBOR plus 0.75%) for generally a 30-day period. Net lendings or borrowings by international businesses subsequent to October 1, 1996 are included in amounts due from or to affiliates. Net loans due to international affiliates were $22,687 at December 31, 1996.

During 1996, Borden Foods entered into a loan agreement (the "Loan Agreement") to borrow funds from Borden under a revolving loan facility and term loans. The revolving loan facility, which terminates on December 31, 1997, provides for borrowings up to $250 million at a variable interest rate equal to prime. A commitment fee based on a variable rate tied to the public debt rating of Borden is charged on the unused portion of the revolving loan facility. The outstanding balance under the revolving loan facility was $24,360 at December 31, 1996. Commitment fees charged on the unused portion of the revolving facility were $816 for 1996.

The loan agreement contains certain restrictions on the activities of Borden Foods, including restrictions on liens, the incurrence of indebtedness, mergers and consolidations, sales of assets, investments, payments of dividends, changes in nature of business, prepayments of certain indebtedness, transactions with affiliates, capital expenditures, changes in control of Borden Foods and the use of proceeds from asset sales.

As an affiliated guarantor, Borden Foods' aggregate 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. Borden's outstanding credit facility and public borrowings amounted to approximately $910,000 at December 31, 1996.

In connection with the October 1, 1996 transaction, Borden Foods issued $166,990 in long-term notes to Borden at a fixed 12% interest rate due on November 30, 1999. Interest expense on the long-term notes was $19,621 for 1996. By agreement with Borden, interest charges and commitment fees under the Loan Agreement were calculated as if the borrowings under the Loan Agreement were outstanding as of January 1, 1996. Amounts payable for such charges were $20,849 as of December 31, 1996.

Effective January 1, 1997, the interest rate on the long-term notes to Borden was changed to 10.25%. Effective February 3, 1997, the interest rate on the revolving loan facility also was changed: borrowings with three days notice and which are outstanding at least 30 days will bear interest at LIBOR plus 0.25%; same day borrowings will bear interest at prime plus 0.50%.

Borden Foods performs certain administrative services on behalf of other Borden affiliates. These services include sales administration, promotion, purchasing and research and development. Holdings charged these affiliates $7,438 for such services in 1996, of which $1,261 is receivable at December 31, 1996. Borden Foods also sells certain merchandise to Borden affiliates, for which $12,984 is receivable at December 31, 1996.

Gross interest income of $8,878 is recorded in the 1996 statement of operations relating to notes due from a KKR affiliate which were contributed to Holdings on July 2, 1996 and which were contributed to Borden in connection with the purchase of Borden Foods on October 1, 1996.

Borden Foods generated net losses in the first nine months of 1996. By agreement, Borden will reimburse Borden Foods for the tax effect of these losses as Borden Foods incurs tax liability on future net income. The amount due from Borden under this arrangement of $10,727 is included in amounts due from affiliates.

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

5. ASSET WRITE-DOWNS AND BUSINESS REALIGNMENT

In 1994, Borden Foods recorded a charge of $31,957 primarily relating to the write-down of certain intangibles associated with a prior acquisition in the processed cheese business and closure of a pasta plant.

In December 1996, management approved the closure of certain domestic pasta plants in 1997 in order to reduce its SKU complexity and manufacturing capacity. Accordingly, $27,817 has been provided to write down the facilities to their net realizable value. Management anticipates certain additional costs to be incurred in 1997 related to these plant closures.

In March 1997, Borden Foods announced its intention to sell certain businesses from its current portfolio which are considered not to be aligned with its great tasting, wholesome, grain-based meal solution strategy. Among the businesses to be sold are its milk powder, processed cheese, sweetened condensed milk and reconstituted lemon juice businesses. The method of disposition, timing and estimated proceeds are currently being evaluated. Management expects the proceeds from such dispositions to exceed their current carrying cost.

6. DEBT AND COMMITMENTS

Debt outstanding at December 31, 1996 and 1995 is as follows:

	1996		1995	
	Long-term	Due within one year	Long-term	Due within one year
Borrowings under loan agreement with Borden (see Note 4)	$166,990	$24,360	-	-
Loans due to affiliates (see Note 4)	-	32,036	-	-
Foreign bank loans	3,773	15,707	7,837	23,525
Industrial Revenue Bonds	2,928	-	2,793	-
Total debt	$173,691	$72,103	$10,630	$23,525

The foreign bank loans bear interest at rates ranging from 3% to 15.25%. Fixed assets with a net book value of $4,422 at December 31, 1996 have been pledged as collateral on these loans. The Industrial Revenue Bonds do not bear interest.

The foreign bank loans and industrial revenue bonds mature as follows:

1997	$15,707
1998	1,420
1999	1,446
2000	659
2001	426
2002 and beyond	2,750
	$22,408

7. LEASES

Borden Foods currently leases warehouse space, production facilities and vehicles under long-term or month-to-month arrangements. Aggregate maturities of minimum annual rentals under operating leases at December 31, 1996 are as follows:

1997	$5,061
1998	3,367
1999	2,310
2000	1,929
2001	1,093

8. INCOME TAXES

Effective October 1, 1996, Borden Foods is recognized as a separate legal entity for U.S. Federal income tax purposes. Prior to such time, Borden Foods was included by Borden in determining U.S. taxable income and all U.S. tax payments were made by Borden. Provisions for income taxes and deferred tax assets and liabilities were determined as though Borden Foods filed separate U.S. Federal and state corporate income tax returns. Domestic income tax assets and liabilities determined on a separate return basis are included in Owner's Investment prior to October 1, 1996.

As stated in Note 2, the accompanying financial statements reflect the assets of Borden Foods on a purchase accounting basis from December 31, 1994. The tax basis of Borden Foods' net assets was not affected by the December 1994 KKR acquisition. Deferred tax assets and liabilities at September 30, 1996 reflect the differences between the purchase accounting book basis and the historical tax basis of Borden Foods' net assets.

As a result of the October 1 purchase, the tax basis of Borden Foods' net assets was increased to reflect the purchase price of $550 million less assets transferred and liabilities assumed. The book basis of Borden Foods' net assets did not change as a result of the October 1, 1996 transaction, as the sale was between related parties and Borden's principal stockholder continued to control Borden Foods. Deferred tax assets and liabilities were adjusted at October 1, 1996 to reflect the change in the tax basis. The net adjustment of $23,126 was included in Owner's Investment in accordance with Emerging Issues Task Force (EITF) 94-10.

The income tax provision (benefit) for the periods ended December 31, 1996, 1995 and 1994 consists of the following:

	Successor		Predecessor
	1996	1995	1994
Current			
Federal	14,020		
State and local	2,543		
Foreign	6,942	3,786	211
	23,505	3,786	211
Deferred			
Federal	(15,156)		
State and local	(2,840)		
Foreign	524	(1,265)	3,539
	(17,472)	(1,265)	3,539
Total non affiliated provision	6,033	2,521	3,750
Domestic provision (benefit) included in Owner's Investment	(22,380)	(18,770)	19,864
Total	$ (16,347)	$(16,249)	$23,614

The domestic and foreign components of income before income taxes are as follows:

	Successor		Predecessor
	1996	1995	1994
Domestic	$(64,051)	$(49,950)	$32,942
Foreign	32,471	25,443	13,484
Total	$(31,580)	$(24,507)	$46,426

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

	Successor		Predecessor
	1996	1995	1994
U.S. federal income tax at statutory rate	$(11,053)	$(8,577)	$16,249
State income tax expense, net of federal benefit	(2,488)	(1,925)	1,568
Goodwill amortization & other nondeductibles	649	637	6,767
Foreign rate differentials	(3,899)	(6,384)	(970)
Other	444		
Income tax (benefit)	$(16,347)	$(16,249)	$23,614

The net current and noncurrent components of deferred income taxes recognized in the balance sheet at December 31, 1996 are as follows:

Net current asset	$17,559
Net noncurrent liability	(41,527)
Net liability	$(23,968)

Temporary differences are associated with the financial statement's assets and liabilities shown in the table below. Deferred income tax assets and liabilities have been recorded in the following amounts as follows:

	1996
ASSETS:	
Non pension post employment obligation	$4,838
Litigation	5,655
Coupon accrual	4,736
General insurance	5,320
Incentive compensation	2,185
Loss and credit carryforwards	6,613
Other	4,015
Gross deferred tax assets	33,362
Valuation allowance	(6,613)
	26,749
LIABILITIES:	
Property and equipment	42,849
Trademarks	2,142
Slotting allowances	1,580
Unremitted earnings of foreign subsidiaries	444
Other	3,702
	50,717
NET LIABILITY	$ (23,968)

Borden Foods has recorded a $6,613 valuation allowance for the foreign net operating losses due to uncertainty as to whether the deferred tax asset is realizable. The operating losses begin expiring in 1997.

9. PENSION AND RETIREMENT SAVINGS PLANS

Most employees of Borden Foods 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.

Borden retains the obligation for the retirement benefits of Borden Foods employees covered under Borden's domestic pension plan. An actuarially determined pension liability which approximates the portion of the total plan which relates to Borden Foods of $2,732 is included in other non current liabilities at December 31, 1996.

Following are the components of the net pension expense recognized by Borden for the domestic pension plan. Amounts provided for 1994 represent expense on a historical cost basis, while amounts for 1995 and 1996 represent expense calculated on a purchase accounting basis (amounts in millions).

	1996	1995	1994
Service cost - benefits earned during the year	$7.2	$6.4	$10.3
Interest cost on projected benefit obligation	27.4	31.2	30.8
Return on plan assets	(26.9)	(87.1)	9.2
Net amortization or deferral	(5.5)	51.4	(48.8)
	$2.2	$1.9	$1.5

Amounts charged to Borden Foods for participation in this plan were $1,764, $838 and $3,103 for the years ended December 31, 1996, 1995 and 1994, respectively.

The weighted average rates used to determine net periodic pension expense for Borden's domestic pension plan were as follows:

	1996	1995	1994
Discount rate	6.8%	8.8%	7.5%
Rate of increase in future compensation levels	4.3%	5.3%	4.5%
Expected long-term rate of return on plan assets	7.8%	9.8%	9.0%

Borden's funding of its pension plans equals or exceeds the minimum funding requirements imposed by federal and foreign laws and regulations. Plan assets consist primarily of equity securities and corporate obligations. The funded status of Borden's domestic pension plan on a purchase accounting basis was as follows (in millions):

	Accumulated Benefits Exceed Plan Assets	
	1996	1995
Plan assets at fair value	$393.6	$400.4
Actuarial present value of:		
Vested benefit obligation	(383.1)	(403.3)
Accumulated benefit obligation	(400.4)	(420.4)
Projected benefit obligation	(400.4)	(421.8)
Plan assets less than projected benefit obligation	(6.8)	(21.4)
Unrecognized prior service cost	2.9	3.2
Unrecognized loss (benefit)	2.2	(0.8)
Minimum liability adjustment	(5.1)	(1.0)
Net pension liability	$(6.8)	$(20.0)

The weighted average discount rates and rates of increase in future compensation levels used in determining the projected benefit obligation for the domestic pension plan were 7.5% and 4.5%, respectively, as of December 31, 1996 and 6.8% and 4.3%, respectively, as of December 31, 1995.

Certain employees of Borden Foods participate in a Canadian pension plan. Following are the components of the net pension expense for the Borden Foods' Canadian pension plan. Amounts provided for 1996 and 1995 represent expense on a purchase accounting basis. Amounts provided for 1994 represent expense on a historical cost basis (in millions).

	Year Ended December 31,		
	1996	1995	1994
Service cost - benefits earned during the year	$0.2	$0.2	$0.2
Interest cost on projected benefit obligation	1.2	1.2	1.1
Return on plan assets	(3.2)	(3.0)	0.8
Net amortization or deferral	1.4	1.1	(2.8)
	$(0.4)	$(0.5)	$(0.7)

The weighted average rates used to determine net periodic pension expense for the Canadian pension plan were as follows:

	1996	1995	1994
Discount rate	8.3%	10.0%	8.0%
Rate of increase in future compensation levels	5.3%	7.0%	5.0%
Expected long-term rate of return on plan assets	9.3%	11.0%	9.0%

The funded status of the Canadian pension plan on a purchase accounting basis was as follows (in millions):

	Plan Assets Exceed Accumulated Benefits	
	1996	1995
Plan assets at fair value	$21.1	$19.1
Actuarial present value of:		
Vested benefit obligation	(15.5)	(14.6)
Accumulated benefit obligation	(15.8)	(14.9)
Projected benefit obligation	(16.0)	(15.0)
Plan assets greater than projected benefit obligation	5.1	4.1
Unrecognized loss (benefit)	(0.4)	0.5
Net pension asset	$4.7	$4.6

The weighted average discount rates and rates of increase in future compensation levels used in determining the projected benefit obligation for the Canadian pension plan were 7.75% and 4.75%, respectively, as of December 31, 1996 and 8.25% and 5.25%, respectively, for December 31, 1995.

Certain employees of Borden Foods participate in international pension plans established in Colombia, South Africa, Panama and Ireland. Following are the components of the net pension expense for Borden Foods' international pension plans. Amounts provided for 1996 and 1995 represent expense on a purchase accounting basis. Amounts provided for 1994 represent expense on a historical cost basis (in millions).

	Year Ended December 31, 1996	1995	1994
Service cost - benefits earned during the year	$0.3	$0.3	$0.3
Interest cost on projected benefit obligation	0.4	0.4	0.4
Return on plan assets	(0.6)	(0.6)	(0.5)
	$0.1	$0.1	$0.2

The weighted average rates used to determine net periodic pension expense for the international pension plans were as follows:

	1996	1995	1994
Discount rate	10.4%	10.3%	8.7%
Rate of increase in future compensation levels	7.0%	6.7%	3.6%
Expected long-term rate of return on plan assets	12.4%	13.1%	11.0%

The funded status of the international pension plans on a purchase accounting basis was as follows (in millions):

	1996		1995	
	Plan Assets Exceed Accumulated Benefits	Accumulated Benefits Exceed Plan Assets	Plan Assets Exceed Accumulated Benefits	Accumulated Benefits Exceed Plan Assets
Plan assets at fair value	$5.5	$0.3	$4.9	$0.5
Actuarial present value of:				
Vested benefit obligation	3.9	0.7	2.8	0.9
Accumulated benefit obligation	4.5	0.8	3.2	1.1
Projected benefit obligation	5.2	1.2	4.2	1.6
Plan assets (less) greater than projected benefit obligaton	0.3	(0.9)	0.7	(1.1)
Unrecognized (gain) loss	1.1	(0.1)	0.8	0.2
Net pension asset (liability)	$1.4	$(1.0)	$1.5	$(0.9)

The weighted average discount rates and rates of increase in future compensation levels used in determining the projected benefit obligation for the international pension plans were 8.1% and 5.3%, respectively, as of December 31, 1996 and 8.9% and 6.0%, respectively, for December 31, 1995.

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 ceased all or most participation in such trust, and under certain other specified conditions. Charges to Borden Foods for payments to pension trusts on behalf of employees not covered by Borden plans were not considered significant.

Amounts charged to Borden Foods for matching contributions under the Borden sponsored retirement savings plans were $2,319, $1,827 and $2,404 for the years ended December 31, 1996, 1995, and 1994, respectively.

Eligible salaried and hourly non-bargaining employees may contribute up to 5% of their pay (7% for certain longer service salaried employees), which has been matched 50% by Borden since the first quarter of 1994.

10. NON-PENSION POST EMPLOYMENT BENEFITS

Borden Foods provides certain health and life insurance benefits for eligible domestic retirees and their dependents. The cost of these benefits is accrued as a form of deferred compensation earned during the period that employees render service.

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. The postretirement medical benefits are contributory for retirements after 1983; the postretirement life insurance benefit is noncontributory.

Prior to January 1, 1996, amounts attributable to postretirement benefits were commingled in one Borden-sponsored plan. Allocation of liabilities for such benefits was made to Borden Foods based upon the actuarially determined obligation relating to the Borden Foods' domestic employees. The amount recorded on the balance sheet for such liabilities was $11,500 at December 31, 1995. Effective January 1, 1996, the components of postretirement benefit expense and unfunded postretirement obligation were accounted for separately for Borden Foods.

The following represents the status of the total Borden unfunded postretirement benefit obligation (including Borden Foods) as of December 31, 1995, on a purchase accounting basis. The information provided as of December 31, 1996 represents the status of Borden Foods segregated plan on a purchase accounting basis. Amounts in millions:

	Borden Foods 1996	Borden, Inc. 1995
Actuarial present value of accumulated postretirement benefit obligation:		
Retirees	$(10.4)	$(147.7)
Fully eligible active plan participants	(0.2)	(3.6)
Other active plan participants	(0.7)	(27.3)
	(11.3)	(178.6)
Unrecognized prior service cost	0.0	(3.4)
Unrecognized net loss	0.1	22.2
Accrued postretirement liability	$(11.2)	$(159.8)

A portion of Borden's expense for postemployment and postretirement benefits was allocated annually to Borden Foods in 1995 and 1994 (See Note 4). The following are the components of annual expense for postretirement benefits. Information provided for 1994 represents annual expense for the total Borden plan on a historical cost basis, while information provided for 1995 represents annual expense for the total Borden plan on a purchase accounting basis. Information provided for 1996 represents the segregated Borden Foods' plan on a purchase accounting basis. Amounts in millions:

	Year Ended December 31, Borden Foods 1996	Borden, Inc. 1995	Borden, Inc. 1994
Service cost	$0.1	$1.1	$3.4
Interest cost	0.7	13.3	17.9
Net amortization and deferral	0.0	0.0	(9.6)
	$0.8	$14.4	$11.7

The discount rate used in determining the accumulated postretirement benefit obligation was 7.5% and 6.75% for December 31, 1996 and 1995, respectively.

The assumed health care cost trend rate used in measuring Borden Foods' accumulated postretirement benefit obligation at December 31, 1996 was 9.5% for 1997, gradually declining to 5.5% in 2004 and thereafter. The comparable assumptions for the prior year were 9.5% and 4.8%. A one percentage point increase in the health care cost trend rate would increase Borden Foods' accumulated postretirement benefit obligation as of December 31, 1996 by $1.1 and the sum of the service and interest costs in 1996 by $0.1.

Borden Foods provides certain postemployment 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, is accrued when it is probable that a benefit will be provided. The amounts of such charges are not considered significant.

11. DERIVATIVE FINANCIAL INSTRUMENTS

Borden Foods enters into foreign exchange contracts to hedge transactions denominated in foreign currencies. The purpose of these foreign currency hedging activities is to protect against the risk that the eventual cash flows that result from operating in foreign countries will be adversely affected by changes in exchange rates. Foreign exchange contracts are also entered into for funding purposes to fully hedge loans between Borden Foods' international subsidiaries and other Borden Affiliates.

The notional amounts of foreign exchange contracts were $153,295 and $42,051 at December 31, 1996 and 1995, respectively. All of the contracts mature in less than one year.

12. FAIR VALUE OF FINANCIAL INSTRUMENTS

The following table presents the carrying or notional amount and fair value of Borden Foods' financial instruments at December 31, 1996 and 1995. The fair value of a financial instrument is the amount at which the 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.

	1996		1995	
	Notional Amount	Fair Value	Notional Amount	Fair Value
DERIVATIVES RELATING TO:				
Foreign currency contracts - gains	$105,322	$2,505	$19,070	$287
Foreign currency contracts - losses	47,973	(393)	22,981	(252)
	$153,295	$2,112	$42,051	$35

13. UNITS AND UNIT APPRECIATION RIGHTS

During 1996, a Unit Incentive Plan was formed which provides for the granting of options, UARs, units and other unit-based grants to key employees of Borden Foods and associated persons at the discretion of the Board of Directors of Borden Foods.

During 1996, the LLC sold 1,080,000 Class A units to certain management employees of Borden Foods under this Incentive Plan. The units are generally restricted as to transfer and allow for the LLC, at its discretion, to repurchase the units, upon certain conditions including termination of the unitholder's employment, prior to full vesting after five years.

Under the Incentive Plan, BFC issued Unit Appreciation Rights (UARs) to the unitholders. The UAR entitles the holder to receive an amount in cash equal to the excess of the market price (as defined in the UAR agreement) of the Class A unit over the exercise price of the UAR. The UARs vest ratably over five years and expire upon certain events, including termination of the unitholder's employment, but in no case to exceed ten years. Four UARs were issued for each unit purchased: one UAR with an exercise price of $10 per unit and three UARs with an exercise price of $20 per unit. At December 31, 1996, there were 1,080,000 UARs outstanding with an exercise price of $10 and 3,240,000 UARs outstanding with an exercise price of $20. For 1996, there was no compensation expense recorded in relation to the issuance of UARs since the exercise price exceeds the underlying value of the UARs.

14. LITIGATION

In July 1995, a Fresno, California jury returned a verdict against Borden Foods for wrongful termination of a tomato packing agreement, for which $14.5 million has been provided. 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. Borden Foods is contesting the verdict.

15. RISKS AND UNCERTAINTIES

Borden Foods has unconditional purchase obligations for raw materials and packaging of $30,724 and $95,679 at December 31, 1996 and 1995, respectively.

Raw materials, such as semolina, tomatoes, milk and cheese, account for a high percentage of Borden Foods' total production costs. The Company purchases a major portion of these materials under market sensitive supply contracts, and therefore Borden Foods' 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 Borden Foods operates, Borden Foods' ability to pass these raw material price increases through to the customer is limited and often depends upon Borden Foods' competitors raising their prices as well.

16. SUPPLEMENTAL FINANCIAL DATA

	Successor		Predecessor
	1996	1995	1994
Research and development	$21,867	$16,530	$11,126
Rent expense	5,472	5,360	3,099
Depreciation and amortization	46,075	44,780	46,130
Advertising	56,411	40,786	42,036

17. GEOGRAPHIC SEGMENT INFORMATION

	Successor		Predecessor
	1996	1995	1994
NET TRADE SALES:			
United States	$1,204,437	$1,143,565	$1,154,465
Canada	170,666	167,404	169,805
Europe	81,679	91,788	96,618
Asia	125,158	125,364	125,778
Africa	85,939	67,216	70,931
Latin America	281,962	243,552	204,619
	$1,949,841	$1,838,889	$1,822,216
OPERATING INCOME (LOSS):			
United States	$(49,197)	$(55,100)	$14,180
Canada	5,747	2,699	(9,683)
Europe	10,779	3,601	(1,073)
Asia	(8,141)	9,265	20,822
Africa	3,336	1,301	6,833
Latin America	17,699	5,085	12,893
	$(19,777)	$(33,149)	$43,972
IDENTIFIABLE ASSETS:			
United States	$659,495	$659,842	
Canada	75,795	64,798	
Europe	138,280	181,591	
Asia	59,295	25,171	
Africa	25,346	24,699	
Latin America	188,232	175,589	
	$1,146,443	$1,131,690	

Asian net trade sales included in the geographic segment information above represent export shipments from Europe. Other sales/transfers between geographic segments are not included.

[WISE HOLDINGS, INC. AND SUBSIDIARIES LOGO]

WISE HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 1996 AND 1995
AND FOR EACH OF THE THREE YEARS
IN THE PERIOD ENDED DECEMBER 31, 1996

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
and Shareholder of Wise Holdings, Inc.

We have audited the accompanying consolidated balance sheets of Wise Holdings, Inc. and subsidiaries as of December 31, 1996 and 1995, and the related consolidated statements of operations, owner's investment and shareholder's equity and cash flows for each of the three years in the period ended December 31, 1996. These financial statements are the responsibility of management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Wise Holdings, Inc. and subsidiaries at December 31, 1996 and 1995, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1996 in conformity with generally accepted accounting principles.

DELOITTE & TOUCHE LLP

Columbus, Ohio
February 26, 1997

WISE HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 1996, 1995 AND 1994

(DOLLARS IN THOUSANDS)	1996	1995	(PREDECESSOR BASIS) 1994
Net sales	$ 278,054	$ 282,797	$ 285,423
Cost of goods sold	161,124	161,288	156,811
Gross margin	116,930	121,509	128,612
Distribution expense	25,864	30,514	32,543
Marketing expense	78,150	79,515	77,463
General & administrative expense	15,462	13,014	12,003
Operating income (loss)	(2,546)	(1,534)	6,603
Interest expense, net	1,218		
Other (income) expense	307	(57)	234
Income (loss) before income taxes	(4,071)	(1,477)	6,369
Income tax expense (benefit)	(490)	(349)	2,580
Net income (loss)	$ (3,581)	$ (1,128)	$ 3,789
Per Share Information			
Net income (loss) per common share	$ (35.81)	$ (11.28)	$ 37.89
Average number of common shares outstanding during the period	100	100	100

See Notes to Consolidated Financial Statements

WISE HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31, 1996 AND 1995

(DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)	1996	1995
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 3,027	$ 601
Accounts receivable (less allowance of $1,345 and $998)	23,771	22,042
Affiliated receivables	1,251	
Inventories:		
Finished goods	3,744	4,003
Raw materials	5,339	6,606
Prepaids and other current assets	4,196	5,371
	41,328	38,623
PROPERTY AND EQUIPMENT		
Land	1,331	1,297
Buildings and improvements	4,583	3,993
Machinery and equipment	35,178	30,835
	41,092	36,125
Less: Accumulated depreciation	11,524	5,767
	29,568	30,358
INTANGIBLES AND OTHER ASSETS		
Trademarks, (net of accumulated amortization of $940 and $470)	17,865	18,335
Other assets	1,918	2,159
	19,783	20,494
TOTAL ASSETS	$90,679	$89,475

See Notes to Consolidated Financial Statements

WISE HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31, 1996 AND 1995

(DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)	1996	1995
LIABILITIES, OWNER'S INVESTMENT AND SHAREHOLDER'S EQUITY		
CURRENT LIABILITIES		
Accounts and drafts payable	$15,924	$13,942
Affiliated payables	2,163	
Accrued liabilities	14,640	15,024
	32,727	28,966
OTHER LIABILITIES		
Affiliated long-term debt	10,145	
Post-employment benefits other than pensions	9,928	10,053
Other long-term liabilities	1,247	1,139
Minority interest	683	
	22,003	11,192
Commitments and contingencies		
OWNER'S INVESTMENT AND SHAREHOLDER'S EQUITY		
Common stock - $0.01 par value, 100 shares authorized, issued and outstanding	--	
Paid in capital	34,200	
Owner's investment		49,317
Retained earnings (from July 2, 1996)	1,749	
	35,949	49,317
TOTAL LIABILITIES, OWNER'S INVESTMENT AND SHAREHOLDER'S EQUITY	$90,679	$89,475

See Notes to Consolidated Financial Statements

WISE HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 1996, 1995 AND 1994

(DOLLARS IN THOUSANDS)	1996	1995	(PREDECESSOR BASIS) 1994
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES			
Net income (loss)	$(3,581)	$(1,128)	$ 3,789
Adjustments to reconcile net income (loss) to net cash from operating activities:			
Minority interest share in income	28		
Depreciation	5,755	5,829	5,788
Amortization	470	470	797
Other noncash	755	(568)	436
Net change in assets and liabilities:			
Accounts receivable	(2,076)	1,129	(640)
Affiliated receivables	(1,251)		
Inventories	1,526	123	(410)
Prepaids and other current assets	1,175	(867)	464
Other assets	241	(194)	1,068
Accounts and drafts payable	1,982	1,697	(4,592)
Affiliated payables	2,163		
Accrued liabilities	(384)	1,932	1,161
Post-employment benefits other than pensions	(125)	1,078	(485)
Other long-term liabilities	108	(1,187)	(1,679)
	6,786	8,314	5,697
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES			
Capital expenditures	(5,847)	(2,956)	(846)
Proceeds on sales of equipment	474	606	105
Acquisition of business	(655)		
	(6,028)	(2,350)	(741)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES			
Minority interest equity contribution from management	655		
Other increases (decreases) in owners investment	1,013	(6,234)	(5,026)
	1,668	(6,234)	(5,026)
Increase (decrease) in cash and cash equivalents	2,426	(270)	(70)
Cash and cash equivalents at beginning of period	601	871	941
Cash and cash equivalents at end of period	$ 3,027	$ 601	$ 871

(continued)

See Notes to Consolidated Financial Statements

WISE HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 1996, 1995 AND 1994

(DOLLARS IN THOUSANDS)	1996	(PREDECESSOR BASIS) 1995	1994
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION			
Noncash activity:			
Acquisition of Wise net assets	$(44,345)		
Issuance of stock in exchange for notes of principal stockholder	34,200		
Issuance of note payable to finance purchase of Wise net assets	10,145		
Change in accounting basis as a result of pushdown of KKR's acquisition of Wise			
Value trademarks		$ 16,306	
Eliminate pre-existing intangibles		(21,789)	
Net writedown of property and equipment		(9,429)	
Cash Paid for Interest:	999		

See Notes to Consolidated Financial Statements

WISE HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OWNER'S INVESTMENT AND SHAREHOLDER'S EQUITY
FOR THE YEARS ENDED DECEMBER 31, 1996, 1995 AND 1994

(DOLLARS IN THOUSANDS)	COMMON SHARES	INTERCOMPANY ACCOUNT	PAID IN CAPITAL	RETAINED EARNINGS	TOTAL
(Predecessor Basis) Balance, December 31, 1993		$72,828			$72,828
Net income		3,789			3,789
Net cash withdrawal by owner		(5,026)			(5,026)
(Predecessor Basis) Balance, December 31, 1994		71,591			71,591
Change in accounting basis as a result of KKR's acquisition of Borden		(14,912)			(14,912)
Net loss		(1,128)			(1,128)
Net cash withdrawal by owner		(6,234)			(6,234)
Balance, December 31, 1995		49,317			49,317
Net loss through July 1, 1996		(5,330)			(5,330)
Net cash investment by owner		1,013			1,013
Recapitalization:					
Issuance of common stock	100	(34,200)	$34,200		-
Issuance of long-term debt		(10,145)			(10,145)
Minority interest		(655)			(655)
Net income from July 2, 1996				$1,749	$ 1,749
Balance, December 31, 1996	100	-	$34,200	$1,749	$35,949

See Notes to Consolidated Financial Statements

WISE HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands, except for per share information)

1. BACKGROUND AND NATURE OF OPERATIONS:

Wise Holdings, Inc. ("Wise") is a leading producer and distributor of salty snacks in the eastern United States. Wise's product line includes potato chips, cheese flavored baked and fried corn snacks, pretzels, tortilla chips, corn chips, onion rings, pork rinds and other assorted snacks. Wise markets its products under the brand names of WISE(R), CHEEZ DOODLES(R), QUINLAN(R), NEW YORK DELI(R), KRUNCHERS!(R), BRAVOS(R), MOORE'S(R) AND WISE CHOICE(TM) and conducts its business through three principal divisions: Wise, Moore's and Caribbean Snacks. The Wise and Moore's divisions manufacture and distribute primarily in the eastern United States. Caribbean Snacks, located in Puerto Rico, serves as a distribution center throughout Puerto Rico and the Caribbean. Wise's products are distributed through both independent and company-owned distribution networks.

In September 1994, Borden, Inc. ("Borden") entered into a merger agreement, culminating in December 1994, that provided for the acquisition of all of Borden's outstanding common stock by affiliates of Kohlberg Kravis Roberts & Co. ("KKR"). Borden elected not to apply push down accounting in its consolidated financial statements as a result of public debt that was outstanding prior to the acquisition, and as such Borden's financial statements (including Wise) are reported on Borden's historical cost basis. As discussed in the "Basis of Presentation," Wise's financial statements have been prepared on a purchase accounting basis from the date of KKR's acquisition of Borden. The effective date of the merger agreement was January 1, 1995 for accounting and financial statement presentation purposes.

Effective July 2, 1996, in a taxable transaction (the "Incorporation"), Borden sold its salty snacks business ("Wise operations") to BWHLLC, a KKR affiliate, for $45 million. The purchase price was based on an independent valuation of the business. There was no change in the financial reporting basis of the assets and liabilities as of July 2, 1996 from that described below under "Basis of Presentation" because Borden's principal stockholders will continue to exercise significant financial control over Wise. Wise will fully and unconditionally guarantee obligations under Borden's credit facility and all of Borden's publicly held debt on a pari passu basis. In connection with this guarantee, Wise will receive an annual fee of $210.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation
- ---------------------
As a result of the financial guarantee, Borden is required to include in its filings with the Securities and Exchange Commission separate financial statements for Wise as if it were a registrant. The financial statements subsequent to the purchase by KKR have been prepared on a purchase accounting basis which allocates approximately $51 million of the original KKR purchase price of Borden to the salty snack business. The purchase price has been allocated to tangible and intangible assets and liabilities of Wise based on the fair values at the date of acquisition. The predecessor financial statements for 1994 are presented using Borden's pre-acquisition historical cost basis ("Predecessor Basis").

The consolidated financial statements of Wise Holdings, Inc. collectively include the financial position, operations and cash flows of Wise Holdings, Inc. and subsidiaries for the period of July 2, 1996 through December 31, 1996, the salty snack business of Borden, Inc. for the period of January 1, 1995 through July 1, 1996 and the salty snack business of Borden, Inc. on a predecessor basis for the period of January 1, 1994 through December 31, 1994.

Prior to the July 2, 1996 sale, Wise operated as a profit center of Borden. Under this structure, Borden incurred various costs in connection with the operation of Wise's business which included corporate controlled expenses, such as accounting, legal, tax, credit and informational services departments and executive management, which have been included in the consolidated financial statements of Wise. Costs for these services have been allocated to Wise based on usage of resources such as personnel and data processing equipment. Management believes these amounts in the accompanying financial statements have been allocated in a reasonable and consistent manner in order to depict balance sheets, statements of operations and cash flows of Wise on a stand-alone basis. Prior to 1996, as a profit center of Borden, essentially all treasury functions including financing for working capital and other cash needs were performed by Borden. For years ended December 31, 1995 and 1994, allocation of interest expense associated with this financing was not practical and therefore not included in these financial statements.

The consolidated financial statements include the accounts of Wise and its wholly-owned subsidiaries. All significant intercompany accounts and transactions are eliminated in consolidation.

Cash and Cash Equivalents

Cash and cash equivalents include cash on deposit and all highly liquid investments purchased with an original maturity of three months or less.

Inventories

Finished goods and raw materials inventories are stated at the lower of cost or market with cost being determined using the average cost method.

Property and Equipment

Depreciation is recorded on the straight-line basis over the estimated useful lives of the assets. The estimated useful lives are principally 10 to 40 years for buildings and improvements and 3 to 13 years for equipment. Major renewals and betterments are capitalized; maintenance, repairs and minor renewals are expensed as incurred.

Trademarks

Trademarks are amortized on a straight-line basis over not more than forty years.

Revenue Recognition

Trade revenues are recognized when products are shipped.

Advertising and Promotion Expense

Production costs of future media advertising are expensed on the first airdate or print release date of the advertising. All other advertising and promotion expenses are expensed as incurred.

Futures Contracts

Wise uses futures to hedge the price risks associated with raw materials used in the production of salty snacks. Wise defers the impact of changes in the market value of these contracts until such time as the hedged transaction is completed. Changes in market value of the futures contracts are included in the measurement amounts of qualifying subsequent purchases of raw materials. Wise does not enter into these contracts for speculative purposes. These contracts generally mature in less than one year.

Income Taxes

Wise accounts for income taxes pursuant to Statement of Financial Accounting Standard (FAS) No. 109, Accounting for Income Taxes, which uses the liability method to calculate deferred income taxes. Subsequent to July 2, 1996, deferred income taxes are recorded to recognize the future effects of temporary differences which arise between financial statement assets and liabilities and their basis for income tax reporting purposes. Prior to July 2, 1996, Wise was included in Borden's consolidated tax return, and accordingly, income tax liabilities and assets determined on a separate return basis are included in Owner's Investment in the accompanying financial statements.

Per Share Information

Net income (loss) per common share is computed by dividing net income (loss) by the weighted average number of common shares outstanding during the period from July 2, 1996 to December 31, 1996 and assuming these shares were outstanding for the full periods of 1994, 1995 and 1996.

Concentrations of Credit Risk

Financial instruments which potentially subject Wise to concentrations of credit risk consist principally of temporary cash investments, marketable securities, and accounts receivable. Wise places temporary cash investments and marketable securities with high quality institutions and performs ongoing evaluations of the financial condition of the institutions. Wise, by policy, limits the amount of credit exposure to any one institution. Concentrations of credit risk with respect to accounts receivable are limited, however, a group of distributors generally under common control comprise approximately 17% of net trade sales. Wise generally does not require collateral or other security to support customer receivables. Wise monitors its exposure to credit losses and maintains allowances for anticipated losses.

Impairment of Long Lived Assets

Periodically and as circumstances warrant Wise evaluates the recoverability of property, plant equipment and intangibles by assessing whether the carrying value can be recovered over its remaining useful life through expected future undiscounted cash flows. In the opinion of management, no such impairment existed at December 31, 1996 and 1995.

Stock Options

The Financial Accounting Standards Board has issued SFAS No. 123, Accounting for Stock-Based Compensation, which was adopted by Wise, effective January 1, 1996. As permitted by SFAS No. 123, Wise 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.

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 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 periods. The most significant estimates in Wise's financial statements are related to allowance for doubtful accounts, accruals for trade promotions, general and group insurance, income taxes, post-retirement benefits, asset lives and corporate allocations. Actual results could differ from those estimates.

3. ACCRUED LIABILITIES:

Accrued liabilities were as follows:

	1996	1995
Compensation	$ 2,073	$ 1,187
General insurance	6,374	7,894
Advertising and promotion	2,576	2,988
Other	3,617	2,955
Total	$14,640	$15,024

4. AFFILIATED LONG-TERM DEBT

In conjunction with the Incorporation, Wise entered into a long-term loan agreement (the "Loan Agreement") to borrow funds from Borden. The Loan Agreement provides for a revolving loan facility of up to $10 million at a variable interest rate equal to a given bank's "base rate", and a $10.145 million term loan with a fixed 12% interest rate maturing in 1999. A commitment fee of .375% is paid on the unused portion of the revolving loan. Wise had no borrowings under the revolving agreement at December 31, 1996. By agreement with Borden, interest charges and commitment fees under the Loan Agreement were calculated as if the borrowings were outstanding from January 1, 1996. Effective January 1, 1997 the term loan rate changed to 11%.

The Loan Agreement contains certain restrictions on the activities of Wise and its subsidiaries, including restrictions on liens, the incurrence of indebtedness, mergers and consolidations, sales of assets, investments, payment of dividends, changes in nature of business, prepayments of certain indebtedness, transactions with affiliates, capital expenditures, changes in control of the Company and the use of proceeds from asset sales.

As an affiliate guarantor, Wise has guaranteed Borden's credit facility and all of Borden's outstanding publicly held debt on a pari passu basis. Wise's aggregate liability under this guarantee 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. Borden's outstanding credit facility and outstanding public borrowings amounted to approximately $910,000 at December 31, 1996.

5. RETIREMENT INCOME PLANS

Most employees of Wise participate in pension plans sponsored by Borden or one of the union-sponsored 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.

A net pension asset or liability, which approximates the portion of the total pension assets or liabilities of Borden which relates to the employees of Wise, has been reflected in Wise's stand-alone balance sheets. The gross pension obligation was allocated to Wise based upon the actuarially-determined obligation relating to Wise's employees. The pension expense allocated to Wise for Borden's plans was $477, $312, and $493 during 1996, 1995, and 1994, respectively.

Most Wise employees that are not covered by Borden'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 Wise or Borden ceased all or most participation in any trust, and under certain other specified conditions. Operations were charged $236, $233 and $214 in 1996, 1995 and 1994, respectively, for payments to pension trusts on behalf of employees not covered by Borden plans.

Borden's funding of its pension plans equals or exceeds the minimum funding requirements imposed by Federal and foreign laws and regulations. The funded status of the Borden plan on a purchase accounting basis, at December 31 is as follows:

	1996 BORDEN	1995 BORDEN
Actuarial present value of:		
Vested benefit obligations	$ 383,065	$ 403,326
Accumulated benefit obligations	$ 400,371	$ 420,417
Projected benefit obligations	$ 400,458	$ 421,816
Plan assets at fair value	393,625	400,366
Plan assets less than projected benefit obligation	(6,833)	(21,450)
Unrecognized prior service cost	2,938	3,225
Unrecognized loss (gain)	2,213	(831)
Minimum liability adjustment	(5,064)	(995)
Net pension asset (liability)	$ (6,746)	$ (20,051)

The following are the components of the net pension expense recognized under the Borden Plan:

	1996 BORDEN	1995 BORDEN	1994 BORDEN (PREDECESSOR BASIS)
Components of pension cost:			
Service cost	$ 7,233	$ 6,430	$ 10,295
Interest cost	27,371	31,165	30,832
Actual return on assets	(26,843)	(87,071)	9,146
Net amortization and deferral	(5,551)	51,430	(48,789)
Net Expense	$ 2,210	$ 1,954	$ 1,484

The weighted average discount rates and rates of increase in future compensation levels in determining the projected benefit obligation for the plans for years ended December 31 were 7.5% and 4.5%, respectively for 1996, and 6.8% and 4.3%, respectively for 1995. Plan assets consist primarily of equity securities and corporate obligations.

Borden sponsors a defined contribution retirement savings plan in which eligible salaried and hourly non-bargaining employees may contribute up to 5% of their pay (7% of certain longer service salaried employees), which is generally matched 50% by Borden. Charges to operations for matching contributions for Wise employees under Borden's retirement savings plans for 1996, 1995 and 1994 amounted to $438, $744, and $725, respectively.

6. RETIREMENT HEALTH CARE AND LIFE INSURANCE

Wise uses Borden-sponsored plans to provide health and life insurance benefits for eligible retirees and their dependents. The cost of providing these benefits is recognized as a charge to income in the period the benefits were earned. Wise provides certain post-employment benefits to qualified former or inactive employees. Wise accrues the cost of benefits provided to former or inactive employees after employment, but before retirement, when it is probable that a benefit will be provided. The cost of providing these benefits is recognized as a charge to income in the period the benefits were earned. The amounts of such costs were not material.

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. The post-retirement medical benefits are contributory for retirements after 1983; the post-retirement life insurance is noncontributory.

Prior to January 1, 1996 amounts attributable to post-retirement benefits were commingled in one Borden sponsored plan. Effective January 1, 1996, the components of post-retirement benefit expense and unfunded post-retirement obligation were accounted for separately for the Wise business. The gross post-retirement obligation at December 31, 1995 was allocated to Wise based upon the actuarially determined obligation relating to Wise's employees. The post-retirement benefit expense allocated to Wise for the Borden plan was $548 and $1,565 during 1995 and 1994 respectively.

The components of Wise's net post-retirement benefit expense for the year ended December 31, 1996 and Borden's net post-retirement benefit expense for the years ended December 31, 1995 and 1994 is as follows:

	1996 WISE	1995 BORDEN	1994 BORDEN (PREDECESSOR BASIS)
Service cost	$ 8	$ 1,089	$ 3,427
Interest cost	543	13,347	17,903
Net amortization and deferral	18	--	(9,657)
Net post-retirement (benefit) expense	$ 569	$ 14,436	$ 11,673

The status of Wise's unfunded post-retirement benefit obligation as of December 31, 1996 and Borden's unfunded post-retirement benefit obligation as of December 31, 1995 are as follows:

	1996 WISE	1995 BORDEN
Actuarial present value of accumulated post-retirement benefit obligation:		
Retirees	$ (7,534)	$(147,682)
Fully eligible active plan participants	(212)	(3,643)
Other active plan participants	(337)	(27,271)
	$ (8,083)	$(178,596)
Unrecognized prior service benefit		(3,473)
Unrecognized net gain	108	22,249
Accrued post-retirement benefit liability	$ (7,975)	$(159,820)

The discount rate used in determining the accumulated post-retirement benefit obligation at December 31, 1996 and 1995 was 7.5% and 6.8%, respectively.

The assumed health care cost trend used in measuring the accumulated post-retirement benefit obligation at December 31, 1996 was 9.5%, gradually declining to 5.5% by the year 2007. The comparable assumptions for the prior year were 9.5%, declining to 4.8% by the year 2006. A one percentage point increase in health care cost trend rate would increase the accumulated post-retirement benefit obligation as of December 31, 1996 by $800 and the sum of the service and interest costs in 1996 by $64.

7. FINANCIAL INSTRUMENTS

Futures Contracts

Wise is exposed to risk from fluctuating prices for raw materials used in the production of salty snacks. Some of the risk is hedged through commodity futures executed over the counter with various brokers. Wise utilizes commodity futures to effectively fix the price Wise will pay for oil, which is a principal component in the production process, over the life of the contract. Cost of goods sold reflects the commodity cost including the effects of the commodity futures. As of December 31, 1996, $3.4 million of commodity futures were outstanding, maturing through March 1997. The maturity of the contracts highly correlates to the actual purchases of the commodity. Under such contracts Wise pays the counterparty at a fixed rate, and receives from the counterparty a floating rate per hundred pounds of oil; only the net differential is actually paid or received. The amounts paid or received are calculated based on the notional amounts under the contracts. The use of such commodity futures effectively protects Wise against an increase in the price of the commodity, to the extent of the notional amount under the contract. This hedging strategy also effectively prevents Wise from benefiting in the event of a decrease in the price of the commodity, to the extent of the notional amount under the contract. The fair value of commodity futures as of December 31, 1996 was unfavorable $491 (based on dealer quotes). This amount has been deferred by Wise as of December 31, 1996 and will be reflected in the cost of the commodity as it is actually purchased. Total deferred losses at December 31, 1996 relating to contracts closed but not yet amortized amounted to $245.

Wise is exposed to credit-related losses in the event of nonperformance by counterparties to financial instruments, but it does not expect any counterparties to fail as all counterparties have investment grade credit ratings.

Debt Guarantee

As discussed in Note 4, Wise has guaranteed obligations under Borden's credit facility and all of Borden's outstanding publicly held debt on a pari passu basis. Management does not expect this guarantee will have a material adverse effect on the consolidated results of operations or financial position of Wise. Fair value was not assigned to this guarantee since there is no expected funding.

Current Assets and Liabilities

The carrying amount for cash and cash equivalents, receivables, accounts payable and accrued liabilities approximates fair value due to the short maturities of these instruments. The fair value of long-term debt is estimated based on current rates offered to Wise for debt of like maturities and approximates its carrying value.

8. INCOME TAXES

Effective July 2, 1996, Wise is recognized as a separate legal entity for U.S. Federal income tax purposes. Prior to such time, Wise operations were included by Borden in determining taxable income and all U.S. tax payments were made by Borden. Provisions for income taxes and deferred tax assets and liabilities were determined as though Wise operations filed separate U.S. Federal and state income tax returns. Income tax assets and liabilities determined on a separate return basis are included in Owner's Investment prior to July 2, 1996.

The provision (credit) for income taxes consisted of:

	1996	1995	1994
Federal	$(261)	$(284)	$2,265
State and local	(229)	(65)	315
Total	$(490)	$(349)	$2,580

A reconciliation of the statutory U.S. Federal income tax rate to the Wise effective tax rate is as follows:

	1996	1995	1994
Federal income tax statutory rate	$ (1,425)	$(517)	$2,229
State and local income taxes, less federal income tax benefit	(149)	(42)	205
Rate differential on tax benefit	963		
Tax credits and other	121	210	146
Total	$ (490)	$(349)	$2,580

All deferred tax amounts were recorded in Owner's investment prior to July 2, 1996. The temporary differences which give rise to deferred tax assets and liabilities at December 31, 1996 consisted of the following:

	1996
Deferred tax assets:	
Employee benefits and related	3,921
General insurance	2,477
Other	1,136
Sub-total	7,534
Valuation allowance	(6,713)
Total deferred tax assets	821
Deferred tax liabilities:	
Depreciation and property	377
Trademarks	147
Other	297
Total deferred tax liabilities	821
Total	-

In a limited tax sharing agreement with Borden, Wise will be reimbursed for taxes paid subsequent to July 2, 1996 up to an aggregate sum of $1,762. During 1996 Borden paid $951 in taxes on the behalf of Wise under this tax sharing arrangement. The residual amount of $811 is included in affiliated receivables.

As a result of the taxable transaction on July 2, 1996, Wise's tax basis of assets and liabilities were adjusted. Wise recorded the adjustment to deferred taxes in Owner's Investment in accordance with Emerging Issues Task Force (EITF) Issue No. 94-10. The net deferred tax asset was fully reserved at the Incorporation date. At December 31, 1996, a valuation allowance of $6,713 was recorded as a result of management's current determination that based on prior operating losses that it is more likely than not that Wise will not fully recognize certain deferred tax assets.

9. MINORITY INTEREST

As part of the Incorporation, Wise sold equity interests in Wise Foods Holdings, Inc. ("Wise Foods"), a subsidiary, to key management personnel for consideration of $655, resulting in an ownership percentage of 1.87%. In addition, options issued which vest over five years, allow management to purchase additional shares resulting in an ownership of up to 6% of the subsidiary. Wise Foods imposes significant restrictions on transfers of shares of this common stock. These shares are generally non-transferable prior to the fifth anniversary from the initial purchase of the common stock. In addition, on or prior to the vesting reference date, Wise Foods retains the right, but is not obligated, to repurchase stock from the purchaser for various reasons, but principally upon termination of employment. Management's ownership interest in Wise Foods is recorded in the financial statements of Wise as minority interest and included in Other Expense.

10. COMMITMENTS AND CONTINGENCIES

Lease Obligations

Wise leases warehouses, office facilities, motor vehicles and various types of equipment under operating leases. Lease terms generally range from one to five years, although leases for trailers typically last eight years.

Future minimum annual rentals under operating leases at December 31, 1996 are as follows:

	MINIMUM RENTALS ON OPERATING LEASES	
	AFFILIATED	NON-AFFILIATED
1997	$1,533	$1,397
1998	850	1,134
1999	328	1,072
2000	277	1,028
2001	59	1,122
Total	$3,047	$5,753

The affiliated leases are part of a lease agreement that Borden has with a third party lender. As such, Wise benefits through lower lease payments due to Borden's volume purchasing ability and credit standing with the lender.

Total rental expenses for operating leases in 1996, 1995 and 1994 were $4,252, $4,810, and $4,143, respectively.

General Insurance

Wise has insurance policies to cover potential losses and liabilities relating to workers' compensation, health and welfare claims, physical damage to property (other than autos), business interruption and comprehensive general, product and vehicle liability. However, many of these policies have deductibles of $500 and in some cases higher amounts. Losses are accrued for the estimated aggregate liability for claims incurred using certain actuarial assumptions followed in the insurance industry and Wise's experience.

Environmental Contingencies

Wise, like others in similar businesses, is subject to extensive Federal, state and local environmental laws and regulations. Although Wise's environmental policies and practices are designed to ensure compliance with these laws and regulations, future developments and increasingly stringent regulation could require Wise to make additional unforeseen environmental expenditures.

Environmental accruals are routinely reviewed on an interim basis as events and developments warrant and are subject to an annual comprehensive review.

Litigation

Wise is subject to various investigations, claims and legal proceedings covering a wide range of matters in the ordinary course of its business activities. Each of these matters are subject to various uncertainties and some of these matters may be resolved unfavorably to Wise. Wise has established accruals for matters that are probable and reasonably estimable. Management believes that any liability that may ultimately result from the resolution of these matters in excess of amounts provided will not have a material adverse effect on the financial statements of Wise.

11. RELATED PARTIES

In addition to the affiliated debt and lease agreements, Wise is engaged in various transactions with Borden and its affiliated companies in the ordinary course of business. Prior to January 1, 1996, certain general and administrative costs, such as group and general insurance, retirement benefits, information services and corporate administrative departments were allocated to Wise.

Subsequent to January 1, 1996, a subsidiary of Borden provides certain administrative services to Wise at negotiated fees. These services include: processing of payroll and active and retiree group insurance claims, administration of workers compensation claims and securing insurance coverage for catastrophic claims. Wise reimburses the Borden subsidiary for payments for general disbursements, and general and group insurance and retirement benefit claims. The amount owed by Wise for these services was $703 and is included in affiliated payables at December 31, 1996.

Wise is generally self-insured for general insurance claims and post-employment benefits other than pensions. The liabilities for these obligations are included in Wise's financial statements. By agreement, Borden has retained the obligation for active group insurance claims incurred in 1996 and paid in 1997.

The following table summarizes the allocation of costs to Wise in 1995 and 1994 and the charges for these costs in 1996:

	YEAR ENDED DECEMBER 31,		
	1996	1995	1994
Employee benefits	$1,861	$ 2,045	$ 3,483
Group and general insurance	4,563	7,441	7,650
Information services	40	15	2,119
Corporate staff departments and overhead	2,235	2,888	2,812
	$8,699	$12,389	$16,064

In 1995 Wise assumed direct responsibility for expenses associated with information services which were previously allocated by Borden. Charges for 1994 include allocations of divisional overhead of Borden's North American Snacks Division which was eliminated under a Borden divestiture strategy.

12. COMMON STOCK AND STOCK OPTIONS

As part of the Incorporation, Wise issued one hundred shares of common stock, representing 100% of its common stock, to BWHLLC in exchange for $34.2 million in Borden Holdings' Notes (the "Notes"). Simultaneously with the Incorporation, the Notes were transferred to Borden in exchange for the net assets of Borden's salty snack business constituting the Wise operations.

During 1996, Wise Foods, a subsidiary of Wise, issued 6,971,000 shares of common stock with a par value of $.01 per share. Shares amounting to 6,840,000 were issued to Wise and 131,000 shares were issued to key members of management at $5 per share, along with the grant of options to purchase 262,000 shares of common stock at an exercise price of $10 per share (the "1996 Option Plan"). The options expire 10 years from the date of grant and vest ratably over 5 years. The options are generally not transferable and exercisability of the options will accelerate upon a change of control.

Information regarding Wise Foods' 1996 Option Plan is summarized below:

	STOCK OPTIONS	WEIGHTED AVERAGE PRICE
Outstanding at 12/31/95	-	-
Granted	262,000	$10
Exercised	-	
Canceled	-	
Outstanding at 12/31/96	262,000	$10
Exercisable at 12/31/96	-	

The pro forma disclosure of net income and earnings per share, that would have been recognized in the 1996 consolidated statement of operations if the fair value-based method had been used, was not material.

13. SUPPLEMENTAL INCOME STATEMENT INFORMATION

	YEAR ENDED DECEMBER 31		
	1996	1995	1994
Advertising and promotion expenses	$62,182	$63,010	$61,462
Research and development expenses	957	695	-

(b) Reports on Form 8-K

On October 16, 1996 Borden, Inc. filed a Form 8-K announcing the sale of its pasta and foods business to an affiliate of the Company's principal stockholder, and the completion of the sale of the Company's packaging and plastic films business to AEP Industries, Inc. Unaudited pro forma condensed consolidated financial statements were filed to reflect the effects of the above transactions.

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/ William H. Carter

William H. Carter, Executive Vice President
and Chief Financial Officer
(Principal Financial and Principal Accounting Officer)

Date: March 27, 1997

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
/s/ Clifton S. Robbins (Clifton S. Robbins)	Director
/s/ Scott M. Stuart (Scott M. Stuart)	Director
/s/ Alexander Navab (Alexander Navab)	Director

Exhibit 10(vii)

FORM OF
1996 UNIT INCENTIVE PLAN
FOR KEY EMPLOYEES OF
BORDEN, INC. AND ASSOCIATED PERSONS

1. PURPOSE OF PLAN

The 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 Subsidiaries 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 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 (as defined in the Limited Liability Company Agreement of BW Holdings) 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 Subsidiaries 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.

(g) "EQUIVALENT COMPANY" shall mean any Associated Person 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 Subsidiaries 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.

(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 of any Associated Person, and none of the Corporation, BW Holdings or any Associated Person 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 and 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 of the Corporation.

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. 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 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 _________ but may be increased or decreased (but in no 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.

(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. TRANSFERS AND LEAVES OF ABSENCE

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. ADJUSTMENTS

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 shall terminate ten years later, subject to earlier termination by the Board of Directors pursuant to Paragraph 10.

Exhibit 10(vii)

FORM OF
1996 STOCK PURCHASE AND OPTION PLAN
FOR KEY EMPLOYEES OF
BORDEN CHEMICAL HOLDINGS, INC. AND SUBSIDIARIES

1. PURPOSE OF PLAN

The 1996 Stock Purchase and Option Plan for Key Employees of Borden Chemical Holdings, Inc. and Subsidiaries (the "PLAN") is designed:

(a) to promote the long term financial interests and growth of Borden Chemical Holdings, Inc. (the "CORPORATION") and its subsidiaries 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 stockholders of the Corporation through opportunities for increased stock, or stock-based, ownership in the Corporation.

2. DEFINITIONS

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

(a) "GRANT" means an award made to a Participant pursuant to the Plan and described in Paragraph 5, including, without limitation, an award of an Incentive Stock Option, Stock Option, Stock Appreciation Right, Dividend Equivalent Right, Restricted Stock, Purchase Stock, Performance Units, Performance Shares or Other Stock Based Grant, or any combination of the foregoing.

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

(c) "BOARD OF DIRECTORS" means the Board of Directors of the Corporation.

(d) "COMMITTEE" means the Compensation Committee of the Board of Directors.

(e) "COMMON STOCK" or "SHARE" means common stock of the Corporation which may be authorized but unissued, or issued and reacquired.

(f) "EMPLOYEE" means a person, including an officer, in the regular full-time employment of the Corporation or one of its Subsidiaries 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.

(g) "EXCHANGE ACT" means the Securities Exchange Act of 1934, as amended.

(h) "FAIR MARKET VALUE" means such value of a Share as reported for stock exchange transactions and/or determined in accordance with any applicable resolutions or regulations of the Committee in effect at the relevant time.

(i) "PARTICIPANT" means an Employee, or other person having a unique relationship with the Corporation or one of its Subsidiaries, 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 Subsidiaries may not be a Participant.

(j) "STOCK-BASED GRANTS" means the collective reference to the grant of Stock Appreciation Rights, Dividend Equivalent Rights, Restricted Stocks, Performance Units, Performance Shares and Other Stock Based Grants.

(k) "STOCK OPTIONS" means the collective reference to "Incentive Stock Options" and "Other Stock Options".

(l) "SUBSIDIARY" means any corporation other than the Corporation in an unbroken chain of corporations beginning with the Corporation if each of the corporations other than the last corporation in the unbroken chain owns 50% or more of the voting stock in one of the other corporations in such chain.

3. ADMINISTRATION OF PLAN

(a) The Plan shall be administered by the Committee. None of the members of the Committee shall be eligible to be selected for Grants under the Plan, or have been so eligible for selection within one year prior thereto; PROVIDED, HOWEVER, that the members of the Committee shall qualify to administer the Plan for purposes of Rule 16b-3 (and any other applicable rule) promulgated under Section 16(b) of the Exchange Act to the extent that the Corporation is subject to such rule. 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.

(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 shall be personally liable for any action, determination or interpretation made in good faith with respect to the Plan or the Grants, and all members of the Committee 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, or other persons having a unique relationship with Corporation or any of its Subsidiaries, and in such form and having such terms, conditions and limitations as the Committee may determine. 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 of Corporation.

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) INCENTIVE STOCK OPTIONS - These are stock options within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended ("CODE"), to purchase Common Stock. In addition to other restrictions contained in the Plan, an option granted under this Paragraph 5(a), (i) may not be exercised more than 10 years after the date it is granted, (ii) may not have an option price less than the Fair Market Value of Common Stock on the date the option is granted, (iii) must otherwise comply with Code Section 422, and (iv) must be designated as an "Incentive Stock Option" by the Committee. The maximum aggregate Fair Market Value of Common Stock (determined at the time of each Grant) with respect to which any Participant may first exercise Incentive Stock Options under this Plan and any Incentive Stock Options granted to the Participant for such year under any plans of the Corporation or any Subsidiary in any calendar year is $100,000. Payment of the option price shall be made in cash or in shares of Common Stock, or a combination thereof, in accordance with the terms of the Plan, the Grant Agreement, and of any applicable guidelines of the Committee in effect at the time.

(b) OTHER STOCK OPTIONS - These are options to purchase Common Stock which are not designated by the Committee as "Incentive Stock Options". 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 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 Shares under Paragraph 5(e) by the Optionee. In addition to other restrictions contained in the Plan, an option granted under this Paragraph 5(b), (i) may not be exercised more than 10 years after the date it is granted and (ii) may not have an option exercise price less than 50% of the Fair Market Value of Common Stock on the date the option is granted. Payment of the option price shall be made in cash or in shares of Common Stock, or a combination thereof, in accordance with the terms of the Plan and of any applicable guidelines of the Committee in effect at the time.

(c) STOCK APPRECIATION RIGHTS - These are rights that on exercise entitle the holder to receive the excess of (i) the Fair Market Value of a share of Common Stock on the date of exercise over (ii) the Fair Market Value on the date of Grant (the "BASE VALUE") multiplied by (iii) the number of rights exercised as determined by the Committee. Stock Appreciation Rights granted under the Plan may, but need not be, granted in conjunction with an Option under Paragraph 5(a) or 5(b). The Committee, in the Grant Agreement or by other Plan rules, may impose such conditions or restrictions on the exercise of Stock Appreciation Rights as it deems appropriate, and may terminate, amend, or suspend such Stock Appreciation Rights at any time. No Stock Appreciation Right granted under this Plan may be exercised less than 6 months or more than 10 years after the date it is granted except in the event of death or disability of a Participant. To the extent that any Stock Appreciation Right that shall have become exercisable, but shall not have been exercised or cancelled or, by reason of any termination of employment, shall have become non-exercisable, it shall be deemed to have been exercised automatically, without any notice of exercise, on the last day of which it is exercisable, provided that any conditions or limitations on its exercise are satisfied (other than (i) notice of exercise and (ii) exercise or election to exercise during the period prescribed) and the Stock Appreciation Right shall then have value. Such exercise shall be deemed to specify that the holder elects to receive cash and that such exercise of a Stock Appreciation Right shall be effective as of the time of automatic exercise.

(d) RESTRICTED STOCK - Restricted Stock is Common Stock delivered to a Participant with or without payment of consideration with restrictions or conditions on the Participant's right to transfer or sell such stock; PROVIDED that the price of any Restricted Stock delivered for consideration and not as bonus stock may not be less than 50% of the Fair Market Value of Common Stock on the date such Restricted Stock is granted or the price of such Restricted Stock may be the par value. If a Participant irrevocably elects in writing in the calendar year preceding a Grant of Restricted Stock, dividends paid on the Restricted Stock granted may be paid in shares of Restricted Stock equal to the cash dividend paid on Common Stock. The number of shares of Restricted Stock and the restrictions or conditions on such shares shall be as the Committee determines, in the Grant Agreement or by other Plan rules, and the certificate for the Restricted Stock shall bear evidence of the restrictions or conditions. No Restricted Stock may have a restriction period of less than 6 months, other than in the case of death or disability.

(e) PURCHASE STOCK - Purchase Stock are shares of Common Stock offered to a Participant at such price as determined by the Committee, the acquisition of which will make him eligible to receive under the Plan, including, but not limited to, Other Stock Options; PROVIDED, HOWEVER, that the price of such Purchase Shares may not be less than 50% of the Fair Market Value of the Common Stock on the date such shares of Purchase Stock are offered.

(f) DIVIDEND EQUIVALENT RIGHTS - These are rights to receive cash payments from the Corporation at the same time and in the same amount as any cash dividends paid on an equal number of shares of Common Stock to shareholders of record during the period such rights are effective. The Committee, in the Grant Agreement or by other Plan rules, may impose such restrictions and conditions on the Dividend Equivalent Rights, including the date such rights will terminate, as it deems appropriate, and may terminate, amend, or suspend such Dividend Equivalent Rights at any time.

(g) PERFORMANCE UNITS - These are rights to receive at a specified future date, payment in cash of an amount equal to all or a portion of the value of a unit granted by the Committee. At the time of the Grant, in the Grant Agreement or by other Plan rules, the Committee must determine the base value of the unit, the performance factors applicable to the determination of the ultimate payment value of the unit and the period over which Corporation performance will be measured. These factors must include a minimum performance standard for the Corporation below which no payment will be made and a maximum performance level above which no increased payment will be made. The term over which Corporation performance will be measured shall be not less than six months.

(h) PERFORMANCE SHARES - These are rights to receive at a specified future date, payment in cash or Common Stock, as determined by the Committee, of an amount equal to all or a portion of the Fair Market Value for all days that the Common Stock is traded during the last forty-five (45) days of the specified period of performance of a specified number of shares of Common Stock at the end of a specified period based on Corporation performance during the period. At the time of the Grant, the Committee, in the Grant Agreement or by Plan rules, will determine the factors which will govern the portion of the rights so payable and the period over which Corporation performance will be measured. The factors will be based on Corporation performance and must include a minimum performance standard for the Corporation below which no payment will be made and a maximum performance level above which no increased payment will be made. The term over which Corporation performance will be measured shall be not less than six months. Performance Shares will be granted for no consideration.

(i) OTHER STOCK-BASED GRANTS - The Committee may make other Grants under the Plan pursuant to which shares of Common Stock (which may, but need not, be shares of Restricted Stock pursuant to Paragraph 5(d)), are or may in the future be acquired, or Grants denominated in stock units, including ones valued using measures other than market value. Other Stock-Based Grants may be granted with or without consideration; PROVIDED, HOWEVER, that the price of any such Grant made for consideration that provides for the acquisition of shares of Common Stock or other equity securities of the Corporation may not be less than 50% of the Fair Market Value of the Common Stock or such other equity securities on the date of grant of such Grant. Such Other Stock-Based Grants may be made alone, in addition to or in tandem with any Grant of any type made under the Plan and must be consistent with the purposes of the Plan.

6. LIMITATIONS AND CONDITIONS

(a) The number of Shares available for Grants under this Plan shall be _________ shares of the authorized Common Stock as of the effective date of the Plan. The number of Shares subject to Grants under this Plan to any one Participant shall not be more than ________ shares. Unless restricted by applicable law, Shares related to Grants that are forfeited, terminated, cancelled or expire unexercised, 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 benefit 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 such benefit 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.

(g) Participants shall not be, and shall not have any of the rights or privileges of, stockholders of the Corporation in respect of any Shares purchasable in connection with any Grant unless and until certificates representing any such Shares have been issued by the Corporation to such Participants.

(h) No election as to benefits or exercise of Stock Options, Stock 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. TRANSFERS AND LEAVES OF ABSENCE

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 Subsidiary 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. ADJUSTMENTS

In the event of any change in the outstanding Common Stock by reason of a stock split, spin-off, stock dividend, stock combination or reclassification, recapitalization or merger, change of control, or similar event, the Committee may adjust appropriately the number of Shares subject to the Plan and available for or covered by Grants and Share prices related to outstanding Grants and make such other revisions to outstanding Grants as it deems are equitably required.

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 Stock Option or any Stock-Based Grant, the Committee may provide that such Stock Option or Stock-Based Grant cannot be exercised after the merger or consolidation of the Corporation into another corporation, the exchange of all or substantially all of the assets of the Corporation for the securities of another corporation, the acquisition by another corporation of 80% or more of the Corporation's then outstanding shares of voting stock or the recapitalization, reclassification, liquidation or dissolution of 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 Stock Option or Stock-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 Stock Option or Stock-Based Grant shall be exercisable as to all 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 Stock Option or Stock-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 Stock Option or Stock-Based Grant shall remain exercisable after any such event, from and after such event, any such Stock Option or Stock-Based Grant shall be exercisable 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 a number of shares of stock for which such Stock Option or Stock-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, without shareholder approval, increase the aggregate number of Shares available for Grants under the Plan, decrease the price of outstanding Options or Stock 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 shares upon the exercise of an Option or Stock Appreciation Right, upon payment of Performance units or shares, upon delivery of Restricted Stock or upon exercise, settlement or payment of any Other Stock-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 provide that the Participant may elect, in accordance with any conditions set forth in such Grant Agreement, to pay a portion or all of such withholding taxes in shares of Common Stock.

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 shall terminate ten years later, subject to earlier termination by the Board of Directors pursuant to Paragraph 10.

Exhibit 10(vii)

FORM OF
1996 UNIT INCENTIVE PLAN
FOR KEY EMPLOYEES OF
BORDEN FOODS CORPORATION AND ASSOCIATED PERSONS

1. PURPOSE OF PLAN

The 1996 Unit Incentive Plan for Key Employees of Borden Foods Corporation and Associated Persons (the "PLAN") is designed:

(a) to promote the long term financial interests and growth of Borden Foods Corporation (the "CORPORATION") and its Subsidiaries 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 the Corporation and 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 BFH LLC, including, without limitation, Borden Foods Holdings Corporation and the Corporation, or any other entity designated by the Board of Directors in which BFH LLC or an Associated Person has an interest, which may include, without limitation, a successor to BFH LLC.

(b) "BFH LLC" shall mean Borden Foods Holdings, LLC, a Delaware limited liability company.

(c) "BFH LLC UNIT" shall mean a Class A Unit or a Class B Unit (each as defined in the Limited Liability Company Agreement of BFH LLC), as the context may require.

(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 Subsidiaries 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.

(g) "EQUIVALENT COMPANY" shall mean any Associated Person that, at the relevant time, owns or operates, directly or indirectly, substantially all of the business and assets of BFH LLC and its Subsidiaries.

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

(i) "FAIR VALUE" means such value of a BFH LLC 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 BFH LLC Unit Option, Unit Appreciation Right, Purchase BFH LLC 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 Subsidiaries 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 BFH LLC 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.

(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 of any Associated Person, and none of the Corporation, BFH LLC or any Associated Person 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 and 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 of the Corporation.

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) BFH LLC UNIT OPTIONS - These are options to purchase BFH LLC 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 BFH LLC Units by the optionee.

(b) UNIT APPRECIATION RIGHTS - These are rights that on exercise entitle the holder to receive the excess of (i) the Fair Value on the date of exercise over (ii) the exercise price thereof multiplied by (iii) the number of rights exercised. The Committee, in the Grant Agreement or by other Plan rules, may impose such conditions or restrictions on the exercise of Unit Appreciation Rights and may provide for the conversion of the Unit Appreciation Rights into options to purchase ownership in BFH LLC or any Associated Person as it deems appropriate.

(c) PURCHASE BFH LLC UNIT - Purchase BFH LLC Units are BFH LLC 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 BFH LLC Units may not be less than 50% of the fair market value (as determined by the Committee) of the BFH LLC Units on the date such Purchase BFH LLC Units are offered.

(d) OTHER UNIT-BASED GRANTS - The Committee may make other Grants under the Plan pursuant to which BFH LLC 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.

6. LIMITATIONS AND CONDITIONS

(a) The number of BFH LLC Units available for Grants under this Plan initially shall be ___________, but may be increased or decreased (but in no event decreased to a number lower than the number of Purchase BFH LLC Units theretofore granted under the Plan), by the Committee in its sole discretion. Unless restricted by applicable law, the number of BFH LLC 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.

(g) Participants shall not be, and shall not have any of the rights or privileges of, members of BFH LLC or equity holders in any Associated Person in respect of any BFH LLC 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 BFH LLC Units or such other interests have been issued by BFH LLC or such Associated Person to such Participants.

(h) No election as to benefits or exercise of BFH LLC 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. TRANSFERS AND LEAVES OF ABSENCE

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. ADJUSTMENTS

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 BFH LLC Units or equity interests in an Equivalent Company or a reclassification, recapitalization or merger, change of control, or similar event affecting the Corporation, BFH LLC or an Equivalent Company, the Committee may adjust appropriately the outstanding Grants as it deems to be equitably required, including converting the Grants into grants of options or other rights to purchase ownership interests of 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 BFH LLC Unit Option or any Unit-Based Grant, the Committee may provide that such BFH LLC Unit Option or Unit-Based Grant cannot be exercised after the merger or consolidation of BFH LLC or the Corporation into another corporation, the exchange of all or substantially all of the assets of BFH LLC or the Corporation for the securities of another corporation, the sale of all or substantially all the assets of BFH LLC or the Corporation, the acquisition by another corporation of 80% or more of BFH LLC's or the Corporation's then outstanding units or shares of voting stock or the recapitalization, reclassification, liquidation or dissolution of BFH LLC 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 BFH LLC Unit Option or 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 BFH LLC Unit Option or Unit-Based Grant shall be exercisable 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 BFH LLC Unit Option or 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 BFH LLC Unit Option or Unit-Based Grant shall remain exercisable after any such event, from and after such event, any such BFH LLC Unit Option or Unit-Based Grant shall be exercisable 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 a number of units or shares of stock for which such BFH LLC Unit Option or 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 of outstanding BFH LLC 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 BFH LLC Units upon exercise of a BFH LLC Unit Option or to make payment upon exercise or settlement of any Unit Appreciation Right or 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 provide that the Participant may elect, in accordance with any conditions set forth in such Grant Agreement, to pay a portion or all of such withholding taxes in BFH LLC Units.

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 shall terminate ten years later, subject to earlier termination by the Board of Directors pursuant to Paragraph 10.

Exhibit 10(viii)(a)

BORDEN, INC.
1996 MANAGEMENT INCENTIVE PLAN

PLAN OVERVIEW

The objectives of the Management Incentive Plan are to align performance and rewards and provide competitive, total cash compensation. The key performance criteria which will be recognized under this plan are: financial performance for Borden, Inc. and individual critical measurements which impact the advancement of the organization.

TARGET INCENTIVE

Each participant will have a target incentive opportunity, stated as a percentage of salary. The target incentive opportunity will be based on financial performance measures accounting for 70% of the target incentive and critical measurements accounting for 30% of the target incentive opportunity. Based on actual performance, an award can be at, above, or below the target incentive opportunity.

FINANCIAL PERFORMANCE - 70% OF TARGET INCENTIVE

There are two portions to the financial performance measures: 1) EBITDA defined as earnings before interest and taxes plus depreciation and amortization, and 2) asset management defined as the 13 month average compared to the established asset management budget. EBITDA will be the basis for determining the financial performance award and asset management will be used to adjust that award.

CRITICAL MEASUREMENTS - 30% OF TARGET INCENTIVE

Each participant will have two to four individual critical measurement goals consistent with the desired advancement of Borden, Inc. performance, which will determine 30% of the target incentive award.

March 18, 1997

TOTAL AWARD

The total award given to a participant is based on actual results achieved using the sum of the financial performance award (EBITDA adjusted by asset management performance), plus individual performance on critical measurement goals.

MANAGEMENT INCENTIVE PROGRAM - DETAILED INFORMATION

TARGET INCENTIVE

The annual target incentive opportunity for each participant is stated as a percentage of salary (on December 31 of the plan year). Actual financial performance and critical measurement performance will determine if awards are paid at, above or below the established target incentive opportunity. The two performance categories are weighted to focus participants on the appropriate measures. Financial performance is weighted at 70% and critical measurement goals at 30% of the target incentive opportunity.

Example:

Salary:	$70,000
Annual Incentive Target:	20%
Incentive Target:	$14,000 (20% of $70,000)
Financial Award:	
EBITDA (at budget):	$ 9,800 (70% of $14,000)
Asset Management:	$ 0 (Asset Management at budget - no adjustment)
Critical Measurement Award:	$ 4,200 (30% of $14,000)

BORDEN, INC. FINANCIAL PERFORMANCE

The financial performance portion of the target incentive for Borden, Inc. is based on an established EBITDA budget which is defined as earnings before interest and taxes, plus depreciation and amortization. A financial performance award is paid only if actual EBITDA reported is at least 80% of the established Borden, Inc. EBITDA budget. If actual financial performance is at 120% of EBITDA budget, the maximum financial performance award will be paid.

DETERMINING FINANCIAL AWARD BASED ON EBITDA

The primary basis for determining the financial award will be actual EBITDA relative to the approved EBITDA budget. EBITDA has been selected because it provides a measure of earnings that reflects performance of our business on a day-to-day basis, since it excludes financing and tax considerations.

The following procedures will be followed in determining the financial performance award based on EBITDA:

- EBITDA will be adjusted for accounting policy changes dictated by the U.S. Securities and Exchange Commission (SEC), the U.S. Financial Accounting Standards Board (FASB) or the Borden, Inc. Chief Financial Officer.

- Special situations such as a provision for the sale or closing of a plant or business may be proposed for exclusion.

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The relationship between the financial performance award relative to actual EBITDA performance is as follows:

	PERCENT OF BUDGET EBITDA ACHIEVED	PERCENT OF TARGET AWARD EARNED
Threshold	80%	50%
Budget	100%	100%
Maximum	120%	200%

- If the EBITDA budget is achieved, the financial performance award at the target incentive level will be paid.

- If a minimum of 80% of the EBITDA budget is not achieved, no financial performance award will be paid.

- If 80% of EBITDA is achieved, 50% of the financial performance award will be paid.

- If 120% of EBITDA is achieved, the financial performance award of 200% of target incentive will be paid. Since the financial component of the award equals 70% of the target, this means that up to 140% of target can be earned based on financial results.

- Based on actual EBITDA performance compared to the EBITDA budget established for Borden, Inc., the participant's incentive award will be interpolated when performance is between minimum (80%) and target (100%) , or target (100%) and maximum (120%) performance based on the above table.

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Example:

Actual EBITDA Performance:	110% (halfway between EBITDA budget and 120% maximum)
Incentive Level:	150% (halfway between target and maximum opportunity)
Financial Incentive Award:	$14,700 (150% of $9,800)

ADJUSTING FINANCIAL AWARD BASED ON ASSET MANAGEMENT

Once your financial award based on EBITDA has been determined, it will be subject to an adjustment based on asset management performance, where actual asset management is compared to budgeted asset management.

The following procedures will be used in measuring asset management:

- Assets will be defined as follows: total assets (fixed assets net of depreciation plus current assets) minus intangibles (goodwill and other), minus cash, and minus current liabilities (except for income taxes, drafts payable and debt).

- Asset management will be computed on a 13-month average, from December 1995 through December 1996.

If actual asset management is at the budgeted level, then the financial performance award determined based on EBITDA will not be affected. However, if actual asset management performance deviates from budget, the financial award will be adjusted up to a maximum of plus or minus 20%, depending on the extent of the deviation from the budgeted level.

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The following relationship will be used to determine the asset management adjustment:

	PERCENT OF BUDGET NET ASSETS ACHIEVED	INCENTIVE PERCENT ADJUSTMENT
Threshold	110%	-20%
Budget	100%	0%
Maximum	90%	+20%

- If asset management is at budget, no adjustment will be made in the financial performance award.
- For every 1% that asset management performance exceeds budget, the financial performance award will decrease by 2%, to a maximum of -20% for asset management that is 10% or more above budget.
- For every 1% that asset management performance is below budget, the financial performance award will increase by 2%, to a maximum of +20% for asset management that is 10% or more below budget.
- If both EBITDA and asset management performance is achieved at the maximum level, the maximum financial performance award available is 168% of target (20% asset management adjustment of a 140% maximum EBITDA award).

Example:

EBITDA Incentive:	$14,700 (for EBITDA at 110% of budget)
Asset Management Performance:	4% below budget
Financial Award Adjustment:	+8% (+2% for every 1% that assets are below budget)
Asset Management Award Amount:	$1,176 (8% of $14,700)

CRITICAL MEASUREMENTS AWARD

As mentioned previously, 30% of the target incentive opportunity is based on the participant's performance on critical measurements. Unlike EBITDA and asset management, which are measured at the Borden, Inc. level, critical measurement results are measured separately for each participant. Participants can receive incentive payments for critical measurements in one of two ways:

1) When a minimum level of 80% of EBITDA is achieved, OR

2) Through establishment of a critical measurement incentive pool if 80% of EBITDA is not achieved.

The critical measurements for each participant will be consistent and mutually supportive for those within a unit. Each participant will establish goals on two to four critical measures, which are expected to contribute to the sustained future success of the business and can be measured objectively. Examples of critical measurement categories include (but are not limited to):

- Improved reporting system
- Quality
- Customer satisfaction
- New financial control system

The process for setting goals on the critical measurements will start with the Chief Executive Officer and his direct reports. These approved goals will provide a framework for all participants to develop their critical measurements. Consistent focus of critical measurements is important and therefore, managers will assign weights to each of the critical measurements so that the some of the weights adds to the 30% critical measurement target award.

At the end of the year, the critical measurement assessment will start with the Chief Executive Officer and his direct reports. Assessment of critical measurements for all other participants is expected to be generally consistent with that of the top executives, with allowance for a range of individual outcomes within a unit. After top management's assessments are completed, each of the participants will be evaluated by their manager, who will determine the impact on the incentive award. While the goals will have objective indicators of success, there will also be managerial judgment regarding the degree to which the strategic positioning of the company was improved, neutral or impeded during the year.

March 18, 1997

WHEN A MINIMUM LEVEL OF 80% EBITDA IS ACHIEVED

The process for determining awards will be as follows:

- If the critical measurement goals are achieved as expected, target awards will be paid.

- If the critical measurement goals are not fully met, a partial or no critical measurement award may be paid, depending on the degree of shortfall.

- If the critical measurement goals are exceeded, higher critical measurement awards may be paid.

- If exceptional performance on the critical measurements is achieved, the maximum critical measurement award available is 60% (200% of the 30% target).

Example:

Critical Measurement Award Target:	$4,200 (30% of target incentive)
Management Evaluation:	Exceeds Expectations
Award Determination:	125%
Critical Measurement Award Amount:	$5,250 (125% of $4,200)

ESTABLISHMENT OF A CRITICAL MEASUREMENT POOL - 80% OF EBITDA NOT ACHIEVED

As previously indicated, the amount of incentive awards that can be paid to all Borden, Inc. participants based on critical measurements is not constrained when at least 80% of the EBITDA budget is achieved. However, if 80% of the EBITDA budget is not met, a critical measurement pool will be created in accordance with the following schedule:

% ACHIEVEMENT OF EBITDA BUDGET	CRITICAL MEASUREMENT POOL AS A % OF TOTAL BORDEN INCENTIVE AWARD
79	28% of Target
78	26% of Target
77	24% of Target
76	22% of Target
75	20% of Target
74	18% of Target
73	16% of Target
72	14% of Target
71	12% of Target
70 or below	10% of Target

From this pool, critical measurement awards may be issued to individuals based on their performance relative to their critical measurements. Any one individual can receive an award from 0 up to 60% of target incentive. However, the awards made by Borden, Inc. may not exceed the total dollars available in the critical measurement pool.

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Example of critical measurement pool for all Borden, Inc., participants:

Total of all target incentive awards:	$1,000,000
Actual EBITDA Performance:	79% (of budget)
Critical Measurement Pool %:	28% (from table)
Critical Measurement Pool:	$ 280,000 (28% of $1,000,000)

TOTAL AWARD

The total incentive award is the sum of the financial performance award (comprised of EBITDA plus asset management performance) and the critical measurement award.

- If performance is below the minimum acceptable level for all components, awards will not be paid.

- If the financial performance components of EBITDA and asset management are achieved at budget and the critical measurements are achieved as expected, awards will be paid at the target incentive level.

- The maximum available award is 228% of the target incentive opportunity:

Financial performance award:	140% EBITDA (200% of 70% target)
	28% Asset Management (20% of 140% EBITDA)
Critical measurements award:	60% (200% of 30% target)

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Total Award Example:

Total Award = Financial Performance + Critical Measurement Award
Total Award = (EBITDA Award + Asset Management Award) + Critical Measurement Award
Total Award = ($14,700 + $1,176) + $5,250
Total Award = $21,126

AWARD PAYMENT

Award payments are subject to the following :

- Participants may elect to receive awards as a cash payment or defer all or a portion of incentive compensation. See separate Statement of Preference form to elect deferral of compensation.

- All participants who elect cash payments will receive awards net of all required federal, state and local taxes

If you have any questions concerning this incentive program, contact your manager or your Human Resource Manager.

March 18, 1997

BORDEN, INC. 1996 MANAGEMENT INCENTIVE PLAN
ADMINISTRATIVE GUIDELINES

1. Base Salary for Bonus Calculations

   December 31, 1996 Annual Base Salary will be used to calculate the incentive

2. Eligibility

   To be eligible to receive an incentive award under the program, you must be an active associate as of the end of the measurement period (i.e., December 31, 1996). The only exceptions to this rule are detailed below under item number 5.

3. Pro-Rata Eligibility

   Where incentives are to be paid for partial periods, the incentive will be calculated on a pro-rata basis. Eligibility for pro-rata payments is detailed in items number 4, 5, and 6 below. Pro-rata calculations will be done on whole months only.

4. New Hires, Transfers or Promotions During the Incentive Period

   For New Hires or participants added to the Plan in the first through third quarters, the bonus will be calculated on a pro-rated basis from the date of hire, but only in whole months. Fourth quarter New Hires will not be eligible for an award.

   For Promotions and Transfers, the bonus will be pro-rated from the date of promotion or transfer in whole months. This proration will apply to both changes in target incentive percentage and to changes in goals.

   For all pro-rations under this item, effective dates as of the first through the fifteenth of the month will count the full month. Effective dates as of the sixteenth through the last day of the month will not include that month in the pro-ration calculation.

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5. Termination During the Incentive Period

If it is a Voluntary Termination, no bonus will be earned.

If it is an Involuntary Termination due to unsatisfactory performance or cause, no bonus will be earned. Note: Achieving business results at the expense of violations of laws, regulations or business ethics or allowing any individuals to behave in this manner will be considered cause for termination.

If it is an Involuntary Termination due to job elimination or reorganization, the bonus will be paid, if earned, on a pro-rated basis as of the termination date. Termination effective on the first through the fifteenth of the month will not include the termination month in the pro-rata calculation. Terminations effective on the sixteenth through the last day of the month will include the termination month in the pro-rata calculation. Payments will be made at the same time as they are made to participants who continue to work for the Company through the end of the year.

6. Death or Disability During the Incentive Period

The incentive earned as of the date of death will be paid, on a pro-rated basis, to the estate of the participant at the same time payments are made to associates who continue to work for the Company through the end of the year.

Disabilities of 30 days or less will not have an impact on the participant's ability to continue to be eligible for an incentive.

If a disability lasts more than 30 days, then the incentive will be earned only for the period worked. The period worked will be determined on a pro-rated basis up until the date of disability and from the date of return to work. The pro-ration will operate in whole months where the first through the fifteenth as the date of disability will not count the month and the sixteenth through the end of the month as the date of disability will count the month; and where the first through the fifteenth as the date of return to work will count the month and the sixteenth through the end of the month as the date of return to work will not count the month. Incentive payments will be made at the same time as they are made to participants who work full-time for the Company through the end of the year.

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7. Adding Participants to the Plan

New participants will be added to this program during the year as recommended by the Senior Vice President Human Resources or Director Compensation and Benefits and approved by the Chief Executive Officer. The criteria for participation will be based on both similar job classification as the list of current participants in this program and a responsibility level commensurate with the participant's ability to influence goal outcomes. Approval will be required for both the addition of a participant to the program and the proposed participant's target incentive level.

8. Timing of Payments

Bonus awards will be paid as quickly after the end of 1996 as possible. Financial results will need to be finalized as appropriate by the Borden, Inc. Controller and the independent auditors before bonuses can be calculated and paid.

9. Financial Adjustments

Actual financial results as reported on a GAAP basis will be utilized for incentive award calculation with the following exceptions:

- Special situations, such as a provision for the sale or closing of a plant or business, may be proposed for exclusion IF THE PROPOSAL IS PRESENTED WHEN THE CHARGE IS TAKEN. Exclusions will need to be approved by the Borden, Inc. Chief Executive Officer and Chief Financial Officer.

- Accounting policy changes dictated by the U.S. Securities and Exchange Commission (SEC), the U.S. Financial Accounting Board (FASB), or the Borden, Inc. Chief Financial Officer may be proposed for exclusion IF THE PROPOSAL IS PRESENTED WHEN THE CHANGE IS MADE. Exclusions will need to be approved by the Borden, Inc. Chief Executive Officer and Chief Financial Officer

- If earnings were achieved in ways that are considered undesirable (such as reducing budgeted advertising expenditures where this would hurt the business), an adjustment may be made at the discretion of the Borden, Inc. Chief Executive Officer.

March 18, 1997

10. All Plan Payments Subject to Discretion

Notwithstanding the attainment of financial results, or part or all of the goals, all awards under the Plan are subject to the approval of the Chief Executive Officer of Borden, Inc.

March 18, 1997

Exhibit 10(viii)(b)

BORDEN SERVICES COMPANY
1996 MANAGEMENT INCENTIVE PLAN

PLAN OVERVIEW

The objectives of the Management Incentive Plan are to align performance and rewards and provide competitive, total cash compensation. The key performance criteria which will be recognized under this plan are: financial performance for Borden Services Company and individual critical measurements which impact the advancement of the organization.

TARGET INCENTIVE

Each participant will have a target incentive opportunity, stated as a percentage of salary. The target incentive opportunity will be based on financial performance measures accounting for 70% of the target incentive and critical measurements accounting for 30% of the target incentive opportunity. Based on actual performance, an award can be at, above, or below the target incentive opportunity.

FINANCIAL PERFORMANCE - 70% OF TARGET INCENTIVE

The financial performance measurement will be based on earnings from operations relative to budget - "EBIT" at the Borden Services Company level excluding the results of Aviation Services. Hereafter in this document, EBIT for Borden Services Company refers to earnings before interst and taxes, excluding the results of Aviation Services.

CRITICAL MEASUREMENTS - 30% OF TARGET INCENTIVE

Each participant will have two to four individual critical measurement goals consistent with the desired advancement of Borden Services Company performance, which will determine 30% of the target incentive award.

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TOTAL AWARD

The total award given to a participant is based on actual results achieved using the sum of the financial performance award (EBIT), plus individual performance on critical measurement goals.

MANAGEMENT INCENTIVE PROGRAM - DETAILED INFORMATION

TARGET INCENTIVE

The annual target incentive opportunity for each participant is stated as a percentage of salary (on December 31 of the plan year). Actual financial performance and critical measurement performance will determine if awards are paid at, above or below the established target incentive opportunity. The two performance categories are weighted to focus participants on the appropriate measures. Financial performance is weighted at 70% and critical measurement goals at 30% of the target incentive opportunity.

Example:

Salary:	$70,000
Annual Incentive Target:	20%
Incentive Target:	$14,000 (20% of $70,000)
Financial Award:	
EBIT (at budget):	$ 9,800 (70% of $14,000)
Critical Measurement Award:	$ 4,200 (30% of $14,000)

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BORDEN SERVICES COMPANY FINANCIAL PERFORMANCE

The financial performance portion of the target incentive for Borden Services Company is based on an established EBIT budget which is defined as earnings before interest and taxes and excluding the results of Aviation Services. A financial performance award is paid only if actual EBIT reported is at least 80% (as later defined) of the established Borden Services Company EBIT budget. If actual financial performance is at 120% (as later defined) of EBIT budget, the maximum financial performance award will be paid.

DETERMINING FINANCIAL AWARD BASED ON EBIT

The primary basis for determining the financial award will be actual EBIT relative to the approved EBIT budget. EBIT has been selected because it provides a measure of earnings that reflects performance of our business on a day-to-day basis, since it excludes financing and tax considerations.

The following procedures will be followed in determining the financial performance award based on EBIT:

- EBIT (both budget and actual) will be adjusted for accounting policy changes dictated by the U.S. Securities and Exchange Commission (SEC), the U.S. Financial Accounting Standards Board (FASB) or the Borden, Inc. Chief Financial Officer.

- Special situations such as a provision for the sale or closing of a plant or business may be proposed for exclusion.

March 18, 1997

The relationship between the financial performance award relative to actual Borden Services Company EBIT excluding Aviation Services is as follows:

PERCENT ACHIEVED	TOTAL BSC EBIT BEFORE ACTIVATION
50%	-$1.5 million
100%	$0
200%	$1.5 million

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- Because BSC has been purposely designed to have a break-even budget for 1996, variances from budget will be treated on an absolute basis.

- If the EBIT budget is achieved, the financial performance award at the target incentive level will be paid.

- No financial performance award will be paid for achieving losses greater than $1.5 million (defined as less than 80% of budget).

- 50% of the financial performance award will be paid for achieving EBIT that is $1.5 million below budget (defined ast 80% of budget).

- The financial performance award of 200% of target incentive will be paid for EBIT of $1.5 million or more above budget (defined as 120% of budget). Since the financial component of the award equals 70% of the target, this means that up to 140% of target can be earned based on financial results.

- Based on actual EBIT performance compared to the EBIT budget established for Borden Services Company, the participant's incentive award will be determined when performance is between minimum (80%) and target (100%) , or target (100%) and maximum (120%) performance based on the above graph.

Example of Financial Incentive Award Calculation for Borden Services Company:

BSC Actual EBIT	$750,000
BSC Budgeted EBIT	$ 0
Salary	$ 70,000
Annual Incentive Target	$ 14,000 (20% of $70,000)

Financial Incentive Award:	$ 9,800 (70% of $14,000)
Actual EBIT Performance:	110% (halfway between EBIT budget and 120% maximum)
Incentive Level:	150% (halfway between target and maximum opportunity)
Financial Incentive Award:	$ 14,700 (150% of $9,800)

CRITICAL MEASUREMENTS AWARD

As mentioned previously, 30% of the target incentive opportunity is based on the participant's performance on critical measurements. Unlike EBIT which is measured at the Borden Services Company level, critical measurement results are measured separately for each participant. Participants can receive incentive payments for critical measurements in one of two ways:

1) When a minimum level of 80% of EBIT is achieved, OR

2) Through establishment of a critical measurement incentive pool if 80% of EBIT is not achieved.

The critical measurements for each participant will be consistent and mutually supportive for those within a unit. Each participant will establish goals on two to four critical measurements, which are expected to contribute to the sustained future success of the business and can be measured objectively. Examples of critical measurement categories include (but are not limited to):

- Financial controls
- Market share
- Number or type of customers
- Quality
- Customer satisfaction
- New product introductions
- Customer retention

The process for setting goals on the critical measurements will start with the Chief Executive Officer and his direct reports. These approved goals will provide a framework for all participants to develop their critical measurements. Consistent focus of critical measurements is important and therefore, managers will assign weights to each of the critical measurements so that the sum of the weights adds to the 30% critical measurement target award.

At the end of the year, the critical measurement assessment will start with the Chief Executive Officer and his direct reports. Assessment of critical measurements for all other participants is expected to be generally consistent with that of the top executives, with allowance for a range of individual outcomes within a unit. After top management's assessments are completed, each of the participants will be evaluated by their manager, who will determine the impact on the incentive award. While the goals will have objective indicators of success, there will also be managerial judgment regarding the degree to which the strategic positioning of the company was improved, neutral or impeded during the year.

WHEN A MINIMUM LEVEL OF 80% EBIT IS ACHIEVED

The process for determining awards will be as follows:

- If the critical measurement goals are achieved as expected, target awards will be paid.

- If the critical measurement goals are not fully met, a partial or no critical measurement award may be paid, depending on the degree of shortfall.

- If the critical measurement goals are exceeded, higher critical measurement awards may be paid.

- If exceptional performance on the critical measurements is achieved, the maximum critical measurement award available is 60% (200% of the 30% target).

Example:

Critical Measurement Award Target:	$4,200 (30% of target incentive)

Management Evaluation:	Exceeds Expectations
Award Determination:	125%
Critical Measurement Award Amount:	$5,250 (125% of $4,200)

ESTABLISHMENT OF A CRITICAL MEASUREMENT POOL - 80% OF EBIT NOT ACHIEVED

As previously indicated, the amount of incentive awards that can be paid to all Borden Services Company participants based on critical measurements is not constrained when at least 80% of the EBIT budget is achieved. However, if 80% of the EBIT budget is not met, a critical measurement pool will be created in accordance with the following schedule:

% ACHIEVEMENT OF EBIT BUDGET	CRITICAL MEASUREMENT POOL AS A % OF TOTAL BORDEN INCENTIVE AWARD
79	28% of Target
78	26% of Target
77	24% of Target
76	22% of Target
75	20% of Target
74	18% of Target
73	16% of Target
72	14% of Target
71	12% of Target
70 or below	10% of Target

From this pool, critical measurement awards may be issued to individuals based on their performance relative to their critical measurements. Any one individual can receive an award from 0 up to 60% of target incentive. However, the awards made by Borden Services Company may not exceed the total dollars available in the critical measurement pool.

Example of critical measurement pool for all Borden Services Company participants:

Total of all target incentive awards:	$ 500,000
Actual EBITDA Performance:	79% (of budget)
Critical Measurement Pool %:	28% (from table)
Critical Measurement Pool:	$ 140,000 (28% of $500,000)

TOTAL AWARD

The total incentive award is the sum of the financial performance award (based on EBIT) and the critical measurement award.

- If performance is below the minimum acceptable level for all components, awards will not be paid.

- If the financial performance of EBIT is achieved at budget and the critical measurements are achieved as expected, awards will be paid at the target incentive level.

- The maximum available award is 200% of the target incentive opportunity:

Financial performance award:	140% EBIT (200% of 70% target)
Critical measurements award:	60% (200% of 30% target)

Total Award Example:

Total Award = Financial Performance (EBIT) + Critical Measurement Award
Total Award = $14,700 + $5,250

Total Award = $19,950

AWARD PAYMENT

Award payments are subject to the following :

- Participants may elect to receive awards as a cash payment or defer all or a portion of incentive compensation. See separate Statement of Preference form to elect deferral of compensation.

- All participants who elect cash payments will receive awards net of all required federal, state and local taxes

If you have any questions concerning this incentive program, contact your Team Leader or your Human Resource Manager.

March 18, 1997

BORDEN SERVICES COMPANY 1996 MANAGEMENT INCENTIVE PLAN
ADMINISTRATIVE GUIDELINES

1. Base Salary for Bonus Calculations

December 31, 1996 Annual Base Salary will be used to calculate the incentive

2. Eligibility

To be eligible to receive an incentive award under the program, you must be an active associate as of the end of the measurement period (i.e., December 31, 1996). The only exceptions to this rule are detailed below under item number 5.

3. Pro-Rata Eligibility

Where incentives are to be paid for partial periods, the incentive will be calculated on a pro-rata basis. Eligibility for pro-rata payments is detailed in items number 4, 5, and 6 below. Pro-rata calculations will be done on whole months only.

4. New Hires, Transfers or Promotions During the Incentive Period

For New Hires or participants added to the Plan in the first through third quarters, the bonus will be calculated on a pro-rated basis from the date of hire, but only in whole months. Fourth quarter New Hires will not be eligible for an award.

For Promotions and Transfers, the bonus will be pro-rated from the date of promotion or transfer in whole months. This proration will apply to both changes in target incentive percentage and to changes in goals.

For all pro-rations under this item, effective dates as of the first through the fifteenth of the month will count the full month. Effective dates as of the sixteenth through the last day of the month will not include that month in the pro-ration calculation.

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5. Termination During the Incentive Period

If it is a Voluntary Termination, no bonus will be earned.

If it is an Involuntary Termination due to unsatisfactory performance or cause, no bonus will be earned. Note: Achieving business results at the expense of violations of laws, regulations or business ethics or allowing any individuals to behave in this manner will be considered cause for termination.

If it is an Involuntary Termination due to job elimination or reorganization, the bonus will be paid, if earned, on a pro-rated basis as of the termination date. Termination effective on the first through the fifteenth of the month will not include the termination month in the pro-rata calculation. Terminations effective on the sixteenth through the last day of the month will include the termination month in the pro-rata calculation. Payments will be made at the same time as they are made to participants who continue to work for the Company through the end of the year.

6. Death or Disability During the Incentive Period

The incentive earned as of the date of death will be paid, on a pro-rated basis, to the estate of the participant at the same time payments are made to associates who continue to work for the Company through the end of the year.

Disabilities of 30 days or less will not have an impact on the participant's ability to continue to be eligible for an incentive.

If a disability lasts more than 30 days, then the incentive will be earned only for the period worked. The period worked will be determined on a pro-rated basis up until the date of disability and from the date of return to work. The pro-ration will operate in whole months where the first through the fifteenth as the date of disability will not count the month and the sixteenth through the end of the month as the date of disability will count the month; and where the first through the fifteenth as the date of return to work will count the month and the sixteenth through the end of the month as the date of return to work will not count the month. Incentive payments will be made at the same time as they are made to participants who work full-time for the Company through the end of the year.

7. Adding Participants to the Plan

New participants will be added to this program during the year as recommended by the Chief Executive Officer and Chief Financial Officer of Borden Services Company and approved by the Board of Directors. The criteria for participation will be based on both similar job classification as the list of current participants in this program and a responsibility level commensurate with the participant's ability to influence goal outcomes. Approval will be required for both the addition of a participant to the program and the proposed participant's target incentive level.

8. Timing of Payments

Bonus awards will be paid as quickly after the end of 1996 as possible. Financial results will need to be finalized as appropriate by the Borden, Inc. Controller and the independent auditors before bonuses can be calculated and paid.

9. Financial Adjustments

Actual financial results as reported on a GAAP basis will be utilized for incentive award calculation with the following exceptions:

- Special situations, such as a provision for the sale or closing of a plant or business, may be proposed for exclusion if the proposal is presented when the charge is taken. Exclusions will need to be approved by the BSC Board of Directors and the Borden, Inc. Chief Executive Officer.

- Special situations, such as the financial impact upon BSC from a loss of a significant portion of BSC's customer base, as the result of Borden, Inc.'s management decisions, may be proposed for adjustment if the impact can be reasonably measured. Such adjustments will require the concurrence of both the CEO and the CFO of Borden, Inc.

- Accounting policy changes dictated by the U.S. Securities and Exchange Commission (SEC), the U.S. Financial Accounting Board (FASB), or the Borden, Inc. Chief Financial Officer.

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- If earnings were achieved in ways that are considered undesirable (such as reducing budgeted equipment maintenance expenditures where this would hurt the business), an adjustment may be made at the discretion of the BSC Board of Directors.

- Favorable variances will not automatically be returned to customers until a full understanding of a rebate upon the final calculation of actual EBIT and its impact upon incentives is fully understood, or after incentive accrual is adjusted to actual.

10. All Plan Payments Subject to Discretion

Notwithstanding the attainment of financial results, or part or all of the goals, all awards under the Plan are subject to the approval of the Borden Services Company Board of Directors.

March 18, 1997

BORDEN FOODS

The objective of the Borden Foods management incentive compensation plan is to reaffirm the interest of the enterprise as a whole over short term self-interest while optimizing the "whole system" versus sub-optimizing the pieces.

TARGET INCENTIVE

Each participant will have a target incentive opportunity, stated as a percentage of salary (on December 31 of the plan year). Actual financial performance of Borden Foods and contribution to three critical areas will determine if awards are paid at, above, or below the established target incentive opportunity.

BORDEN FOODS CORPORATION FINANCIAL PERFORMANCE

The financial performance of the target incentive for BFC is based on an actual EBITDA (Earnings before interest and taxes, plus depreciation and amortization) performance compared to the established EBITDA budget.

MANAGEMENT INCENTIVE PROGRAM - DETAILED INFORMATION

TARGET INCENTIVE

The annual target incentive opportunity for each participant is stated as a percentage of salary (on December 31 of the plan year). Actual financial performance and individual contribution to the BFC transformation process will determine if awards are paid at, above or below the established target incentive opportunity. .

Example:

Salary:	$70,000
Annual Incentive Target:	20%
Incentive Target:	$14,000 (20% of $70,000)

BFC FINANCIAL PERFORMANCE

The financial performance portion of the target incentive for BFC is based on an established EBITDA budget which is defined as earnings before interest and taxes, plus depreciation and amortization. A financial performance award is paid only if actual EBITDA reported is at least 80% of the established Borden, Inc. EBITDA budget. If actual financial performance is at 120% of EBITDA budget, the maximum financial performance award will be paid.

DETERMINING FINANCIAL AWARD BASED ON EBITDA

The primary basis for determining the financial award will be actual EBITDA relative to the approved EBITDA budget. EBITDA has been selected because it provides a measure of earnings that reflects performance of our business on a day-to-day basis, since it excludes financing and tax considerations.

The following procedures will be followed in determining the financial performance award based on EBITDA:

- EBITDA will be adjusted for accounting policy changes dictated by the U.S. Securities and Exchange Commission (SEC), the U.S. Financial Accounting Standards Board (FASB) or the Borden, Inc. Chief Financial Officer.

- Special situations such as a provision for the sale or closing of a plant or business may be proposed for exclusion.

The relationship between the incentive pool relative to actual EBITDA performance is as follows:

STRIKE POINTS	ACTUAL EBITDA DEVIATION FROM BUDGET	PERCENT OF TARGET AWARD EARNED
Minimum	EBITDA underachieved by $20 million	50% of Target Award
Target	EBITDA at budget	100% of Target Award
Maximum	EBITDA overachieved by $20 million	200% of Target Award

- If the EBITDA budget is achieved, the financial performance award at the target incentive level will be paid.

- If the EBITDA budget is under achieved by more than $20 million, no incentive awards will be paid.

- If the EBITDA budget is under achieved by $20 million, 50% of the total MIP participants' incentive target will be paid.

- If EBITDA is over achieved by $20 million, 200% of total MIP participants' incentive targets will be paid.

- Based on actual EBITDA performance compared to the EBITDA budget established for BFC, the incentive award pool will be interpolated when performance is between minimum under achievement by $20 million) and target (100%), or target (100%) and maximum (over achievement by $20 million) performance based on the above table.

Example:

Actual EBITDA Performance:	$60.4 million (halfway between EBITDA budget and maximum)
Incentive Level:	150% (halfway between target and maximum opportunity)
Incentive Pool:	150% of the total participants' incentive targets

INDIVIDUAL PERFORMANCE

Each individual participant will be evaluated on three criteria:

- - Achievement of 1996 business or functional objectives in support of BFC attaining financial EBITDA goals

- - Support of the BFC transformation process

- - Support of the BFC transformation process of the organization to the next level.

Each participant will be measured using the performance rating scale below which is aligned with performance rating percentage

PERFORMANCE RATING	GUIDELINE PERCENTAGE
<2	0%
2	50%
3	100%
4	150%
5	200%

Any performance ratings between the points indicated above will be interpolated.

Once an individual's performance has been rated on all three criteria using the above scale, then a weighted average performance will be calculated by summing the three ratings and dividing by three.

Example:

Objective criteria:	Performance Rating:
Support of achieving EBITDA Goal	3
Support of Transformation process	4
Support of Transformation to next level	4
Weighted average performance	3.67

Using the weighted average performance rating, and the guideline percentages, the weighted average performance rating will be translated to an incentive percentage which when multiplied by the incentive target will give a preliminary payout.

Example:

Weighted average performance	3.67
Incentive percentage	133% (2/3 between 100% for 3 performance and 150% for 4 performance
Incentive target	$14,000 (20% of $70,000)
Preliminary Payout	$18,620 (133% of $14,000)

ADJUSTING THE PRELIMINARY PAYOUTS

The overall incentive pool available for payouts to individuals is limited by BFC financial performance compared to budget. Once the preliminary payouts are determined for each participant, it is likely that the sum of the preliminary payouts will either exceed or fall below the established incentive pool.

The total preliminary payout for all MIP participants will be divided by the total MIP participants incentive target to obtain an adjustment factor.

All individual preliminary payouts will be multiplied by the adjustment factor to realign awards with the total incentive target pool.

Example:

Individual Preliminary Payout	$18,620
Total Preliminary payout	$1,050,000
Total incentive target	$1,000,000
Adjustment factor	95.2%
Adjusted Individual Payout	$17,726 ($18,620 times 95.2%)

TOTAL AWARD

Based on actual BFC financial performance versus EBITDA budget, the total incentive pool will be established as outlined previously. Once the percent of target award earned has been determined, the adjusted individual payout will be multiplied by the percent of target award earned to calculate the final payment.

Example:

BFC Actual performance:	$60.4 million
Incentive level	150%
Individual Incentive Payment	$26,589

ADMINISTRATIVE GUIDELINES

1. Base Salary for Bonus Calculations

   December 31, 1996 Annual Base Salary will be used to calculate the incentive

2. Eligibility

   To be eligible to receive an incentive award under the program, you must be an active associate as of the end of the measurement period (i.e., December 31, 1996). The only exceptions to this rule are detailed below under item number 5.

3. Pro-Rata Eligibility

   Where incentives are to be paid for partial periods, the incentive will be calculated on a pro-rata basis. Eligibility for pro-rata payments is detailed in items number 4, 5, and 6 below. Pro-rata calculations will be done on whole months only.

4. New Hires, Transfers or Promotions During the Incentive Period

For New Hires or participants added to the Plan, the bonus will be calculated on a pro-rated basis from the date of hire, but only in whole months.

For Promotions and Transfers, the bonus will be pro-rated from the date of promotion or transfer in whole months. This pro-ration will apply to both changes in target incentive percentage and to changes in goals.

For all pro-rations under this item, effective dates as of the first through the fifteenth of the month will count the full month. Effective dates as of the sixteenth through the last day of the month will not include that month in the pro-ration calculation.

5. Termination During the Incentive Period

If it is a Voluntary Termination, no bonus will be earned.

If it is an Involuntary Termination due to unsatisfactory performance or cause, no bonus will be earned. Note: Achieving business results at the expense of violations of laws, regulations or business ethics or allowing any individuals to behave in this manner will be considered cause for termination.

If it is an Involuntary Termination due to job elimination or reorganization, the bonus will be paid, if earned, on a pro-rated basis as of the termination date. Termination effective on the first through the fifteenth of the month will not include the termination month in the pro-rata calculation. Terminations effective on the sixteenth through the last day of the month will include the termination month in the pro-rata calculation. Payments will be made at the same time as they are made to participants who continue to work for the Company through the end of the year.

6. Death or Disability During the Incentive Period

The incentive earned as of the date of death will be paid, on a pro-rated basis, to the estate of the participant at the same time payments are made to associates who continue to work for the Company through the end of the year.

Disabilities of 30 days or less will not have an impact on the participant's ability to continue to be eligible for an incentive.

If a disability lasts more than 30 days, then the incentive will be earned only for the period worked. The period worked will be determined on a pro-rated basis up until the date of disability and from the date of return to work. The pro-ration will operate in whole months where the first through the fifteenth as the date of disability will not count the month and the sixteenth through the end of the month as the date of disability will count the month; and where the first through the fifteenth as the date of return to work will count the month and the sixteenth through the end of the month as the date of return to work will not count the month. Incentive payments will be made at the same time as they are made to participants who work full-time for the Company through the end of the year.

7. Adding Participants to the Plan

New participants will be added to this program during the year as recommended by members of the Senior Management Team and reviewed and approved by Vice President Human Resources, BFC and the Chief Executive Officer. The criteria for participation will be based on both similar job classification as the list of current participants in this program and a responsibility level commensurate with the participant's ability to influence goal outcomes. Approval will be required for both the addition of a participant to the program and the proposed participant's target incentive level.

8. Timing of Payments

Bonus awards will be paid as quickly after the end of 1996 as possible. Financial results will need to be finalized as appropriate by the Borden, Inc. Controller and the independent auditors before bonuses can be calculated and paid.

9. Financial Adjustments

Actual financial results as reported on a GAAP basis will be utilized for incentive award calculation with the following exceptions:

- Special situations, such as a provision for the sale or closing of a plant or business, may be proposed for exclusion IF THE PROPOSAL IS PRESENTED WHEN THE CHARGE IS TAKEN. Exclusions will need to be approved by the Borden, Inc. Chief Executive Officer and Chief Financial Officer.

- Accounting policy changes dictated by the U.S. Securities and Exchange Commission (SEC), the U.S. Financial Accounting Board (FASB), or the Borden, Inc. Chief Financial Officer may be proposed for exclusion IF THE PROPOSAL IS PRESENTED WHEN THE CHANGE IS MADE. Exclusions will need to be approved by the Borden, Inc. Chief Executive Officer and Chief Financial Officer

- If earnings were achieved in ways that are considered undesirable (such as reducing budgeted advertising expenditures where this would hurt the business), an adjustment may be made at the discretion of the Borden, Inc. Chief Executive Officer.

10. All Plan Payments Subject to Discretion

Notwithstanding the attainment of financial results, or part or all of the goals, all awards under the Plan are subject to the approval of the Chief Executive Officer of Borden, Inc.

EXHIBIT 10(viii)(d)

BORDEN CHEMICAL, INC.

1996 MANAGEMENT INCENTIVE PLAN

Each participant will have a target incentive opportunity, stated as a percentage of salary. Awards at, above, or below target can be earned based on performance, using the following approach:

- Performance on earnings from operations relative to budget will determine the participant's preliminary award. This preliminary award can range down to zero and up to 200% of the individual's target award. Earnings will be measured before interest and taxes, with depreciation and amortization added back ("EBITDA"). EBITDA will be measured at the company level, with each participant's award based on results at the most relevant level(s).

- Once the preliminary awards are determined, they can be adjusted by up to + or - 20% based on performance on each of two types of measures. The first adjustment factor is assets relative to budget. The second adjustment factor is the individual's performance on non-financial measures of strategic importance. If the preliminary award is at the maximum of 200% of target and the maximum adjustment is earned on both adjustment factors, then the award will be 280% of target (200% + [40% x 200%]).

DETERMINING PRELIMINARY INCENTIVE AWARDS BASED ON EBITDA

The primary basis for determining awards will be EBITDA relative to budget. EBITDA is earnings from operations before interest and taxes, plus depreciation and amortization. This measure of earnings reflects how we do in running our business on a day to day basis, since it excludes financing and tax considerations.

The following procedures will be followed in measuring EBITDA:

- Negative EBITDA budgets will be treated on an absolute basis (i.e., if the budget is to lose $100, the losing $90 would be treated as a 10% improvement).

- Special situations, such as a provision for the sale or closing of a plant or business, may be proposed for exclusion.

- The treatment of foreign exchange for computing business unit results will vary by location. Where business is conducted exclusively or primarily in local currency, the plan exchange rate will be used when measuring results. In all other cases, where business is done primarily in U.S. dollars or in multiple currencies or the inflation rate is high, the actual exchange rate will be used in computing results.

- - Accounting policy changes dictated by the U.S. Securities and Exchange Commission (SEC), the U.S. Financial Accounting Standards Board (FASB) or the Borden, Inc. Chief Financial Officer.

The relationship between incentive awards relative to target and EBITDA relative to budget will vary depending on the size of the EBITDA budget. For business units with EBITDA budgets at or above $10 million, the relationship shown as follows will be used:

PERCENT OF EBITDA BUDGET ACHIEVED	PERCENT OF TARGET AWARD EARNED
90% of EBITDA budget	50% of Target Award
100% of EBITDA budget	100% of Target Award
110% of EBITDA budget	200% of Target Award

- - The target award is paid for meeting budget.

- - No award is paid for achieving less than 90% of budget.

- - 50% of the target award is paid for achieving 90% of budget.

- - Maximum award of 200% of target is paid for achieving 110% of budget.

- - Increased or decreased award percentages are used for EBITDA results between 90% and 100%, and between 100% and 110%, based on interpolation of the above table.

For business units with annual budgeted EBITDA below $10 million, the following table will be used:

ACTUAL EBITDA DEVIATION FROM BUDGET	PERCENT OF TARGET AWARD EARNED
- -$1.0 million	50% of Target Award
EBITDA Budget	100% of Target Award
+1.0 million	200% of Target Award

- - The target award is paid for meeting budget.

- - No award is paid for achieving less than $1.0 million below budget.

- - 50% of the target award is paid for achieving EBITDA that is $1.0 million below budget.

- - Maximum award of 200% of target is paid for an increase of $1.0 million above budget.

- - Increased or decreased award percentages are used for EBITDA results between these levels and budget, are interpolated based on the above table.

You can determine which of the two tables applies to you by checking the Budget EBITDA listed under Incentive Measurements on the Participant Summary attached to this information.

As an example of how the preliminary award determination would work, assume that a participant has a salary of $70,000, and an annual bonus target of 20%. His business unit has an EBITDA budget above $10 million, and the actual EBITDA is 105% of budget:

Salary	$70,000
Annual Incentive Target	20%, or $14,000
EBITDA as % of Budget	105%
% Award Earned	150%
Preliminary Award	$21,000

ADJUSTING PRELIMINARY AWARDS BASED ON ASSET MANAGEMENT
- --

Once awards based on EBITDA have been determined, they will be subject to adjustments based on two types of measures. The first is asset management, where actual assets will be compared to budgeted assets.

Assets will be defined as follows: total assets (fixed assets net of depreciation plus current assets) minus intangibles (goodwill and other), minus cash, and minus current liabilities (except for income taxes, drafts payable, and debt).

Additional procedures for measuring assets include:

- - Assets will be computed on a 13-month average, from December 1995 through December 1996.

- - An asset will be removed from the fixed asset base when production has ceased and it is determined that it is ready for sale.

- - Foreign exchange translations will be handled on the same basis as EBITDA in each location.

If actual assets are at the budgeted level, then the preliminary award determined based on EBITDA will not be affected. However, if assets deviate from budget, the EBITDA-based award will be adjusted, by up to + or - 20%, depending on the magnitude of the deviation from the assets budget. For business units with budgeted assets of $5 million or more, the following relationship will be used to determine the adjustment:

- No Adjustment if assets are at budget.

- EBITDA-based award increases by 2% for every 1% that assets fall below budget, up to +20% for assets that are 10% or more below budget.

- EBITDA-based award decreases by 2% for every 1% that assets exceed budget, down to - 20% for assets that are 10% or more above budget.

For business units with budgeted assets below $5 million, the following relationship will be used:

- No adjustment if assets are at budget.

- EBITDA-based award increases by up to 20% when assets fall below budget by $500,000 or more. This means that every $25,000 decrease in assets results in a 1% increase in the award until the maximum of +20% is achieved.

- EBITDA-based award decreases by up to 20% when assets exceed budget by $500,000 or more. This means that every $25,000 increase in assets results in a 1% decrease in the award until the maximum of -20% is achieved.

For the example used above, the participant's preliminary award based on EBITDA was $21,000. Assume that the participant's business unit has budgeted assets above $5 million, and that actual assets are 4% below budget. This means that the EBITDA-based award would be adjusted upward by 8%, or $1,680 ($21,000 x 8%).

For those participants whose awards are based partially on their own business unit's results and partially on the results of the company, the asset adjustment for each unit will be applied to the EBITDA results for that unit to determine each component of the award.

ADJUSTING PRELIMINARY AWARDS BASED ON CRITICAL MEASUREMENT

The second type of adjustment factor is based on the participant's performance on critical measurements. Unlike EBITDA and asset management, which are measured at the company and business unit levels, critical measurement results are measured separately for each participant. However, the critical measurements will be consistent and mutually supportive for those within a unit.

Each participant will set goals on two to four critical measures that are expected to contribute to the sustained future success of the company and that can be measured objectively. Examples of critical measurement categories include (but are not limited to):

- - Market Share
- - Number or type of customers
- - Quality
- - Customer satisfaction
- - New product introductions
- - Sale of assets at an attractive price
- - Health and safety improvements
- - New sales/promotion tracking system
- - New financial control system
- - Improved distribution system

The process for setting goals on the critical measures will start with the Chief Executive Officer and his direct reports. These goals will provide a framework for all participants to develop critical measures that support key company and business unit strategic initiatives.

At the end of the year, performance on each of the critical measures will be evaluated by the participant's manager, who will determine the impact on the incentive award. While the goals will have objective indicators of success, there will also be managerial judgment regarding the degree to which the strategic positioning of the company was improved, neutral, or harmed during the year. The process for determining awards will work as follows:

- - Each of the critical measures will be weighted in determining the adjustment, which in total can range up to a maximum of + or - 20%.

- - The weighting of each of the critical measures is to be approved by the participant's manager.

The critical measurement assessment will start with the Chief Executive Officer and his direct reports. Critical measures for successive levels of participants will be expected to be generally consistent with those of the top executives, with allowance for a range of individual outcomes within a unit.

For the example we have been using, the participant's preliminary award based on EBITDA was $21,000, and he received a +8% adjustment of $1,680 based on assets. Assuming he receives a +10% ($21,000 x 10%=$2,100) adjustment based on performance on the critical measures, then his total award for the year would be:

EBITDA	$ 21,000
Asset Adjustment	$ 1,680
Critical Measurements	$ 2,100

Total	$ 24,780
	========

Since the individual's target award was $14,000, this would represent 177% of target.

For those participants whose awards are based partially on their own business unit's results and partially on the results of the company, the critical measurement will be applied to the sum of the

EBITDA-based awards for the applicable business units.

The process for establishing and assessing the critical measures and goals is outlined on the following page.

If you have any questions concerning this incentive program, contact your manager or your Human Resource Manager.

EXHIBIT 10(xx)(i)

BORDEN FOODS CORPORATION
SUMMARY OF TERMS OF EMPLOYMENT
FOR: DOUGLAS A. SMITH

Title:	Chairman and CEO of Borden Foods Corporation
Base Salary:	U.S. $500,000 per year, paid bimonthly
Start Date:	On or before November 1, 1995
Start Bonus:	Start bonus of U.S. $250,000 (gross) to offset lost 1995 Kraft bonus income, to be paid after you start with Borden, or later if you so elect.
Bonus Opportunity:	You are eligible to participate in the Management Incentive Plan with an opportunity to earn 60%, at target, beginning January 1, 1996.
Bonus Guarantee:	U.S. $250,000 guaranteed for 1996 under the Management Incentive Plan with a maximum of U.S. $600,000 or 2 times target of 60%.
Equity Investment:	We will provide U.S. $200,000 (net) with which to invest in the management equity plan.
	Management Equity Plan share purchase limit of U.S. $500,000.
Retirement/Savings	Plan: As part of your employment agreement, you agree to participate in our 401K Retirement Savings program at a minimum contribution level of 5% for 12 full months.
Company Agreements:	Enclosed are a Security and Invention Agreement, Ethics Agreement and Conflict of Interest Agreement. Please review and sign these agreements.
Relocation:	Borden agrees to cover relocation expenses (up to the limits of our policy) that are not covered by your current company.
Severance:	2 years
Perquisites:	Cash perquisite package of U.S. $30,000 annually.
Other:	Business use of Borden Services aircraft. Commuting expense reimbursement through June 1996. Tax equalization through June 1996. 4 weeks vacation.
Offer Accepted:	By:/s/ Douglas A. Smith Date: 10/26/95

EXHIBIT 21
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BORDEN, INC.
SUBSIDIARIES OF REGISTRANT AS OF DECEMBER 31, 1996

Subsidiaries of Registrant:	The percentage of voting securities owned, or other basis of control	State or other jurisdiction of incorporation or organization
BCP Finance Corporation	100	Delaware
BCP Management, Inc.	100	Delaware
BDS Two, Inc.	100	Delaware
BDS Three, Inc.	100	Delaware
BDH One, Inc.	100	Delaware
Borden Decorative Products Holdings, Inc.	98.7	Delaware
Borden Decorative Products, Inc.	100	Delaware
WDP Investments, Inc.	100	Delaware
Reebor Limited (U.K.)	50	United Kingdom
Borden Decorative U.K. IHC, Inc.	100	Delaware
Borden Decorative Products Holdings, Ltd.	100	United Kingdom
Borden Decorative Products Limited	100	United Kingdom
Crown Wallcoverings-Borden Pension Trustee Ltd.	100	United Kingdom
Borden UK Common Investment Fund Trustees Limited	100	United Kingdom
Storeys Decorative Products Ltd.	100	United Kingdom
Borden Wallcoverings Pension Trustees Limited	100	United Kingdom
Borden Realty UK Limited	100	United Kingdom
JFI, Inc.	100	Illinois
BFE Corp.	100	Delaware
Re-Mi Foods, Inc.	100	Delaware
Sugeme, S.A.	8.0	Spain
BDH Two, Inc.	100	Delaware
BDS One, Inc.	100	Delaware
BFI Ltd., L.P.	100	Delaware
Borden Chemical Holdings, Inc.	95.5	Delaware
Borden Chemical Investments, Inc.	100	Delaware
Compania Quimica Borden Ecuatoriana, S.A.	83.3	Ecuador
Borden Chemical, Inc.	100	Delaware
Borden Chemical International, Inc.	100	Delaware
Compania Quimica Borden, S.A.	100	Panama
Borden Australia (Pty.) Ltd.	100	Australia
Borden Australia Superannuation (Pty) Limited	100	Australia
Borden Chemical (M.) Sdn. Bhd.	100	Malaysia
Borden Chemical Holdings Panama, S.A.	100	Panama
Borden Espana, S.A.	100	Spain
Italcolor, S.A.	100	Uruguay
Alba Quimica Industria e Comercio Ltda.	100	Brazil
Alba Amazonia S.A. Industrias Quimicas	100	Brazil
Alba Nordeste Industrias Quimica Ltda.	100	Brazil
The Wenham Corp., S.A.	100	Uruguay
Bexley Finance, S.A.	100	Panama
Bexley Comercio e Participacao Ltda.	100	Brazil

BORDEN, INC.
SUBSIDIARIES OF REGISTRANT AS OF DECEMBER 31, 1996

Subsidiaries of Registrant:	The percentage of voting securities owned, or other basis of control	State or other jurisdiction of incorporation or organization
Borden Chemie, S.A.	100	France
Borden International Philippines, Inc.	98	Philippines
Compania Casco S.A. Industrial y Comercial	99	Argentina
Gun Ei Borden International Resin Co. Ltd.	50	Japan
Borden Chemical U.K. IHC, Inc.	100	Delaware
Borden Chemical U.K. Ltd.	100	United Kingdom
Borden (Bray) Ltd.	100	Ireland
Borden Company Limited, The	100	Canada
Borden Company Limited, The	100	Ireland
Borden Foods Limited	100	Ireland
Borden International Packaging Ltd.	70	Ireland
Borden Exports Limited	100	Ireland
Borden International (Europe) Ltd.	100	Delaware
Borden International, Inc.	100	Delaware
Borden Japan, Inc.	100	Japan
Borden/Meadow Gold Dairies Holdings, Inc.	98.4	Delaware
Borden/Meadow Gold Dairies, Inc.	100	Delaware
Borden/Meadow Gold Dairies Investments, Inc.	100	Delaware
Meadow Gold Dairies Holding Company	100	Delaware
Meadow Gold Dairies, Inc.	100	Delaware
Elmer's Holdings, Inc.	98.5	Delaware
Elmer's Products, Inc.	100	Delaware
Elmer's Investments, Inc.	100	Delaware
Nedrob Affiliates, Inc.	100	Delaware
One Nedrob, Inc.	100	Delaware
Orchard Corporation of Hong Kong, The	100	Hong Kong
Productos Borden, Inc.	100	New Jersey
T.M.I. Associates, L.P.	100	Delaware
Zeelandia Investerings Partnership	100	New York
T. K. Partner, Inc.	100	Delaware
Zip Corporation	100	Delaware
Zcan Investments Ltd.	100	Canada

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
Page 3 of 4

THE FOLLOWING ARE SUBSIDIARIES INCLUDED IN THE BORDEN FAMILY OF COMPANIES BUT NOT INCLUDED IN THE REGISTRANT.

BORDEN, INC.

Subsidiaries of Registrant	The percentage of voting securities owned, or other basis of control by its immediate parent	State or other jurisdiction of incorporation/ organization
OTHERS		
Borden Foods Holdings Corporation	100	Delaware
Borden Foods Corporation	100	Delaware
Albadoro S.p.A.	100	Italy
Monder Aliment S.p.A.	100	Italy
Alisa, S.A.	100	Colombia
BDH One de Venezuela C. A.	100	Venezuela
Borden Belgium, N.V.	100	Belgium
Biscuiterie Muguet, N.V. (A)	100	Belgium
Borden Company A/S, The	100	Denmark
Cocio Chokolademaelk A/S	100	Denmark
Borden Ost A/S	100	Denmark
Borden Foods Puerto Rico, Inc.	100	Delaware
Codoveca C por A.	100	Dominican Republic
Borden International Foods (Asia-Pacific) Ltd.	100	Hong Kong
Compania Colombiana de Alimentos Lacteos, S.A.	100	Colombia
Compania Internacional de Ventas, S.A.	100	Panama
Borden (Proprietary) Limited	100	South Africa
Babelegi Processing (Pty.) Ltd.	100	South Africa
Borden Foods (Pty.) Ltd.	100	South Africa
Etiniser (Pty.) Ltd.	100	South Africa
Borden De Costa Rica S.A.	100	Costa Rica
Borden De Guatemala, S.A.	100	Guatemala
Compania Chiricana de Leche, S.A.	96.8	Panama
Inthesa, S.A. (D)	100	Panama
Productos Especiales, S.A. (D)	100	Panama
Estudios Marketing Internacional, S.A.	50	Panama
Ecumilk S.A.	100	Ecuador

NOTES:

(A) Inactive companies.

(D) A nominee company; an inactive company originally created to hold stock in another company.

EXHIBIT 21
Page 4 of 4

BORDEN, INC.

Subsidiaries of Registrant	The percentage of voting securities owned, or other basis of control by its immediate parent	State or other jurisdiction of incorporation/ organization
Fabrica de Productos Borden, S.A.	100	Panama
Helados Borden, S.A.	100	Panama
Pastas Alimenticias La Imperial, S.A.	100	Panama
Alimentos Nutritivos S.A.	100	Panama
Naxos S.A.	100	Panama
Qihe Dairy Corp. Ltd	50	Republic of China
Borden Redevelopment Corp.	100	Missouri
International Gourmet Specialties Company	100	New Jersey
Starflake Foods Company, Inc.	100	New York
Prince Company, Inc., The (A)	100	Massachusetts
BFC One Corporation	100	Delaware
BFC Two Corporation	100	Delaware
BFC Three Corporation	100	Delaware
BFC Four Corporation	100	Delaware
BFC Five Corporation	100	Delaware
BFC Six Corporation	100	Delaware
Wise Foods, Inc.	100	Delaware
Wise Foods Holdings, Inc.	100	Delaware
Wise Foods Investments, Inc.	100	Delaware
Caribbean Snacks, Inc.	100	Delaware
Wise Holdings, Inc.		
Moore's Quality Snack Foods, Inc. (A)	100	Virginia

NOTES:

(A) Inactive companies.

(D) A nominee company; an inactive company originally created to hold stock in another company.

EXHIBIT 23(i)

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 Borden, Inc. and Wise Holdings, Inc. dated February 26, 1997 and for Borden, Inc. and Affiliates dated February 26, 1997, (except for Note 18, as to which the date is March 20, 1997) and Borden Foods Holdings Corporation dated February 26, 1997 (except for Note 5, paragraph 3, as to which the date is March 20, 1997) appearing in this Annual Report on Form 10-K of Borden, Inc. for the year ended December 31, 1996.

DELOITTE & TOUCHE LLP

March 26, 1997

EXHIBIT 23(ii)

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Prospectus constituting part of the Registration Statement on Form S-3 (No. 33-57577) of Borden, Inc. and Affiliates of our reports dated February 16, 1995, except as to paragraph 1 of Note 1, the second sentence of paragraph 2 and paragraph 3 of Note 11, which are as of March 15, 1995, appearing on page 66 of this Form 10-K of this Form 10-K. We have not audited the combined financial statements of Borden, Inc. and Affiliates for any period subsequent to December 31, 1994.

PRICE WATERHOUSE LLP
Columbus, Ohio
March 17, 1997

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1,000,000

YEAR
DEC-31-1996
JAN-31-1996
DEC-31-1996
125
0
371
16
219
925
1,256
694
2,751
1,455
568
2
0
614
(764)
2,751
3,681
3,681
2,660
2,660
761
0
113
156
80
76
(331)
0
0
(333)
(1.67)
(1.67)