FORM 10-K

Annual report pursuant to section 13 and 15(d)

Filing Date: **1996-12-30** | Period of Report: **1996-09-30**
SEC Accession No. 0000950124-96-005675

FILER

RALCORP HOLDINGS INC

CIK:**918021**| IRS No.: **431664297** | State of Incorp.:**MO** | Fiscal Year End: **0930**
Type: **10-K** | Act: **34** | File No.: **001-12766** | Film No.: **96688426**
SIC: **2040** Grain mill products

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K
[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF
THE SECURITIES EXCHANGE ACT OF 1934
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 1996

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE
SECURITIES EXCHANGE ACT OF 1934
COMMISSION FILE NO. 1-12766

RALCORP HOLDINGS, INC.
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS ARTICLES)

MISSOURI	43-1664297
(STATE OF INCORPORATION)	(I.R.S. EMPLOYER IDENTIFICATION NUMBER)

800 MARKET STREET
SUITE 2900
ST. LOUIS, MISSOURI 63101
(314) 877-7000
(ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER, INCLUDING AREA CODE, OF REGISTRANT'S PRINCIPAL EXECUTIVE OFFICES)

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

<TABLE>
<CAPTION>

TITLE OF EACH CLASS	NAME OF EACH EXCHANGE ON WHICH REGISTERED
<S>	<C>
Common Stock, $.01 par value.....	New York Stock Exchange, Inc.
Common Stock Purchase Rights.....	New York Stock Exchange, Inc.

</TABLE>

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

Registrant 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 and 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 the definitive proxy statement incorporated by reference in Part III of this Form 10-K or any amendment of this Form 10-K. [X]

Aggregate market value of the voting stock held by nonaffiliates of the registrant $631,597,832 based upon the closing market price on November 29, 1996. Excluded from this figure is the voting stock held by Registrant's Directors, who are the only persons known to Registrant who may be considered to be its "affiliates" as defined under Rule 12b-2.

Number of shares of Common Stock, $.01 par value, outstanding as of close of business on December 27, 1996: 32,894,084.

DOCUMENTS INCORPORATED BY REFERENCE

PART I

ITEM 1. BUSINESS

Ralcorp Holdings, Inc. is a Missouri corporation incorporated on January 19, 1994. Its principal executive offices are located at 800 Market Street, Suite 2900, St. Louis, Missouri 63101. The term "Company" and "Ralcorp" as used herein refer to Ralcorp Holdings, Inc. and its consolidated subsidiaries.

The Company is primarily engaged in the manufacturing, distribution and marketing of private label and branded ready-to-eat cereal products and snacks, branded and private label crackers and cookies, and branded baby food and juices, and operates the Keystone, Arapahoe Basin and Breckenridge resorts in Summit County, Colorado.

Information under the following Items in this Report are incorporated into this Item 1: Item 6; and Item 7.

RECENT BUSINESS DEVELOPMENTS

The Company is the successor to, and owns and operates substantially all of, the ready-to-eat cereal and snack business conducted in the Western Hemisphere (the "Cereal Business"), "BEECH-NUT" baby food business (the "Baby Food Business"), private label and branded cracker and cookie business (the "Cracker and Cookie Business") and Keystone, Arapahoe Basin and Breckenridge resorts (the "Resort Operations"); (collectively, the "Ralcorp Businesses") formerly operated by Ralston Purina Company ("Ralston"). During the fiscal year, the Company sold its coupon redemption business (the "Coupon Redemption Business").

On July 23, 1996, the Company announced that it had reached a definitive agreement to sell its Resort Operations to Vail Resorts, Inc. ("Vail") for stock and assumed debt. As of December 26, 1996, the proposed sale is being reviewed by the United States Department of Justice ("DOJ") under the Hart-Scott-Rodino Antitrust Improvements Act ("HSR Act"). Unless extended by the parties, the definitive agreement expires on January 10, 1997. The Company believes the DOJ will make a decision whether to oppose the transaction or allow the parties to consummate the transaction prior to that date. The Company values the purchase price in excess of $310 million. Vail will pay for the ski resorts by assuming $165 million in Ralcorp debt and issuing Vail common stock to the Company.

On August 14, 1996, the Company announced it reached a definitive agreement to sell its branded ready-to-eat cereal and snack businesses (the "Branded Businesses") to General Mills, Inc. for General Mills common stock and the assumption of Ralcorp debt together valued at $570 million. On August 19, 1996, General Mills and Ralcorp each filed Premerger Notification and Report Forms pursuant to the HSR Act with the DOJ and the Federal Trade Commission ("FTC"). On September 18, 1996, Ralcorp and General Mills each received a request for additional information under the HSR Act from the FTC. On December 9, 1996, General Mills signed an agreement (the "Consent Agreement") relating to a proposed consent order with the FTC (the "Proposed FTC Order"). The FTC accepted the Consent Agreement for public comment on December 24, 1996, at which time the FTC granted early termination of the required waiting period under the HSR Act with respect to the Merger.

In order to effectuate the sale of the Branded Business, the Company plans to spin-off to its shareholders a newly formed company containing all of its businesses other than the Branded Business. The spin-off will be effectuated through the distribution of one share of stock in the newly formed company for each share of Ralcorp common stock owned on the record date for the spin-off. The Company will distribute an Information Statement describing the newly formed company. Immediately after the spin-off, the Company will merge with a subsidiary of General Mills. The merger will be effectuated by exchanging each share of Ralcorp common stock for a fractional share of General Mills common stock. The Company will distribute a proxy statement wherein it will request the Company's shareholders approve the above described spin-off and merger. The spin-off and merger transactions are conditioned on the receipt of shareholder approval. The Company anticipates holding a special meeting of shareholders on January 31, 1997. Documents relating thereto will be mailed to shareholders beginning on December 30, 1996.

On September 27, 1996, the Company announced the resignation of Richard A. Pearce as Co-Chief Executive Officer and President and Director of the Company.

On the same day, the Company announced that Joe R. Micheletto was appointed sole Chief Executive Officer and President of the Company in addition to his position as Director. Previously Mr. Micheletto served as the Company's Co-Chief Executive Officer and Chief Financial Officer and Director.

On October 14, 1996, the Company announced that Susan P. Widham was appointed Corporate Vice President and President of Beech-Nut Nutrition Corporation and Ronald D. Wilkinson was appointed Corporate Vice President and Director, Product Supply for the Ralston Foods cereal business.

OTHER INFORMATION PERTAINING TO THE BUSINESS OF THE COMPANY

TRADEMARKS

The Company owns a number of trademarks that it considers substantially important to its business, including "RALSTON", "CHEX", "CHEX MIX", "COOKIE CRISP", "BEECH-NUT", "STAGES", "KEYSTONE", "BRECKENRIDGE" and "ARAPAHOE BASIN".

SEGMENTS

The Company is presently comprised of the business segments: Consumer Foods and Resort Operations.

CONSUMER FOODS

For each of the last three fiscal years, Consumer Foods has accounted for approximately 90% of the sales of the Company. Ralcorp's principal products in its Consumer Foods segment are ready-to-eat cereals under various brand names including "CHEX" and "COOKIE-CRISP," various private label cereals produced for grocery retailers, snacks consisting of the cereal based "CHEX MIX" brand, specialty cracker products under the "RY-KRISP" brand, various private label crackers and cookies, and prepared baby foods and baby juices under the "BEECH-NUT" brand. The majority of the sales volume of the Consumer Foods segment is to supermarkets and other grocery retailers. Sales of the Consumer Foods segment tend to be somewhat seasonal, with historically strong fall and winter periods associated with "CHEX" party mix holiday promotions.

RESORT OPERATIONS

For each of the last three fiscal years, sales generated by the Resort Operations have accounted for approximately 10% of the sales of the Company. The Resort Operations consist of the Keystone, Arapahoe Basin and Breckenridge resorts located in Summit County, Colorado. Sales of the Resort Operations segment are highly seasonal, with sales primarily occurring during the winter ski season, with inconsequential off-season sales. In recent years, however, management has increased its efforts to increase the number of off-season visitors, through special promotional activities during the off-season and the construction of a multi-use convention facility for the attraction of conventions throughout the year. Performance of the Resort Operations segment is highly subject to weather conditions, but management, through expansion of snow-making capabilities and night skiing opportunities, has been able to increase the number of skier days at the Keystone Resort in recent periods. Ralcorp has formed a joint venture with Intrawest Corporation to develop the undeveloped real estate in the Keystone Resort.

DISTRIBUTION SYSTEM

Branded cereals, private label cereals and branded snacks are warehoused in seven independent warehouse facilities and shipped to customers principally via independent truck lines. These products are marketed primarily through food brokers to grocery wholesalers, retail chains, mass merchandisers, warehouse club outlets and other customers.

Principally, Beech-Nut products are shipped directly to accounts' warehouses. One independent warehouse facility is used in California. Beech-Nut products are marketed to retailers by a direct sales force in the metropolitan New York and Northern New Jersey areas, while a broker network is used in the remaining markets.

Private label crackers and private label cookies are manufactured in one location and shipped directly to accounts' warehouses. Branded crackers are

manufactured at another location and distributed through a direct store distribution network.

COMPETITION

The Company's businesses face intense competition from large branded cereal, cracker and cookie manufacturers, highly competitive private label cereal, cracker and cookie manufacturers, and large branded baby food manufacturers. Top branded ready-to-eat cereal competitors include Kellogg, General Mills, Kraft General Foods and Quaker. In the first half of calendar year 1996, major branded producers significantly reduced wholesale prices of many branded ready-to-eat cereal products and began advertising and promotion spending to publicize such decreases. The result has been a dramatic drop in earnings of the Cereal Business. The Baby Food Business is believed to currently rank second in sales for baby food products and its top competitor, Gerber Products Company, produces about 68% of branded baby foods sold in the United States. Recently, Gerber announced it intends to alter some of its product formulations to eliminate or reduce added starch and sugar. The Baby Food Business advertising has emphasized, for a number of years, the absence of added sugar and starch in many of its Beech-Nut baby food products. The Cracker and Cookie Business faces intense competition from large branded manufacturers such as Nabisco and Keebler/Sunshine who possess approximately 36% and 21%, respectively, of the branded cracker category and similar shares in the cookie category (on a volume basis). In addition, private label cracker and cookie manufacturers such as BakeLine, Wortz and Midwest Baking provide significant competition in the store brand segment.

The industries in which the Company's businesses compete are highly sensitive to both pricing and promotion. Competition is based upon product quality, price, effective promotional activities, and the ability to identify and satisfy emerging consumer preferences. These industries are expected to remain highly competitive in the foreseeable future. Future growth opportunities for the Company's businesses are expected to depend on Ralcorp's ability to implement strategies for competing effectively in all of its businesses, primarily the Cereal Business, including strategies relating to enhancing the performance of its employees, maintaining effective cost control programs, developing and implementing methods for more efficient manufacturing and distribution operations, and developing successful new products, while at the same time maintaining aggressive pricing and promotion of its products.

The ski industry is highly competitive. The Resort Operations compete with mountain resort areas in the United States, Canada and Europe for destination guests and with numerous ski areas in Colorado for the day skier. The Company also competes with other worldwide recreation resorts, including warm weather resorts, for the vacation guest. The Resort Operations' major U.S. competitors include the Utah ski areas, the Lake Tahoe ski areas in California and Nevada, the New England ski areas and the other major Colorado ski areas, including Copper Mountain, Vail, Telluride, Steamboat Springs, Winter Park, Loveland and the Aspen resorts. Total skier days generated by all United States ski areas have increased by a total of only 2% since the 1985-86 ski season which also has increased competition for the vacation guest. The competitive position of the Resort Operations is dependent upon many diverse factors such as proximity to population centers, availability and cost of transportation to the areas, including direct flight availability by major airlines, pricing, snowmaking facilities, type and quality of skiing offered, duration of the ski season, prevailing weather conditions, the number, quality and price of related services and lodging facilities, and the reputation of the areas. In addition to competition with other mountain and warm weather resorts for the vacation guest, the Resort Operations also face competition for day skiers from nearby population centers from varied alternative leisure activities, such as attendance at movies, sporting events and participation in alternative indoor and outdoor recreational activities.

EMPLOYEES

Ralcorp employs approximately 6,400 people in the United States, including approximately 2,300 seasonal employees utilized primarily in the Resort Operations segment. Approximately 16% of the Ralcorp personnel are covered by ten union contracts which terminate at various times from March 2, 1997 to April 5, 1998.

POTENTIAL ADVERSE EFFECTS OF ECONOMIC SLOWDOWN

Because the Resort Operations derive a significant portion of its revenues from the worldwide leisure market, an economic recession or other significant economic slowdown could adversely affect the Company's business. Although, historically, economic downturns have not had an adverse impact on the Company's operating results, there can be no assurance that a decrease in the amount of discretionary spending by the public in the future would not have an adverse effect on the Company's business.

RAW MATERIALS

The principal raw materials used in the Company's businesses are grain and grain products, flour, sugar, fruits and vegetables. The Company purchases such raw materials from local, regional, national and international suppliers. The cost of raw materials used in the Company's products may fluctuate widely due to weather conditions, government regulations, economic climate, or other unforeseen circumstances. During the past fiscal year certain key raw materials were at historically high prices. Agricultural products represent 30% to 48% of the Company's cost of goods sold in fiscal 1996. The cost of packaging supplies, predominately paper based, have increased dramatically over the past two years. Packaging prices represent 23% to 42% of the Company's cost of goods sold in fiscal 1996. From time to time the Company will enter into supply contracts for periods up to twelve months to secure favorable pricing for ingredient and packaging supplies.

GOVERNMENTAL REGULATION; ENVIRONMENTAL MATTERS

The operations of the Ralcorp Businesses are subject to regulation by various federal, state and local governmental entities and agencies. As a producer of goods for human consumption, such operations are subject to stringent production and labeling standards.

The operations of the Ralcorp Businesses, like those of similar businesses, are subject to various federal, state and local laws and regulations with respect to environmental matters, including air and water quality, underground fuel storage tanks, waste handling and disposal and other regulations intended to protect public health and the environment. Certain Ralcorp Businesses have received notices from the United States Environmental Protection Agency that they have been identified as a "potential responsible party" (PRP), under the Comprehensive Environmental Response, Compensation and Liability Act, as amended ("CERCLA"), and Ralcorp may be required to share in the cost of cleanup with respect to one disposal site. Under applicable law, Ralcorp's liability, if any, for the cleanup of the disposal site may be joint and several with all PRPs at this site. Management reviews a number of items to determine if the remediation associated with environmental matters is expected to be material to Ralcorp including, but not limited to, the stage of each proceeding; whether other parties have been designated as possibly responsible (including other PRPs) and the financial strength of such other parties; the nature and volume of hazardous material alleged to be located at a site; Ralcorp's alleged volumetric contribution to a site; the contemplated remedy for a site; any defenses or third party claims Ralcorp may have; indemnification arrangements with third parties; the number of years over which remediation costs will be distributed; reports of experts (internal or external); and appropriate governmental opinions on the remediation of a site. While it is difficult to quantify with certainty the potential financial impact of actions regarding expenditures for environmental matters, particularly remediation, shared cleanup costs at CERCLA sites, and future capital expenditures for environmental control equipment, in the opinion of management, based upon the information currently available, the ultimate liability arising from such environmental matters, taking into account established accruals for estimated liabilities, should not have a material effect on Ralcorp's capital expenditures, earnings and competitive position.

ITEM 2. PROPERTIES.

Ralcorp's principal properties are its manufacturing locations. Shown below are the locations of the principal properties which will be owned by Ralcorp following the Distribution. Ralcorp leases its principal executive offices and research and development facilities in St. Louis, Missouri. The management of Ralcorp believes its facilities are suitable and adequate for the purposes for which they are used and are adequately maintained.

<TABLE>
<CAPTION>

CEREAL PLANTS	CRACKER AND COOKIE PLANTS	BABY FOOD PLANTS	SKI RESORTS
<S>	<C>	<C>	<C>
Battle Creek, MI	Minneapolis, MN	Canajoharie, NY	Keystone, Summit County, CO
Cedar Rapids, IA	Princeton, KY	Fort Plain, NY	Breckenridge, Summit County, CO
Lancaster, OH			Arapahoe Basin, Summit County, CO
Sparks, NV			

</TABLE>

With respect to the Resort Operations, Ralston Resorts, Inc. has been granted the right to use approximately 3,156 acres, 5,571 acres and 825 acres of federal land under the terms of permits with the Forest Service for Breckenridge, Keystone and Arapahoe Basin, respectively. Both the Breckenridge permit and the Arapahoe Basin permit expire on December 31, 2029, while the Keystone permit expires on December 31, 2032. Each of the permits is terminable by the Forest Service if required for the public interest. While the Company believes that its relationship with the Forest Service is good, and to the Company's knowledge no recreational Special Use Permit or Term Special Use Permit for any major ski resort has ever been terminated by the Forest Service, a termination of any of the Resort Operations' permits would have a material adverse effect on the business and operations of the Company.

ITEM 3. LEGAL PROCEEDINGS.

Ralcorp is currently a party to a number of legal proceedings in various state and federal jurisdictions arising out of the operations of its businesses. These proceedings are in varying stages and some involve highly complex questions of law and fact.

On January 4, 1993, Ralston Purina, Ralcorp's former parent, was served with the first of nine substantively identical actions currently pending in the United States District Court for the District of New Jersey. The suits have been consolidated and styled In Re Baby Food Antitrust Litigation, No. 92-5495 (NHP). The consolidated proceeding is a certified class action by and on behalf of all direct purchasers of baby foods (other than the defendants and governmental entities), alleging that the Beech-Nut baby food business (and its predecessor, Nestle Holdings, Inc.) together with Gerber Products Company and H. J. Heinz Company, conspired to fix, maintain and stabilize the prices of baby foods during the period January 1, 1975 to August 31, 1992, and seeking treble damages. On January 19 and 21, 1993, Ralston Purina was served with two class actions on behalf of indirect purchasers (consumers) of baby food in California, which contain substantively identical charges. These actions have been consolidated in the Superior Court for the County of San Francisco and styled Bruce, et al. v. Gerber Products Company, et al., No. 94-8857. On January 19, 1993, Ralston Purina was served with a similar action filed in Alabama state court on behalf of indirect purchasers of baby food in Alabama, styled Johnson, et al. v. Gerber Products Company et al., No. 93-L-0333-NE. Both state actions allege violations of state antitrust laws and are substantively identical to each other. Similar state actions may be filed in states having laws permitting suits by indirect purchasers. Ralston Purina and Ralcorp have agreed in the reorganization agreement entered into in connection with the 1994 Spin-off of Ralcorp from Ralston Purina Company (the "Reorganization Agreement") that all expenses related to the above antitrust matters will be shared equally, but that Ralcorp's liability for any settlement or judgment will not exceed $5 million.

Except as noted, many of the foregoing matters are in preliminary stages, involve complex issues of law and fact and may proceed for protracted periods of time. Based upon a review of the petitions in the above antitrust matters, it appears that those actions contain questionable allegations and that there are numerous meritorious defenses. The amount of alleged liability, if any, from these proceedings cannot be determined with certainty; however, in the opinion of Ralcorp management, based upon the information presently known,

as well as upon the limitation of its liabilities set forth in the Reorganization Agreement, the ultimate liability of Ralcorp, if any, arising from the pending legal proceedings, as well as from asserted legal claims and known potential legal claims which are probable of assertion, taking into account established accruals for estimated liabilities, should not be material.

ITEM 4. SUBMISSION OF MATTERS TO VOTE OF SECURITY HOLDERS

There were no matters submitted to the security holders during the fourth quarter of fiscal year 1996.

ITEM 4(A). EXECUTIVE OFFICERS OF THE REGISTRANT.

<TABLE>
<S> <C> <C>

Joe R. Micheletto.....	60	Chief Executive Officer and President of Ralcorp since September, 1996. Previously he was named Co-Chief Executive Officer and Chief Financial Officer of Ralcorp in 1994. He served as Vice President and Controller of Ralston Purina Company from 1985 to 1994, and as Chief Executive Officer of Ralston Purina's Keystone Resorts from 1991 to 1994.
Kevin J. Hunt.....	45	Corporate Vice President and President of Bremner since October 1995. Previously, he was named Executive Vice President and President of Bremner, Inc. in 1994. Mr. Hunt joined Ralston Purina in 1985. He was named Director of Marketing for Continental Baking Company in 1988. In 1992, he was named Director of Planning, Corporate for Ralston Purina and was named President of Bremner, Inc. for Ralston Purina in 1993.
Robert W. Lockwood.....	52	Corporate Vice President, General Counsel and Secretary of Ralcorp since 1994. Mr. Lockwood joined Ralston Purina in 1976. In 1981, he was named Associate Counsel and Assistant Secretary of Ralston Purina Company and in 1989, he was named Vice President, Senior Counsel and Assistant Secretary of Ralston.
James A. Nichols.....	47	Corporate Vice President and President of Ralston Foods since December 1995. Previously, he was named Corporate Vice President of Ralcorp and President, Beech-Nut Nutrition Corporation in 1994. Mr. Nichols joined Ralston Purina in 1975. In 1985, he was named Vice President and Director of Marketing -- Cereal of Ralston Purina. In 1989, he was named President, Beech-Nut Nutrition Corporation of Ralston.
David P. Skarie.....	49	Corporate Vice President and Director of Customer Development of Ralcorp since 1994. Mr. Skarie joined Ralston Purina in 1986. In 1988, he was named National Sales Director, General Merchandise of Ralston Purina Company; in 1990, he was named Vice President, Eastern Division Sales of Ralston; in 1991, he was named Vice President, Field Sales of Ralston; and in 1993, he was named Vice President -- Director, Customer Development, Human Foods of Ralston.

</TABLE>

<TABLE>
<S> <C> <C>

Susan P. Widham.....	39	Corporate Vice President and President, Beech-Nut Nutrition Corporation since 1996. Ms. Widham joined Ralston Purina in 1985. In 1991, she was named Group Director, Marketing for Beech-Nut Nutrition Corporation; and in 1992, was named Director of Marketing for Beech-Nut. In 1994, she was named Vice President, Director of Marketing for Beech-Nut; and in 1995, was named Executive Vice President, Director of Marketing for Beech- Nut. In December, 1995, she was named Executive Vice President and Director of Branded Foods Marketing for Ralston Foods.
Ronald D. Wilkinson.....	46	Corporate Vice President and Director, Product Supply of Ralston Foods since 1996. Mr. Wilkinson joined Ralcorp in November, 1995. In 1991, he was named Director, Engineering U.S. Cereals for The Quaker Oats Company; and in 1992, was named Vice President, Supply Chain U.S. Cereals for The Quaker Oats Company. In November, 1995, Mr. Wilkinson joined Ralcorp as Executive Vice President and Director, Manufacturing for Ralston Foods; and in

June, 1996, was named Executive Vice President and Director, Product Supply for Ralston Foods.

</TABLE>

(Ages are as of December 31, 1996)

PART II

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

The Company's common stock (RAH) is traded on the New York Stock Exchange. There were 20,462 common shareholders of record on December 3, 1996. The Company does not intend to begin paying cash dividends in fiscal 1997.

The following table sets forth, for the fiscal quarters indicated (ended December 31, March 31, June 30 and September 30), the range of high and low sale prices of Ralcorp Common Stock as reported on the NYSE Composite Tape.

<TABLE>
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FISCAL QUARTER	RALCORP COMMON STOCK HIGH	LOW	DIVIDENDS
<S>	<C>	<C>	<C>
1995			
1st Quarter	$23 5/8	$18 5/8	$ --
2nd Quarter	25 1/4	21 5/8	--
3rd Quarter	25	21 1/2	--
4th Quarter	24 3/4	21 7/8	--
1996			
1st Quarter	$27 3/8	$22 5/8	$ --
2nd Quarter	28 1/4	23 3/8	--
3rd Quarter	25	20 3/8	--
4th Quarter	22 1/2	19 3/4	--

</TABLE>

ITEM 6. SELECTED FINANCIAL DATA.

RALCORP HOLDINGS, INC.

FIVE YEAR FINANCIAL SUMMARY
STATEMENT OF EARNINGS DATA

<TABLE>
<CAPTION>

	FOR THE YEAR ENDED SEPTEMBER 30,				
	1996	1995	1994	1993	1992
	(IN MILLIONS, EXCEPT PERCENTAGE DATA)				
<S>	<C>	<C>	<C>	<C>	<C>
Net Sales	$1,027.4	$1,013.4	$987.0	$902.8	$870.6
Depreciation and Amortization	46.4	46.7	44.2	35.3	29.2
(Loss) Earnings before Income Taxes, Interest Expense and Cumulative Effect of Accounting Changes	(46.3)	83.0	100.2	87.7	63.5
As a Percent of Sales	(4.5)%	8.2%	10.2%	9.7%	7.3%
(Loss) Earnings before Income Taxes and Cumulative Effect of Accounting Changes	$ (73.1)	$ 54.8	$ 87.9	$ 85.1	$ 61.2
Income Taxes	(26.3)	21.4	34.3	33.2	23.0
(Loss) Earnings before Cumulative Effect of Accounting Changes	(46.8)	33.4	53.6	51.9	38.2
Net (Loss) Earnings(a,b,c,d)	(46.8)	33.4	53.6	42.6	38.2

</TABLE>

BALANCE SHEET DATA

<TABLE>
<CAPTION>

	SEPTEMBER 30,

	1996	1995	1994	1993	1992
<S>	<C>	<C>	<C>	<C>	<C>
Working Capital(e)	$ 92.4	$ 104.7	$ 81.8	$ 54.8	$ 57.2
Property at Cost, Net	322.6	417.1	416.2	412.6	352.2
Additions (during the period)	60.2	59.3	38.2	50.8	64.3
Depreciation (during the period)	43.5	44.1	41.7	34.0	28.5
Total Assets	627.1	716.2	700.1	626.4	519.9
Long-Term Debt	376.6	395.4	389.4	30.3	27.9
Shareholders' Equity	107.4	162.4	141.2		
Ralston Equity Investment				474.4	380.0

</TABLE>

(a) Includes, in 1996, a $109.5 pre-tax impairment charge ($68.8 after taxes) related to its private label ready-to-eat cereal and consumer hot cereal operations.

(b) Includes, in 1996, a $16.5 pre-tax restructuring charge ($10.4 after taxes) to recognize the costs related to the restructuring of its ready-to-eat cereal subsidiary, Ralston Foods, Inc. The original charge of $20.7 was taken in the third quarter of 1996. In the fourth quarter of 1996, Ralcorp reversed $4.2 of that original amount. This reversal was offset by $4.0 ($2.5 after taxes) of transaction fees related to the proposed sale of the Resort Operations.

(c) Includes, in 1995, $21.9 pre-tax nonrecurring charges ($13.6 after taxes) related to exit of industrial oats and oats milling operations and impairment of the consumer hot cereal business.

(d) The cumulative effect of accounting changes for postretirement benefits other than pensions and for income taxes reduced earnings by $9.3, after taxes, in the year ended September 30, 1993.

(e) Excludes cash and current maturities of long-term debt, where applicable.

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

RALCORP HOLDINGS, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS

This discussion summarizes the significant factors affecting the consolidated operating results, financial condition and liquidity and capital resources of Ralcorp Holdings, Inc. (Company). This discussion should be read in conjunction with the Business Segment Information, Consolidated Financial Statements and Notes to Consolidated Financial Statements.

The Company operates in two business segments, the "Consumer Foods" segment, comprised of the cereals and snacks, baby food and crackers and cookies businesses, and the "Resort Operations" segment, consisting of the Keystone, Breckenridge and Arapahoe Basin ski resorts.

OVERVIEW

Fiscal 1996 proved to be a year in which the Company's businesses achieved varying performance levels. The Beech-Nut baby food business performed well in the first half of the fiscal year, but increased competitive pressure in the third and fourth quarters slowed Beech-Nut's operating profit growth. The Bremner cracker and cookie business recorded significant growth through new product sales and by adding new accounts throughout the year. A good winter ski season provided the ski resorts business with favorable year to year profit comparisons. Dramatic changes throughout the ready-to-eat cereal category and especially in the category's pricing structure had a significant negative impact on the operating results of the Ralston Foods cereal business. Cereal volume, both branded and private label, declined significantly for the year. The branded decline occurred primarily in the minor branded cereal products, a consistent negative trend, while the larger mainline Chex franchise performed reasonably well in a declining category, with only a slight year to year volume decline.

Private label cereal volume was hurt most by the difficult pricing environment within the cereal category, as the price gap between private label products and their branded counterparts significantly narrowed. Mitigating some of the unfavorable results of cereal operations was the continued growth experienced by the Ralston Foods' Chex Mix snack product.

On August 14, 1996, the Company announced an agreement to sell its branded cereal and snack business to General Mills for General Mills common stock and the assumption of debt and accrued interest not to exceed $300 million, together valued at $570 million. Currently, the Company estimates that the debt assumed will be between $210 and $240 million. The transaction will be accomplished through a tax-free merger of the Company's branded cereal and snack business with a subsidiary of General Mills (the Merger) and the spin-off of the Company's remaining businesses to the Company's shareholders (the Distribution). Subsequent to the close of the transaction, shareholders of the Company will hold shares of General Mills common stock and shares of the spun-off company.

On December 9, 1996, General Mills signed the Consent Agreement relating to the Proposed United States Federal Trade Commission (FTC) Order. The FTC accepted the Consent Agreement for public comment on December 24, 1996, at which time the FTC granted early termination of the required waiting period under the Hart-Scott-Rodino Antitrust Improvements Act (HSR Act) with respect to the Merger. The Proposed FTC Order will become final if the FTC enters the Proposed FTC Order after a 60-day public comment period. Pending entry of the Proposed FTC Order, General Mills has agreed to comply with it (but General Mills will no longer be bound by the Proposed FTC Order if the FTC withdraws its acceptance of the Consent Agreement). Under the Proposed FTC Order, General Mills would permit the newly spun-off company to compete against General Mills by producing and selling a Chex-type private label cereal as soon as the Merger is completed, and would permit a successor to acquire this right. General Mills and Ralcorp had originally agreed that the newly spun-off company would not produce and sell a Chex-type private label cereal for 18 months after the Merger. The parties intend to complete the Merger as soon as they satisfy all the conditions to the Merger, even if the public comment period has not expired and the Proposed FTC Order is not final.

The completion of the transaction is subject to approval by the Company's shareholders. It is possible that such approval may not be received. The Company anticipates holding a special meeting of shareholders on January 31, 1997. Documents relating thereto will be mailed to shareholders beginning on December 30, 1996.

On July 23, 1996, the Company announced an agreement to sell its Resort Operations to Vail in a transaction valued in excess of $310 million. The sale would allow the Company to significantly reduce its debt by $165 million and also retain an approximate 22% ownership interest in a newly combined company that would feature five of the premier ski resorts in North America. The completion of the transaction is subject to various government approvals, which may or may not be received.

The sale of the Resort Operations is being investigated by the United States Department of Justice (DOJ). The Company and Vail have complied with the request for additional information issued by the DOJ pursuant to the HSR Act. The Company and Vail have agreed to extend the time in which the DOJ has to review the proposed sale. Management believes a decision by the DOJ regarding whether the DOJ will challenge the proposed sale will be made prior to the end of December. Unless extended by the parties, the contract for the sale of Resort Operations to Vail terminates on January 10, 1997. If the Resort Operations are not sold to Vail, management will review whether to retain the Resort Operations and operate them as a core business or explore other strategic alternatives with respect to the Resort Operations.

OPERATING RESULTS

Operating results for fiscal 1996 and fiscal 1995 were impacted by certain significant one-time charges, which make year to year comparisons difficult. In fiscal 1996, the Company recorded a $109.5 million pre-tax impairment charge ($68.8 million after taxes or $2.09 per share) related to its private label cereal and consumer hot cereal operations. This charge was recorded under the provisions of Statement of Financial Accounting Standards No. 121 "Accounting for the Impairment of Long-Lived Assets and Long-Lived Assets to be Disposed Of"

("FAS 121"); see the "Nonrecurring Charges" footnote in the Notes to Consolidated Financial Statements. Also, in fiscal 1996, the Company recorded a pre-tax charge of $16.5 million ($10.4 million after taxes or $.31 per share) to recognize the costs related to the restructuring of its ready-to-eat cereal operations; see the "Restructuring Charge" footnote in the Notes to Consolidated Financial Statements. In fiscal 1995, the Company recorded pre-tax nonrecurring charges totaling $21.9 million ($13.6 million after taxes or $.41 per share) related to management's decision to exit the industrial oats business, close oats milling operations and impair certain long-lived assets related to the remaining consumer hot cereal business; see the "Nonrecurring Charges" footnote in the Notes to Consolidated Financial Statements. The fiscal 1995 nonrecurring charges were also determined under the provisions of FAS 121.

Including the above referenced charges, the Company recorded a net loss of $46.8 million or $1.42 per share for fiscal 1996, compared to net earnings of $33.4 million or $1.00 per share for fiscal 1995. Exclusive of the charges, fiscal 1996 resulted in net earnings of $32.4 million or $.98 per share compared to fiscal 1995 net earnings of $47.0 million or $1.41 per share. Net sales in fiscal 1996 were $1,027.4 million compared to $1,013.4 million in fiscal 1995, an improvement of $14.0 million or 1.4%. This slight increase is attributable primarily to Chex Mix and the Resort Operations, as well as favorable volume gains in both the cracker and cookie and baby food businesses, which were substantially offset by the significant cereal volume declines.

FISCAL 1996 COMPARED TO FISCAL 1995

Consumer Foods

Consumer Foods sales were essentially flat from 1995 to 1996, as segment sales went from $886.0 million in fiscal 1995 to $892.0 million in fiscal 1996. This slight increase was driven by significantly higher Chex Mix snack volume (which continued to realize the positive effects of a successful restage), increased cereal prices taken in advance of the category-wide pricing declines, higher baby food prices and volume, and improved cracker and cookie volumes. Substantially offsetting these positive factors were the significantly lower branded and private label cereal volumes. Dramatic price decreases coupled with promotional activities during fiscal

1996, directly and negatively effected the Company's cereal volumes. Branded cereal volume declined approximately 10% in the year and private label cereal volume declined approximately 4%. Although minor branded cereal products volumes were down significantly, the mainline CHEX franchise continued to perform reasonably well, down only slightly from a year ago. Sales of branded cereal is somewhat seasonal because the Company's Chex Party Mix holiday promotion. Management believes that erosion of a portion of the price gap between branded and private label cereal products, occurring primarily in the third and fourth quarters of fiscal 1996, resulted in the Company's first private label cereal volume decline.

As referred to earlier, Consumer Foods operating results for both fiscal 1996 and 1995 included certain significant one-time charges that make year to year comparisons difficult. Therefore, in an effort to present an analysis of the most comparable operating results, the following discussion of Consumer Foods operating profit excludes those charges.

Operating profit for the segment decreased 29.5% in 1996 to $67.3 million compared to $95.5 million in the previous year. The significant decline is due primarily to lower cereal results partially offset by improvements in Chex Mix and the baby food and cracker and cookie businesses. In the cereal and snack business, operating profit declined as a result of higher advertising and promotion expense, the continued negative impact of increased ingredient costs and higher information systems costs, partially offset by the strong performance of Chex Mix snacks and cereal pricing increases taken in advance of the category-wide pricing decline. Spider-Man cereal, introduced in fiscal 1995's fourth quarter, was an earnings disappointment with volumes significantly below expectations. Production of Spider-Man cereal has been discontinued. The Beech-Nut baby food business results improved primarily on strong domestic volume gains and favorable pricing, partially offset by higher ingredient costs. In addition, baby food operations were slowed in the second half of fiscal 1996 due to increased competitive pressures. The Bremner cracker and cookie business increased its operating results in fiscal 1996 by adding new product sales and

new accounts, resulting in additional volume, and by continuing to lower production costs.

Resort Operations

Resort Operations sales improved 6.3% in fiscal 1996 to $135.4 million compared to $127.4 million in 1995. The sales increase resulted primarily from a 5% improvement in skier visits, as well as an approximate 3% increase in room nights. Total skier visits for fiscal 1996 were 2.7 million. These improvements were the direct result of good ski conditions during the key winter months. As a result of these factors, Resort Operations recorded a record $23.0 million operating profit in fiscal 1996 compared to $17.1 million in the prior year, or an improvement of 34.5%

The skiing industry is mature, with slow overall growth, and is highly competitive. The Company's ski resorts compete with all types of recreation and vacation alternatives for the consumers' discretionary spending. In order to compete successfully, the resorts must aggressively promote in order to attract more skiers while implementing substantial cost reductions.

Operating results for this segment are highly seasonal. Historically, the resorts have earned more than the entire fiscal year's operating profit during the fiscal second quarter, which contains the peak of the ski season.

Consolidated

Consolidated net sales increased 1.4% in fiscal 1996 to $1,027.4 million due to improved revenues of Chex Mix and the Resort Operations, as well as favorable volume gains in both the cracker and cookie and baby food businesses. Cost of products sold as a percentage of sales was 52.3% in both fiscal 1996 and 1995 as increased Resort Operations revenues offset the increase in ingredient costs that affected the Company's other businesses. Selling, general and administrative expenses increased to 17.3% of sales in 1996 compared to 16.3% of sales in 1995 due to higher information systems costs and the inclusion, in fiscal 1996, of approximately $4.0 million of transaction costs related to the Company's proposed sale of its Resort Operations. Advertising and promotion expense as a percentage of sales increased to 22.7% of sales in fiscal 1996 from 21.0% in fiscal 1995. A significant portion of this increase is due to spending associated with Spider-Man, a new branded cereal in fiscal 1996, which has been discontinued, and stepped up promotional spending

necessary to protect the Company's mainline Chex franchise and its declining private label cereal business. Advertising and promotion spending in support of the very successful Chex Mix restage was also higher in fiscal 1996. Income taxes, which include federal and state taxes, were 36.0% of pre-tax losses in fiscal 1996 compared to 39.1% of pre-tax earnings in fiscal 1995. This decline in the effective tax rate is primarily due to the Company recording significant one-time charges in fiscal 1996. Tax provisions on earnings generally reflect statutory tax rates.

FISCAL 1995 COMPARED TO FISCAL 1994

Consumer Foods

Consumer Foods sales increased 3.7% in fiscal 1995 to $886.0 million due to higher sales in all businesses. The increase was driven by significantly higher Chex Mix snack volume following a successful restage, higher branded cereal prices and higher private label cereal volumes at Ralston Foods, higher baby food prices and an improvement in cracker and cookie volumes which were partially offset by lower branded cereal volumes. In cereals, volumes in mainline Chex again increased compared to the prior year while sales of Cookie Crisp dropped after a strong fiscal 1994 increase and minor share brands continued to decline. Sales of the Consumer Foods segment tend to be somewhat seasonal due to strong first quarter performance associated with the Chex Party Mix holiday promotion.

During fiscal 1995, the Company made a decision to close its industrial oats and oats milling operations in Cedar Rapids, Iowa. As a result of this decision, the Company recorded nonrecurring pre-tax charges totaling $21.9 million, comprised of a $10.1 million charge to cover the costs of exit, primarily for the write-down of related fixed assets, and $11.8 million

representing the impairment of the remaining intangible and fixed assets related to the consumer hot cereal business. The decision to exit the industrial business and close milling operations was reached due to excess industry capacity which depressed selling prices despite significantly higher raw ingredient costs and the location of the milling operations which placed the Company at a competitive disadvantage due to higher freight costs. Operating loss in the fiscal year ended September 30, 1995 for the operations affected by the exit decision was approximately $3.7 million. See the "Nonrecurring Charges" footnote, in the Notes to Consolidated Financial Statements, for further discussion of these charges.

Excluding the oats-related charges, operating profit for the segment increased 15% in fiscal 1995 to $95.5 million compared to $82.9 million in the previous year. The most significant factor behind the increase was the return to profitability of the Company's Bremner operation in fiscal 1995 after a significant fiscal 1994 loss. Compared to fiscal 1994, which was adversely affected by the forced relocation of Bremner's only facility, fiscal 1995 benefited from significantly lower production costs and higher volumes. Baby Food results increased on improved pricing partially offset by lower volume and higher advertising and promotion expenses. Operating profit for Ralston Foods declined moderately reflecting higher expenses related to the Company's accelerated cost reduction program and higher administrative expenses, primarily for information systems, partially offset by higher branded cereal prices and higher private label cereal volume.

Resort Operations

Resort sales fell 4% in fiscal 1995 to $127.4 million compared to $132.6 million in 1994. The sales decline resulted from a drop in skier visits associated with unfavorable weather conditions during the most important period of the ski season which was only partially offset by more favorable pricing. Poor winter results were partially offset by unexpected late season snowfalls which allowed the Company's Arapahoe Basin resort to remain open through early August 1995, and by increased summer conference business. As a result of these factors, operating profit declined to $17.1 million in fiscal 1995 compared to $20.5 million in the prior year.

In fiscal 1994, the Company formed a joint venture with Intrawest Corporation of Canada, a leading mountain resort operator and developer, to develop the Company's real estate holdings at the Keystone Resort. The Company contributed land to the joint venture at book value and will realize the market value of these holdings over time as land is sold or projects are completed and sold, in addition to sharing in any development profits with Intrawest.

Operating results for this segment are highly seasonal. Historically, the resorts have earned more than the entire fiscal year's operating profit during the second quarter, which contains the peak of the ski season.

Consolidated

Consolidated net sales increased 2.7% in fiscal 1995 to $1,013.4 million due to higher Consumer Foods sales partially offset by lower Resort revenues. The cost of products sold as a percentage of sales declined to 52.3% in fiscal 1995 compared to 53.1% in 1994 due to significantly improved efficiency at Bremner during 1995 compared to the move-affected prior year and due to improved margins in Baby Food. Selling, general and administrative expenses increased to 16.3% of sales in 1995 compared to 15.0% of sales in 1994 due primarily to higher information systems costs in fiscal 1995 and the increased costs associated with becoming a stand-alone company. Advertising and promotion expense as a percentage of sales declined slightly to 21.0% in the current year due to higher sales of private label products requiring lower levels of promotional support. Income taxes, which include federal and state taxes, were 39.1% in fiscal 1995 compared to 39.0% in 1994. Tax provisions generally reflect statutory tax rates.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flow from Operations

The Company's primary source of liquidity is cash flow from operations, which increased to $91.8 million in 1996 compared to $80.4 million in 1995 due

primarily to reduced working capital needs. The $9.6 million decline in operating cash flow in 1995 compared to 1994 was due primarily to heavier investments in inventories and higher 1995 year end receivables associated with new product introductions. Working capital, excluding cash and current maturities of long-term debt, was $92.4 million at September 30, 1996 compared to $104.7 million and $81.8 million at September 30, 1995 and 1994, respectively. The Company had no cash balances at September 30, 1996 and 1995.

The Company's businesses have historically focused on generating positive cash flows through operations. For the three years ended September 30, 1996, the Company was able to generate $262.2 million of cash from operations. Management believes that the Company will continue to generate operating cash flow through its mix of businesses and expects that future liquidity requirements will be met through a combination of operating cash flow and strategic use of borrowings available under existing bank credit agreements. Upon completion of either or both of the proposed sale transactions, management anticipates that the remaining businesses would continue to generate positive, but significantly lower, operating cash flows. If the proposed sale of Resort Operations is consummated prior to the consummation of the Merger, the Company will fund its borrowing needs through its existing credit arrangements. However, if the sale of Resort Operations is not completed prior to the Merger, then upon the consummation of the Merger, the Company expects to enter into a twelve to thirty-six month $200 million bridge credit facility with several lenders. It is likely the terms of such a facility will be more restrictive upon the Company's remaining business operations and will be at significantly higher interest rates than the Company's existing credit arrangements.

Investing Activities

Capital expenditures were $66.7 million, $66.1 million and $38.2 million in fiscal years 1996, 1995 and 1994, respectively. Capital expenditures for fiscal 1997 are expected to be approximately $35-$40 million. These fiscal 1997 projected expenditures include the Company's branded cereal and snack business and Resort Operations for only a portion of fiscal 1997, due to the anticipated completion of their respective sale transactions. If either or both transactions are not completed, capital expenditures for fiscal 1997 may be higher. During fiscal 1994, the Company disposed of two closed production facilities, the proceeds of which were $19.2 million.

Investing activities in 1994 also include the November 1993 purchase, for $39.2 million, of the oats processing and packaging and cereal-making operations of the National Oats Company division of Curtice Burns Foods, Inc., along with related manufacturing assets.

Financing Activities

In connection with the spinoff from Ralston Purina Company (Ralston), the Company assumed from Ralston $370 million of debt in a long-term bank credit agreement comprised of $120 million outstanding under a $200 million revolving credit arrangement and a $250 million term loan facility. During fiscal 1994, the Company issued $150 million in 8 3/4% notes due 2004, the proceeds of which were used to reduce borrowings under the credit agreement. During fiscal 1995, the Company amended the credit agreement, eliminating the term loan and placing the reduced $300 million total amount available under the credit agreement in the revolving credit facility. The amendment also resulted in a lower borrowing rate and reduced restrictions on stock repurchases and dividend payments, provided the Company maintains certain financial ratios and a minimum level of shareholders' equity. Through an additional amendment, in March 1996, the amount available under the revolving credit facility was further reduced to $275 million, comprised of a $100 million 364-day revolving facility and a $175 million five year revolving facility, and the related maturity date was moved to March 12, 2001. The March 1996 amendment retained many of the provisions negotiated through the 1995 amendment, again, provided the Company maintains certain financial ratios and a minimum level of shareholders' equity. In June 1996, Company management, realizing the potential negative impact of increased competitive pressures, sought and received less stringent debt and interest coverage ratios from the credit facility lenders for the third and fourth quarters of fiscal 1996. The Company met the amended ratios for each of these quarters. In September 1996, in contemplation of the sale of Resort Operations, the existing $275 million credit facility agreement was split into two separate agreements comprised, first, of a $140 million credit facility that was borrowed

directly by the Company's Resort Operations, and fully guaranteed by the Company, and, second, a continuing revolving credit facility with $135 million in available borrowings. Interest under both agreements is based on LIBOR and will vary based on the achievement of certain financial ratios.

As mentioned earlier, due to the unfavorable earnings expectations the Company secured less stringent levels for the interest and debt coverage ratios associated with its bank credit agreements. The ratios were scheduled to return to the original levels for the quarter ended December 31, 1996. On or about December 18, 1996, lenders under the Company's bank credit agreements reduced the interest and debt coverage ratios until March 31, 1997. Management believes that prior to any violation of such ratios, the Company will be able to renegotiate its bank credit agreements, obtain further waiver of the pertinent ratios, or obtain alternative financing at rates that may be higher than those existing through the current bank credit agreements.

In November 1995, in order to hedge its exposure to interest rate fluctuations on $100 million of existing floating-rate borrowings under the credit agreement, the Company entered into two interest rate swap transactions under which the Company will pay interest based on a fixed rate while receiving a LIBOR-based floating rate. Notional amounts under both transactions are $50 million and have terms that expire in November of calendar years 1997 and 1998.

During fiscal 1996, the Company repurchased $8.6 million of its Common Stock compared to $13.5 million in the prior year. As a result of activity during fiscal 1996 total debt declined $18.8 million to $376.6 million compared to $395.4 million at September 30, 1995. Despite the decline in outstanding long-term debt, total debt as a percentage of total capitalization rose to 77.9% at September 30, 1996 compared to 70.9% at September 30, 1995. This increase is attributable to the sharp decline in the retained earnings of the Company, a result of the substantial net loss, including significant one-time charges, recorded in fiscal 1996.

Prior to the spinoff from Ralston, Ralston sold certain of its trade accounts receivable, including amounts attributable to the Company's cereal business, to third party purchasers, subject to defined limited recourse provisions. During fiscal 1994, this program was discontinued, which had the effect of reducing cash flow from financing activities by $16.6 million.

On May 25, 1995, the Company's Board of Directors authorized management to repurchase up to one million shares of the Company's Common Stock from time to time as management determines. As of December 3, 1996, the Company had repurchased approximately 371,000 shares for $9.1 million pursuant to such authorization. A previous Board-approved authorization to repurchase $15.0 million worth of Company Common Stock was completed during fiscal 1995.

OUTLOOK

The difficult pricing environment in the ready-to-eat cereal category will continue to put pressure on the Company's private label cereal business. The Company has worked to regain a portion of the private label price gap lost to branded competitors, but near term private label cereal volume growth, if any, is expected to be modest, and most likely will come at the expense of any meaningful profit margin. In the near term, the combination of an unfavorable outlook for private label cereal profit and the continued declining performance by several of the Company's minor branded cereal products, while still a part of the Company's operations, creates an adverse financial outlook for the Company's cereal business. In baby foods, despite a declining birth rate in the United States, Beech-Nut has been able to record volume increases by continuing to focus on the production of high quality baby food products. The production of quality products, maintaining its presence in key regional areas and continued emphasis on controlling and cutting costs, create a positive outlook for Beech-Nut. The baby food business does, however, face significant competitive pressures, principally from the baby food market leader, Gerber Products Company. The outlook for the Bremner cracker and cookie business is also positive, as Bremner has been able to add volume through new products and new customers. In addition, a major capital project at the Bremner manufacturing plant was completed during the fourth quarter of fiscal 1996 which should allow the production and shipping of private label shredded wheat cereals and crackers to begin in early fiscal 1997.

Cost of products sold in the Consumer Foods segment depends to a significant extent on commodity prices which may fluctuate widely due to weather conditions, government regulations, economic climate or other unforeseen circumstances. The Company attempts to minimize its exposure to unexpected cost increases related to these factors primarily through advance commitments and, from time to time, by taking positions in futures markets.

If the sale of Resort Operations is not completed, then the operating results of the Company will be highly dependent on the results of operations of the Resort Operations. The Resort Operations have been profitable during the past three fiscal years. However, the Resort Operations' results are highly seasonal and dependent on weather conditions and consumers' discretionary spending trends, both of which are out of the control of management.

ENVIRONMENTAL MATTERS

The operations of the Company, like those of similar businesses, are subject to various federal, state and local laws and regulations with respect to environmental matters, including air and water quality, underground fuel storage tanks, waste handling and disposal and other regulations intended to protect public health and the environment. The Company has received notices from the U.S. Environmental Protection Agency, state agencies, and/or private parties seeking contribution, that it has been identified as a "potential responsible party" ("PRP") at one cleanup site, under the Comprehensive Environmental Response, Compensation and Liability Act, as amended ("CERCLA"), and the Company may be required to share in the cost of cleanup with respect to the one cleanup site. Under applicable law, the Company's liability, if any, for the cleanup of the disposal site may be joint and several with all PRPs at this site. Management reviews a number of items to determine if the remediation associated with environmental matters is expected to be material to the Company including, but not limited to, the stage of each proceeding; whether other parties have been designated as possibly responsible (including other PRPs) and the financial strength of such other parties; the nature and volume of hazardous material alleged to be located at a site; the Company's alleged volumetric contribution to a site; the contemplated remedy for a site; any defenses or third party claims the Company may have; indemnification arrangements with third parties; the number of years over which remediation costs will be distributed; reports of experts (internal or external); and appropriate governmental opinions on the remediation of a site. While it is difficult to quantify with certainty the potential financial impact of actions regarding expenditures for environmental matters, particularly remediation, shared cleanup costs at CERCLA sites, and future capital expenditures for environmental control equipment, in the opinion of management, based upon the information currently available, the ultimate liability arising from such environmental matters should not have a material effect on the Company's financial position and results of operations.

ACCOUNTING PRONOUNCEMENTS

In March 1995, the Financial Accounting Standards Board (the "FASB") issued FAS 121 which established accounting standards for recognizing the impairment of long-lived assets, identifiable intangibles and goodwill, whether to be disposed of or to be held and used. In general, FAS 121 requires recognition of an impairment loss when the sum of undiscounted expected future cash flows is less than the carrying amount of such assets. The Company applied the provisions of FAS 121 in recognition of the components of the previously discussed $109.5 million and $21.9 million pre-tax nonrecurring charges recorded in fiscal years 1996 and 1995, respectively. The Company will continue to evaluate the recoverability of the carrying value of all long-lived assets, as events or circumstances warrant.

In October 1995, the FASB issued Statement of Financial Accounting Standards No. 123 "Accounting for Stock-Based Compensation" ("FAS 123"). This statement established financial accounting and reporting standards for stock-based employee compensation plans. The accounting and disclosure requirements of FAS 123 are effective during the Company's fiscal year ended September 30, 1997. The Company will adopt the disclosure provisions of FAS 123, but will continue to account for compensation costs based on the provisions of Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees". Therefore, there will be no impact on the Company's financial condition or results of operations as a result of adopting FAS 123.

INFLATION

Management recognizes that inflationary pressures may have an adverse effect on the Company through higher asset replacement costs, related depreciation and higher material costs. The Company tries to minimize these effects through cost reductions and productivity improvements as well as price increases to maintain reasonable profit margins. It is management's view, however, that inflation has not had a significant impact on operations in the three years ended September 30, 1996.

CAUTIONARY STATEMENT ON FORWARD-LOOKING STATEMENTS

Forward-looking statements, within the meaning of Section 21E of the Exchange Act are made throughout this document and include information under the section titled "MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS," and are preceded by, followed by or include the words "believes," "expects," "anticipates" or similar expressions elsewhere in this document. The Company's results of operations and liquidity status may differ materially from those in the forward-looking statements. Such statements are based on management's current views and assumptions, and involve risks and uncertainties that could affect expected results. For example, any of the following factors cumulatively or individually may impact expected results:

(i) Key ingredients were at historically high prices during fiscal 1996 and while prices have moderated, similar cost increases in future periods would negatively impact earnings;

(ii) During fiscal 1996 the Company faced significant price discount promotions and price cutting by the largest branded cereal manufacturers and the same or similar promotions or continued price cutting in the future may negatively impact earnings;

(iii) If Ralcorp violates its interest or debt coverage ratios discussed in the Outlook section above and Ralcorp is unable to secure waivers of the ratios or amendments to its bank credit agreements, or obtain alternate sources of debt financing, then Ralcorp could be in default of its bank credit agreements (and its 8 3/4% $150 million Notes due September 15, 2004 by virtue of cross-default provisions therein). In such event, the lenders under the bank agreements (and the holders of the Notes) could accelerate repayment of the full amount of the debt and interest outstanding thereunder;

(iv) If the Company renegotiates its bank credit agreements or obtains alternate sources of financing, (a) the Company could face additional or more restrictive covenants preventing the Company from engaging in certain actions such as, but not limited to, payment of dividends, repurchases of stock,

making acquisitions and incurring additional indebtedness; and (b) the interest rates under such alternative financing may be significantly higher than under existing bank credit agreements; and

(v) The Company's businesses compete in mature segments and profit growth depends largely on the ability to successfully introduce new products and manage costs across all parts of the Company.

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RALCORP HOLDINGS, INC.

BUSINESS SEGMENT INFORMATION

Summarized financial information by business segment for the three years ended September 30, 1996 is set forth below. During these years the segments consisted of the following:

Consumer Foods
  Cereals and Snacks

Baby Food
Crackers and Cookies
Resort Operations

The Consumer Foods segment consists of cereals, baby food products and other specialty grocery products, primarily crackers, cookies, and snacks, and the coupon redemption business through January 31, 1996, the effective sale date of this business. The Resort Operations segment consists of the Keystone, Arapahoe Basin and Breckenridge resorts.

Sales between business segments were immaterial. No single customer accounted for 10% or more of sales.

<TABLE>
<CAPTION>

	1996	1995	1994
	(DOLLARS IN MILLIONS)		
<S>	<C>	<C>	<C>
Sales by Product Lines and Segments			
Consumer Foods			
Cereals and Snacks	$ 661.4	$ 670.1	$646.4
Baby Foods	152.8	147.2	142.9
Crackers and Cookies	77.8	68.7	65.1
Subtotal	$ 892.0	$ 886.0	$854.4
Resort Operations	135.4	127.4	132.6
Total	$1,027.4	$1,013.4	$987.0
Operating Profit			
Consumer Foods(a)	$ (58.7)	$ 73.6	$ 82.9
Resort Operations	23.0	17.1	20.5
Total	$ (35.7)	$ 90.7	$103.4
Unallocated Corporate and Miscellaneous Expense(b)	(10.6)	(7.7)	(3.2)
Interest Expense	(26.8)	(28.2)	(12.3)
(Loss) Earnings before Income Taxes	$ (73.1)	$ 54.8	$ 87.9
Assets at Year End			
Consumer Foods(c)	$ 342.5	$ 472.9	$445.5
Resort Operations	236.2	226.4	230.9
Corporate	48.4	16.9	23.7
Total	$ 627.1	$ 716.2	$700.1
Depreciation Expense			
Consumer Foods	$ 29.8	$ 31.3	$ 29.5
Resort Operations	13.7	12.8	12.2
Property Additions			
Consumer Foods	$ 42.3	$ 49.7	$ 27.8
Resort Operations	17.9	9.6	10.4

</TABLE>

(a) Includes the pre-tax impairment charge of $109.5 and the pre-tax restructuring charge $20.7 less the $4.2 reversal of that charge in 1996. Includes the pre-tax nonrecurring charges of $21.9 in 1995.

(b) Includes the $4.0 transaction fees related to the proposed sale of the Company's Resort Operations in 1996. Reflects the corporate expense incurred for periods subsequent to the spinoff from Ralston Purina.

(c) Includes the asset impairment charge of $109.5 and the asset writedown of $7.3 relating to the restructuring charge in 1996. Includes the asset writedown portion of the nonrecurring charges related to National Oats of $20.5 in 1995. Includes acquisition of National Oats in 1994.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

REPORT OF INDEPENDENT ACCOUNTANTS

To the Shareholders and
Board of Directors of
Ralcorp Holdings, Inc.

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of earnings, of shareholders' equity and of cash flows present fairly, in all material respects, the financial position of Ralcorp Holdings, Inc. and its subsidiaries at September 30, 1996 and 1995, and the results of their operations and their cash flows for each of the three years in the period ended September 30, 1996, 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.

Price Waterhouse LLP
St. Louis, Missouri
October 30, 1996

RALCORP HOLDINGS, INC.

CONSOLIDATED STATEMENT OF EARNINGS
(DOLLARS IN MILLIONS EXCEPT PER SHARE DATA)

<TABLE>
<CAPTION>

	YEAR ENDED SEPTEMBER 30		
	1996	1995	1994
<S>	<C>	<C>	<C>
Net Sales	$1,027.4	$1,013.4	$987.0
Costs and Expenses			
Cost of products sold	536.8	530.4	524.2
Selling, general and administrative	177.6	164.9	148.3
Advertising and promotion	233.3	213.2	214.2
Interest	26.8	28.2	12.3
Nonrecurring charges	109.5	21.9	
Restructuring charge	16.5		
Other (income)/expense, net	--	--	0.1
	1,100.5	958.6	899.1
(Loss) Earnings before Income Taxes	(73.1)	54.8	87.9
Income Taxes	(26.3)	21.4	34.3
Net (Loss) Earnings	$ (46.8)	$ 33.4	$ 53.6
(Loss) Earnings per Common Share-- (based on pro forma average shares for all periods prior to April 1, 1994)	$ (1.42)	$ 1.00	$ 1.59

</TABLE>

The above financial statement should be read in conjunction with the Notes to Consolidated Financial Statements.

RALCORP HOLDINGS, INC.

CONSOLIDATED BALANCE SHEET

<TABLE>
<CAPTION>

	SEPTEMBER 30,	
	1996	1995
	(IN MILLIONS EXCEPT SHARE DATA)	
<S>	<C>	<C>
ASSETS		
Current Assets		
Cash		
Receivables, less allowance for doubtful accounts	$ 75.5	$ 86.3
Inventories	103.3	110.1
Prepaid expenses	14.2	11.1
Total Current Assets	193.0	207.5
Investments and Other Assets	88.1	91.6
Deferred Income Taxes	23.4	
Property at Cost		
Land	27.9	22.9
Buildings	112.6	134.1
Machinery and equipment	370.4	469.9
Construction in progress	26.1	42.4
	537.0	669.3
Accumulated depreciation	214.4	252.2
	322.6	417.1
Total	$627.1	$716.2
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Current maturities of long-term debt	$ 1.8	$ 1.8
Accounts payable and accrued liabilities	100.6	102.8
Total Current Liabilities	102.4	104.6
Long-Term Debt	376.6	395.4
Deferred Income Taxes		20.2
Other Liabilities	40.7	33.6
Commitments and Contingencies		
Shareholders' Equity		
Common stock -- $.01 par value, issued shares: 1996 and 1995 -- 33,924,848	.3	.3
Capital in excess of par value	130.9	131.0
Retained (deficit) earnings	(.2)	46.6
Common stock in treasury, at cost, 1,007,932 shares in 1996 and 658,522 shares in 1995	(22.7)	(13.8)
Unearned portion of restricted stock	(.9)	(1.7)
Total Shareholders' Equity	107.4	162.4
Total	$627.1	$716.2

</TABLE>

The above financial statement should be read in conjunction with the Notes to Consolidated Financial Statements.

RALCORP HOLDINGS, INC.

CONSOLIDATED STATEMENT OF CASH FLOWS

<TABLE>
<CAPTION>

	FOR THE YEAR ENDED SEPTEMBER 30,

	1996	1995	1994
		(IN MILLIONS)	
<S>	<C>	<C>	<C>
Cash Flow from Operations			
Net (loss) earnings	$(46.8)	$ 33.4	$ 53.6
Adjustments to reconcile earnings to net cash flow provided by operations:			
Depreciation and amortization	46.4	46.7	44.2
Nonrecurring charges	109.5	21.9	
Restructuring charge, $16.5 less cash payments of $5.5	11.0		
Deferred income taxes	(45.8)	(8.4)	(2.0)
Changes in assets and liabilities used in operations:			
Decrease (increase) in accounts receivable	10.8	(8.6)	(15.0)
Decrease (increase) in inventories	6.9	(16.0)	(4.1)
(Increase) decrease in other current assets	(.9)	(1.0)	1.2
Decrease (increase) in long-term receivables		5.7	(4.2)
(Decrease) increase in accounts payable and accrued liabilities	(5.9)	(.4)	19.5
(Decrease) increase in other current liabilities			(.7)
Other, net	6.6	7.1	(2.5)
Net cash flow from operations	91.8	80.4	90.0
Cash Flow from Investing Activities			
Acquisition			(39.2)
Additions to property and intangible assets	(66.7)	(66.1)	(38.2)
Proceeds from the sale of property	6.0	4.3	19.2
Other, net	(3.7)	(2.7)	(.4)
Net cash used by investing activities	(64.4)	(64.5)	(58.6)
Cash Flow from Financing Activities			
Discontinued sale of trade receivables			(16.6)
Net repayments under credit agreement	(17.0)	(2.2)	(150.7)
Proceeds from long-term debt			150.0
Repayments of long-term debt, including current maturities	(1.8)	(.2)	(.2)
Repurchase of common stock	(8.6)	(13.5)	(2.0)
Net transactions with Ralston			(12.7)
Other, net			.6
Net cash (used) provided by financing activities	(27.4)	(15.9)	(31.6)
Net Decrease in Cash and Cash Equivalents	--	--	(.2)
Cash and Cash Equivalents, Beginning of Year			.2
Cash and Cash Equivalents, End of Year	$ --	$ --	$ --

</TABLE>

The above financial statement should be read in conjunction with the Notes to Consolidated Financial Statements.

RALCORP HOLDINGS, INC.

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

<TABLE>
<CAPTION>

	FOR THE THREE YEARS ENDED SEPTEMBER 30, 1996							
	RALSTON EQUITY INVESTMENT	COMMON STOCK SHARES	COMMON STOCK AMOUNT	CAPITAL IN EXCESS OF PAR VALUE	COMMON STOCK IN TREASURY, AT COST SHARES	COMMON STOCK IN TREASURY, AT COST AMOUNT	RETAINED EARNINGS	UNEARNED PORTION OF RESTRICTED STOCK
		(DOLLARS IN MILLIONS, SHARES IN THOUSANDS)						
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Balance, September 30, 1993	$ 474.4							

Net earnings	40.4							
Net transfer of assets/liabilities from Ralston	(372.1)							
Net transactions with Ralston	(12.7)							
Stock distribution to holders of RPG Stock	(130.0)	33,878	$ .3	$ 129.8				$ (.1)
Balance, March 31, 1994	--	33,878	.3	129.8				(.1)
Net earnings							$ 13.2	
Treasury stock purchased					(126)	$ (2.0)		
Activity under stock plans		44		1.1	126	2.0		(3.1)
Balance, September 30, 1994	--	33,922	.3	130.9	--	--	13.2	(3.2)
Net earnings							33.4	
Treasury stock purchased					(633)	(13.5)		
Activity under stock plans		3		.1	(26)	(.3)		
Amortization of restricted stock								1.5
Balance, September 30, 1995	--	33,925	.3	131.0	(659)	(13.8)	46.6	(1.7)
Net earnings							(46.8)	
Treasury stock purchased					(349)	(8.6)		
Activity under stock plans				(.1)		(.3)		
Amortization of restricted stock								.8
Balance, September 30, 1996	$ --	33,925	$ .3	$ 130.9	(1,008)	$(22.7)	$ (.2)	$ (.9)

</TABLE>

The above financial statement should be read in conjunction with the Notes to Consolidated Financial Statements.

RALCORP HOLDINGS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(DOLLARS IN MILLIONS, EXCEPT PER SHARE DATA)

NOTE 1: GENERAL INFORMATION

Effective at the close of business on March 31, 1994 (the 1994 Spin-off Date) Ralcorp Holdings, Inc. (the Company) became an independent, publicly owned company as a result of the distribution by Ralston Purina Company (Ralston) of the Company's $.01 par value Common Stock (Ralcorp Stock) to holders of Ralston-Ralston Purina Group $.10 par value Common Stock (RPG Stock), at a distribution ratio of one for three (the 1994 Spin-off). Prior to the 1994 Spin-off, the Company was formed as a wholly owned subsidiary of Ralston for the purpose of effecting the 1994 Spin-off. Included in this transaction was the transfer of substantially all of the assets and liabilities related to the branded and private label cereal business (excluding cereal products manufactured in Korea and France), baby food business, branded and private label crackers and cookies business, coupon redemption business and the ski operations business (collectively, the Ralcorp Businesses), all of which were previously owned by Ralston. Ralston did not retain any ownership interest in the Company.

For the purpose of governing certain of the relationships between Ralston and the Company, as well as providing an orderly transition to the status of two separate companies, Ralston and the Company entered into various agreements, including the Agreement and Plan of Reorganization (the Reorganization Agreement), Tax Sharing Agreement, Bridging Agreement, Trademark Agreement and other agreements.

These agreements deal with many operational issues, including (a) the separation of the Company from Ralston; (b) transitional services provided by Ralston to the Company, which included certain administrative, data processing and technical services and office facilities for use as the Company's headquarters; (c) certain research and other services provided by the Company to Ralston; (d) use of certain trademarks by the Company; and (e) the allocation of

certain tax and other liabilities among the Company and Ralston.

Charges for any services rendered between the Company and Ralston were determined on an arms' length basis. As of September 30, 1995 most of these arrangements had ended.

NOTE 2: BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION -- The financial statements as of, and for the years ended September 30, 1996 and 1995 are presented on a consolidated basis. The Statement of Earnings for the year ended September 30, 1994 includes the combined results of operations of the Ralcorp Businesses under Ralston for the six months prior to the 1994 Spin-off Date and the consolidated results of operations of the Company for the six month period ended September 30, 1994. All significant intercompany transactions have been eliminated. The combined financial statements include assets, liabilities, revenues and expenses that are directly related to the Ralcorp Businesses.

These financial statements include the accounts of Ralcorp and its majority-owned subsidiaries. All significant intercompany transactions are eliminated. Investments in affiliated companies, 20% through 50%-owned, are carried at equity.

CASH EQUIVALENTS for purposes of the Statement of Cash Flows are considered to be all highly liquid investments with an original maturity of three months or less.

FINANCIAL INSTRUMENTS -- The Company has a policy which allows the use of various derivative financial instruments to manage the Company's financial risk that exists as part of conducting business. Under the policy, the Company is not permitted to engage in speculative or leveraged transactions that have the potential for a disproportionate ratio between the change in value of the liability being hedged and the expected change in value of the related derivative instrument. The Company will not hold or issue financial instruments for trading purposes. As of September 30, 1996, the Company had two interest rate swap agreements outstanding, each with a notional principal amount of $50. The differential to be paid or received, with regard to these swap agreements, is accrued as interest rates change and is recognized over the life of the agreements.

INVENTORIES are valued generally at the lower of average cost or market. In connection with purchasing key raw ingredient materials, the Company follows a policy of from time to time using commodities futures contracts to minimize the risk associated with market price fluctuations. Such contracts are accounted for as hedges, with related gains and losses ultimately included as part of the cost of products sold. The effect of any realized or deferred gains or losses is immaterial to the financial condition and results of operations of the Company.

PROPERTY AT COST -- Expenditures for new facilities and those which substantially increase the useful lives of the property, including interest during construction, are capitalized. Maintenance, repairs and minor renewals are expensed as incurred. When properties are retired or otherwise disposed of, the related cost and accumulated depreciation are removed from the accounts and gains or losses on the disposition are reflected in earnings.

DEPRECIATION is generally provided on the straight-line basis by charges to costs or expenses at rates based on the estimated useful lives of the properties. Estimated useful lives range from 3 to 25 years for machinery and equipment and 10 to 50 years for buildings.

INTANGIBLE ASSETS include the excess of cost over the net tangible assets of acquired businesses and are amortized over estimated periods of related benefit ranging from 4 to 40 years. The Company also defers systems development costs when they reach technological feasibility. Amounts deferred are amortized over estimated periods of related benefit not to exceed 5 years. Intangible assets are included in Investments and Other Assets.

IMPAIRMENT -- The Company continually evaluates whether events or circumstances have occurred which might impair the recoverability of the carrying value of its long-lived assets, identifiable intangibles and goodwill.

PROPERTY HELD FOR DEVELOPMENT is recorded at cost and is included in Investments and Other Assets.

INCOME TAXES -- In accordance with the Tax Sharing Agreement, the Company is liable for federal, state and local tax liabilities for taxable periods beginning after the Distribution Date. Accordingly, the Ralcorp Businesses were included in the consolidated federal, state and local income tax returns filed by Ralston for periods ending on or before the 1994 Spin-off Date.

Income taxes have been provided in accordance with Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" (FAS 109). FAS 109 requires the liability method of income tax accounting, accordingly, a deferred tax liability or asset is recognized for the effect of temporary differences between financial and tax reporting.

EARNINGS PER SHARE -- The computation of earnings per common share for the years ended September 30, 1996 and 1995 are based on the weighted average number of shares of Ralcorp Stock outstanding for the years then ended. Earnings per common share for the year ended September 30, 1994 is computed using a combination of the average number of RPG Stock shares outstanding for the six months ended March 31, 1994, adjusted for the 1 for 3 distribution ratio, and the weighted average number of Ralcorp shares outstanding for the six months ended September 30, 1994.

ADVERTISING COSTS are expensed in the year in which the costs are incurred.

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, liabilities, revenues and expenses and the disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

RECLASSIFICATIONS -- Certain reclassifications of the prior year's amounts have been made to conform with the current year presentation.

NOTE 3: BUSINESS SEGMENT INFORMATION

The Business Segment Information section is an integral part of these financial statements. The related discussion of the Business Segments financial condition and results of operations is incorporated from "MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS."

NOTE 4: NONRECURRING CHARGES

In September 1996, the Company recorded a $109.5 pre-tax impairment charge related to its private label ready-to-eat cereal and consumer hot cereal operations. Recent and dramatic changes in the pricing and promotion environment of the ready-to-eat cereal category and the effect these changes have had and will continue to have on the Company's private label cereal business, caused the Company to record this charge. The charge was determined under the provisions of Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of," (FAS 121) which was issued by the Financial Accounting Standards Board in March 1995. FAS 121 established accounting standards for recognizing the impairment of long-lived assets, identifiable intangibles and goodwill, whether to be disposed of or to be held and used. In general, FAS 121 requires recognition of an impairment loss when the sum of undiscounted expected future cash flows is less than the carrying amount of such assets. Ultimately, it was determined that the projection of future cash flows generated by the private label cereal operations would not be sufficient to recover the carrying value of assets associated with such operations. The amount of the September 1996 impairment loss was recognized

(DOLLARS IN MILLIONS, EXCEPT PER SHARE DATA)

by the Company as a write-down of fixed assets to fair value.

In September 1995, the Company decided to exit the industrial oats business and close oats milling operations at its Cedar Rapids, Iowa facility. This decision did not affect the Company's branded and private label consumer hot cereal business which will continue to operate at the Cedar Rapids location. The consumer and industrial oats businesses were acquired in November 1993 as part of the acquisition of the National Oats Company from Curtice Burns Foods, Inc.

The decision to exit the industrial business and close milling operations was reached due to excess industry capacity which depressed selling prices despite significantly higher raw ingredient costs. In addition, the location of the milling operations placed the Company at a competitive disadvantage due to higher freight costs. As a result, the Company recorded, in fiscal 1995, a nonrecurring pre-tax charge of $10.1 to cover the costs of exit, consisting primarily of the write-down of the carrying value of related fixed assets, or $9.8, to fair value less related disposition costs. The fiscal 1995 operating loss, for the operations affected by the exit decision, was approximately $3.7.

In addition to the exit-related charge, the Company also recorded a non-recurring pre-tax charge of $11.8 in fiscal 1995 representing the impairment of the remaining fixed and intangible assets related to the consumer hot cereal business. (A portion of the fiscal 1996 impairment charge also pertained to these assets). The entry of a significant new competitor into the private label hot cereal category adversely affected the price structure of the category and precipitated the impairment charge. Like the fiscal 1996 charge, this charge and the previously mentioned exit charge, were determined under the provisions FAS 121. The amount of the September 1995 impairment loss was recognized by the Company as a write-down of goodwill and fixed assets to fair value.

With regard to all the above referenced charges, fair value was determined as the present value of estimated expected future cash flows using a discount rate commensurate with the risks involved.

NOTE 5: RESTRUCTURING CHARGE

For the year ended September 30, 1996, the Company recorded a pre-tax charge of $16.5 ($10.4 after taxes or $.31 per common share) to recognize the costs related to the restructuring of its ready-to-eat cereal subsidiary, Ralston Foods. As a result of this restructuring plan, approximately 100 positions have been eliminated from the Ralston Foods subsidiary and corporate support groups, primarily at the Company's headquarters in St. Louis. In addition, the restructuring plan includes the partial closing of the Ralston Foods production facility in Battle Creek, MI, thereby reducing excess production capacity in the Ralston Foods system and eliminating approximately 190 jobs from the production and administrative staffs at that facility.

The components of the restructuring charge and utilization to date were as follows:

<TABLE>
<CAPTION>

		AS OF SEPTEMBER 30, 1996	
	AMOUNTS CHARGED	AMOUNT UTILIZED	BALANCE
<S>	<C>	<C>	<C>
Salaries, severance and benefits	$ 8.0	$ 5.0	$ 3.0
Fixed asset writedowns	7.3	7.3	--
Other	1.2	.5	.7
Total	$16.5	$ 12.8	$ 3.7

</TABLE>

(DOLLARS IN MILLIONS, EXCEPT PER SHARE DATA)

NOTE 6: TRANSACTIONS WITH RALSTON

The Company and Ralston entered into a Bridging Agreement under which Ralston will continue to provide certain administrative, data processing and technical services and office facilities for the Company's headquarters. As of September 30, 1995 most of these arrangements had ended. Prior to the 1994 Spin-off Date the expenses related to these services were allocated to the Company based on utilization or other methods deemed reasonable by management. These allocations were $18.1 and $37.8 for the six months ended March 31, 1994, and year ended September 30, 1993, respectively. Actual expenses paid by the Company to Ralston for such services had declined to $1.7 for the year ended September 30, 1996 from $19.2 for the year ended September 30, 1995 and $10.3 for the six months ended September 30, 1994.

In addition, the Company sells certain goods for resale outside the United States to Ralston. These transactions were at negotiated prices. Included in the Statement of Earnings are sales to Ralston of $17.7 for the year ended September 30, 1994.

The Company also provides certain coupon and promotional materials processing services to Ralston. Terms and conditions for such services are similar to those negotiated by unrelated parties at arm's length, and the Company's charges to Ralston for these services were $7.7 for the year ended September 30, 1994.

NOTE 7: ACQUISITIONS

In November 1993, the Company purchased the oats processing and packaging and cereal making operations of the National Oats Company division of Curtice Burns Foods, Inc., along with certain related manufacturing assets for $39.2.

This acquisition was accounted for using the purchase method of accounting, and accordingly, the results of operations are included in the Consolidated Statement of Earnings from the date of acquisition.

NOTE 8: INCOME TAXES

The provisions for income taxes consisted of the following:

<TABLE>
<CAPTION>

	1996	1995	1994
<S>	<C>	<C>	<C>
Current:			
United States	$ 17.9	$26.2	$27.0
State	1.6	3.6	4.1
Total current	19.5	29.8	31.1
Deferred:			
United States	(42.1)	(7.9)	3.1
State	(3.7)	(.5)	.1
Total deferred	(45.8)	(8.4)	3.2
Income taxes before cumulative effect of accounting changes	$(26.3)	$21.4	$34.3

</TABLE>

Income taxes were 36.0%, 39.1% and 39.0% of pre-tax earnings in 1996, 1995 and 1994, respectively. A reconciliation of income taxes with the amounts computed at the statutory federal rate follows:

<TABLE>

(DOLLARS IN MILLIONS, EXCEPT PER SHARE DATA)

<CAPTION>

	1996	1995	1994
<S>	<C>	<C>	<C>
Computed tax at federal statutory rate (35.0% for all years).....	$(25.6)	$19.2	$30.8
State income taxes, net of federal tax benefit.....	(2.3)	2.0	2.7
Other, net.....	1.6	.2	.8
	$(26.3)	$21.4	$34.3

</TABLE>

The deferred tax assets and deferred tax liabilities as set forth on the consolidated balance sheet at September 30, 1996 and 1995 are as follows:

<TABLE>
<CAPTION>

	DEFERRED TAX ASSETS		DEFERRED TAX LIABILITIES	
	1996	1995	1996	1995
<S>	<C>	<C>	<C>	<C>
Current:				
Accrued liabilities.....	$ 5.4	$ 4.4		
Inventories.....	3.0	1.9		
Other items.....	.4	.3		
Total current.....	8.8	6.6		
Noncurrent:				
Property basis differences.....	4.0			$35.4
Postretirement benefits.....	5.9	5.5		
Intangible assets.....	7.0	3.9		
Workers' compensation.....	3.0	2.1		
Deferred compensation.....	1.7	2.4		
Other items.....	1.8	2.3		
Total noncurrent.....	23.4	15.2		35.4
Total deferred taxes.....	$32.2	$21.8	--	$35.4

</TABLE>

The significant change in property basis differences and intangible assets from September 30, 1995 to September 30, 1996 is directly attributable to the asset writedowns taken in conjunction with the impairment

of certain operating assets. See the "Nonrecurring Charges" footnote, found elsewhere in these Notes to Consolidated Financial Statements, for further information and details.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The Company believes it is probable that the net deferred tax assets, reflected above, will be realized on future tax returns, primarily from the generation of future taxable income.

Total income tax payments made by the Company were $25.9 and $29.7 for the years ended September 30, 1996 and 1995, respectively. Tax payments due on income earned prior to the 1994 Spin-off Date are the responsibility of Ralston.

NOTE 9: PENSION PLAN

The Company sponsors a noncontributory defined benefit pension plan which covers substantially all regular employees in the United States. The plan

(DOLLARS IN MILLIONS, EXCEPT PER SHARE DATA)

provides retirement benefits based on years of service and final-average or career-average earnings. It is the Company's practice to fund pension liabilities in accordance with the minimum and maximum limits imposed by the Employee Retirement Income Security Act of 1974 (ERISA) and federal income tax laws. Plan assets consist primarily of investments in commingled employee benefit trusts consisting of marketable equity securities, corporate and government debt securities and real estate.

Prior to the spin-off from Ralston, the Company participated in Ralston's defined benefit pension plans and certain jointly-administered multi-employer defined benefit plans and recorded pension costs as allocated by Ralston. The amount of such costs were $2.1 for the six months ended March 31, 1994, which includes the Company's expenses related to the multi-employer plans. The components of net pension costs for the periods subsequent to the spin-off include the following:

<TABLE>
<CAPTION>

	YEAR ENDED SEPT. 30, 1996	YEAR ENDED SEPT. 30, 1995	SIX MONTHS ENDED SEPT. 30, 1994
<S>	<C>	<C>	<C>
DEFINED BENEFIT PLAN			
Service cost (benefits earned during the period)....	$ 4.3	$ 4.0	$ 1.9
Interest cost on projected benefit obligation.....	5.6	4.8	2.4
Return on plan assets.....	(10.7)	(8.3)	(2.9)
Net amortization and deferral.....	4.8	3.1	.4
Total.....	$ 4.0	$ 3.6	$ 1.8

</TABLE>

The following table presents the funded status of the Company's defined benefit plan and amounts recognized in the balance sheet at September 30, 1996 and 1995:

<TABLE>
<CAPTION>

	1996	1995
<S>	<C>	<C>
Actuarial present value of:		
Vested benefits.....	$(54.6)	$(48.1)
Nonvested benefits.....	(7.5)	(6.4)
Accumulated benefit obligation.....	(62.1)	(54.5)
Effect of projected future salary increases.....	(17.3)	(18.1)
Projected benefit obligation.....	(79.4)	(72.6)
Plan assets at fair value.....	86.3	77.5
Plan assets in excess of projected benefit obligation.....	6.9	4.9
Unrecognized net gain.....	(16.7)	(12.7)
Unrecognized prior service cost.....	3.9	5.0
Unrecognized net asset at transition.....	(.6)	(.6)
Accrued pension costs included in Consolidated Balance Sheet.....	$ (6.5)	$ (3.4)

</TABLE>

As a result of the elimination of a significant number of jobs through the restructuring initiatives taken in the third quarter of fiscal 1996, see the "Restructuring Charge" footnote, the Company recognized a curtailment gain of $.7 to the pension plan.

The key actuarial assumptions used in determining net pension costs and the

projected benefit obligation were as follows:

<TABLE>
<CAPTION>

	1996	1995
<S>	<C> <C>	<C> <C>
Discount rate	7 5/8%	7 5/8%
Rate of future compensation increases	5 1/4%	5 1/4%
Long-term rate of return on plan assets	9 1/2%	9 1/2%

</TABLE>

In addition, the Company sponsors a defined contribution plan covering a substantial majority of its employees under which the Company makes matching contributions of up to 100% of employee contributions depending on years of service. The Company matching contribution is capped at a certain percentage of employee earnings. Prior to the spin-off from Ralston, most employees of the Company participated in Ralston's defined contribution plan which provided benefits on the same basis. The cost of the Company's defined contribution plan for the years ended September 30, 1996 and 1995 and six months ended September 30, 1994 were $5.2, $5.7 and $3.0, respectively. The costs allocated to the Company related to its participation in Ralston's defined contribution plan prior to the spin-off totaled $3.1 for the six months ended March 31, 1994.

NOTE 10: POSTRETIREMENT BENEFITS OTHER THAN PENSIONS AND POSTEMPLOYMENT BENEFITS

The Company provides health care and life insurance benefits for certain groups of retired employees who meet specified age and years of service requirements. The Company is, however, phasing out its subsidy of medical benefits for a substantial majority of its future retirees. Retiree contributions are adjusted periodically in order to share increases in the costs of providing medical benefits.

Prior to the spin-off from Ralston, Ralston allocated the cost of these benefits to the Company. The costs of retiree health and life insurance benefits allocated to the Company by Ralston prior to the spin-off were $.7 for the six months ended March 31, 1994.

The net periodic cost of postretirement benefits for the period subsequent to the spin-off includes the following components:

<TABLE>
<CAPTION>

	YEAR ENDED SEPT. 30, 1996	YEAR ENDED SEPT. 30, 1995	SIX MONTHS ENDED SEPT. 30, 1994
<S>	<C>	<C>	<C>
Service cost	$ .3	$ .3	$ .2
Interest cost	1.0	.9	.5
Amortization of unrecognized prior service cost	.1	(.1)	
Net periodic postretirement benefit costs	$1.4	$ 1.1	$ .7

</TABLE>

The following table sets forth the status of the Company's postretirement benefit plans at September 30, 1996 and 1995:

<TABLE>
<CAPTION>

	1996	1995
<S>	<C>	<C>
Accumulated postretirement benefit obligation:		
Retirees	$ 3.4	$ 2.1
Fully eligible active plan participants	6.5	6.8

</TABLE>

(DOLLARS IN MILLIONS, EXCEPT PER SHARE DATA)

Other active plan participants	4.4	4.6
Total accumulated postretirement benefit obligation	14.3	13.5
Unrecognized net gain	1.8	1.8
Unrecognized prior service cost	(.7)	(.8)
Accrued postretirement benefit costs included in Consolidated Balance Sheet	$ 15.4	$ 14.5

</TABLE>

As a result of the elimination of a significant number of jobs through the restructuring initiatives taken in the third quarter of fiscal 1996, see the "Restructuring Charge" footnote, the Company recognized a curtailment gain of $.2 to the postretirement medical and life insurance plan.

Actuarial assumptions used to determine the accumulated postretirement benefit obligation include a discount rate of 7 5/8% in 1996 and 1995. In 1996 and 1995, the annual increase in per capita costs of covered health care benefits is assumed to be 6% for all years. If the health care trend rates were increased one percentage point, the current year postretirement benefit costs would have increased $.2 and the accumulated postretirement benefit obligation as of September 30, 1996 would have increased $2.1.

In 1995, the Company adopted Statement of Financial Accounting Standards No. 112 (FAS 112), "Employers' Accounting for Postemployment Benefits." FAS 112 requires recognition of benefits provided by an employer to former or inactive employees after employment but prior to such employees' retirement. The effect of the adoption of this standard did not have a material impact on the Company's financial position or results of operations.

NOTE 11: LONG TERM DEBT

The Company has available certain borrowings under credit agreements with a number of banks (Bank Credit Agreements). Provisions of the Bank Credit Agreements require that the Company maintain certain financial ratios and a minimum level of shareholders' equity. There was $300.0 available under the Bank Credit Agreements at September 30, 1995 and through an amendment, in March 1996, the funds available under the Bank Credit Agreements were reduced to $275.0. The March 1996 amendment also revised the Bank Credit Agreements maturity date to March 12, 2001.

At September 30, 1996 and 1995, long-term debt associated with the Company's businesses consisted of the following:

<TABLE>
<CAPTION>

	1996	1995
<S>	<C>	<C>
8.75% Notes due 2004	$150.0	$150.0
Bank Credit Agreements	200.1	217.1
10.85% and 11.15% Notes due 9/30/97 and 9/30/98	3.0	4.5
Refunding Revenue Bonds Series 90 7.20%-7.875% due 9/2/98, 9/1/06 and 9/1/08	20.4	20.4
Refunding Revenue Bonds Series 91 7.125% and 7.375% due 9/1/02 and 9/1/10	3.0	3.0
Other	1.9	2.2
	378.4	397.2
Less Current Portion	(1.8)	(1.8)
	$376.6	$395.4

</TABLE>

(DOLLARS IN MILLIONS, EXCEPT PER SHARE DATA)

Included in the Bank Credit Agreements line item, at September 30, 1996, is $140.0 of bank debt that has been borrowed directly by the Company's Resort Operations and is fully guaranteed by the Company. Also included in the Bank Credit Agreements line item are short term notes which have maturities ranging from one day to one month and have been classified as long term debt based on the Company's intent and ability to renew the obligations on a long-term basis.

Scheduled aggregate maturities on all long-term debt outstanding as of September 30, 1996 are $3.2, $.3, $.3 and $200.5 for the years ending September 30, 1998 through 2001. These aggregate maturities include outstanding commitments at September 30, 1996 under the Bank Credit Agreements, which expire on March 12, 2001. The Company is subject to the payment of commitment fees based on a fraction of a percentage on the unused portion of the revolving credit facility included in the Bank Credit Agreements.

NOTE 12: FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair Values

The Company's financial instruments primarily include certain short-term instruments and short and long-term debt. As of September 30, 1996 and 1995, the fair value of long-term debt, including current maturities, was $391.6 and $414.2, respectively, compared to the carrying value of $378.4 and $397.2, respectively. The fair value of the Company's long-term debt has been estimated using primarily quoted market prices obtained through independent pricing sources for the same or similar types of borrowing arrangements, taking into consideration the underlying terms of the debt, such as the coupon rate, term to maturity, tax impact to investors and imbedded call options, if any.

Due to their nature, the carrying amounts of short-term financial instruments, such as receivables and accounts payable, reported on the Consolidated Balance Sheet approximate fair value.

Interest Rate Swap Agreements

In November 1995, in order to hedge its exposure to interest rate fluctuations on $100 of existing floating rate borrowings under the bank credit agreements, the Company entered into two interest rate swap transactions. Notional amounts under both transactions are $50 and have terms that expire in November 1997 and November 1998. Through these interest rate swaps, the Company pays interest based on fixed rates of 5.575 percent, for the swap expiring in November 1997, and 5.682 percent, for the swap expiring November

1998, while receiving a LIBOR-based floating rate. The Company is exposed to credit loss in the event of nonperformance by the other parties to the interest rate swap agreements. However, management does not anticipate such nonperformance. The impact of these interest rate swaps on fiscal 1996 interest expense was immaterial to the Company's results of operations.

At September 30, 1996, the fair value of the outstanding interest rate swaps was approximately $.7 of income. This fair value is the estimated amount the Company would receive to unwind the interest rate swap agreements, taking into account current interest rates and the credit risk of the counterparties.

Concentration of Credit Risk

The Company's primary concentration of credit risk is related to certain trade accounts receivable due from several highly leveraged or "at risk" customers. At September 30, 1996 and 1995 the amount of such receivables was $3.1 and $4.0, respectively. Consideration was given to the financial position of these customers when determining the appropriate allowance for doubtful accounts.

NOTE 13: SHAREHOLDERS' EQUITY

The Company's Restated Articles of Incorporation authorize the issuance of

up to 300,000,000 shares of Common Stock, par value $.01, and 10,000,000 shares of Preferred Stock, par value $.01. As of September 30, 1996, the Company had approximately 32,917,000 shares of Common Stock issued and outstanding. The Company has not issued any shares of Preferred Stock. The terms of any series of Preferred Stock (including but not limited to the dividend rate, voting rights, convertibility into other Company securities and redemption) may be set by the Company's Board of Directors.

On March 24, 1994 the Ralston Board of Directors declared a dividend distribution of one share purchase right (Right) for each outstanding share of the Company's Common Stock. Each Right entitles a shareholder to purchase from the Company one common share at an exercise price of $75 per share subject to antidilution adjustments. The Rights, however, become exercisable only at the time a person or group acquires or commences a public tender offer for 20% or more of the Company's Common Stock. If an acquiring person or group acquires 20% or more of the Company's Common Stock, the price will be further adjusted so that holders of Rights (other than the acquiring person or group) may purchase Common Stock at one-third of its then market price. In the event that the Company merges with, or transfers 50% or more of its assets or earning power to, any person or group after the Rights become exercisable, holders of the Rights may purchase, at the exercise price, Common Stock of the acquiring entity having a value equal to twice the exercise price. The Rights can be redeemed by the Board of Directors at $.05 per Right only up to the date a person or group acquires 20% or more of the Company's Common Stock. Also, following the acquisition by a person or group of beneficial ownership of at least 20% but less than 50% of the Company's Common Stock, the Board may exchange the Rights for Common Stock at a ratio of one share of Common Stock per Right. The Rights expire on March 31, 2004.

On May 25, 1995, the Company's Board of Directors authorized the repurchase of up to one million shares of the Company's Common Stock. This authorization allows the Company's management to make purchases from time to time at prevailing market prices. The previous year's Board-approved repurchase authorization of $15.0 worth of the Company's Common Stock was completed during the current fiscal year. For the year ended September 30, 1996, the Company repurchased approximately 349,000 shares for $8.6, for the year ended September 30, 1995, the Company repurchased approximately 633,000 shares for $13.5 and for the six month period ended September 30, 1994 the Company repurchased approximately 126,000 shares for $2.0, pursuant to such authorizations.

On September 23, 1994, the Company's Board of Directors approved the grant of 170,000 shares of Common Stock for restricted stock awards. All of the previously repurchased treasury shares during the six months ended September 30, 1994, along with approximately 44,000 new shares, were issued under the restricted stock award.

At September 30, 1996, there were 2,665,304 shares of Company Common Stock reserved under various employee incentive compensation and benefit plans.

NOTE 14: INCENTIVE COMPENSATION

The Company's Incentive Stock Plan (Plan), adopted in March 1994, reserves shares which will be used for various stock based compensation awards. The Plan provides that eligible employees may receive stock option awards and other stock awards payable in whole or part by the issuance of stock. During 1995, the Company issued performance-based stock option awards at an option price equal to the fair market value of the shares at grant date. These awards would vest and become exercisable only upon achievement of certain share price growth targets. Compensation expense was recognized throughout the first six months of fiscal 1996 for these awards based on the difference between the share price at grant date and the share price when the required growth targets are achieved. The recognition of compensation expense was discontinued, however, upon the determination that the share price growth targets would not be met. At spin-off from Ralston, stock option awards relating to shares of RPG Stock held by employees of the Company were replaced with awards based on the Company's Common Stock according to a formula which maintained the then current relationship

(DOLLARS IN MILLIONS, EXCEPT PER SHARE DATA)

between the option price and the market value of the shares. During 1994, subsequent to the spin-off from Ralston, additional stock option awards were issued at an option price equal to the fair market value of the shares at grant date and, accordingly, no charge against earnings was made. Proceeds from the exercise of stock options are credited to the appropriate capital accounts.

Changes in incentive and nonqualified stock options outstanding are summarized as follows:

<TABLE>
<CAPTION>

	SHARES UNDER OPTION
<S>	<C>
Outstanding at September 30, 1994 ($13.23 to $26.14 per share).....	994,842
Granted ($23.63 per share).....	318,800
Exercised ($13.23 per share).....	(3,576)
Canceled.....	(7,439)
Outstanding at September 30, 1995 ($13.23 to $26.14 per share).....	1,302,627
Granted.....	--
Exercised ($13.23 to $24.08 per share).....	(13,555)
Canceled.....	(63,191)
Outstanding at September 30, 1996 ($13.23 to $26.14 per share).....	1,225,881
Shares exercisable at:	
September 30, 1995.....	175,815
September 30, 1996.....	245,019

</TABLE>

At September 30, 1996 and 1995 there were 1,386,803 and 1,381,081 shares, respectively, available for future awards. In addition, at September 30, 1996 and 1995, 98,122 and 140,482 shares, respectively, of restricted stock awards were outstanding. Restrictions on shares of restricted stock issued to eligible employees lapse over periods ranging up to 36 months provided continued employment and, in certain cases, minimum stock price requirements are met. Compensation cost is recognized over this vesting period.

The Ralcorp Board has determined that immediately prior to the Distribution, the value of stock options in Ralcorp Common Stock held by employees will be paid to the recipient in cash. Stock options that have an exercise price higher than the current price of Ralcorp Common Stock will be valued at $0.50 per share. The Company estimates that total payments related to the cash settlement of stock options will be $4.7, which will be recognized as additional compensation expense in fiscal 1997.

NOTE 15: COMMITMENTS AND CONTINGENCIES

The Company is a party to a number of legal proceedings in various state and federal jurisdictions. These proceedings are in varying stages and many may proceed for protracted periods of time. Some proceedings involve highly complex questions of fact and law.

On January 4, 1993, Ralston was served with the first of nine substantively identical actions currently pending in the United States District Court for the District of New Jersey. The suits have been consolidated and styled In Re Baby Food Antitrust Litigation, No. 92-5495 (NHP). The consolidated proceeding is a certified class action by and on behalf of all direct purchasers of baby foods (other than the defendants and governmental entities), alleging that the Beech-Nut baby food business (and its predecessor Nestle Holdings, Inc.) together with Gerber Products Company and H. J. Heinz Company, conspired to fix, maintain and stabilize the prices of baby foods during the period January 1,

(DOLLARS IN MILLIONS, EXCEPT PER SHARE DATA)

1975 to August 31, 1992, and seeking treble damages.

On January 19 and 21, 1993, Ralston was served with two class actions on behalf of indirect purchasers (consumers) of baby food in California, which contain substantially identical charges. These actions have been consolidated in the Superior Court for the County of San Francisco and styled Bruce, et al. v. Gerber Products Company, et al., No. 94-8857. On January 19, 1993, Ralston was served with a similar action filed in Alabama state court on behalf of indirect purchasers of baby food in Alabama, styled Johnson, et al. v. Gerber Products Company, et al., No. 93-L-0333-NE. Both state actions allege violations of state antitrust laws and are substantively identical to each other. Similar state actions may be filed in states having laws permitting suits by indirect purchasers. Ralston and the Company have agreed in the Reorganization Agreement that all expenses related to the above antitrust matters will be shared equally, but that Ralcorp's liability for any settlement or judgment will not exceed $5 million. Expenses and liability with respect to certain other lawsuits which are not believed by the Company to be material, either individually or in the aggregate, will also be shared pursuant to the Reorganization Agreement.

The operations of the Company, like those of similar businesses, are subject to various federal, state, and local laws and regulations intended to protect public health and the environment, including air and water quality and waste handling and disposal. Certain Company businesses have received notices from the U.S. Environmental Protection Agency, state agencies, and /or private parties seeking contribution, that they have been identified as a "potentially responsible party" (PRP) under the Comprehensive Environmental Response, Compensation and Liability Act, and the Company may be required to share in the cost of cleanup with respect to three waste disposal sites. The Company's ultimate liability in connection with environmental matters may depend on many factors including, but not limited to, the volume of material contributed to a site, the existence of other parties responsible for remediation and their financial viability, reports of experts (internal or external), and the remediation methods and technology to be used.

Except as noted, many of the foregoing matters are in preliminary stages, involve complex issues of law and fact and may proceed for protracted periods of time. The amount of alleged liability, if any, from these proceedings cannot be determined with certainty; however, in the opinion of Company management, based upon the information presently known as well as upon the limitation of its liabilities set forth in the Reorganization Agreement, the ultimate liability of the Company, if any, arising from the pending legal proceedings, as well as from asserted legal claims and known potential legal clams which are probable of

assertion, taking into account established accruals for estimated liabilities, should not be material to the Company's consolidated financial position or results of operations. In addition, while it is difficult to quantify with certainty the potential financial impact of actions regarding expenditures for environmental matters, in the opinion of management, based upon the information currently available, the ultimate liability arising from such environmental matters should not be material to the Company's consolidated financial position or results of operations.

LEASE COMMITMENTS

Future minimum rental commitments under noncancelable operating leases in effect as of September 30, 1996 were: 1997 - $3.8, 1998 - $3.5, 1999 - $3.1, 2000 - $2.3, 2001 - $1.0, thereafter - $0.8.

Total rental expense for all operating leases was $5.3 in 1996, $4.1 in 1995 and $4.2 in 1994.

NOTE 16: SUPPLEMENTAL EARNINGS STATEMENT INFORMATION

<TABLE>
<CAPTION>

	1996	1995	1994

<S>	<C>	<C>	<C>
Maintenance and repairs	$32.5	$29.7	$29.3
Research and development	6.5	7.4	6.7

NOTE 17: SUPPLEMENTAL CASH FLOW STATEMENT INFORMATION

	1996	1995	1994
<S>	<C>	<C>	<C>
Interest paid	$27.6	$27.9	$11.3
Income taxes paid	25.9	29.7	38.5

Interest paid by the Company during the six month period ended September 30, 1994 was $10.2. Interest payments for the six month period ended March 31, 1994 and prior years were the responsibility of Ralston. Total income tax payments made by the Company after the 1994 Spin-off Date were $14.5. Tax payments due on income earned prior to the 1994 Spin-off Date are the responsibility of Ralston.

NOTE 18: SUPPLEMENTAL BALANCE SHEET INFORMATION

	1996	1995
<S>	<C>	<C>
Receivables (current) --		
Trade	$ 63.3	$ 77.9
Income taxes	6.6	4.4
Other	6.6	4.8
Allowance for doubtful accounts	(1.0)	(.8)
	$ 75.5	$ 86.3
Inventories --		
Raw materials and supplies	$ 26.5	$ 33.4
Finished products	76.8	76.7
	$103.3	$110.1
Prepaid Expenses --		
Deferred income tax benefits	$ 8.8	$ 6.6
Prepaid expenses	5.4	4.5
	$ 14.2	$ 11.1
Investments and Other Assets --		
Intangible assets (net of accumulated amortization: 1996 -- $10.4 and 1995 -- $7.5(a))	$ 43.2	$ 45.3
Property held for development	12.4	17.3
Investments in affiliated companies	29.1	25.3
Deferred charges and other assets	3.4	3.7
	$ 88.1	$ 91.6
Accounts Payable and Accrued Liabilities --		
Trade accounts payable	$ 54.7	$ 66.1
Incentive compensation, salaries and vacations	7.0	6.6
Property taxes	5.3	4.6
Shutdown reserves	7.6	5.8
Advertising	9.6	6.4

(DOLLARS IN MILLIONS, EXCEPT PER SHARE DATA)

Other items	16.4	13.3
	$100.6	$102.8

</TABLE>

(a) Excludes $.8 of amortization related to National Oats goodwill, all of which was eliminated through the September 1995 nonrecurring charges.

NOTE 19: ANALYSIS OF BALANCE SHEET CHANGES

<TABLE>
<CAPTION>

	1996	1995	1994
<S>	<C>	<C>	<C>
Allowance for Doubtful Accounts --			
Balance, beginning of year	$ .8	$ .7	$ .9
Provision charged to expense	.8	.4	.3
Writeoffs, less recoveries	(.6)	(.3)	(.5)*
Balance, end of year	$1.0	$ .8	$ .7

</TABLE>

---

* Includes $.4 adjustment to beginning allocated balance, actual writeoffs were $.1.

<TABLE>
<CAPTION>

	1996	1995	1994
<S>	<C>	<C>	<C>
Property at Cost --			
Balance, beginning of year	$669.3	$634.9	$590.5
Additions	60.2	59.3	62.0(d,e)
Acquisitions(f)			22.4
Disposals	(192.5)(a)	(24.9)(c)	(40.0)(g)
Balance, end of year	$537.0	$669.3	$634.9
Accumulated Depreciation --			
Balance, beginning of year	$252.2	$218.7	$177.9
Depreciation provision	43.5	44.1	60.6(d,e)
Disposals	(81.3)(b)	(10.6)(c)	(19.8)(g)
Balance, end of year	$214.4	$252.2	$218.7

</TABLE>

(a) Includes the impairment of assets related to the private label ready-to-eat cereal and consumer hot cereal operations (decrease of $178.6).

(b) Includes the impairment of assets related to the private label ready-to-eat cereal and consumer hot cereal operations (decrease of $78.0). Also, includes asset writedown related to the third quarter fiscal 1996 restructuring charge, which increased accumulated depreciation $5.8.

(c) Includes write-down of fixed assets related to exit of industrial oats and oats milling operations and impairment of the consumer hot cereal business (decreases of $13.1 in property and $3.1 in accumulated depreciation).

(d) Includes valuation adjustment related to Keystone Resort ($13.9 addition to

property and accumulated depreciation).

(e) Includes asset transfers from Ralston at spin-off of $9.9, and related accumulated depreciation of $5.0.

(f) Includes acquisition of National Oats in 1994.

(g) Represents net book value of property disposals. Actual proceeds from the sale of the related property were $19.2.

RALCORP HOLDINGS, INC.

QUARTERLY FINANCIAL INFORMATION (UNAUDITED)
(DOLLARS IN MILLIONS, EXCEPT PER SHARE DATA)

The results of any single quarter are not necessarily indicative of the Company's results for the full year. Net earnings of the Company are highly seasonal, primarily due to resort operations which earn more than the entire year's operating profit during the second fiscal quarter. Cereal operations are also affected by seasonal CHEX party mix promotions which increase sales volume during the first fiscal quarter of the year.

<TABLE>
<CAPTION>

FISCAL 1996	FIRST	SECOND	THIRD	FOURTH
<S>	<C>	<C>	<C>	<C>
Net sales	$295.3	$277.4	$ 230.1	$ 224.6
Gross profit	153.0	138.0	103.5	96.1
Net earnings (loss)	14.7	21.2	(16.3)(a)	(66.4)(b)(c)
Net earnings per common share(e)(f)	.44	.64	(.50)(a)	(2.02)(b)(c)

</TABLE>

<TABLE>
<CAPTION>

FISCAL 1995	FIRST	SECOND	THIRD	FOURTH
<S>	<C>	<C>	<C>	<C>
Net sales	$278.4	$258.3	$231.5	$245.2
Gross profit	146.0	123.4	105.4	108.2
Net earnings	17.1	21.9	5.1	(10.7)(d)
Net earnings per common share(e)(f)	.51	.65	.15	(.32)(d)

</TABLE>

(a) Net earnings (loss) and earnings (loss) per share were negatively affected by the inclusion of pre-tax restructuring charge of $20.7 ($12.7 after taxes, or $.39 per share).

(b) Net earnings (loss) and earnings (loss) per share were negatively affected by the inclusion of pre-tax nonrecurring charges of $109.5 ($68.8 after taxes, or $2.09 per share) and the recording of certain transaction costs related to the Company's proposed resorts sale totaling $4.0, pre-tax ($2.5 after taxes, or $.08 per share). Partially offsetting these negative factors was a pre-tax adjustment to the third quarter restructuring charge of $4.2 ($2.6 after taxes, or $.08 per share).

(c) Net earnings were favorably impacted by adjustments to advertising and promotion accruals recorded earlier in the year. Advertising and promotion expense for the fiscal 1996 fourth quarter was $44.1 compared to fiscal 1995 fourth quarter expense of $52.1, despite full fiscal 1996 advertising and promotion expense being $20.1 higher than fiscal 1995. This adjustment became necessary when it was determined that redemption levels for in-ad coupon programs and cereal sales volumes were below the expectations used to record advertising and promotion expense in the previous fiscal 1996 quarters.

(d) Net earnings (loss) and earnings (loss) per share for the fourth quarter of 1995 were negatively affected by the inclusion of pre-tax nonrecurring charges of $21.9 ($13.6 after taxes, or $.41 per share) and by the write-off of small dollar accounts receivable of $2.4, pre-tax ($1.5, after taxes, or

$.045 per share).

(e) Based on actual weighted average outstanding shares of Ralcorp Stock for all periods presented.

(f) Earnings (loss) per common share is computed independently for each of the periods presented, therefore, the sum of the earnings per common share amounts for the quarters may not equal the total for the year.

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

Not applicable.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT.

Pursuant to the Ralcorp Restated Articles of Incorporation and Bylaws, the Board of Directors of Ralcorp (the "Ralcorp Board") consists of from five to twelve individuals, divided into three approximately equal

classes with each class serving a three-year term. The Ralcorp Board has set the number of directors as six. The following table sets forth information as to each member of the Ralcorp Board (the directors' ages are as of December 31, 1996). Ralcorp's Bylaws provide that no person may stand for election or re-election as a director after having attained the age of 70. Mr. Stiritz serves as the Chairman of the Ralcorp Board.

<TABLE>
<CAPTION>

NAME	AGE	TERM EXPIRES	INFORMATION
<S>	<C>	<C>	<C>
William H. Danforth.....	70	1999	Dr. Danforth has been a director of Ralcorp since March, 1994. He is Chairman of the Board of Trustees of Washington University and has served in that capacity since July, 1995. He retired as Chancellor of Washington University in June, 1995, a position he held since 1971. He is also a director of McDonnell Douglas Corporation and Ralston Purina Company.
William D. George, Jr.	64	1998	Mr. George has been a director of Ralcorp since March, 1994. He is President and Chief Executive Officer and a member of the Board of Directors of S. C. Johnson & Son, Inc. and has served in that capacity since 1993. He served as S. C. Johnson's President and Chief Operating Officer, Worldwide Consumer Products from 1990 to 1993. He is also a director of Arvin Industries, Inc. and Moorman Manufacturing Company.
Jack W. Goodall.....	58	1997	Mr. Goodall has been a director of Ralcorp since March, 1994. He is Chairman of the Board of Foodmaker, Inc. and has served in that capacity since April, 1996. He served as Chairman, President and Chief Executive Officer of Foodmaker, Inc. from 1985 to 1996. He is also a director of Thrifty PayLess, Inc. and Van Camp Seafood Co., Inc.
David W. Kemper.....	46	1998	Mr. Kemper has been a director of Ralcorp since October, 1994. He is Chairman, President and Chief Executive Officer of Commerce Bancshares, Inc. and has served in that capacity since 1991. He served as Commerce Bancshares' Chief Executive Officer and President from 1986 to 1991. He is also a director of Seafield Capital Corporation, Tower Properties Company and Wave Technologies International, Inc.
Joe R. Micheletto.....	60	1997	Mr. Micheletto has been a director of Ralcorp

			since January, 1994. See additional information under Item 4(a).
William P. Stiritz.....	62	1998	Mr. Stiritz has been a director and the Chairman of the Board of Ralcorp since January, 1994. He is Chairman of the Board, Chief Executive Officer and President of Ralston Purina Company and has served in that capacity since 1982. He is also a director of Angelica Corporation, Ball Corporation, Boatmen's Bancshares, Inc., Interstate Bakeries Corporation, Reinsurance Group of America, Incorporated and The May Department Stores Company.

</TABLE>

DIRECTORS' MEETINGS, FEES AND COMMITTEES

The Ralcorp Board has five regularly scheduled meetings per year, and holds such special meetings as deemed advisable, to review significant matters affecting the Company and to act upon matters requiring Board approval. During fiscal year 1996, five regular meetings, two special telephonic meetings and one consent of Board of Directors in lieu of special meeting were held. Non-management directors receive an annual retainer of $20,000, and are also paid $2,500 for attending each regular or special Board meeting and $1,000 for attending each standing committee meeting and for each telephonic meeting and consent to action without a meeting. The Company also pays the premiums on Directors' and Officers' Liability, and travel accident insurance policies insuring directors. A director who is also an employee (Mr. Micheletto) receives no renumeration for service as a Director.

The Company has a Deferred Compensation Plan for Non-Management Directors (the "DCP"). Under this plan, any non-management director may elect to defer, with certain limitations, all retainers and fees until retirement or other termination of his directorship. Deferrals may be made in Common Stock equivalents in an Equity Option (stock equivalents) or may be made in cash under a Variable Interest Option (interest at prime rate). Deferrals in the Equity Option receive a 33 1/3% Company matching contribution which will also be in Common Stock equivalents. All Stock equivalents credited to a recipient will also be credited with dividend equivalents at any time that cash dividends are declared and paid on Common Stock; when sufficient in amount, such equivalents will be converted into additional Common Stock equivalents. Deferrals and related earnings will be paid out in a lump sum in cash to the Director at the Director's termination of service, or total disability or to the Director's estate or beneficiary upon the Director's death.

The Ralcorp Board has established and designated specific functions and areas of oversight to a Nominating and Compensation Committee and an Audit Committee. A description of these standing committees and their membership as of December 30, 1996 follows:

Audit Committee -- D. W. Kemper (Chairman); W. H. Danforth; W. D. George, Jr.; J. W. Goodall; W. P. Stiritz

The Audit Committee consists entirely of non-management Directors. It is responsible for matters relating to accounting policies and practices, financial reporting, and internal controls. Each year it recommends to the Ralcorp Board the appointment of a firm of independent accountants to examine the financial statements of Ralcorp, and reviews with representatives of the independent accountants the scope of the examination of Ralcorp financial statements, results of audits, audit costs, and recommendations with respect to internal controls and financial matters. It also reviews nonaudit services rendered by Ralcorp's independent accountants and periodically meets with or receive reports from principal corporate officers. The Audit Committee met twice in fiscal year 1996.

Nominating and Compensation Committee -- J. W. Goodall (Chairman); W. H. Danforth; W. D. George, Jr.; D. W. Kemper; W. P. Stiritz

The Nominating and Compensation Committee consists entirely of non-management Directors free from interlocking or other relationships that might be considered a conflict of interest. It recommends to the Ralcorp Board

nominees for election as Directors and Executive Officers of the Company. Additionally, it makes recommendations to the Ralcorp Board regarding election of Directors to positions on committees of the Ralcorp Board and compensation and benefits for Directors. The Nominating and Compensation Committee also considers suggestions from shareholders regarding possible Director candidates. Such suggestions, together with appropriate biographical information, should be submitted to the Secretary of the Company. This Committee also sets the compensation of all Executive Officers and administers Ralcorp's Deferred Compensation Plan for Key Employees and Incentive Stock Plan, including the granting of awards under the latter plan, other than to Directors on this Committee. It also reviews the competitiveness of management compensation and benefit programs, and principal employee relations policies and procedures. The Nominating and Compensation Committee met twice in fiscal year 1996.

ITEM 11. EXECUTIVE COMPENSATION.

EXECUTIVE COMPENSATION

INTRODUCTION AND SUMMARY

The following tables and narrative text discuss the compensation paid in fiscal year 1996 to the Named Executive Officers, i.e., the Company's current Chief Executive Officer and President, its former Chief Executive Officer and President and the Company's three other most highly compensated executive officers (collectively, the "Named Executive Officers").

The Summary Compensation Table set forth below also summarizes compensation received by the Named Executive Officers from the date of the spin-off of the Company by Ralston Purina Company on March 31, 1994 through the end of fiscal year 1994, that is, for six months rather than for a full fiscal year. Annualized salaries, i.e., the salary amounts which would have been paid to the Named Executive Officers had they been paid for the full 1994 fiscal year at the rates in effect from the spin-off date through the end of the 1994 fiscal year are as follows: Micheletto -- $210,000; Bresler -- $130,000; Lockwood -- $160,000; Nichols -- $135,000; and Pearce -- $300,000.

The full amount of bonuses paid by the Company at the end of fiscal year 1994 are reflected in the "Bonus" column. No attempt has been made to pro rate bonuses based on the relationship between the period before the spin-off and the period after the spin-off.

SUMMARY COMPENSATION TABLE

<TABLE>
<CAPTION>

		ANNUAL COMPENSATION			LONG-TERM COMPENSATION (AWARDS)		
NAME & PRINCIPAL POSITION(1)	YEAR	SALARY ($)(2)	BONUS($)	OTHER ANNUAL COMPENSATION ($)	RESTRICTED STOCK AWARD(S) ($)(3)	SECURITIES UNDERLYING OPTIONS (#)	ALL OTHER COMPENSATION ($)(4)
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
J. R. Micheletto.....	1996	$210,000	$100,000	$ 19,481	0	0	$ 46,733
Chief Executive Officer	1995	$210,000	$100,000	$ 13,169	0	20,000	$ 41,497
and President	1994	$105,000	$100,000	$ 6,361	$638,750	156,746	$ 26,940
A. R. Bresler.....	1996	$152,000	$ 55,010	0	0	0	$1,396,165
Vice President; and President	1995	$135,000	$ 55,010	$ 12,676	0	12,000	$ 35,795
Beech-Nut Nutrition Corporation	1994	$ 65,000	$ 57,000	$ 6,000	$182,500	131,014	$ 29,242
R. W. Lockwood.....	1996	$182,000	$ 43,000	$ 0	0	0	$ 21,863
Vice President, General	1995	$165,000	$ 43,000	$ 12,815	0	12,000	$ 20,900
Counsel and Secretary	1994	$ 80,000	$ 38,000	$ 6,239	$182,500	32,256	$ 9,800
J. A. Nichols.....	1996	$157,000	$ 60,000	$ 596	0	0	$ 42,080
Vice President; and	1995	$140,000	$ 60,000	$ 12,286	0	15,000	$ 38,904
President, Ralston Foods	1994	$ 67,500	$ 46,000	$ 6,000	$146,000	112,781	$ 26,227
R. A. Pearce.....	1996	$300,000	$150,000	$ 22,473	0	0	$1,418,685
Chief Executive Officer	1995	$300,000	$150,000	$ 15,848	0	20,000	$ 41,560
and President	1994	$150,000	$150,000	$ 7,920	$638,750	141,552	$ 27,614

</TABLE>

---

1. Mr. Pearce, Chief Executive Officer and President, resigned this position on September 27, 1996. Mr. Bresler, Vice President; and President, Beech-Nut Nutrition Corporation, resigned this position on October 14, 1996.

2. In fiscal year 1996, car allowances for Messrs. Bresler, Lockwood and Nichols were rolled into their salaries. Prior to that time, car allowances were included in the column "Other Annual Compensation."

3. The aggregate restricted stock holdings and value at September 30, 1996 for the Named Executive Officers were as follows: Micheletto -- 21,000 shares ($435,750); Bresler -- 6,000 shares ($124,500); Lockwood -- 6,000 shares ($124,500); Nichols -- 4,800 shares ($99,600); and Pearce -- 21,000 shares ($435,750).

Under the terms of the grant, restricted shares reflected in this column vested or will vest as follows: 20% of the total award on September 23 of each of the years 1995, 1996, 1997, and 1998 and on March 30, 1999.

The Company does not currently pay dividends on its Common Stock. If it does so in the future, dividends on restricted stock will be retained by the Company until the restrictions on the underlying shares lapse, at which time the dividends, with interest at the prime rate, will be distributed. If the shares are forfeited, accrued dividends and interest would also be forfeited.

4. The amounts shown in this column consist of the following: (i) Company matching contributions or accruals to Ralcorp's Savings Investment Plan and Executive Savings Investment Plan. Such amounts are $19,600, $9,120, $11,113, $9,513, and $28,500, respectively, for Messrs. Micheletto, Bresler, Lockwood, Nichols and Pearce; (ii) Amounts attributable to the portion of split-dollar life insurance premiums paid by Ralcorp. These amounts will be repaid on a specified future date. Amounts included are equal to the premiums outstanding during fiscal year 1996 multiplied by the Company's approximate borrowing rate for money borrowed for comparable periods. Such amounts are $27,133, $16,645, $17,567 and $4,458, respectively, for Messrs. Micheletto, Bresler, Nichols and Pearce; (iii) Company 25% matching contributions on deferrals under the Equity Option of the Deferred Compensation Plan for Key Employees. Such amounts are $5,000, $10,750 and $15,000, respectively, for Messrs. Bresler, Lockwood and Nichols; and, (iv) For Messrs. Bresler and Pearce, $1,365,400 and $1,385,727 respectively to be paid in cash pursuant to severance arrangements described on page 44 (pursuant to such severance arrangements). Mr. Bresler's restricted stock and Mr. Pearce's restricted stock and stock options also vested.

STOCK OPTIONS

The following table sets forth fiscal year end option values. No options were exercised by any of the Named Executive Officers during fiscal year 1996. The Company has never granted Stock Appreciation Rights.

FISCAL YEAR END OPTION VALUES

<TABLE>
<CAPTION>

NAME	NUMBER OF SECURITIES UNDERLYING UNEXERCISED OPTIONS AT FY-END(#)		VALUE OF UNEXERCISED IN-THE-MONEY OPTIONS AT FY-END($)	
	EXERCISABLE	UNEXERCISABLE	EXERCISABLE	UNEXERCISABLE
<S>	<C>	<C>	<C>	<C>
J. R. Micheletto	15,194	161,552	$ 56,031	$ 646,288
A. R. Bresler	30,389	112,625	$ 178,072	$ 460,330
R. W. Lockwood	13,679	30,577	$ 96,404	$ 69,139
J. A. Nichols	64,424	63,357	$ 462,318	$ 244,557
R. A. Pearce	42,544	119,008	$ 266,904	$ 415,381

</TABLE>

COMPENSATION PURSUANT TO PLANS

During fiscal year 1996, the Company maintained certain plans that provided benefits to executive officers and other employees of the Company. Descriptions of some of these plans follow. The descriptions provided are in summary form and are contained in this Form 10-K solely in order to meet SEC requirements regarding disclosure of the compensation of the Named Executive Officers and should not be used for any other purpose.

SEVERANCE AGREEMENTS

The Company has management continuity agreements with the Named Executive Officers. The purpose of the agreements is to provide severance compensation to each covered executive officer in the event of the officer's voluntary or involuntary termination after a change in control of the Company. The compensation provided would be in the form of a lump sum payment equal to the present value of continuing the executive officer's salary and bonus for a specified period following the executive officer's termination of employment,

the continuation of other executive benefits for the same applicable period and certain pension bridging payments. The initial applicable period is three years in the event of an involuntary termination of employment (including a constructive termination) and one year, in the event of a voluntary termination of employment, which periods are subject to reduction for each complete year the executive officer remains employed following the change in control. No payments would be made in the event the executive officer's termination is due to death, disability or normal retirement, or is for cause, nor would any payments continue beyond the executive officer's normal retirement date. Contracts governing options and restricted stock awards to executive officers provide that upon a change in control of the Company: all terms, conditions, restrictions and limitations in effect with respect to any unexercised award lapse and no other terms and conditions will be applied; any unexercised, unvested, unearned or unpaid shares become 100% vested; and stock awards with performance conditions will be treated as if the performance objectives had been obtained at a level of 100%.

Two of the Named Executive Officers have resigned as employees of the Company effective, in the case of Mr. Pearce, on December 31, 1996, and, in the case of Mr. Bresler, on November 30, 1996. Their resignations as officers were effective as reflected in note 1 to the Summary Compensation Table on page 42. In light of their past service and their agreement to meet certain conditions in the future, the Company has entered into separation agreements with each of these Named Executive Officers.

Pursuant to Mr. Pearce's agreement, he will receive a cash payment of $1,385,727, the vesting of all restricted stock held by him and of the Company match on his deferred compensation, the transfer to him of ownership of his Company-provided automobile, outplacement assistance, the crediting of three additional years of service and earnings for retirement plan purposes and the vesting of his nonvested options (or payment of their value in cash).

Mr. Bresler will receive a cash payment of $1,365,400, the vesting of his restricted stock and deferred compensation Company match and outplacement assistance.

RETIREMENT PLAN

The Ralcorp Retirement Plan for Sales, Administrative and Clerical Employees (the "Retirement Plan") may provide pension benefits in the future to the Named Executive Officers. Substantially all regular U.S. sales, administrative, clerical and production employees having one year of service with the Company or certain of its majority-owned subsidiaries are eligible to participate in the Retirement Plan. Employees become vested after five years of service. Normal retirement is at age 65; however, employees who work beyond age 65 may continue to accrue benefits.

Annual benefits are computed by multiplying the participant's Final Average Earnings (average of participant's five highest consecutive annual earnings during the ten years of service prior to retirement or earlier termination) by the product of 1.5% times the participant's years of service (to a maximum of 40 years) and by subtracting from that amount up to one-half of the participant's primary social security benefit at retirement (with the actual amount of offset

determined by age and years of service at retirement).

The following table shows the estimated annual retirement benefits that would be payable from the Retirement Plan to salaried employees, including the Named Executive Officers, assuming age 65 retirement on the basis of a straight-life annuity. To the extent an employee's compensation or benefits exceed certain limits imposed by the Code, the table also includes benefits payable from an unfunded supplemental retirement plan. The table reflects benefits prior to the subtraction of social security benefits as described above.

PENSION PLAN TABLE

<TABLE>
<CAPTION>

REMUNERATION (FINAL AVERAGE EARNINGS)	YEARS OF SERVICE						
	10	15	20	25	30	35	40
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
$100,000.....	$15,000	$ 22,500	$ 30,000	$ 37,500	$ 45,000	$ 52,500	$ 60,000
$200,000.....	$30,000	$ 45,000	$ 60,000	$ 75,000	$ 90,000	$105,000	$120,000
$300,000.....	$45,000	$ 67,500	$ 90,000	$112,500	$135,000	$157,500	$180,000
$400,000.....	$60,000	$ 90,000	$120,000	$150,000	$180,000	$210,000	$240,000
$500,000.....	$75,000	$112,500	$150,000	$187,500	$225,000	$262,500	$300,000
$600,000.....	$90,000	$135,000	$180,000	$225,000	$270,000	$315,000	$360,000

</TABLE>

For the purpose of calculating retirement benefits, the Named Executive Officers had, as of September 30, 1996, the following years of credited service, calculated to the nearest year: Messrs. Micheletto -- 34 years; Bresler -- 18 years; Lockwood -- 20 years; Nichols -- 21 years; and Pearce -- 24 years. Credited service includes service with Ralston Purina Company, the Company's former parent corporation. Earnings used in calculating benefits under the Retirement Plan and any unfunded supplemental retirement plan previously described are approximately equal to amounts included in the Salary and Bonus columns in the Summary Compensation Table on page 42.

OTHER BENEFIT PLANS

The Company has an Executive Life Plan, under which, following retirement, beneficiaries of eligible executive officers or other eligible employees will be provided a death benefit in an amount equal to 50% of the earnings recognized under the Company's benefit plans for the executive officer or other eligible employee during the last full year of employment. This benefit is not presently insured or funded.

The Company's Executive Health Plan is a hospital and medical reimbursement plan covering active key management employees, including certain executive officers, and their dependents. Employees eligible for this plan must participate in the Company's Comprehensive Health Plan, which is available to certain employees at their own expense. The Executive Health Plan provides coverage, at no cost to the participant, for 100% of medical expenses incurred, up to $35,000 per year, provided such expenses constitute deductible medical expenses for federal income tax purposes and provided that the expenses are not payable by the Comprehensive Health Plan.

The Company has also adopted an Executive Long-Term Disability Plan which provides benefits to its corporate officers, including certain executive officers, in the event they become disabled. The Long-Term Disability Plan, which is available to certain regular employees of the Company and in which officers must participate at their own expense in order to be eligible for the Executive Long-Term Disability Plan. The Plan imposes a limit of $5,000 per month (60% of a maximum annual salary of $100,000) on the amount paid to a disabled employee. The Executive Long-Term Disability Plan will provide a supplemental benefit equal to 60% of the difference between the executive officer's previous year's earnings recognized under the Company's benefit plans and $100,000, with appropriate taxes withheld.

INDEBTEDNESS OF MANAGEMENT

Immediately prior to the spin-off, Ralston Purina Company loaned money to certain executive officers of the Company to pay income taxes on the vesting of Ralston restricted stock awards. The vesting of such awards was accelerated and such executive officers were required to exchange the Ralston stock for Ralcorp Common Stock immediately prior to the spin-off. Pursuant to certain securities regulations and the IRS ruling concerning the federal tax treatment of the spin-off, such executive officers are prohibited from selling the Common Stock received pursuant to such exchange to pay taxes until certain events take place. Ralston assigned the promissory notes governing the loans to the Company. Subsequent to the spin-off it was determined that the amounts of the loans were inadequate to cover the taxes and additional loans were made by the Company. Interest on the loans has been forgiven. The loans are required to be repaid once such

executive officers are free to sell the Common Stock received in the exchange. The principal amounts outstanding under the loans for such Named Executive Officers are: Micheletto -- $236,760; Lockwood -- $18,769; and Pearce -- $383,090. Amounts attributable to the forgiven interest are not included in the Summary Compensation Table on page 42 because the loans are not intended to be compensatory.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.

SECURITY OWNERSHIP OF CERTAIN
BENEFICIAL OWNERS OF COMMON STOCK

The following table sets forth Ralcorp Common Stock ownership information with respect to each of Ralcorp's Directors, five highest paid Executive Officers (the "Named Executive Officers"), and all Directors and Executive Officers as a group and with respect to each person who owns more than 5% of Ralcorp Common Stock. Ownership information for 5% holders is as of October 31, 1996. Ownership information for Directors, Named Executive Officers and all Directors and Executive Officers as a group is as of November 30, 1996. Except as noted, all such parties possess sole voting and investment powers with respect to the shares noted. An asterisk in the column listing the percentage of shares beneficially owned indicates the person owns less than 1% of the Ralcorp Common Stock as of November 30, 1996.

<TABLE>
<CAPTION>

NAME AND ADDRESS	NUMBER OF SHARES BENEFICIALLY OWNED	% OF SHARES OUTSTANDING(A)	EXPLANATORY NOTES
<S>	<C>	<C>	<C>
Boatmen's Bancshares, Inc. ..... One Boatmen's Plaza St. Louis, MO 63101	1,785,459	5.4%	(B)
FMR Corp. ..... 82 Devonshire Street Boston, MA 02109	2,825,317	8.6%	(C)
William H. Danforth.....	307,417	*	(D)(E)(F)
William D. George, Jr.	1,000	*	
Jack W. Goodall.....	35,100	*	
David W. Kemper.....	1,000	*	(E)
Joe R. Micheletto.....	71,084	*	(G)
William P. Stiritz.....	281,959	*	(E)(H)
Andrew R. Bresler.....	7,255	*	(I)
Robert W. Lockwood.....	31,070	*	(J)
James A. Nichols.....	96,182	*	(K)
Richard A. Pearce.....	162,100	*	(L)
All Directors and Executive Officers as a group (15 persons).....	1,045,673	3.2%	(M)

</TABLE>

(A) For purposes of calculating the percentage of Shares Outstanding owned by each individual or the group, Shares Outstanding were deemed to be (i) shares actually outstanding on November 30, 1996, plus, in the case of each Named Executive Officer and of the group, (ii) shares attributable to stock options held by the officer or members of the group which could be exercised for Common Stock within 60 days after December 3, 1996.

(B) This amount consists of shares of Common Stock owned by the following subsidiaries of Boatmen's Bancshares, Inc: Boatmen's Trust Company -- 1,783,259 shares and other Boatmen's Bancshares subsidiaries -- 2,200 shares. Of such shares, Boatmen's has voting and investment powers as follows: sole voting -- 390,459 shares; shared voting -- 1,393,920 shares; sole investment -- 87,934 shares; and shared investment -- 1,637,280 shares. Of such shares, voting and investment powers for 254,922 shares are shared with Dr. Danforth who is a director of the Company.

(C) Includes 1,979,132 shares beneficially owned by Fidelity Management & Research Company, as a result of its serving as investment adviser to various investment companies registered under Section 8 of the Investment Company Act of 1940 and its serving as investment adviser to certain other funds which are generally offered to limited groups of investors; 838,685 shares beneficially owned by Fidelity Management Trust Company, as a result of its serving as trustee or managing agent for various private investment accounts, primarily employee benefit plans and its serving as investment adviser to certain other funds which are generally offered to limited groups of investors; and 7,500 shares beneficially owned by Fidelity International Limited, as a result of its serving as investment adviser to various non-U.S. investment companies. FMR Corp. has sole voting power with respect to 651,293 shares and sole investment power with respect to 2,817,817 shares. Fidelity International Limited has sole voting and investment powers with respect to all the shares it beneficially owns.

(D) Excludes 1,100,000 shares, or 3.3% of the outstanding Common Stock, held by The Danforth Foundation, St. Louis, Missouri. Dr. Danforth is one of the ten trustees of the Foundation. Dr. Danforth disclaims beneficial ownership of such shares.

(E) Excludes 841,870 shares, or 2.6% of the outstanding Common Stock, held by Washington University, St. Louis, Missouri. Dr. Danforth is Chairman of the Board of Trustees of the University and Messrs. Stiritz and Kemper serve on the University's Board of Trustees, which consists of 49 members.

(F) Dr. Danforth has sole voting and investment powers respecting 22,648 shares. He shares voting and investment powers respecting 284,769 shares, and disclaims beneficial ownership of 29,847 of such shares.

(G) Includes 21,000 restricted shares of Common Stock as to which Mr. Micheletto presently has only voting power and 30,388 shares of Common Stock which are not presently owned but could be acquired within 60 days by the exercise of stock options. Also includes 9,381 shares of Common Stock held under the Company's Savings Investment Plan. Mr. Micheletto has only voting power with respect to 1,279 of these shares.

(H) Includes 3,333 shares of Common Stock owned by Mr. Stiritz's wife.

(I) Includes 1,699 shares of Common Stock held under the Company's Savings Investment Plan. Mr. Bresler has only voting power with respect to these shares.

(J) Includes 6,000 restricted shares of Common Stock as to which Mr. Lockwood presently has only voting power, 216 shares of Common Stock as to which he shares voting and investment powers, and 14,443 shares of Common Stock which are not presently owned but could be acquired within 60 days by the exercise of stock options. Also includes 2,085 shares of Common Stock held under the Company's Savings Investment Plan. Mr. Lockwood has only voting power with respect to 2,081 of these shares.

(K) Includes 4,800 restricted shares of Common Stock as to which Mr. Nichols presently has only voting power and 64,424 shares of Common Stock which are not presently owned but could be acquired within 60 days by the exercise of stock options. Also includes 3,866 shares of Common Stock held under the Company's Savings Investment Plan. Mr. Nichols has only voting power with respect to 1,778 of these shares.

(L) Includes 21,000 shares of Common Stock as to which Mr. Pearce presently has only voting power and 54,699 shares of Common Stock which are not presently owned but could be acquired within 60 days by the exercise of stock

options. Also includes 14,898 shares of Common Stock held under the Company's Savings Investment Plan. Mr. Pearce has only voting power with respect to 1,166 of these shares.

(M) With respect to all Executive Officers except those named in the above Table: includes 10,827 shares of Common Stock held under the Company's Savings Investment Plan (the Executive Officers have only voting power with respect to 6,607 of these shares); 14,237 restricted shares of Common Stock as to which such officers presently have only voting power; and 12,774 shares of Common Stock which are not presently owned but could be acquired within 60 days by the exercise of stock options.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

Mr. Stiritz is the Chairman of the Ralcorp Board and is on the Company's Nominating and Compensation Committee and is Chairman of the Board, Chief Executive Officer and President of Ralston Purina. Since its spin-off from Ralston Purina in 1994, Ralcorp has engaged in several transactions with Ralston Purina. During fiscal 1996, Ralston Purina paid Ralcorp approximately $1.35 million for coupon and promotional processing services; such services have been discontinued. Also, during fiscal 1996, Ralston Purina purchased approximately $10.55 million of Ralcorp products for distribution outside of the United States. Both arrangements were conducted in the ordinary course of business at competitive prices and terms. During fiscal 1996, Ralcorp paid Ralston Purina approximately $1.67 million for various services including, advertising creative assistance, the leasing of research and development space, insurance administration, and other administrative services. Ralcorp expects the majority of these services will continue to be used by Ralcorp.

PART IV

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

(a) Documents filed with this report:

(1) Financial statements previously incorporated by reference under Item 8 hereinabove.

All financial statements of the registrant are set forth under Items 6, 7 and 8 of this Report.

(2) Financial Statement Schedules--None.

(3) Exhibits. See the Index to Exhibits that appears at the end of this document and which is incorporated by reference herein. Exhibits 10.06 to 10.22 are management compensation plans or arrangements.

(b) Reports on Form 8-K. The Registrant filed the following reports on Form 8-K during the last quarter of the period covered by this report:

July 23, 1996; August 1, 1996; September 10, 1996; September 27, 1996; and October 31, 1996.

SIGNATURES

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

RALCORP HOLDINGS, INC.

By: JOE R. MICHELETTO

Joe R. Micheletto

Chief Executive Officer and President
December 30, 1996

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints R. W. Lockwood and J. R. Micheletto and each of them, his true and lawful attorney-in-fact and agent, with full power of substitution and resolution, for him and in his name, place, and stead, in any and all capacities, to sign any and all amendments to this report, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully and to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or their substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this report has been signed by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<TABLE>
<CAPTION>

SIGNATURE	TITLE	DATE
<C>	<S>	<C>
JOE R. MICHELETTO Joe R. Micheletto	Chief Executive Officer, President and Director (Also Principal Executive Officer and Principal Financial Officer)	December 30, 1996
THOMAS G. GRANNEMAN Thomas G. Granneman	Controller	December 30, 1996
WILLIAM H. DANFORTH William H. Danforth	Director	December 30, 1996
WILLIAM D. GEORGE, JR. William D. George, Jr.	Director	December 30, 1996
JACK W. GOODALL Jack W. Goodall	Director	December 30, 1996
DAVID W. KEMPER David W. Kemper	Director	December 30, 1996
WILLIAM P. STIRITZ William P. Stiritz	Director	December 30, 1996

</TABLE>

RALCORP HOLDINGS, INC.

ANNUAL REPORT ON FORM 10-K
FOR THE YEAR ENDED SEPTEMBER 30, 1996

INDEX TO EXHIBITS

<TABLE>
<CAPTION>

EXHIBIT NUMBER	DESCRIPTION OF EXHIBIT
<C>	<S>
*2.01	Agreement and Plan of Reorganization (Filed as Exhibit 10.01 to the Company's 10-Q filed for the Quarter Ending March 31, 1994)

*3.01	Restated Articles of Incorporation of Ralcorp Holdings, Inc. (Filed as Exhibit 2.1 to the Company's Registration Statement on Form 10 dated March 24, 1994, Reg. No. 1-12766)
*3.02	Bylaws of Ralcorp Holdings, Inc. (Filed as Exhibit 3.2 to the Company's Registration Statement on Form 10 dated March 24, 1994, Reg. No. 1-12766)
*4.01	Rights Agreement (Filed as Exhibit 4 to the Company's Form 10-Q for the Period Ending June 30, 1994)
*4.02	Form of Indenture between Ralcorp Holdings, Inc. and The First National Bank of Chicago (Filed as Exhibit 4.01 to the Company's Amendment No. 2 to Form S-1 Registration Statement dated September 10, 1994)
*4.03	Form of Note (Filed as Exhibit 4.02 to the Company's Amendment No. 2 to Form S-1 Registration Statement dated September 10, 1994)
4.04	The Company will furnish to the SEC, upon its request, a copy of any instruments defining the rights of holders of long-term debt of the Company and its consolidated subsidiaries for which financial statements are required to be filed
*10.01	Tax Sharing Agreement (Filed as Exhibit 10.02 to the Company's Form 10-Q for the Period Ending March 31, 1994)
*10.02	Bridging Agreement (Filed as Exhibit 10.03 to the Company's Form 10-Q for the Period Ending March 31, 1994)
*10.03	Technology Agreement (Filed as Exhibit 10.04 to the Company's Form 10-Q for the Period Ending March 31, 1994)
*10.04	Trademark Agreement (Filed as Exhibit 10.05 to the Company's Form 10-Q for the Period Ending March 31, 1994)
*10.05	Credit Agreement (Filed as Exhibit 10.1 to the Company's Form 10-K for the Period Ending December 31, 1994)
*10.06	Incentive Stock Plan (Filed as Exhibit 10.07 to the Company's Form 10-Q for the Period Ending March 31, 1994)
*10.07	Form of Stock Option Award Contract (Filed as Exhibit 10.08 to Company's Form 10-Q for the Period Ending March 31, 1994)
*10.08	Form of Restricted Stock Award Contract (Filed as Exhibit 10.09 to the Company's Form 10-Q for the Period Ending March 31, 1994)
*10.09	Form of Management Continuity Agreement (Filed as Exhibit 10.1 to the Company's Form 10-Q for the Period Ending June 30, 1994)
*10.10	Split Dollar Second to Die Life Insurance Arrangement (Filed as Exhibit 10.10 to the Company's Form 10-K for the Period Ending September 30, 1994)
*10.11	Change in Control Severance Compensation Plan (Filed as Exhibit 10.11 to the Company's Form 10-K for the Period Ending September 30, 1995)
*10.12	Form of Agreement for Deferral of Annual or Special Cash Bonus (Filed as Exhibit 10.11 to the Company's Form 10-K for the Period Ending September 30, 1994)
*10.13	Deferred Compensation Plan for Non-Management Directors (Filed as Exhibit 10.13 to the Company's Form 10-K for the Period Ending September 30, 1995)

</TABLE>

<TABLE>
<CAPTION>

EXHIBIT NUMBER	DESCRIPTION OF EXHIBIT
<C>	<S>
*10.14	Deferred Compensation Plan for Key Employees (Filed as Exhibit 10.14 to the Company's Form 10-K for the Period Ending September 30, 1995)
*10.15	Retirement Plan for Non-Management Directors (Filed as Exhibit 10.15 to the Company's Form 10-K for the Period Ending September 30, 1995)
*10.16	Executive Life Insurance Plan (Filed as Exhibit 10.16 to the Company's Form 10-K for the Period Ending September 30, 1994)
*10.17	Executive Health Plan (Filed as Exhibit 10.17 to the Company's Form 10-K for the Period Ending September 30, 1994)
*10.18	Executive Long Term Disability Plan (Filed as Exhibit 10.18 to the Company's Form 10-K for the Period Ending September 30, 1994)
*10.19	Form of Indemnity Agreement
*10.20	Supplemental Retirement Plan (Filed as Exhibit 10.12 to the Company's Form S-1 Registration Statement dated July 8, 1994)
*10.21	Executive Savings Investment Plan (Filed as Exhibit 10.13 to the Company's Form S-1 Registration Statement dated July 8, 1994)
*10.22	Form of 1995 Non-qualified Stock Option Performance Award Contract (Filed as Exhibit 10.1 to the Company's Form 10-K for the Period Ending December 31, 1995)
*10.23	Leases with United States Forest Service relating to the Resort Operations (Filed as Exhibit 10.22 to the Company's Form 10-K for the Period Ending September 30, 1994)
*10.24	Stock Purchase Agreement By and Among Vail Resorts, Inc., Ralston Foods, Inc. and Ralston Resorts, Inc. dated July 22, 1996 (Filed as Exhibit 10.3 to the Company's Form 10-Q for the Period Ending June 30, 1996)

10.25	First Amendment to Stock Purchase Agreement By and Among Vail Resorts, Inc., Ralston Foods, Inc. and Ralston Resorts, Inc., dated July 22, 1996
10.26	Agreement and Plan of Merger By and Among Ralcorp Holdings, Inc., General Mills, Inc. and General Mills Missouri, Inc.
*10.27	Amended and Restated Credit Agreement (5-year) dated as of March 12, 1996 (Filed as Exhibit 10.1 to the Company's Form 10-Q for the Period Ending March 31, 1996)
*10.28	Amended and Restated Credit Agreement (364 day) dated as of March 12, 1996 (Filed as Exhibit 10.2 to the Company's Form 10-Q for the Period Ending March 31, 1996)
10.29	Bridge Loan Facility By and Among Ralston Resorts, Inc. and NationsBank, N.A. (as agent) dated as of September 30, 1996
10.30	Agreement By and Among Ralcorp Holdings, Inc. the Lenders and NationsBank, N.A., as Agent for the Lenders with respect to the Credit Agreements dated as of September 30, 1996
10.31	First Amendment to Bridge Loan Facility dated as of December 20, 1996
10.32	Second Amendment to Credit Amended and Restated Credit Agreement dated as of December 20, 1996.
21	Subsidiaries of the Company
23	Consent of Independent Accountants
*24	Power of Attorney (Included in Part II)
27	Financial Data Schedule

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* Incorporated by reference

EXHIBIT 10.25

FIRST AMENDMENT TO THE STOCK PURCHASE AGREEMENT

This FIRST AMENDMENT TO THE STOCK PURCHASE AGREEMENT dated as of December 20, 1996 ("First Amendment") is made by and among Vail Resorts, Inc., a Delaware corporation ("Vail"), Ralston Foods, Inc., a Nevada corporation ("Foods"), and Ralston Resorts Inc., a Colorado corporation ("Ralston"), amending certain provisions of the Stock Purchase Agreement dated as of July 22, 1996 (the "Purchase Agreement"), by and among Vail, Foods and Ralston. Terms not otherwise defined herein which are defined in the Purchase Agreement shall have the same respective meanings herein as therein.

WHEREAS, Vail, Foods and Ralston have agreed to modify certain terms and conditions of the Purchase Agreement as specifically set forth in this First Amendment.

NOW, THEREFORE, in consideration of the premises and mutual agreements contained herein and for other good and valuable consideration the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

ARTICLE I

AMENDMENTS TO PURCHASE AGREEMENT

1.1 Section 11.3 of the Purchase Agreement is amended in its entirety to read as follows:

11.3 Final Closing Date. This Agreement will terminate if the Closing has not taken place on or before January 10, 1997.

ARTICLE II

PROVISIONS OF GENERAL APPLICATION

2.1 Except as otherwise expressly provided by this First Amendment, all of the terms, conditions and provisions to the Purchase Agreement remain unaltered. The Purchase Agreement and this First Amendment shall be read and construed as one agreement.

2.2 If any of the terms of this First Amendment shall conflict in any respect with any of the terms of the Purchase Agreement, the terms of the First Amendment shall be controlling.

IN WITNESS WHEREOF, the parties hereto have caused this First Amendment to be executed by their duly authorized officers all as of the day and year first above written.

VAIL RESORTS, INC.

By: _____
Name: James Mandel
Title: Senior Vice President

RALSTON FOODS, INC.

By: _____
Name: Joe R. Micheletto
Title: Chief Executive Officer

RALSTON RESORTS, INC.

By: _____
Name: Joe R. Micheletto
Title: Chief Executive Officer

AGREEMENT AND PLAN OF MERGER
BY AND AMONG RALCORP HOLDINGS, INC.,
GENERAL MILLS, INC. AND GENERAL MILLS MISSOURI, INC.

This Agreement and Plan of Merger is dated as of August 13, 1996 (as amended, supplemented or otherwise modified from time to time, this "AGREEMENT"), by and among Ralcorp Holdings, Inc., a Missouri corporation (the "COMPANY"), General Mills, Inc., a Delaware corporation (the "ACQUIROR"), and General Mills Missouri, Inc., a Missouri corporation and a wholly owned subsidiary of Acquiror ("MERGER SUB").

WHEREAS, the Board of Directors of the Company has approved a plan of distribution and reorganization as described in the Reorganization Agreement attached hereto as Exhibit A (the "REORGANIZATION AGREEMENT"), which will be entered into prior to the Effective Time (as defined in Section 1.3), subject to the issuance of a private letter ruling from the Internal Revenue Service (the "SERVICE") as described in Section 6.1(d) hereof in response to a ruling request to be made by the Company (the "RULING REQUEST") or, alternatively, the issuance of an opinion or opinions of counsel as described in Section 6.1(e) hereof, pursuant to which (a) certain of the assets and liabilities of the branded cereals and branded snacks business (the "BRANDED BUSINESS") currently operated by the Company's wholly-owned subsidiary, Ralston Foods, Inc. ("FOODS"), will be contributed by Foods to a newly-formed subsidiary (the "BRANDED SUBSIDIARY") as provided in the Reorganization Agreement, (b) all the stock of the Branded Subsidiary will be distributed by Foods to the Company pursuant to the Reorganization Agreement (the "INTERNAL SPINOFF"), and (c) all of the shares of capital stock of a Missouri corporation to be formed as a wholly-owned subsidiary of the Company and the parent of Foods ("NEW HOLDINGS") will be distributed on a pro rata basis to the Company's stockholders as provided in the Reorganization Agreement (the "DISTRIBUTION");

WHEREAS, the respective Boards of Directors of Acquiror, Merger Sub and the Company have determined that, following the Distribution, the merger of Merger Sub with and into the Company (the "MERGER") with the Company as the surviving corporation (the "SURVIVING CORPORATION") would be advantageous and beneficial to their respective corporations and stockholders; and

WHEREAS, for Federal income tax purposes, it is intended that (a) the Distribution and the Internal Spinoff shall each qualify as tax-free distributions within the meaning of Section 355 of the Internal Revenue Code of 1986, as amended (the "CODE"), and (b) the Merger shall qualify as a reorganization under Section 368(a)(1)(B) of the Code, and this Agreement is intended to be and is adopted as a plan of reorganization.

NOW, THEREFORE, in consideration of the representations, warranties, covenants and agreements contained in this Agreement, the parties hereto agree as follows:

ARTICLE I

THE MERGER

SECTION 1.1 THE MERGER. Upon the terms and subject to the conditions set forth in this Agreement, and in accordance with the General and Business Corporation Law of Missouri (the "GBCL"), Merger Sub shall be merged with and into the Company at the Effective Time. Following the Merger, the separate corporate existence of Merger Sub shall cease and the Company shall continue as the Surviving Corporation and shall succeed to and assume all the rights and obligations of Merger Sub in accordance with the GBCL.

SECTION 1.2 CLOSING. Subject to the next sentence, the closing of the Merger (the "CLOSING") will take place as promptly as practicable after the satisfaction or waiver of the conditions set forth in Article VI (other than, but subject to, those conditions to be performed at the Closing), at the offices of Bryan Cave LLP, 211 No. Broadway, Suite 3600, St. Louis, Missouri, or on such other date or at such other place is agreed to in writing by the parties hereto. The parties agree to use reasonable efforts to cause the Closing to occur at the end of a month. The date of the Closing is referred to herein as the "CLOSING DATE."

SECTION 1.3 EFFECTIVE TIME. As soon as practicable following the satisfaction or waiver of the conditions set forth in Article VI, the parties shall file articles of merger or other appropriate documents (in any such case, the "CERTIFICATE OF MERGER") executed in accordance with the relevant provisions of the GBCL, and shall make all other filings or recordings required under the GBCL. The Merger shall become effective immediately following the Distribution upon the filing of the Certificate of Merger with the Missouri Secretary of State or at such other time as the Company and Acquiror shall agree should be specified in the Certificate of Merger (the time the Merger becomes effective being the "EFFECTIVE TIME").

SECTION 1.4 EFFECTS OF THE MERGER. The Merger shall have the effects set forth in Section 351.450 of the GBCL. Without limiting the generality of the foregoing, and subject thereto, at the Effective Time, all the properties, rights, privileges, powers and franchises of Merger Sub and the Company shall vest in the Surviving Corporation, and all debts, liabilities, obligations and duties of Merger Sub and the Company shall become the debts, liabilities and duties of the Surviving Corporation.

SECTION 1.5 CERTIFICATE OF INCORPORATION AND BY-LAWS.

(a) The certificate of incorporation of Merger Sub as in effect at the Effective Time shall be the certificate of incorporation of the Surviving Corporation until thereafter changed or amended as provided therein or by applicable law.

(b) The by-laws of Merger Sub as in effect at the Effective Time shall be the by-laws of the Surviving Corporation until thereafter changed or amended as provided therein or by applicable law.

SECTION 1.6 DIRECTORS. The directors of Merger Sub at the Effective Time shall be the directors of the Surviving Corporation, until the earlier of their resignation or removal or until their respective successors are duly elected and qualified, as the case may be.

SECTION 1.7 OFFICERS. The officers of Merger Sub at the Effective Time shall be the officers of the Surviving Corporation, until the earlier of their resignation or removal or until their respective successors are duly elected and qualified, as the case may be.

ARTICLE II

EFFECT OF THE MERGER ON THE CAPITAL STOCK OF THE CONSTITUENT CORPORATIONS; EXCHANGE OF CERTIFICATES

SECTION 2.1 EFFECT ON CAPITAL STOCK. As of the Effective Time, by virtue of the Merger and without any action on the part of the holder of any shares of Common Stock, par value $.01 per share, of the Company ("COMPANY COMMON STOCK"):

(a) Cancellation of Treasury Stock and Acquiror-Owned Stock. Each share of Company Common Stock that is owned by the Company or by any wholly owned subsidiary of the Company (but not any Benefit Plan (as defined in Section 3.2(m)) of the Company or any of its subsidiaries) and each share of Company Common Stock that is owned by Acquiror, Merger Sub or any other wholly owned subsidiary of Acquiror, excluding, in each case, any such share held by the Company, Acquiror or any of their wholly owned subsidiaries in a fiduciary, custodial or similar capacity, shall automatically be canceled and retired and shall cease to exist, and no common stock, par value $.10 per share, of Acquiror ("ACQUIROR COMMON STOCK") or other consideration shall be delivered in exchange therefor.

(b) Conversion of Company Common Stock. Subject to Section 2.2(e), each issued and outstanding share of Company Common Stock, other than (i) shares to be canceled in accordance with Section 2.1(a) and (ii) as set forth in paragraph (c) below, shares that have not been voted in favor of the approval of this Agreement and with respect to which dissenters' rights shall have been perfected in accordance with Section 351.455 of the GBCL ("DISSENTERS' SHARES"), shall be converted into the right to receive a fraction of a fully paid and nonassessable share of Acquiror Common Stock equal to the Conversion Number (the "MERGER CONSIDERATION"). The term "CONVERSION NUMBER" shall mean a number, expressed to three decimal places, equal to the fraction of (i) $570,000,000 less (A) the amount of any Funded Debt of the Company and the Branded Subsidiary as of the

Effective Time and (B) the amount required to be paid by the Company to the holders of the Rights to redeem the Rights, to the extent such amount remains unpaid at the Effective Time (the "RIGHTS PAYMENT"), divided by (ii) the product of (A) the Average Value of Acquiror Common Stock multiplied by (B) the number of shares of Company Common Stock outstanding immediately before the Effective Time. The term "FUNDED DEBT OF THE COMPANY" shall mean, without duplication, (i) the Company's 8 3/4% Notes due September 15, 2004 (the "NOTES") (which shall be valued at their face value, plus any accrued and unpaid interest thereon as of the Closing Date), (ii) any amounts outstanding under any bank credit facility of the Company or the Branded Subsidiary, (iii) all other indebtedness of the Company or the Branded Subsidiary for borrowed money, and (iv) any other indebtedness of the Company or the Branded Subsidiary that is evidenced by a note, bond or similar security. The amount of any Funded Debt of the Company referred to in the foregoing clauses (ii), (iii) and (iv) shall be the face value thereof, plus any accrued and unpaid interest thereon as of the Closing Date, plus an amount, if any, on an after-tax basis, equal to (i) the face value thereof, multiplied by (ii)(A) the number of days, if any, following the Effective Time during which such Funded Debt of the Company is not payable or prepayable without premium or penalty divided by (B) 365, multiplied by (iii)(A) the applicable annual interest rate of such Funded Debt minus (B) the annual interest rate applicable to debt of Acquiror having a maturity equal to the number of days referred to in clause (ii)(A) of this sentence (such rate to be reasonably agreed upon by Lehman Brothers Inc. and Dillon Read & Co., Inc.). The term "AVERAGE VALUE OF ACQUIROR COMMON STOCK" shall mean the volume-weighted average of the prices per share of Acquiror Common Stock for all trades reported on the New York Stock Exchange Inc. ("NYSE") during the 10 trading days immediately preceding the last business day before the date of the Effective Time; provided, however, that if, on any such day, there has been any suspension of trading, the imposition of any NYSE market circuit breakers or any delay in the opening of trading, in any such case affecting the trading of the Acquiror Common Stock on the NYSE, such day shall be excluded and the measurement period for the determination of the Average Value of Acquiror Common Stock shall be the 10 trading days immediately preceding the last business day before the date of the Effective Time on which no such event shall have occurred. As of the Effective Time, all such shares of Company Common Stock shall no longer be outstanding and shall automatically be canceled and retired and shall cease to exist, and each holder of a certificate formerly representing any such shares of Company Common Stock shall cease to have any

rights with respect thereto, except the right to receive the shares of Acquiror Common Stock and any cash in lieu of fractional shares of Acquiror Common Stock to be issued or paid in consideration therefor upon surrender of such certificate in accordance with Section 2.2, without interest thereon.

(c) Shares of Dissenting Stockholders. Notwithstanding anything in this Agreement to the contrary, no Dissenters' Shares shall be converted as described in Section 2.1(b) but shall become the right to receive such consideration from

the Surviving Corporation as may be determined to be due in respect of such Dissenters' Shares pursuant to the laws of the State of Missouri; provided, however, that any Dissenters' Shares outstanding immediately prior to the Effective Time and held by a stockholder who shall, after the Effective Time, lose or withdraw his or her dissenter's rights pursuant to the GBCL, shall be deemed to be converted as of the Effective Time into the right to receive the Merger Consideration.

SECTION 2.2 EXCHANGE OF CERTIFICATES.

(a) Exchange Agent. As of the Effective Time, Acquiror shall deposit with Norwest Bank Minnesota, N.A. (the "EXCHANGE AGENT"), for the benefit of the holders of shares of Company Common Stock, for exchange through the Exchange Agent in accordance with this Article II, certificates representing the shares of Acquiror Common Stock (such shares of Acquiror Common Stock, together with any dividends or distributions with respect thereto, being hereinafter referred to as the "EXCHANGE FUND") issuable pursuant to Section 2.1 in exchange for certificates formerly representing outstanding shares of Company Common Stock. Acquiror shall or shall cause the Surviving Corporation to provide to the Exchange Agent, on a timely basis, funds necessary to pay any cash payable in lieu of fractional shares of Acquiror Common Stock in accordance with Section 2.2(e).

(b) Exchange Procedures. As soon as reasonably practicable after the Effective Time, the Surviving Corporation shall cause the Exchange Agent to mail to each holder of record of a certificate or certificates which immediately prior to the Effective Time represented outstanding shares of Company Common Stock (the "CERTIFICATES") whose shares were converted into the right to receive shares of Acquiror Common Stock pursuant to Section 2.1, (i) a letter of transmittal (which shall specify that delivery shall be effected, and risk of loss and title to the Certificates shall pass, only upon delivery of the Certificates to the Exchange Agent and shall be in such form and have such other provisions as Acquiror may reasonably specify) and (ii) instructions for use in effecting the surrender of the Certificates in exchange for certificates representing shares of Acquiror Common Stock and cash in lieu of any fractional share. Upon surrender of a Certificate for cancellation to the Exchange Agent or to such other agent or agents as may be appointed by Acquiror, together with such letter of transmittal, duly executed, and such other documents as may reasonably be required by the Exchange Agent, the holder of such Certificate shall be entitled to receive in exchange therefor a certificate representing that number of whole shares of Acquiror Common Stock, and cash in lieu of any fractional share, which such holder has the right to receive pursuant to the provisions of this Article II, and the Certificate so surrendered shall forthwith be canceled. In the event of a transfer of ownership of Company Common Stock which is not registered in the transfer records of the Company, a certificate representing the proper number of shares of Acquiror Common Stock and cash in lieu of any fractional share may be issued to a person other than the person in whose name the Certificate so surrendered is registered, if such Certificate shall be properly endorsed or otherwise be in proper form for transfer and the person requesting such issuance and payment shall pay any transfer or other taxes required by reason of the issuance of shares of Acquiror

Common Stock and payment of cash in lieu of any fractional share to a person other than the registered holder of such Certificate or establish to the satisfaction of Acquiror that such tax has been paid or is not applicable. Until surrendered as contemplated by this Section 2.2, each Certificate shall be deemed at any time after the Effective Time to represent only the right to receive upon such surrender the certificate representing shares of Acquiror Common Stock and cash in lieu of any fractional shares of Acquiror Common Stock as contemplated by this Section 2.2. No interest will be paid or will accrue on any shares of Acquiror Common Stock or cash payable in lieu of any fractional shares of Acquiror Common Stock.

(c) Distributions with Respect to Unexchanged Shares. No dividends or other distributions with respect to Acquiror Common Stock with a record date after the Effective Time shall be paid to the holder of any unsurrendered Certificate with respect to the shares of Acquiror Common Stock represented thereby and no

cash payment in lieu of fractional shares shall be paid to any such holder pursuant to Section 2.2(e) until the surrender of such Certificate in accordance with this Article II. Subject to the effect of applicable laws, following surrender of any such Certificate, there shall be paid to the holder of the certificate representing whole shares of Acquiror Common Stock issued in exchange therefor, without interest, (i) at the time of such surrender, the amount of any cash payable in lieu of a fractional share of Acquiror Common Stock to which such holder is entitled pursuant to Section 2.2(e) and the amount of dividends or other distributions with a record date after the Effective Time theretofore paid with respect to such whole shares of Acquiror Common Stock and (ii) at the appropriate payment date, the amount of dividends or other distributions with a record date after the Effective Time but prior to such surrender and a payment date subsequent to such surrender payable with respect to such whole shares of Acquiror Common Stock.

(d) No Further Ownership Rights in Company Common Stock. All shares of Acquiror Common Stock issued upon the surrender for exchange of Certificates in accordance with the terms of this Article II and any cash paid pursuant to Section 2.2(c) or 2.2(e) shall be deemed to have been issued and paid in full satisfaction of all rights pertaining to the shares of Company Common Stock theretofore represented by such Certificates, and there shall be no further registration of transfers on the stock transfer books of the Surviving Corporation of the shares of Company Common Stock which were outstanding immediately prior to the Effective Time. If, after the Effective Time, Certificates are presented to the Surviving Corporation or the Exchange Agent for any reason, they shall be canceled and exchanged as provided in this Article II.

(e) No Fractional Shares.

(i) No certificates or scrip representing fractional shares of

Acquiror Common Stock shall be issued upon the surrender for exchange of Certificates, and such fractional share interests will not entitle the owner thereof to vote or to any other rights as a stockholder of Acquiror.

(ii) Notwithstanding any other provision of this Agreement, each holder of shares of Company Common Stock exchanged pursuant to the Merger who would otherwise have been entitled to receive a fraction of a share of Acquiror Common Stock (after taking into account all Certificates registered to such holder) shall receive, in lieu thereof, cash (without interest) in an amount equal to such fractional part of a share of Acquiror Common Stock multiplied by the Average Value of Acquiror Common Stock.

(f) Termination of Exchange Fund. Any portion of the Exchange Fund which remains undistributed to the holders of the Certificates for six months after the Effective Time shall be delivered to Acquiror, upon demand, and any holders of the Certificates who have not theretofore complied with this Article II shall thereafter look only to the Surviving Corporation or Acquiror for payment of their claim for Acquiror Common Stock, any cash in lieu of fractional shares of Acquiror Common Stock and any dividends or distributions with respect to Acquiror Common Stock.

(g) No Liability. None of Acquiror, Merger Sub, the Company, the Surviving Corporation or the Exchange Agent shall be liable to any person in respect of any shares of Acquiror Common Stock (or dividends or distributions with respect thereto) or cash from the Exchange Fund delivered to a public official pursuant to any applicable abandoned property, escheat or similar law.

SECTION 2.3 NET ASSETS ADJUSTMENT.

(a) If the value of the combined total assets minus the total liabilities of the Company and the Branded Subsidiary on the Closing Date, as calculated in the manner set forth on Schedule 2.3 ("CLOSING DATE NET ASSET VALUE"), is less than $41,900,000, then Foods shall pay to the Surviving Corporation an amount equal to such shortfall in the manner as provided on Schedule 2.3.

(b) If the Closing Date Net Asset Value is more than $41,900,000, then the Surviving Corporation shall pay to Foods an amount equal to such excess in the manner as provided on Schedule 2.3.

(c) Schedule 2.3 sets forth (i) the manner in which the Closing Date Net Asset Value shall be calculated and (ii) the manner in which any payment required by Sections 2.3(a) or 2.3(b) shall be made. The payments made under this Section 2.3 shall not be deemed to be an adjustment of the consideration paid for the Company Common Stock.

ARTICLE III

SECTION 3.1 CERTAIN DEFINITIONS. As used in Section 3.2, unless specifically provided otherwise, any reference to the Company shall be a reference to the Company and the Branded Subsidiary, assuming that the contribution of the Branded Business to the Branded Subsidiary, the Internal Spinoff and the Distribution had occurred immediately prior to the date hereof on the terms and conditions set forth in the Reorganization Agreement. As used in this Agreement, any reference to any event, change or effect having a material adverse effect on or with respect to an entity (or group of entities taken as a whole) means such event, change or effect is reasonably expected to be materially adverse to the business, properties, assets, results of operations or consolidated financial condition of such entity (or, if with respect thereto, of such group of entities taken as a whole) or on the ability of such entity or group of entities to consummate the transactions contemplated hereby, including the Distribution and the Merger. As used in this Agreement, any reference to the knowledge of the Company or the best knowledge of the Company means the actual knowledge after reasonable inquiry of the relevant facts and circumstances of the individuals listed on Schedule 3.1, and not any other person or entity.

SECTION 3.2 REPRESENTATIONS AND WARRANTIES OF THE COMPANY. The Company represents and warrants to Acquiror and Merger Sub as follows:

(a) Organization, Standing, Corporate Power and Subsidiaries. The Company is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation and has all requisite corporate power and authority to own, lease and operate its properties and to carry on its business as now being conducted. The Company is duly qualified or licensed to do business and in good standing in each jurisdiction in which the property owned, leased or operated by it or the nature of the business conducted by it makes such qualification or licensing necessary, except where the failure to be so duly qualified or licensed and in good standing would not have a material adverse effect on the Company. True, accurate and complete copies of the Articles of Incorporation and Bylaws of the Company, as in effect on the date hereof, including all amendments thereto, have heretofore been delivered to Acquiror. The Company has made available to legal counsel for Acquiror true, accurate and complete copies of the minute books of the Company as maintained by the Company, and such minute books contain minutes of all meetings of the boards of directors and stockholders of the Company. At the Effective Time, except for the Branded Subsidiary, the Company will not, directly or indirectly, own or have the right to acquire any capital stock or other equity interest in any other corporation, partnership, joint venture or other entity. At the Effective Time, the Company will own all right, title and interest in and to all capital stock and all rights with respect to all capital stock of the Branded Subsidiary. The capitalization and the state, country or other jurisdiction of incorporation of the Branded Subsidiary is accurately described and identified on Schedule 3.2(a).

(b) Capital Structure. The authorized capital stock of the Company consists of 300,000,000 shares of Company Common Stock and 10,000,000 shares of preferred stock, par value $0.01 per share ("COMPANY PREFERRED STOCK"). At the close of

business on July 31, 1996, (i) 32,924,347 shares of Company Common Stock and no shares of Company Preferred Stock were issued and outstanding, (ii) 1,000,501 shares of Company Common Stock were held by the Company in its treasury, (iii) 2,610,086 shares of Company Common Stock were reserved for issuance pursuant to the Benefit Plans and (iv) 35,534,433 shares of Company Common Stock were reserved for issuance in connection with the rights (the "RIGHTS") issued pursuant to the Rights Agreement dated as of March 24, 1994 (as amended from time to time, the "RIGHTS AGREEMENT"), between the Company and Boatmen's Trust Company, as Rights Agent. Except as set forth above, at the close of business on July 31, 1996, no shares of capital stock or other voting securities of the Company were issued, reserved for issuance or outstanding. All outstanding shares of capital stock of the Company are, and all shares which may be issued pursuant to the Benefit Plans will be, when issued, duly authorized, validly issued, fully paid and nonassessable and not subject to preemptive rights. There are not any bonds, debentures, notes or other indebtedness of the Company having the right to vote (or convertible into, or exchangeable for, securities having the right to vote) on any matters on which stockholders of the Company may vote. Except as set forth above, there are not, and immediately prior to the Effective Time there will not

be, any securities, options, warrants, calls, rights, commitments, agreements, arrangements or undertakings of any kind to which the Company is a party or by which it is bound obligating the Company to issue, deliver or sell, or cause to be issued, delivered or sold, additional shares of capital stock or other voting securities of the Company or of the Branded Subsidiary or obligating the Company or the Branded Subsidiary to issue, grant, extend or enter into any such security, option, warrant, call, right, commitment, agreement, arrangement or undertaking. There are not any outstanding contractual obligations of the Company to repurchase, redeem or otherwise acquire any shares of capital stock of the Company. The Company has delivered to Acquiror a complete and correct copy of the Rights Agreement as amended and supplemented to the date of this Agreement.

(c) Authority; Noncontravention. The Company has, and, in the case of any Ancillary Agreements (as defined in the Reorganization Agreement) executed at a later time, the Company will have, the requisite corporate power and authority (subject to the approvals described in the next sentence) to enter into this Agreement and the Ancillary Agreements and to consummate the transactions contemplated hereby and thereby. The execution and delivery of this Agreement and the Ancillary Agreements and the consummation by the Company of the transactions contemplated hereby and thereby have been duly authorized by all necessary corporate action on the part of the Company, other than, with respect to the Merger, the approval and adoption of this Agreement by the affirmative vote of the holders of Company Common Stock representing two-thirds of the shares entitled to vote (such holders of two-thirds of such shares, the "REQUISITE STOCKHOLDERS"), and formal declaration of the Distribution by the Company's Board of Directors (which will occur prior to the Closing Date). This

Agreement has been duly executed and delivered by the Company (excluding the Branded Subsidiary) and, assuming this Agreement constitutes a valid and binding obligation of Acquiror, constitutes a valid and binding obligation of the Company (excluding the Branded Subsidiary), enforceable against the Company (excluding the Branded Subsidiary) in accordance with its terms. Each of the Ancillary Agreements has been, or prior to the Merger and the other transactions contemplated thereby will be, duly executed and delivered by each of the Company and the Branded Subsidiary, as the case may be, and constitutes, or upon such execution and delivery will constitute, a valid and binding obligation of each of the Company and the Branded Subsidiary, enforceable against it in accordance with its terms. Except as set forth on Schedule 3.2(c), none of the execution and delivery of this Agreement and the Ancillary Agreements or the consummation of the transactions contemplated hereby or thereby and compliance with the provisions of this Agreement and the Ancillary Agreements will conflict with, or result in any violation of, or default (with or without notice or lapse of time, or both) under, or give rise to a right of termination, cancellation or acceleration of any obligation or the loss of a benefit under, or result in the creation of any adverse claim, restriction on voting or transfer, pledge, claim, lien, charge, encumbrance or security interest of any kind or nature whatsoever (collectively, "LIENS") upon any of the properties or assets of the Company (i) under its Articles of Incorporation or Bylaws, (ii) under any Contract (as defined in the Reorganization Agreement) to which the Company is a party or by which the Company or any of its assets are bound, or (iii) subject to the governmental filings and other matters referred to in the following sentence, under any judgment, order, decree, statute, law, ordinance, rule or regulation applicable to the Company, or any of its properties or assets, other than, in the case of clauses (ii) and (iii), any such conflicts, violations, defaults, rights, losses or Liens that individually or in the aggregate would not (A) have a material adverse effect on the Company, (B) materially impair the ability of the Company to perform its obligations under this Agreement or any of the Ancillary Agreements to which the Company is a party or (C) prevent or materially delay the consummation of any of the transactions contemplated by this Agreement or any of the Ancillary Agreements. No consent, approval, order or authorization of, or registration, declaration or filing with, any Federal, state or local government or any court, administrative agency or commission or other governmental authority or agency, or self-regulatory organization, domestic or foreign (a "GOVERNMENTAL ENTITY"), is required by or with respect to the Company in connection with the execution and delivery of this Agreement and any of the Ancillary Agreements to which it is a party or the consummation by the Company of the transactions contemplated hereby or thereby, except for (i) the filing with the Securities and Exchange Commission ("SEC") of (x) a proxy statement relating to the approval by the Company's stockholders of this Agreement (as amended or supplemented from time to time, the "PROXY STATEMENT"), (y) potentially, a registration statement on Form S-1 relating to the Distribution

and (z) a registration statement on Form 10 (the "FORM 10") under, and such

reports under Section 13(a) of, the Securities Exchange Act of 1934, as amended (the "EXCHANGE ACT"), as may be required in connection with this Agreement, the Ancillary Agreements and the transactions contemplated hereby and thereby, (ii) the filing of the Certificate of Merger with the Missouri Secretary of State and appropriate documents with the relevant authorities of other states in which the Company or the Branded Subsidiary is qualified to do business, (iii) expiration of the waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the "HSR ACT"), (iv) such consents, approvals, orders, authorizations, registrations, declarations and filings as are set forth on Schedule 3.2(c) and (v) such other consents, approvals, orders, authorizations, registrations, declarations and filings, the absence of which could not reasonably be expected to have a material adverse effect on the Company.

(d) SEC Documents; Undisclosed Liabilities; Press Releases.

(i) The Company has filed all required reports, schedules, forms, statements and other documents with the SEC since March 31, 1994 (the "COMPANY SEC DOCUMENTS"). As of their respective dates (as amended), the Company SEC Documents complied in all material respects with the requirements of the Securities Act of 1933, as amended (the "SECURITIES ACT"), or the Exchange Act, as the case may be, and the rules and regulations of the SEC promulgated thereunder applicable to such Company SEC Documents, and none of the Company SEC Documents contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading. The financial statements of the Company included in the Company SEC Documents comply as to form in all material respects with applicable accounting requirements and the published rules and regulations of the SEC with respect thereto, have been prepared in accordance with generally accepted accounting principles (except as permitted by Form 10-Q of the SEC in the case of unaudited statements) applied on a consistent basis during the periods involved (except as may be indicated in the notes thereto) and fairly present the consolidated financial position of the Company and its consolidated subsidiaries as of the dates thereof and the consolidated results of their operations and cash flows for the periods then ended (subject, in the case of unaudited statements, to normal year-end audit adjustments).

(ii) None of the press releases issued by the Company since March 31, 1994 contained at the time of issuance any untrue statement of a material fact or omitted to state a material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading.

(e) Information in Disclosure Documents and Registration Statements. None of the information supplied or to be supplied in writing by the Company or its representatives for inclusion or incorporation by reference in (i) the registration statement on Form S-4 to be filed with the SEC by Acquiror in connection with the issuance of shares of Acquiror Common Stock in the Merger (the "FORM S-4") or in a registration statement (if any) on Form S-1 or any

other applicable form to be filed with the SEC by New Holdings in connection with the distribution of shares of Common Stock, par value $0.01 per share, of New Holdings ("NEW HOLDINGS COMMON STOCK") in the Distribution (the "FORM S-1") will, at the time such Registration Statements become effective under the Securities Act and at the Effective Time, in the case of the Form S-4, and at the time of the meeting of stockholders of the Company to be held in connection with the Merger and the Distribution and at the time of the Distribution, in the case of the Form S-1, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading and (ii) the Proxy Statement will, at the date mailed to the Company's stockholders and at the time of the meeting of stockholders to be held in connection with the Merger, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading. The Proxy Statement will comply as to form in all material respects with the provisions of the Exchange Act and the rules and regulations thereunder, and the Form S-1 will comply as to form in all material respects with the provisions of the Securities Act or the Exchange Act, as applicable, and the rules and regulations thereunder, except that no representation is made by the Company with respect to statements made therein based on information supplied by Acquiror or its representatives for inclusion in the Proxy Statement or the Form S-1,

respectively, or with respect to information concerning Acquiror or any of its subsidiaries incorporated by reference in the Proxy Statement.

(f) Absence of Certain Changes or Events. On the date of this Agreement, except as disclosed in the Company SEC Documents filed and publicly available prior to the date of this Agreement (the "FILED COMPANY SEC DOCUMENTS") or as set forth in Schedule 3.2(f), and at the Closing Date, except as disclosed in the Company SEC Documents filed and publicly available before the Closing Date or in Schedule 3.2(f) or in the Company Bring Down Certificate (as defined in Section 6.2(a)), since September 30, 1995, the Company has conducted its business only in the ordinary course, consistent with past practice, and there has not been (i) any material adverse change in the Company or any event that could reasonably be expected to have a material adverse effect on the Company, (ii) any split, combination or reclassification of any of its capital stock or any issuance or the authorization of any issuance of any other securities in respect of, in lieu of or in substitution for shares of its capital stock, (iii) any damage, destruction or loss, whether or not covered by insurance, that has had or could reasonably be expected to have a material adverse effect on the Company and the Branded Subsidiary taken as a whole, (iv) any change in accounting methods, principles or practices by the Company, or any of its subsidiaries, except insofar as may have been required (in the opinion of the Company's independent accountants) by a change in generally accepted accounting principles (which change is set forth in Schedule 3.2(f) or will be set forth in

the Company Bring Down Certificate), (v) any acquisition or any sale or disposition of any material assets or properties by the Company, except in the ordinary course of business, consistent with past practice, or (vi) any entry into any agreement, arrangement or commitment to take any of the actions set forth in this Section.

(g) Litigation. Except as set forth in Schedule 3.2(g) or as disclosed in the Filed Company SEC Documents or, with respect to claims, investigations, suits, actions or proceedings arising, or to the knowledge of the Company first expressly threatened, between the date hereof and the Closing Date, as disclosed in the Company Bring Down Certificate, there is no claim, investigation, suit, action or proceeding pending or, to the knowledge of the Company, expressly threatened, against the Company before or by any Governmental Entity or arbitrator that, individually or in the aggregate, could reasonably be expected to (i) have a material adverse effect on the Company and the Branded Subsidiary taken as a whole, (ii) materially impair the ability of the Company or Foods to perform any obligation under this Agreement or any of the Ancillary Agreements or (iii) prevent or materially delay or alter the consummation of any or all of the transactions contemplated hereby or thereby. There are no unpaid judgments, injunctions, orders, arbitration decisions or awards, or, except as set forth in Schedule 3.2(g), other judicial or administrative mandates outstanding against the Company.

(h) Compliance with Applicable Laws. Except as set forth in Schedule 3.2(h), the Company holds all permits, licenses, variances, exemptions, orders and approvals of, and has made all filings, applications and registrations with, all Governmental Entities which individually or in the aggregate are material to the operation of the business of the Company and the Branded Subsidiary taken as a whole (the "COMPANY PERMITS"). All Company Permits are in full force and effect in all material respects. The Company is in compliance with the terms of the Company Permits, except where the failure so to comply would not have a material adverse effect on the Company and the Branded Subsidiary taken as a whole. Except as disclosed in the Filed Company SEC Documents, the business of the Company is not being conducted in violation of any law, ordinance or regulation of any Governmental Entity, except for violations, if any, that individually or in the aggregate do not, and could not reasonably be expected to, have a material adverse effect on the Company and the Branded Subsidiary taken as a whole.

(i) Brokers or Finders. No broker, investment banker, financial advisor or other person, other than Lehman Brothers, Inc., the fees and expenses of which will be paid by Foods, is entitled to any broker's, finder's, financial advisor's or other similar fee or commission in connection with the transactions contemplated by this Agreement and the Ancillary Agreements based upon arrangements made by or on behalf of the Company.

(j) The Branded Business.

(i) At the Effective Time, except as contemplated by the Technology Agreement, the Trademark Agreement and the Supply Agreement and except as set forth on Schedule 3.2(j), neither New Holdings, Foods nor any of their respective subsidiaries will use in the conduct of its business or own or have rights to use any material assets or property, whether tangible, intangible or mixed, which have also been heretofore used in the conduct of the business of the Branded Business. At the Effective Time, neither Foods nor any of its subsidiaries will be a party to any contract, agreement, arrangement or understanding with the Company (other than the Ancillary Agreements and the agreements specifically contemplated thereby) relating to the business or operations of the Company or pursuant to which the Company may have any obligation or liability. After the Effective Time, the Company, the Surviving Corporation, the Branded Subsidiary and Acquiror and its other subsidiaries will not have any liability whatsoever, direct or indirect, contingent or otherwise, in any way relating to the business, operations, indebtedness, assets or liabilities of New Holdings, Foods or any of their respective subsidiaries, except as contemplated by the Reorganization Agreement or any of the other Ancillary Agreements.

(ii) Except as set forth on Schedule 3.2(j), the Branded Assets (as defined in the Reorganization Agreement) and the rights under the Technology Agreement, the Trademark Agreement and the Supply Agreement are sufficient to permit Acquiror and the Surviving Corporation to operate the Branded Business from and after the Effective Time in substantially the same manner as currently conducted.

(k) Material Contracts. On the date of this Agreement, except as set forth in Schedule 3.2(k) and, at the Closing Date, except as set forth in Schedule 3.2(k) or as disclosed in the Company Bring Down Certificate, (i) all Material Contracts (as defined below), together with all modifications and amendments thereto, are valid and binding obligations of the parties thereto and in full force and effect, and (ii) the Company is not in breach or default under any Material Contract, except for such breaches or defaults in the ordinary course of business that do not, and will not with the passage of time or the giving of notice, or both, individually or in the aggregate, have a material adverse effect on the Company and the Branded Subsidiary taken as a whole and, to the knowledge of the Company, no other party is in material default thereunder. Except as set forth on Schedule 3.2(k), the Company is not a party to any Material Contracts. True and complete copies of each Material Contract to which the Company is a party have been made available to the Acquiror. As used herein, the term "MATERIAL CONTRACT," shall mean any contract, agreement, arrangement or understanding to which the Company is a party or by which the Company or any of its assets is bound, that is or contains any of the following: (A) a contract of employment that is other than at will or any arrangement binding on the Company providing any employee with termination benefits other than those available under the Company's generally applicable severance plan; (B) a contract with any labor union or association; (C) a contract with any affiliate of the Company (including, without limitation, Foods and its subsidiaries); (D) a contract containing a covenant not to compete; (E) a loan or similar agreement relating to the borrowing of money or any guarantee of indebtedness of any other person

in excess of $100,000; (F) any lease or sublease relating to real property; (G) any contract not fully performed for the purchase of any commodity, material, services or equipment, including without limitation fixed assets, for a price in excess of $100,000 in the aggregate over the life of the contract; (H) any license agreement (as licensor or licensee) providing for future payments in excess of $100,000; (I) any other contract which creates future payment obligations in excess of $100,000; (J) any contract that obligates the Company to obtain all or a substantial portion of its requirements of any goods or services from, or supply all or a substantial portion of the requirements for any goods or services of, any other person; (K) any contract with Ralston Purina Company or any of its affiliates; (L) any guarantee of any obligation of Foods or its subsidiaries (other than the Branded Subsidiary); or (M) any contract that does not permit the Company to terminate the contract upon less than 90 days' notice or expressly requires it to pay liquidated damages of more than $100,000 upon early termination.

(l) Absence of Changes in Benefit Plans. Except as set forth in Schedule 3.2(l) or as disclosed in the Filed Company SEC Documents, since the date of the most recent audited financial statements included in the Filed Company SEC Documents, there has not been any adoption or amendment in any material respect

by the Company of any collective bargaining agreement or any Benefit Plan other than any adoption or amendment of a Benefit Plan permitted under Section 4.1(h).

(m) Benefit Plans, Employment and Labor Relations.

(i) Schedule 3.2(m) contains a list of all "employee pension benefit plans" (as defined in Section 3(2) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA")) (sometimes referred to herein as "PENSION PLANS"), "employee welfare benefit plans" (as defined in Section 3(1) of ERISA) and all other plans, agreements, policies or arrangements relating to stock options, stock purchases, compensation, deferred compensation, severance, and other employee benefits, in each case maintained or contributed to as of the date of this Agreement by the Company for the benefit of any current or former employees, officers or directors of the Company or for which the Company is or could be liable, as a result of its status as an ERISA Affiliate (as defined below) (collectively, the "BENEFIT PLANS"), except that Schedule 3.2(m) does not list any Benefit Plan of any ERISA Affiliate of the Company that ceased to be an ERISA Affiliate of the Company on or prior to April 1, 1994. The Company has made available to Acquiror true, complete and correct copies of (a) each Benefit Plan (or, in the case of any unwritten Benefit Plans, descriptions thereof), (b) the most recent annual report on Form 5500 filed with the Internal Revenue Service with respect to each Benefit Plan (if any such report was required), (c) the most recent summary plan description for each Benefit Plan for which such summary plan description is required and (d) each trust agreement or group annuity contract relating to any Benefit

Plan. The Company shall update Schedule 3.2(m) and the information shall be made available to the Acquiror through the Distribution Date. "ERISA AFFILIATE" means, with respect to any entity, trade or business, any other entity, trade or business that is a member of a group described in Section 414(b), (c), (m) or (o) of the Code or Section 4001(b)(1) of ERISA that includes the first entity, trade or business, or that is a member of the same "controlled group" as the first entity, trade or business pursuant to Section 4001(a)(14) of ERISA, at any time.

(ii) Each Benefit Plan has been administered in all material respects in accordance with its terms and is in compliance in all material respects with the applicable provisions of ERISA, the Code and other applicable law.

(iii) Except as set forth on Schedule 3.2(m), the Company does not now sponsor, maintain, contribute to or have an obligation to contribute to, and has not at any time since September 2, 1974, sponsored, maintained, contributed to, or been obligated to contribute to, any single employer, multiple employer or multiemployer pension plan subject to the provisions of Section 302 or Title IV of ERISA or Section 412 or 4971 of the Code. No liability currently exists, and under no circumstances could the Company or any of its ERISA Affiliates incur a liability pursuant to the provisions of Title I, II or IV of ERISA or Section 412, 4971 or 4980B of the Code that could become a liability of the Surviving Corporation or Acquiror after the consummation of the transactions contemplated by this Agreement. Without limiting the generality of the foregoing, neither the Company nor any of its ERISA Affiliates has engaged in any transaction described in Section 4069 or Section 4204 of ERISA for the purpose of evading liability under subtitle D of Title IV of ERISA. The Company has not incurred a "complete withdrawal" or a "partial withdrawal" (as such terms are defined in Section 4203 and Section 4205, respectively, of ERISA) with respect to any "multiemployer plan" (within the meaning of Section 4001(a)(3) of ERISA) that has led to or could lead to the imposition of a material withdrawal liability under Section 4201 of ERISA that remains unpaid as of the date hereof; and the Company does not maintain or contribute to, nor is it obligated to maintain or contribute to, any such multiemployer plan.

(iv) The Company has not incurred any material liability, nor has any event occurred that could reasonably result in any material liability, under Title I or Title IV of ERISA (other than to a Pension Plan for contributions not yet due or to the Pension Benefit Guaranty Corporation for payment of premiums not yet due) or under Section 412 or Chapter 43 of the Code that has not been fully paid as of the date hereof.

(v) As of the most recent valuation date for any Pension Plan subject to Section 412 of the Code or Title IV of ERISA, other than any "multiemployer plan" within the meaning of Section 4001(a)(3) of ERISA, the fair market value of the assets of such Pension Plan exceed the present

value (determined on the basis of reasonable assumptions employed by the independent actuary for such Pension Plan) of the "benefit liabilities" (within the meaning of Section 4001(a)(16) of ERISA) of such Pension Plan.

(vi) Except as set forth in Schedule 3.2(m), the Company is not a party to, or bound by, any Contract with any labor union or association, including, without limitation, any collective bargaining, labor or similar agreement. Neither the execution and delivery of this Agreement, the Reorganization Agreement or the other Ancillary Agreements, nor the consummation of the transactions contemplated hereby or thereby will constitute a breach or default under any such agreement or give rise to any right to terminate, amend or modify any such agreement. The Company is in compliance with all applicable laws respecting employment and employment practices, terms and conditions of employment and wages and hours and is not engaged in any unfair labor practices, except where the failure to so comply or the result of such unfair labor practice, as the case may be, would not have a material adverse effect on the Company.

(vii) As of the date of this Agreement, there are no employees who have been laid off from the Branded Plant (as defined in the Reorganization Agreement) and who have recall rights.

(n) Rights Agreement; Antitakeover Statutes.

(i) The Company has taken, or prior to the Effective Time will take, all necessary action to:

A. redeem the Rights pursuant to Section 23 of the Rights Agreement; and

B. render inapplicable to the Merger, the Distribution and the other transactions contemplated by this Agreement and the Ancillary Agreements any "fair price," "moratorium," "control share acquisition" or similar anti-takeover statute or regulation enacted under the state or federal law in the United States.

(ii) The Company has delivered, or will deliver prior to the Closing, to Acquiror a true and correct copy of the Board resolutions and any other action taken to accomplish the foregoing.

(o) Intellectual Property.

(i) Schedule 3.2(o) sets forth a complete list of all Intellectual Property applications and registrations therefor which are unexpired or uncancelled as of the date hereof. Except for the matters set forth on Schedule 3.2(o) and except for such matters that individually or in the aggregate have not had and could not reasonably be expected to have a material adverse effect on the Company and the Branded Subsidiary taken as a whole, (A) the Intellectual Property owned by the Company is valid and enforceable, free and clear of all Liens; (B) the Company has taken all reasonable actions necessary to maintain and protect the Company's rights

to the Intellectual Property; (C) the owners of the Intellectual Property licensed to the Company have taken all reasonable actions necessary to maintain and protect the Intellectual Property subject to such licenses; (D) there has been no claim made against the Company asserting the invalidity, misuse, unregistrability or unenforceability of any of the Intellectual Property or challenging the Company's right to use or ownership of any of the Intellectual Property; (E) the Company has no knowledge of any infringement or misappropriation of any of the Intellectual Property; (F) the conduct of the Branded Business has not infringed or misappropriated and does not infringe or misappropriate any intellectual property or proprietary right of any other entity; (G) no loss of any of the Intellectual Property is pending or to the knowledge of the Company threatened; (H) the Intellectual Property is sufficient to operate the Branded Business as it is currently conducted; (I) the consummation of the transactions contemplated by this Agreement will not alter, impair or extinguish any of the Intellectual Property; and (J) the Company has not licensed or in any other way authorized any other party to use the Intellectual Property.

(ii) For purposes of this Agreement, "INTELLECTUAL PROPERTY" shall mean all of the following (in whatever form or medium) which are owned by or licensed to the Company and are used in

the conduct of the Branded Business as conducted currently: (A) patents, trademarks, service marks, trade dress and copyrights, (B) applications for patents and for registration of trademarks, service marks, trade dress and copyrights, (C) trade secrets and trade names, and (D) know how, manufacturing, research and other technical information. Intellectual Property shall not include any widely available off-the-shelf software.

(p) Taxes. The Company has filed all income tax returns and all other material returns and reports required to be filed by it and has paid all taxes required to be paid by it except for taxes which in the aggregate are not material, and the most recent financial statements contained in the Filed Company SEC Documents reflect an adequate reserve for all taxes payable by the Company for all taxable periods and portions thereof through the date of such financial statements. Except as disclosed in Schedule 3.2(p), no deficiencies for any taxes have been proposed, asserted or assessed against the Company, and no requests for waivers of the time to assess any such taxes are pending. The Federal income tax returns of the Company have not been examined by and settled with the Service. As used in this Agreement, "TAXES" shall include all Federal, state, local and foreign income, property, sales, excise and other taxes, tariffs or governmental charges of any nature whatsoever, including interest and penalties thereon.

(q) Branded Financial Statements. Attached as Schedule 3.2(q)(i) hereto are the statement of assets and liabilities as of March 31, 1996 (the "BRANDED

BALANCE SHEET") and statement of profit and loss (to a brand contribution level of detail only) for the period October 1, 1995 through March 31, 1996 for the Company and the Branded Subsidiary on a combined basis (collectively, the "BRANDED FINANCIAL STATEMENTS"). The Branded Financial Statements were prepared in accordance with the accounting principles and procedures set forth on Schedule 3.2(q)(ii), consistently applied, and fairly present the financial condition and results of operations (to the brand contribution level) of the Company and the Branded Subsidiary on a combined basis as of March 31, 1996 and for the period then ended. Neither this Section 3.2(q) nor any other provision in this Agreement shall be construed as a representation or warranty as to the accuracy or completeness of any budgets or projections relating to or reflecting the Company as the Branded Subsidiary.

(r) Properties. Except (A) as may be reflected in the Branded Balance Sheet, (B) for any Lien for current taxes not yet delinquent, and (C) for such other Liens as do not materially affect the value of the property reflected in the Branded Balance Sheet or acquired since the date of the Branded Balance Sheet and which do not, individually or in the aggregate, materially interfere with or impair the present and continued use of such property, the Company has good title, free and clear of any Liens, to all of the property reflected in the Branded Balance Sheet, and all property acquired since the date of the Branded Balance Sheet, except such property as has been disposed of (or, in the case of receivables, collected or paid) in the ordinary course of business consistent with past practice. As of the date of the Branded Balance Sheet, all the material tangible personal property owned or leased by the Company was in good working condition (normal wear and tear excepted) and was suitable in all material respects for the purposes for which it was being used.

(s) Capacity of Branded Plant. The production capacity per eight hour shift of the Branded Plant (by production line, type of product which is run thereon and package size) is set forth on Schedule 3.2(s).

(t) Actions Affecting 1994 Spinoff. The Company and its subsidiaries have complied in all material respects with all of the terms and obligations of all of the agreements between the Company or its subsidiaries and Ralston Purina Company or its affiliates relating to or arising out of the spin-off of the Company by Ralston Purina Company effective March 31, 1994 (the "1994 SPINOFF"), and the Company has not taken, and has not permitted any of its subsidiaries to take, any action that would disqualify the 1994 Spinoff as a tax-free transaction within the meaning of Section 355 of the Code.

(u) Real Property.

(i) Owned Real Property. Schedule 3.2(u) attached hereto sets forth a true and complete legal description of the Real Property (as defined below). Except as set forth in attached Schedule 3.2(u), the Company has good and marketable title to the Real Property, free and clear of any Liens. Except as set forth in attached Schedule 3.2(u), all buildings and improvements located thereon are in good operating

condition and repair, ordinary wear and tear excepted, and do not violate any zoning or building regulations or ordinances where located, except for violations that do not materially impair the use of the Real Property. The term "REAL PROPERTY" means the Branded Plant, appurtenant land, and fixtures and improvement thereon operated by Foods on the date hereof.

(ii) Leased Real Property. Except as set forth on Schedule 3.2(u), the Company is not a party to any lease of real property that is primarily used in the Branded Business.

(iii) Real Property Documents. True, correct and complete copies of title reports, surveys and leases in the Company's possession relating to such Real Property have been furnished or made available to Acquiror.

(iv) Takings. Since March 31, 1994, neither the whole nor any portion of any Real Property has been condemned, requisitioned or otherwise taken by any public authority, and, to the Company's knowledge, no such condemnation, requisition or taking is threatened.

(v) Environmental Matters. (i) Except as set forth in attached Schedule 3.2(v), (A) the Company, with respect to the Branded Business and the Real Property, is in material compliance with all applicable laws and regulations for the protection of the environment, and the Company, with respect to the Branded Business and the Real Property, has received no notices of unremedied violations from any Governmental Entity and there are no governmental investigations or audits, whether pending, threatened or otherwise with respect thereto, other than notices of matters set forth in attached Schedule 3.2(v), the violation of which could result in the imposition of a material fine, penalty, liability, cost or expense; and (B) the Company, with respect to the Branded Business, has obtained or has made or will, before Closing, make application and pay for all permits, licenses, orders and approvals of governmental or administrative authorities required by applicable environmental protection laws or regulations to permit it to carry on the Branded Business in substantially the same manner as currently conducted, or which is applicable to the Real Property, and is in material compliance with the requirements set out in such permits, licenses, orders and approvals.

(ii) Hazardous Waste Disposal. Set forth in attached Schedule 3.2(v) hereto is a summary description of current procedures of the Branded Business with respect to the disposal of hazardous waste materials. Except as set forth in attached Schedule 3.2(v), such procedures comply in all material respects with all municipal, state or federal requirements applicable thereto with respect to which non-compliance could result in the imposition of a fine, penalty, liability, cost or expense.

(w) Actions Affecting Internal Spin-off or Distribution. The Company has not taken, and has not permitted any of its subsidiaries to take, any action that would disqualify the Internal Spinoff or the Distribution as tax-free transactions within the meaning of Section 355 of the Code.

SECTION 3.3 REPRESENTATIONS AND WARRANTIES OF ACQUIROR AND MERGER SUB. Acquiror and Merger Sub represent and warrant to the Company as follows:

(a) Organization, Standing and Corporate Power. Each of Acquiror and Merger Sub is a corporation duly organized, validly existing and in good standing under the laws of its state of incorporation and has all requisite corporate power and authority to own, lease and operate its properties and to carry on its business as now being conducted. Each of Acquiror and Merger Sub is duly qualified or licensed to do business and in good standing in each jurisdiction in which the property owned, leased or operated by it or the nature of the business conducted by it makes such qualification or licensing necessary, except where the failure to be so duly qualified or licensed and in good standing would not in the aggregate have a material adverse effect on Acquiror and its subsidiaries taken as a whole. True, accurate and complete copies of Acquiror's certificate of incorporation and by-laws, as in effect on the date hereof, including all amendments thereto, have heretofore been made available to the Company.

(b) Capital Structure. The authorized capital stock of Acquiror consists of 1,000,000,000 shares of Acquiror Common Stock and 5,000,000 shares of preferred stock, without par value ("ACQUIROR PREFERRED STOCK"). At the close of business on August 1, 1996, (i) 157,157,501 shares of Acquiror Common Stock and no shares of Acquiror Preferred Stock were issued and outstanding, (ii) 46,995,831

shares of Acquiror Common Stock were held by Acquiror in its treasury, and (iii) 2,000,000 shares of Acquiror Preferred Stock were reserved for issuance in connection with the Rights Agreement dated as of December 11, 1995, between Acquiror and Norwest Bank Minnesota, N.A., as Rights Agent. Except as set forth above and except for shares issuable pursuant to employee stock options and benefit plans, at the close of business on August 1, 1996, no shares of capital stock or other voting securities of Acquiror were issued, reserved for issuance or outstanding. All outstanding shares of capital stock of Acquiror are, and all shares which may be issued pursuant to this Agreement will be, when issued, duly authorized, validly issued, fully paid and nonassessable and not subject to preemptive rights. There are not any bonds, debentures, notes or other indebtedness of Acquiror having the right to vote (or convertible into, or exchangeable for, securities having the right to vote) on any matters on which stockholders of Acquiror may vote. Except as set forth above or in connection with Acquiror's dividend reinvestment plan, as of the date of this Agreement, there are not any securities, options, warrants, calls, rights, commitments, agreements, arrangements or undertakings of any kind to which Acquiror or any of its subsidiaries is a party or by which any of them is bound obligating Acquiror or any of its subsidiaries to issue, deliver or sell, or cause to be issued, delivered or sold, additional shares of capital stock or other voting securities of Acquiror or obligating Acquiror or any of its subsidiaries to issue, grant, extend or enter into any such security, option, warrant, call, right, commitment, agreement, arrangement or undertaking.

(c) Authority; Noncontravention. Each of Acquiror and Merger Sub has all requisite corporate power and authority to enter into this Agreement and to consummate the transactions contemplated hereby. The execution and delivery of this Agreement and the Ancillary Agreements to which it is a party and the consummation of the transactions contemplated hereby and thereby have been duly authorized by all necessary corporate action on the part of each of Acquiror and Merger Sub. This Agreement has been duly executed and delivered by each of Acquiror and Merger Sub and, assuming this Agreement constitutes a valid and binding obligation of the Company, constitutes a valid and binding obligation of each of Acquiror and Merger Sub, enforceable against it in accordance with its terms. None of the execution and delivery of this Agreement, the Ancillary Agreements to which Acquiror or Merger Sub is a party or the consummation of the transactions contemplated hereby and thereby and compliance with the provisions of this Agreement or such Ancillary Agreements will conflict with, or result in any violation of, or default (with or without notice or lapse of time, or both) under, or give rise to a right of termination, cancellation or acceleration of any obligation or the loss of a benefit under, or result in the creation of any Lien upon any of the properties or assets of Acquiror or Merger Sub under, (i) the certificate of incorporation or by-laws of Acquiror or Merger Sub or the comparable charter or organizational documents of any other subsidiary of Acquiror, (ii) any loan or credit agreement, note, bond, mortgage, indenture, lease or other agreement, instrument, permit, concession, franchise or license to which Acquiror or any of its subsidiaries is a party or by which Acquiror or any of its subsidiaries or any of their respective assets are bound or (iii) subject to the governmental filings and other matters referred to in the following sentence, any judgment, order, decree, statute, law, ordinance, rule or regulation applicable to Acquiror, or any of its subsidiaries or their respective properties or assets other than, in the case of clauses (ii) and (iii), any such conflicts, violations, defaults, rights or Liens that individually or in the aggregate would not (x) have a material adverse effect on Acquiror and its subsidiaries taken as a whole, (y) materially impair the ability of Acquiror to perform its obligations under this Agreement or the Ancillary Agreements to which it is a party or (z) prevent or materially delay the consummation of any of the transactions contemplated by this Agreement or such Ancillary Agreements to which it is party. No consent, approval, order or authorization of, or registration, declaration or filing with, any Governmental Entity is required by or with respect to Acquiror or any subsidiary of Acquiror in connection with the execution and delivery of this Agreement and any of the Ancillary Agreements to which it is a party, or the consummation by Acquiror or any of its subsidiaries of any of the transactions contemplated hereby and thereby, except for (i) the filing with the SEC of the Form S-4 and such reports under Sections 13 and 16(a) of the Exchange Act as may be required in connection with this Agreement and the transactions contemplated by this Agreement, (ii) the filing of the Certificate of Merger with the Missouri Secretary of State and appropriate documents with the relevant authorities of other states in which the Company is qualified to do business, (iii) such consents, approvals, orders, authorizations, registrations, declarations and filings as may be required under the "takeover" or "blue sky" laws of various states, (iv) expiration of the waiting period under the HSR

Act, (v) such consents, approvals, orders, authorizations, registrations, declarations and filings as are set forth on Schedule 3.3(c), and (vi) such other consents, approvals, orders, authorizations, registrations, declarations and filings, the failure of which to obtain or make could not reasonably be expected to have a material adverse effect on Acquiror and its subsidiaries taken as a whole.

(d) SEC Documents; Undisclosed Liabilities.

(i) Acquiror has filed all required reports, schedules, forms, statements and other documents with the SEC since January 1, 1994 (the "ACQUIROR SEC DOCUMENTS"). As of their respective dates, the Acquiror SEC Documents complied in all material respects with the requirements of the Securities Act or the Exchange Act, as the case may be, and the rules and regulations of the SEC promulgated thereunder applicable to such Acquiror SEC Documents, and none of the Acquiror SEC Documents contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading. The financial statements of Acquiror included in the Acquiror SEC Documents comply as to form in all material respects with applicable accounting requirements and the published rules and regulations of the SEC with respect thereto, have been prepared in accordance with generally accepted accounting principles (except as permitted by Form 10-Q of the SEC in the case of unaudited statements) applied on a consistent basis during the periods involved (except as may be indicated in the notes thereto) and fairly present the consolidated financial position of Acquiror and its consolidated subsidiaries as of the dates thereof and the consolidated results of their operations and cash flows for the periods then ended (subject, in the case of unaudited statements, to normal year-end audit adjustments).

(ii) None of the press releases issued by Acquiror since March 31, 1994 contained at the time of issuance any untrue statement of a material fact or omitted to state a material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading.

(e) Information in Disclosure Documents and Registration Statements. None of the information supplied or to be supplied in writing by Acquiror or its representatives for inclusion or incorporation by reference in (i) the Form S-4 will, at the time the Form S-4 becomes effective under the Securities Act and at the Effective Time, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances in which they were made, not misleading and (ii) the Proxy Statement will, at the date mailed to stockholders

and at the time of the meeting of the Company's stockholders to be held in connection with the Merger, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they are made, not misleading. The Form S-4 will comply as to form in all material respects with the provisions of the Securities Act and the rules and regulations thereunder, except that no representation is made by Acquiror with respect to statements made therein based on information supplied by the Company or its representatives for inclusion in the Form S-4 or with respect to information concerning the Company or any of its subsidiaries incorporated by reference in the Form S-4.

(f) Absence of Certain Changes or Events. On the date of this Agreement, except as disclosed in the Acquiror SEC Documents filed and publicly available prior to the date of this Agreement (the "FILED ACQUIROR SEC DOCUMENTS") or as set forth in Schedule 3.3(f), and at the Closing Date, except as disclosed in the Acquiror SEC Documents filed and publicly available before the Closing Date or in Schedule 3.3(f) or in the Acquiror Bring Down Certificate (as defined in Section 6.3(a)), since May 28, 1995, (i) there has not been any material adverse change in Acquiror and its subsidiaries taken as a whole or any event affecting Acquiror and its subsidiaries that could reasonably be expected to have such a material adverse effect, and (ii) there has not been (A) any split, combination or reclassification of any of Acquiror's capital stock or any issuance or the authorization of any issuance of any other securities in respect of, in lieu of or in substitution for shares of its capital stock, (B) any damage, destruction or loss, whether or not covered by insurance, that has had or could reasonably be expected to have a material adverse effect on Acquiror and its subsidiaries taken as a whole, or (C) any change in accounting methods, principles or practices by Acquiror

materially affecting its assets, liabilities or business, except insofar as may have been required (in the opinion of the Acquiror's independent accountants) by a change in generally accepted accounting principles.

(g) Litigation. Except as disclosed in the Filed Acquiror SEC Documents or, with respect to claims, investigations, suits, actions or proceedings arising, or to the knowledge of Acquiror, first expressly threatened, between the date hereof and the Closing Date, as disclosed in Acquiror SEC Documents filed and publicly available before the Closing Date or in the Acquiror Bring Down Certificate, there is no claim, investigation, suit, action or proceeding pending or, to the knowledge of Acquiror, expressly threatened, against any of Acquiror or any of its subsidiaries before or by any Governmental Entity or arbitrator that, individually or in the aggregate, could reasonably be expected to (i) have a material adverse effect on Acquiror and its subsidiaries taken as a whole, (ii) materially impair the ability of Acquiror to perform its obligations under this Agreement or any of the Ancillary Agreements to which it is a party or (iii) prevent or materially delay or alter the consummation of any

or all of the transactions contemplated hereby or thereby.

(h) Compliance with Applicable Laws. Acquiror and its subsidiaries hold all permits, licenses, variances, exemptions, orders and approvals of, and have made all filings, applications and registrations with, all Governmental Entities which individually or in the aggregate are material to the operation of the businesses of Acquiror and its subsidiaries taken as a whole (the "ACQUIROR PERMITS"). All Acquiror Permits are in full force and effect in all material respects. Acquiror and its subsidiaries are in compliance with the terms of the Acquiror Permits, except where the failure so to comply would not have a material adverse effect on Acquiror and its subsidiaries taken as a whole. Except as disclosed in the Filed Acquiror SEC Documents, the businesses of Acquiror and its subsidiaries are not being conducted in violation of any law, ordinance or regulation of any Governmental Entity, except for violations, if any, which individually or in the aggregate do not, and could not reasonably be expected to, have a material adverse effect on Acquiror and its subsidiaries taken as a whole.

(i) Consummation of Transactions. As of the date of this Agreement, Acquiror has not received written notice from any Federal or state governmental agency or authority indicating that such agency or authority would oppose or refuse to grant or issue its consent or approval, if required, with respect to the transactions contemplated by this Agreement.

(j) Voting Requirements. No action by the stockholders of Acquiror is required to approve this Agreement and the transactions contemplated by this Agreement.

(k) Brokers. No broker, investment banker, financial advisor or other person, other than Dillon, Read & Co. Inc., the fees and expenses of which will be paid by Acquiror, is entitled to any broker's, finder's, financial advisor's or other similar fee or commission in connection with the transactions contemplated by this Agreement based upon arrangements made by or on behalf of Acquiror.

ARTICLE IV

COVENANTS

SECTION 4.1 COVENANTS OF THE COMPANY. During the period from the date of this Agreement and continuing until the Effective Time, the Company agrees as to itself and its subsidiaries that, except for the Distribution and the other transactions expressly provided for in the Reorganization Agreement, as expressly contemplated or permitted by this Agreement, or to the extent that Acquiror shall otherwise consent in writing:

(a) Ordinary Course. The Company and its subsidiaries shall conduct the Branded Business in the ordinary course, including, without limitation, using reasonable efforts to preserve beneficial relationships between the Branded Business and its distributors, brokers, lessors, suppliers, employees and customers in connection with the Branded Business, it being understood that the

Company and its subsidiaries may comply with their respective contractual obligations under the contracts to which they are parties (so long as the execution of such contracts by the Company or the applicable subsidiary does not constitute a breach of, or

default under, this Agreement). Without limiting the generality of the foregoing, the Company and its subsidiaries will, with respect to the Branded Business:

(i) not commence or commit to any capital projects having an individual cost of $100,000 or more, or with an aggregate cost for all such projects of $1,000,000 or more, and will continue the consolidation at the Branded Plant in substantially the manner contemplated on the date hereof;

(ii) not enter into any contracts or agreements other than in the ordinary course of the Branded Business relating to or obligating the Branded Business, that involve amounts in excess of $100,000 individually or $500,000 in the aggregate unless such contracts or agreements are cancelable on 30 days or less notice without penalty or premium;

(iii) maintain overall broker sales incentive programs for all of the Company's and its subsidiaries' products of the Branded Business handled by brokers that will provide compensation to brokers at a rate that is at least equal to those maintained by the Company during the comparable period during the last fiscal year;

(iv) on a fiscal quarterly basis, and cumulatively, maintain direct and indirect trade, consumer promotions (including coupon expense and sampling) and advertising expenditures (excluding broker sales incentives) relating to the Branded Business at such level as the Company may determine necessary, in its reasonable judgment, to preserve the health of the Branded Business;

(v) not take any action to intentionally (i) build excessive inventory levels at the trade or factory level or (ii) permit factory inventory levels to fall below reasonably expected requirements; and

(vi) not transfer or reassign any of the marketing and/or research and development employees presently associated primarily with the Branded Business (all of such persons being identified on Schedule 4.1(a)(vi)), or any employees to or from the Branded Plant, or recall laid-off employees at the Branded Plant other than in the ordinary course of business consistent with past practice, it being understood that, in addition to the employees at the Branded Plant, Acquiror shall have the opportunity to interview such identified marketing and/or research and development employees prior to the Effective Time and to discuss the possibility of employing or causing the Surviving Corporation to employ those persons from and after the Effective

Time.

(b) Changes in Stock. The Company shall not (i) split, combine or reclassify any of its capital stock or issue or authorize or propose the issuance of any other securities in respect of, in lieu of or in substitution for shares of its capital stock or (ii) other than in connection with the exercise of stock options outstanding as of the date of this Agreement under any Benefit Plan, repurchase, redeem or otherwise acquire, or permit any subsidiary to repurchase, redeem or otherwise acquire, any shares of capital stock of the Company or any of its subsidiaries.

(c) Issuance of Securities. The Company shall not, nor shall the Company permit the Branded Subsidiary to, issue, transfer or sell, or authorize or propose or agree to the issuance, transfer or sale by the Company or the Branded Subsidiary of, any shares of its capital stock of any class or other equity interests or any securities convertible into, or any rights, warrants, calls, subscriptions, options or other rights or agreements, commitments or understandings to acquire, any such shares, equity interests or convertible securities, other than: (i) the issuance of shares of Company Common Stock (w) upon the exercise of stock options outstanding as of the date of this Agreement pursuant to any Benefit Plan, (x) to make any payment under any Benefit Plan that is required as of the date of this Agreement to be made in the form of shares of Company Common Stock or (y) to make acquisitions of capital stock or assets of, or in connection with a merger with, another entity provided that such transaction is permitted pursuant to paragraph (e) of this Section 4.1; or (z) the grant of stock options pursuant to Benefit Plans consistent with past practices (provided that any such newly granted options will by their terms be converted into options to acquire New Holdings Common Stock at or prior to the Effective Time); and (ii) issuances by the Branded Subsidiary of its capital stock to its parent.

(d) Governing Documents. The Company shall not, nor shall it permit the Branded Subsidiary to, amend or propose to amend its articles of incorporation (or, if applicable, its certificate of incorporation or other charter document) or by-laws.

(e) No Acquisitions. The Company shall not, nor shall it permit the Branded Subsidiary to, (i) acquire or agree to acquire by merging or consolidating with, or by purchasing a substantial equity interest in or substantial portion of the assets of, or by any other manner, any business or any corporation or other business organization that would be directly or indirectly acquired by Acquiror in the Merger or that would create liabilities or obligations that would be binding upon Acquiror or its subsidiaries, the Branded Subsidiary or the Surviving Corporation following the Effective Time, or (ii) except for investments by the Company in its existing wholly owned subsidiaries or any investments by or in any Benefit Plan, make any other investment in any person (whether by means of loan, capital contribution, purchase of capital stock,

obligations or other securities, purchase of all or any integral part of the business of the person or any commitment or option to make an investment or otherwise) that would be directly or indirectly acquired by Acquiror in the Merger or that would create liabilities or obligations that would be binding upon Acquiror or its subsidiaries, the Branded Subsidiary or the Surviving Corporation following the Effective Time.

(f) No Dispositions. The Company shall not, nor shall it permit any of its subsidiaries to, sell, lease, license, encumber or otherwise dispose of, or agree to sell, lease, license, encumber or otherwise dispose of, any of the assets of the Branded Business (including, without limitation, any real property, inventory, equipment or Intellectual Property) other than (except with respect to Intellectual Property) in the ordinary course of business consistent with past practice and the sale or other disposition of obsolete equipment.

(g) Indebtedness. The Company shall take such action as may be necessary so that, as of the Effective Time, the Company and the Branded Subsidiary, taken as a whole, shall not have any indebtedness for borrowed money or any obligation evidenced by a promissory note or other instrument or guarantee other than: (i) the Notes, not to exceed $150,000,000 in face value in the aggregate, plus accrued and unpaid interest thereon, (ii) other indebtedness other than that described in clause (i) or (iii) below, not to exceed $150,000,000 in principal amount in the aggregate, plus accrued and unpaid interest thereon (provided that such indebtedness shall not contain, as of the Effective Time, any terms which are more restrictive in any material respect on the Company or the Branded Subsidiary than the terms of the existing indebtedness of the Company on the date hereof and provided that such indebtedness can be paid without penalty or premium within thirty (30) days after the Effective Time), and (iii) indebtedness incurred pursuant to a written agreement that provides that such indebtedness will be assumed by Foods or a subsidiary of Foods at or prior to the Effective Time and that, upon such assumption, the Company and its subsidiaries shall have no obligation or liability in respect of such indebtedness.

(h) Benefit Plans; Collective Bargaining Agreement. Except as contemplated by the Reorganization Agreement, the Company shall not, nor shall it permit the Branded Subsidiary to: (i) adopt any Benefit Plan or amend any Benefit Plan to the extent such adoption or amendment (x) would create or increase any liability or obligation on the part of the Company or the Branded Subsidiary that will not either (A) be fully performed or satisfied prior to the Effective Time or (B) be assumed by Foods pursuant to the Reorganization Agreement with no remaining obligation on the part of the Company or the Branded Subsidiary, or (y) would increase the number of shares of Company Common Stock (if any) to be issued under such Benefit Plan; (ii) except for normal increases in the ordinary course of business consistent with past practice, increase the base salary of any employee of the Branded Business; or (iii) enter into or modify in any material respect any collective bargaining agreement governing employees of the Branded Business.

(i) Filings. The Company shall promptly provide counsel for Acquiror copies of all filings (other than those filings, or portions thereof, which Acquiror

has no reasonable interest in obtaining in connection with the Merger or the transactions contemplated hereby) made by the Company or any of its subsidiaries with any Federal, state or foreign Governmental Entity in connection with this Agreement, the Reorganization Agreement and the transactions contemplated hereby and thereby.

(j) Accounting Policies and Procedures. The Company will not and will not permit the Branded Subsidiary to change any of its accounting principles, policies or procedures, except such changes as may be

required, in the opinion of the Company's independent accountants, by generally accepted accounting principles or changes that in the opinion of said accountants are not material to the Company's consolidated financial statements (as to which changes and opinion the Company shall promptly notify Acquiror).

(k) Liens. The Company shall not, and shall not permit the Branded Subsidiary to, create, incur or assume any Lien on the Branded Assets (as defined in the Reorganization Agreement), except for Liens created, incurred or assumed in the ordinary course of business consistent with the past practices of the Company and its subsidiaries, which Liens would not have a material adverse effect on the Company and the Branded Subsidiary, taken as a whole.

(l) Actions Affecting Merger, Internal Spin-off or Distribution. The Company shall not, and shall not permit any of its subsidiaries to, take any action that would or is reasonably likely to result in any of the conditions to the Merger set forth in Article VI not being satisfied or that would materially impair the ability of the Company to consummate the Internal Spinoff or the Distribution in accordance with the terms of the Reorganization Agreement, or the Merger in accordance with the terms hereof, or would materially delay such consummation or that would disqualify the Internal Spinoff or the Distribution as tax-free transactions within the meaning of Section 355 of the Code.

(m) Delivery of Certain Information. The Company shall furnish to Acquiror as soon as available and in any event within 20 days after the end of each month, (i) a balance sheet as of the end of each month for the Company and the Branded Subsidiary on a combined basis substantially in the form of the Branded Balance Sheet, (ii) statements of profits and loss (at a brand contribution level) for the Company and the Branded Subsidiary on a combined basis for each such month, substantially in the form of Schedule 3.2(q)(i), and (iii) monthly operating reports, including inventory levels, sales volume, marketing spending by brand and promotional spending plans for forward periods as and when developed (but excluding any information that the Company is advised by legal counsel is not appropriate information to be exchanged under applicable law).

(n) Exclusivity. Neither the Company nor any of its directors, officers or employees shall, and the Company shall use its best efforts to ensure that none of its representatives shall, directly or indirectly, solicit, initiate or

encourage any inquiries or proposals from or with any person (other than Acquiror) or such person's directors, officers, employees, representatives and agents that constitute, or could reasonably be expected to lead to a Third Party Acquisition. For purposes of this Agreement, a "THIRD PARTY ACQUISITION" shall mean (i) the acquisition by any person of more than twenty percent of the total assets of the Branded Business, (ii) the acquisition by any person (other than an acquisition by a person in connection with a transaction permitted by Section 4.1(e), provided such person agrees to vote the Company Common Stock acquired in such transaction in favor of the Merger) of twenty percent or more of (A) the Company Common Stock or (B) the total number of votes that may be cast in the election of directors of the Company at any meeting of shareholders of the Company assuming all shares of Company Common Stock and all other securities of the Company, if any, entitled to vote generally in the election of directors were present and voted at such meeting, or (iii) any merger, amalgamation or other combination of the Company with any person. The Company has, upon execution of this Agreement, immediately ceased or caused to be terminated any existing discussions or negotiations with any parties other than Acquiror conducted prior to the date hereof with respect to any Third Party Acquisition. The Company may furnish or cause to be furnished information (pursuant to confidentiality arrangements no less favorable to the Company than the Confidentiality Agreement (as hereinafter defined), unless already in existence on the date hereof) and may participate in such discussions and negotiations directly or through its representatives if (i) the failure to provide such information or participate in such negotiations and discussions would, in the opinion of its outside counsel, reasonably be deemed to cause the members of the Company's Board of Directors to breach their fiduciary duties under applicable law or (ii) another corporation, partnership, person or other entity or group makes a written offer or written proposal which, based upon the identity of the person or entity making such offer or proposal and the terms thereof, and the availability of adequate financing therefor, the Company's Board of Directors believes, in the good faith exercise of its business judgment and based upon advice of its outside legal and financial advisors, would reasonably be expected to be consummated and represents a transaction more favorable to its shareholders than the transactions contemplated by this Agreement (a "Higher Offer"). The Company shall notify Acquiror as soon as practicable if any such inquiries or proposals are received by,

any such information is requested from, or any such negotiations or discussions are sought to be initiated or continued with it, which notice shall provide the identity of the third party or parties and the terms of any such proposal or proposals. The Company's Board of Directors may fail to recommend or fail to continue to recommend this Agreement in connection with any vote of its shareholders, or withdraw, modify, or change any such recommendation, or recommend any other offer or proposal, if the Company's Board of Directors, based on the opinion of its outside counsel, determines that making such recommendation, or the failure to recommend any other offer or proposal, or the failure to so withdraw, modify, or change its recommendation, or the failure to

recommend any other offer or proposal, would reasonably be deemed to cause the members of the Company's Board of Directors to breach their fiduciary duties under applicable law in connection with a Higher Offer. In such event, notwithstanding anything contained in this Agreement to the contrary, any such failure to recommend, withdrawal, modification, or change of recommendation or recommendation of such other offer or proposal, or the entering by the Company into an agreement with respect to a Higher Offer (provided that the Company shall have provided Acquiror with at least six business days' notice of its intention to so enter, the terms of the Higher Offer and the identity of the other party thereto), shall not constitute a breach of this Agreement by the Company. Notwithstanding the foregoing, the Company shall not enter into an agreement with a third party with respect to, or waive, modify or redeem the Rights or take any action to approve such transaction under any antitakeover provision of the Company's certificate of incorporation or state law in connection with, any Third Party Acquisition unless and until this Agreement is terminated in accordance with the provisions of Article VII.

(o) New Contracts. Other than in the ordinary course of the Branded Business and consistent with past practice, the Company will not and will not permit any of its subsidiaries to enter into any new contract, agreement, arrangement or understanding that would or could reasonably be expected to impose any new obligations or liabilities on the Company from and after the Effective Time.

(p) Confidentiality and Standstill Agreements. The Company will not amend, waive or modify any provision of any confidentiality or standstill agreement entered into with any other party in connection with such party's interest in acquiring the Company or the Branded Business or any substantial portion of the Branded Business.

(q) Broker Transition. The Company will reasonably cooperate, at Acquiror's expense, with Acquiror to facilitate such post-Closing transition arrangements between Acquiror or its subsidiaries and brokers distributing products of the Branded Business as Acquiror may determine necessary or advisable.

(r) Pending Actions. The Company will continue to defend in the ordinary course, consistent with past practice, the litigation and other proceedings set forth in Schedule 1.1(c) to the Reorganization Agreement, including resolving any such litigation and other proceedings as can be resolved prior to the Effective Time on a commercially reasonable basis and consistent with past practice.

(s) No Agreement to Prohibited Actions. The Company will not, and will not permit any of its subsidiaries to, agree or commit to take any action that is prohibited under this Section 4.1.

SECTION 4.2 COVENANTS OF ACQUIROR. During the period from the date of this Agreement and continuing until the Effective Time, Acquiror agrees as to itself and its subsidiaries that:

(a) Actions Affecting Merger. Acquiror shall not, and shall not permit

any of its subsidiaries to, take any action that would or is reasonably likely to result in any of the conditions to the Merger set forth in Article VI not being satisfied, or that would materially impair the ability of Acquiror to consummate the Merger in accordance with the terms hereof or materially delay such consummation.

(b) Filings. Acquiror shall promptly provide the Company (or its counsel) copies of all filings (other than those filings, or portions thereof, which the Company has no reasonable interest in obtaining in connection with the Merger or the transactions contemplated hereby) made by Acquiror with any Federal, state or foreign Governmental Entity in connection with this Agreement and the transactions contemplated hereby.

(c) Acquiror Common Stock. Except at a time and in a manner which will not increase the Average Value of Acquiror Common Stock, Acquiror shall not split, combine or reclassify any of the Acquiror Common Stock or authorize the (i) making of any in-kind distribution or extraordinary cash dividend with respect to the Acquiror Common Stock or (ii) issuance of any other securities in respect of or in exchange for shares of the Acquiror Common Stock.

(d) Tax Free Status of Merger and Spin-Offs. Acquiror shall not, and shall not permit any of its subsidiaries to, take any action that would disqualify the Merger as a tax-free reorganization under Section 368(a)(1)(B) of the Code, or any other action that would disqualify the Internal Spinoff or the Distribution as tax-free transactions within the meaning of Section 355 of the Code.

SECTION 4.3 MUTUAL COVENANTS.

(a) The Company and Acquiror shall use their reasonable best efforts not to, and not to permit any of their respective subsidiaries to, take any action that would, or that could reasonably be expected to, result in (i) any of the representations and warranties of such party set forth in this Agreement that are qualified as to materiality becoming untrue, (ii) any of such representations and warranties that are not so qualified becoming untrue in any material respect or (iii) the failure to satisfy any of the conditions to the Merger set forth in Article VI.

(b) The Company and Acquiror shall promptly advise the other party orally and in writing of any change or event having, or which, insofar as can reasonably be foreseen, could reasonably be expected to have, a material adverse effect on such party and its subsidiaries taken as a whole.

(c) (i) Subject to the terms and conditions herein provided, the parties hereto agree to use their reasonable best efforts to take, or cause to be taken, all actions and to do, or cause to be done, all things necessary, proper or advisable to consummate and make effective as promptly as practicable the transactions contemplated by this Agreement and to cooperate with each other in

connection with the foregoing, including, but not limited to, (A) defending all lawsuits or other legal proceedings challenging this Agreement, or the transactions contemplated hereby, (B) attempting to lift or rescind any injunction or restraining order or other order adversely affecting the ability of the parties to consummate the transactions contemplated hereby, and (C) effecting all necessary filings and submissions of information requested by governmental authorities.

(ii) Without limiting the foregoing, the parties hereto shall, as soon as reasonably practicable, make their filing under the HSR Act, shall endeavor to obtain early termination of the waiting period thereunder, and shall promptly make any further filings requested pursuant thereto or which may be necessary to consummate the transactions contemplated herein. Each party shall furnish to the other, upon request, such information as shall reasonably be required in connection with the preparation of the requesting party's filings under the HSR Act.

(iii) Notwithstanding the foregoing or any other provision of this Agreement, (A) neither the Company nor any of its subsidiaries will, without Acquiror's prior written consent, agree or commit to any divestiture, hold-separate order or other restriction relating to the Branded Business and (B) neither Acquiror nor any of its subsidiaries will be required to agree or commit to any divestiture, hold-separate order or other restriction relating to the Branded Business or to any of its existing businesses or any other governmental order or obligation that otherwise imposes any conditions or limitations in connection with Acquiror's acquisition of the Branded Business.

(d) The Company will use reasonable efforts to reach an agreement prior to the Effective Time with Ralston Purina Company ("RPCo."), reasonably satisfactory in form and substance to Acquiror, providing for (i) the termination or other resolution of Foods' obligations under the Distributorship Agreement (as defined in the Reorganization Agreement) as of the Effective Time and (ii) the substitution of Foods for the Company, with a novation of the Company, effective as of the Effective Time, with respect to any liabilities of the Company to RPCo. under the agreements entered into between the Company and RPCo. in connection with the 1994 spinoff of the Company from RPCo., except for any liabilities assumed or retained by the Company or the Branded Subsidiary pursuant to this Agreement and the Ancillary Agreements. In connection with and subject to the execution of an agreement with RPCo. as contemplated by the preceding sentence, to

the extent such agreement does not provide for termination of the Distributorship Agreement, Acquiror will use its reasonable efforts to reach a mutually satisfactory arrangement under which the Company, effective as of the Effective Time, would supply Foods with Branded Business products for Foods to supply to RPCo. for distribution under the Distributorship Agreement (subject to

limitations to be determined by Acquiror and Foods). The foregoing covenants shall not be construed to require payments by any of Acquiror, the Company or Foods to RPCo. in exchange for RPCo.'s execution of such agreement.

ARTICLE V

ADDITIONAL AGREEMENTS

SECTION 5.1 PREPARATION OF FORM S-4, FORM S-1, FORM 10 AND THE PROXY STATEMENT; STOCKHOLDERS MEETING.

(a) As soon as practicable following the date of this Agreement, the Company and Acquiror shall prepare and file with the SEC the Form S-4, the Form S-1 (if required), the Form 10 and the Proxy Statement. Each of the Company and Acquiror shall use its reasonable best efforts to have the Form S-4 and Form S-1 (if required) declared effective under the Securities Act, and the Form 10 declared effective under the Exchange Act, as promptly as practicable after such filing. The Company will use its reasonable best efforts to cause the Proxy Statement to be mailed to the Company's stockholders as promptly as practicable after the Form S-4, Form S-1 (if required) and Form 10 are declared effective under the Securities Act and the Exchange Act, as the case may be. Acquiror shall also use its reasonable best efforts to take any action required to be taken under any applicable state securities laws in connection with the issuance of Acquiror Common Stock in the Merger and the Company shall furnish all information concerning the Company and the holders of the Company Common Stock and rights to acquire Company Common Stock pursuant to the Benefit Plans as may be reasonably requested in connection with any such action.

(b) The Company shall, as soon as practicable following the date on which the Form S-4, Form S-1 (if required) and Form 10 are declared effective, duly call, give notice of, convene and hold a meeting of its stockholders (the "STOCKHOLDERS MEETING") for the purpose of voting upon the approval and adoption of this Agreement and, if the Company determines it to be necessary or appropriate, upon the Distribution. Subject to the provisions of Section 4.1(n), the Company shall, through its Board of Directors, recommend to its stockholders approval of this Agreement and the transactions contemplated by this Agreement.

SECTION 5.2 ACCESS TO INFORMATION; CONFIDENTIALITY.

(a) The Company shall, and shall cause its subsidiaries to, afford to Acquiror and its officers, employees, accountants, counsel, financial advisors and other representatives of Acquiror, reasonable access during the period prior to the Effective Time to all its properties, books, contracts, commitments, personnel and records relating to the Branded Business. During the period prior to the Effective Time, the Company shall, and shall cause its subsidiaries to, furnish promptly to Acquiror (i) a copy of each report, schedule, registration statement and other document filed by it during such period pursuant to the requirements of Section 13(a) and 15(d) of the Exchange Act, (ii) each press release issued by it, and (iii) all other information relating to the Branded Business as Acquiror may reasonably request; provided that the Company shall not be required to provide information regarding Foods unless such information

relates to liabilities or obligations that could reasonably be expected to be incurred by or imposed on the Company and that would remain in effect after the Effective Time. The Company shall not be obligated to provide any aforementioned access or information to Acquiror if the Company's legal counsel advises the Company that such action would violate any law, regulation, rule, order or decree or a confidentiality agreement.

(b) During the period prior to the Effective Time, Acquiror shall furnish promptly to the Company a copy of each report, schedule, registration statement and other document filed by it during such period pursuant to the requirements of Section 13(a) and 15(d) of the Exchange Act (other than Forms 11-K).

(c) Except as required by law, each of the Company and Acquiror will hold, and will cause its respective officers, employees, accountants, counsel, financial advisors and other representatives and affiliates to hold, any nonpublic information in confidence in accordance with the confidentiality agreement, dated June 17, 1996 (the "CONFIDENTIALITY AGREEMENT"), between Acquiror and the Company.

SECTION 5.3 LEGAL CONDITIONS TO DISTRIBUTION AND MERGER; LEGAL COMPLIANCE.

(a) Subject to the terms and conditions hereof, including, without limitation, Section 4.3(c)(iii), (i) Acquiror shall use reasonable best efforts to comply promptly with all legal and regulatory requirements which may be imposed on itself or its subsidiaries with respect to the Merger and (ii) Acquiror will, and will cause its subsidiaries to, promptly use its reasonable best efforts to obtain any consent, authorization, order or approval of, or any exemption by, and to satisfy any condition or requirement imposed by, any Governmental Entity or other public or private third party, required to be obtained, made or satisfied by Acquiror or any of its subsidiaries in connection with the Merger or the taking of any action contemplated thereby or by this Agreement or the Reorganization Agreement.

(b) Subject to the terms and conditions hereof, including, without limitation, Section 4.3(c)(iii), (i) the Company will use its reasonable best efforts to comply promptly with all legal and regulatory requirements which may be imposed on itself or its subsidiaries with respect to the Distribution and the Merger and (ii) the Company will, and will cause its subsidiaries to, promptly use its reasonable best efforts to obtain any consent, authorization, order or approval of, or any exemption by, and to satisfy any condition or requirement imposed by, any Governmental Entity or other public or private third party, required to be obtained, made or satisfied by the Company or any of its subsidiaries in connection with the Distribution or the Merger or the taking of any action contemplated thereby or by this Agreement or the Reorganization Agreement.

(c) Each of the Company and Acquiror will promptly cooperate with and

furnish information to each other in connection with any such requirements imposed upon any of them or any of their respective subsidiaries in connection with the Distribution or the Merger.

SECTION 5.4 RIGHTS AGREEMENT. The Board of Directors of the Company shall take all further action (in addition to that referred to in Section 3.2(n)) requested in writing by Acquiror (including, if necessary, redeeming the Rights immediately prior to the Effective Time or amending the Rights Agreement) in order to render the Rights inapplicable to the Merger and the other transactions contemplated by this Agreement and the Reorganization Agreement.

SECTION 5.5 EMPLOYMENT MATTERS.

(a) Employment with Branded Business. Acquiror agrees to cause the Company or the Branded Subsidiary to offer to retain all Branded Employees (as defined in the Reorganization Agreement) as of 12:01 a.m. on the Closing Date. The offer of continuing employment to be made hereunder shall include provision for the payment of base salary to each such employee at a rate at least equal to the rate of base salary in effect for such employee immediately prior to the Closing. Notwithstanding the foregoing, nothing contained herein shall be construed as obligating Acquiror, the Surviving Corporation or any of its affiliates (x) to offer employment after the Closing to any employee whose employment with the Company terminates for any reason prior to the Closing, (y) to maintain any term or condition of employment (including base salary) for any period following the Effective Time, except as provided in Section 5.5(b), or (z) to recall any employee who does not have recall rights.

(b) Severance and Other Benefits on Termination. With respect to Branded Employees who are terminated by the Surviving Corporation or the Branded Subsidiary after the Effective Time, the Surviving Corporation shall be responsible for severance benefits payable pursuant to severance plans, policies and practices of the Surviving Corporation applicable to Branded Employees at the time of their termination. The Surviving Corporation further agrees to provide any required notice under federal, state and local laws, regulations or rules for any termination of Branded Employees after the Effective Time.

(c) Data to be Furnished. Prior to Closing, the Company shall furnish Acquiror with information as to (i) the rate of base salary in effect for each Branded Employee immediately before the Closing, (ii) each Branded Employee's position with the Company immediately before the Closing and (iii) each Branded Employee's prior service.

(d) Cooperation. Prior to the Closing, the Company will reasonably cooperate with Acquiror in conducting a review of the Benefit Plans, including jointly engaging (with Acquiror and Foods) a firm or firms, as promptly as practicable after the date hereof, selected by Acquiror and at Acquiror's sole expense, to conduct such review. The Company and Foods will provide such firm or

firms with such documents and other information relating to the Benefit Plans as such firm or firms may reasonably request. Following such review, the Company will, as promptly as practicable, take any actions that Acquiror and the Company may reasonably, mutually determine to be necessary or advisable in light of such review.

SECTION 5.6 FEES AND EXPENSES. Except as provided in Section 7.2(b)(iii), all fees and expenses incurred in connection with the Merger, the Distribution, this Agreement, the Reorganization Agreement and the transactions contemplated by this Agreement and the Ancillary Agreements shall be paid by the party incurring such fees or expenses, whether or not the Merger is consummated, except that expenses incurred in connection with printing and mailing the Proxy Statement, the Form S-4, the Form S-1 (if required) and the Form 10, shall be shared equally by Acquiror and the Company. Any such fees or expenses incurred by the Company or its subsidiaries but not paid prior to the Effective Time shall be accrued and reflected as liabilities of the Company and taken into account in calculating the Closing Date Net Assets as set forth in Section 2.3.

SECTION 5.7 DISTRIBUTION. Prior to the Closing, the Company will (a) enter into the Reorganization Agreement and each of the Ancillary Agreements to which the Company is to be a party and (b) cause Foods and any other applicable subsidiaries to enter into the Reorganization Agreement and each of the other Ancillary Agreements to which it is to be a party. The Company will, and will cause Foods to, take all action necessary to effect the Distribution immediately prior to the Effective Time, pursuant to the terms of the Reorganization Agreement and the Ancillary Agreements. Prior to the Effective Time, the Company will not agree to or permit any modification, amendment, supplement or waiver of the Reorganization Agreement or any of the Ancillary Agreements without the prior written consent of Acquiror.

SECTION 5.8 PUBLIC ANNOUNCEMENTS. Acquiror and the Company will consult with each other before issuing, and provide each other the opportunity to review and comment upon, any press release or other public statements (it being understood that discussions by the parties with financial analysts or other advisors shall not constitute public statements) with respect to the transactions contemplated by this Agreement and the Ancillary Agreements, including the Merger, and shall not issue any such press release or make any such public statement prior to such consultation, except as may be required by applicable law, court process or by obligations pursuant to any listing agreement with any national securities exchange.

SECTION 5.9 PRIVATE LETTER RULING AND TAX OPINIONS. The Company and Acquiror each hereby agree to cooperate with the other party and to use their reasonable best efforts to obtain from the Internal Revenue Service (or tax counsel) the private letter ruling (or tax opinions) contemplated by Section 6.1(d) or (e) of this Agreement.

SECTION 5.10 AFFILIATES. Prior to the Closing Date, the Company shall deliver to Acquiror a letter identifying all persons who are, at the time this Agreement is submitted for approval to the stockholders of the Company, "affiliates" of the Company for purposes of Rule 145 under the Securities Act.

The Company shall use its reasonable best efforts to cause each such person to deliver to Acquiror on or prior to the Closing Date a written agreement substantially in the form attached as Exhibit B hereto.

SECTION 5.11 STOCK EXCHANGE LISTING. Acquiror shall use its reasonable best efforts to cause the shares of Acquiror Common Stock to be issued in the Merger to be approved for listing on the NYSE, subject to official notice of issuance, prior to the Closing Date.

SECTION 5.12 TITLE INSURANCE. In the event Acquiror shall elect at Closing to purchase an A.L.T.A. Owner's Title Insurance Policy with standard extended coverage for the Real Property, to the extent

reasonably required by the issuer of such title insurance, the Company will and will cause Foods to cooperate reasonably in the execution of documents customarily required by an issuer of title insurance to provide extended title insurance coverage.

ARTICLE VI

CONDITIONS PRECEDENT

SECTION 6.1 CONDITIONS TO EACH PARTY'S OBLIGATION TO EFFECT THE MERGER. The respective obligation of each party to effect the Merger is subject to the satisfaction or waiver on or prior to the Closing Date of the following conditions:

(a) Stockholder Approval. This Agreement shall have been approved and adopted by the affirmative vote or consent of the Requisite Stockholders of the Company.

(b) Stock Exchange Listing. The shares of Acquiror Company Stock issuable to the Company's stockholders pursuant to this Agreement and under the Benefit Plans shall have been approved for listing on the NYSE, subject to official notice of issuance.

(c) Regulatory Approvals. Each of Acquiror and the Company shall have obtained all requisite approvals of, or satisfied all requisite filing requirements with, Governmental Entities in connection with the transactions contemplated hereby and by the Ancillary Agreements, including all requisite approvals under, and the expiration of all waiting periods in respect of, the HSR Act.

(d) Private Letter Ruling. Unless otherwise agreed upon by the Company and the Acquiror as set forth in paragraph (e) below, the Company shall have received from the Service a private letter ruling (the "PRIVATE LETTER RULING"), reasonably satisfactory in form and substance to Acquiror, substantially to the

effect that, on the basis of the facts, representations, and applicable law existing at the Effective Time:

(i) The transfer by Foods to the Branded Subsidiary of its Branded Business assets and liabilities, and the distribution of the Branded Subsidiary stock to the Company, as contemplated by the Reorganization Agreement, will qualify for Federal income tax purposes as a reorganization within the meaning of Sections 368(a)(1)(D) of the Code and 355(a) of the Code; and that, among other consequences of such qualification, no taxable gain, loss or income will be realized by Foods, the Branded Subsidiary or the Company as a result of such transaction.

(ii) The pro rata distribution of the stock of New Holdings to the holders of the Company Common Stock will be non-taxable for Federal income tax purposes, to both the Company's stockholders and the Company, under Sections 355(a) and (c) of the Code.

(iii) The Merger will be treated for Federal income tax purposes as a reorganization within the meaning of Section 368(a)(1)(B) of the Code; and that, among other consequences of such qualification, no taxable gain, loss or income will be realized by the Company, Acquiror or the Company's shareholders as a result of the Merger.

(e) Joint Tax Opinion or Tax Opinions. In the event that the Company and Acquiror agree to complete the transactions contemplated by this Agreement without obtaining the Private Letter Ruling, Acquiror shall have received a jointly rendered opinion of Wachtell, Lipton, Rosen & Katz, counsel to Acquiror, and Bryan Cave LLP, counsel to the Company, or separate opinions of each such firm, in each case reasonably satisfactory in form and substance to Acquiror, to the same effect as set forth in clauses (i), (ii) and (iii) of the foregoing paragraph (d).

(f) No Injunctions or Restraints. No temporary restraining order, preliminary or permanent injunction or other order issued by any court of competent jurisdiction or other legal restraint or prohibition preventing the consummation of the Merger, the Internal Spinoff or the Distribution shall be in effect; provided, however, that subject to the terms and conditions of this Agreement including, without limitation, Section 4.3(c)(iii), each of the parties shall have used its reasonable efforts to prevent the entry of any such injunction or other order and to appeal as promptly as possible any such injunction or other order that may be entered. No action,

suit or other proceeding shall be pending by any Governmental Entity that, if successful, would restrict or prohibit the consummation of the Merger, the Internal Spinoff or the Distribution; provided, however, that the Company will not unreasonably withhold its waiver of the condition set forth in this sentence upon Acquiror's request in the event such an action, suit or other proceeding is

pending with respect to the Merger alone.

(g) Form S-4. The Form S-4 shall have become effective under the Securities Act and shall not be the subject of any stop order or pending proceedings by a Governmental Entity seeking a stop order.

(h) Consummation of the Distribution. The Distribution shall have become effective in accordance with the terms of the Reorganization Agreement and each of the agreements contemplated thereby.

(i) Tax Legislation. There shall be no proposed legislation introduced in bill form and pending congressional action which, if passed, would have the effect of amending the Internal Revenue Code so as to alter in any materially adverse respect any of the tax consequences prescribed by the Private Letter Ruling or the tax opinions contemplated by paragraphs (d) and (e) above.

SECTION 6.2 CONDITIONS TO OBLIGATIONS OF ACQUIROR AND MERGER SUB. The obligation of Acquiror and Merger Sub to effect the Merger is further subject to the following conditions, unless waived in writing by Acquiror:

(a) Representations and Warranties. The representations and warranties of the Company set forth in this Agreement that are qualified as to materiality shall be true and correct, and the representations and warranties of the Company set forth in this Agreement that are not so qualified shall be true and correct in all material respects, in each case as of the date of this Agreement and as of the Closing Date as though made on and as of the Closing Date, except as otherwise contemplated by this Agreement, except to the extent that any representation or warranty shall be as of a specific date, in which case such representation and warranty shall be true and correct as of such date, and Acquiror shall have received a certificate signed on behalf of the Company by the chief executive officer and the chief financial officer of the Company to the effect of this sentence. The Company shall have delivered to Acquiror a certificate (the "COMPANY BRING DOWN CERTIFICATE"), dated as of the Closing Date and reasonably satisfactory in form to Acquiror, that sets forth each event that has occurred and each condition that exists that (i) had not occurred or was not in existence as of the date of this Agreement and (ii) if it had occurred or was in existence as of the date of this Agreement would be required to be disclosed pursuant to Section 3.2.

(b) Performance of Obligations of the Company. The Company shall have performed in all material respects all obligations required to be performed by it under this Agreement and the Reorganization Agreement at or prior to the Closing Date, and Acquiror shall have received a certificate signed on behalf of the Company by the chief executive officer and the chief financial officer of the Company to such effect.

(c) Opinion of the Company's Counsel. Acquiror shall have received an opinion dated the Closing Date of Bryan Cave LLP, counsel to the Company, and/or R. W. Lockwood, General Counsel of the Company, to the effect that:

(i) the Company, Foods and the Branded Subsidiary (collectively, the

"COMPANY PARTIES") are each corporations validly existing and in good standing under the laws of the states of their respective incorporation;

(ii) each of the Company Parties has the power and authority to execute each Document to which it is a party and to consummate the transactions contemplated hereby and thereby; the execution and delivery of this Agreement and the Ancillary Agreements and the consummation of the transactions contemplated hereby and thereby have been duly authorized by requisite corporate action on the part of each Company Party that is a party thereto and the stockholders of each such Company Party and each Document has been duly executed and delivered by the Company Parties that are party thereto and constitutes a legal, valid and binding obligation of each such Company Party, enforceable in accordance with its terms, subject to applicable bankruptcy, insolvency, receivership or other similar laws affecting the enforcement of creditors' rights generally and subject, as to enforceability, to general principles of equity, regardless of whether such enforceability is considered in a proceeding in equity or at law; and

(iii) the execution, delivery and performance of the Ancillary Agreements by each Company Party thereto will not (x) violate any applicable Federal law or the laws of the states of their respective incorporation or (y) conflict with any provision of the articles of incorporation or by-laws of the applicable Company Party. Such counsel will express no opinion, however, as to any violation of any law or regulation which may have become applicable to any Company Party as a result of the involvement of Acquiror or any of its subsidiaries in the transactions contemplated by this Agreement because of Acquiror's or any of its subsidiaries' legal or regulatory status or because of any other facts specifically pertaining to Acquiror or any of its subsidiaries.

(d) No Material Adverse Change. Whether or not any event or change is reflected in the Company Bring Down Certificate, since March 31, 1996, there shall have been no material adverse change, and no event that could reasonably be expected to result in a material adverse change, to the business, properties, assets, results of operations, or financial condition of the Company and the Branded Subsidiary taken as a whole; provided, however, that "material adverse change" for this purpose shall not include (i) any adverse change resulting from economic or market conditions generally affecting businesses engaged in the same or substantially similar activities as the Company and the Branded Subsidiary or (ii) any adverse change resulting directly from any action taken by Acquiror or any subsidiary of Acquiror except an action specifically permitted or contemplated by this Agreement; provided, further, that regardless of cause (including as a result of any condition or action referred to in the foregoing proviso), "material adverse change" for this purpose shall include (i) a 10% or greater decline in the ACV grocery distribution of mainline CHEX, multi-grain CHEX and COOKIE CRISP cereals in the aggregate for the last reported 12-week period ending at the end of the last reported week prior to the Closing compared

to the comparable period in the prior year (reported on a consistent basis) or (ii) a 15% or greater decline in the IRI-reported pound market share of mainline CHEX, multi-bran CHEX and COOKIE CRISP cereals in the aggregate for the last reported 12-week period ending at the end of the last reported week prior to the Closing compared to the comparable period in the prior year (reported on a consistent basis), except that if such a 15% or greater decline is due to differences in timing of trade promotions relating to such cereals during such 12-week period compared to the prior year, such decline shall not be considered a material adverse change unless there has been a 15% or greater decline in the IRI-reported pound market share of mainline CHEX, multi-bran CHEX and COOKIE CRISP cereals in the aggregate for the last reported 16-week period ending at the end of the last reported week prior to the Closing compared to the comparable period in the prior year (reported on a consistent basis).

(e) Ancillary Agreements. Each of the Ancillary Agreements shall have been executed substantially in the forms attached as Exhibits hereto or to the Reorganization Agreement or, if not included as Exhibits, in the form reasonably agreed to by the Acquiror and the Company and shall have become effective in accordance with its terms. The Company shall have delivered to Acquiror true, correct and complete copies of each such agreement to which Acquiror is not a party.

(f) Amendments to SEC Documents. Since the effective date of the Form S-4 or the Proxy Statement, as applicable, no event with respect to the Company, any subsidiary of the Company or any security holder of the Company shall have occurred which should have been set forth in an amendment to the Form S-4 or a supplement to the Proxy Statement which has not been set forth in such an amendment or supplement.

(g) Rule 145 Letters. The Company shall have delivered letters regarding Rule 145 of the Securities Act, substantially in the form of Exhibit B hereto, executed by each affiliate of the Company who will acquire shares of Acquiror Common Stock in connection with the Merger.

(h) Scheduled Agreements. Each agreement set forth on a schedule hereto or on a schedule to the Reorganization Agreement or any of the other Ancillary Agreements, and required to be assigned or terminated by the Company pursuant to the provisions hereof or thereof, shall have been so assigned or terminated, except where the failure to do so could not reasonably be expected to have a material adverse effect on the Company and the Branded Subsidiary.

(i) Certificate of Trustee. The Company shall have delivered to Acquiror a certificate from the indenture trustee with respect to the Notes, in form and substance reasonably satisfactory to Acquiror, to the

effect that the Trustee has not, as of the Closing Date, received any notice of and is not aware of any default or event of default with respect to the Notes.

(j) Dissenters. Holders of no more than 5% of the aggregate number of outstanding shares of Company Common Stock shall have exercised dissenters' rights with respect to the Merger or, if available, the value of the Company Common Stock before giving effect to the Distribution.

SECTION 6.3 CONDITIONS TO OBLIGATION OF THE COMPANY. The obligation of the Company to effect the Merger is further subject to the following conditions, unless waived in writing by the Company:

(a) Representations and Warranties. The representations and warranties of Acquiror and Merger Sub set forth in this Agreement that are qualified as to materiality shall be true and correct, and the representations and warranties of Acquiror set forth in this Agreement that are not so qualified shall be true and correct in all material respects, in each case as of the date of this Agreement and as of the Closing Date as though made on and as of the Closing Date, except as otherwise contemplated by this Agreement, except to the extent that any representation or warranty shall be as of a specific date, in which case such representation and warranty shall be true and correct as of such date, and the Company shall have received a certificate signed on behalf of Acquiror by the chief executive officer and the chief financial officer of Acquiror to the effect of this sentence. Acquiror shall have delivered to the Company a certificate (the "ACQUIROR BRING DOWN CERTIFICATE"), dated as of the Closing Date and reasonably satisfactory in form to the Company, that sets forth each event that has occurred and each condition that exists that (i) had not occurred or was not in existence as of the date of this Agreement and (ii) if it had occurred or was in existence as of the date of this Agreement would be required to be disclosed pursuant to Section 3.3.

(b) Performance of Obligations of Acquiror. Acquiror shall have performed in all material respects all obligations required to be performed by it under this Agreement at or prior to the Closing Date, and the Company shall have received a certificate signed on behalf of Acquiror by the chief executive officer and the chief financial officer of Acquiror to such effect.

(c) Opinion of Acquiror's Counsel. The Company shall have received an opinion dated the Closing Date of Wachtell, Lipton, Rosen & Katz, special counsel to Acquiror, and/or in-house Counsel of Acquiror, to the effect that:

(i) Each of Acquiror and Merger Sub is a corporation validly existing and in good standing under the laws of its state of incorporation;

(ii) Each of Acquiror and Merger Sub have the requisite power and authority to execute this Agreement and the Reorganization Agreement and to consummate the transactions contemplated hereby and thereby; the execution and delivery of this Agreement and the Reorganization Agreement and the consummation of the transactions contemplated hereby and thereby has been duly authorized by all requisite corporate action on the part of Acquiror and Merger Sub; and this Agreement and the Reorganization Agreement have been duly executed and delivered by Acquiror and Merger Sub and constitute valid and binding obligations of Acquiror and Merger Sub enforceable in

accordance with its terms, subject to applicable bankruptcy, insolvency, receivership or other similar laws affecting the enforcement of creditors' rights generally and subject, as to enforceability, to general principles of equity, regardless of whether such enforceability is considered in a proceeding in equity or at law; and

(iii) the execution, delivery and performance of this Agreement and the Reorganization Agreement by Acquiror and Merger Sub will not (x) violate any applicable Federal law or any law of the states of their respective incorporation or (y) conflict with any provision of the certificate of incorporation or bylaws of Acquiror or Merger Sub. Such counsel will express no opinion, however, as to any violation of any law or regulation which may have become applicable to Acquiror or Merger Sub as a result of the involvement of any Company Party and any subsidiary of such party in the transactions contemplated by this Agreement because of such party's legal or regulatory status or because of any other facts specifically pertaining to any such party.

(d) Amendments to SEC Documents. Since the effective date of the Form S-4 or the Proxy Statement, as applicable, no event with respect to Acquiror, any subsidiary of Acquiror or any security holder of Acquiror shall have occurred which should have been set forth in an amendment to the Form S-4 or a supplement to the Proxy Statement which has not been set forth in such an amendment or supplement.

(e) Ancillary Agreements. Each of the Ancillary Agreements to which Acquiror is a party shall have been executed substantially in the forms attached as Exhibits hereto or to the Reorganization Agreement and shall have become effective in accordance with its terms.

(f) Dissenters. Holders of no more than 5% of the aggregate number of outstanding shares of Company Common Stock shall have exercised dissenters' rights, if available, with respect to the value of the Company Common Stock before giving effect to the Distribution.

ARTICLE VII

TERMINATION, AMENDMENT AND WAIVER

SECTION 7.1 TERMINATION. This Agreement may be terminated at any time prior to the Effective Time, whether before or after approval of matters presented in connection with the Merger by the stockholders of the Company:

(a) by mutual written consent of Acquiror and the Company; or

(b) by either Acquiror or the Company:

(i) if, upon a vote at a duly held Stockholders Meeting or any adjournment thereof, any required approval of the stockholders of the Company shall not have been obtained;

(ii) if the Merger shall not have been consummated on or before August 31, 1997, unless the failure to consummate the Merger is the result of a wilful and material breach of this Agreement by the party seeking to terminate this Agreement; provided, however, that the passage of such period shall be tolled for any part thereof (but in no event for more than an additional three months) during which any party shall be subject to a nonfinal order, decree, ruling or action restraining, enjoining or otherwise prohibiting the consummation of the Merger or the calling or holding of the Stockholders Meeting;

(iii) if any Governmental Entity shall have issued an order, decree or ruling or taken any other action permanently enjoining, restraining or otherwise prohibiting the Merger and such order, decree, ruling or other action shall have become final and nonappealable; or

(iv) if prior to the Effective Time, the Internal Revenue Code is amended so as to alter in any materially adverse respect any of the tax consequences prescribed by the Private Letter Ruling (or tax opinions) described in Section 6.1(d) (or (e)); or

(c) by Acquiror if (i) the Board of Directors of the Company shall have withdrawn, or modified or changed, in a manner adverse to Acquiror, its approval or recommendation of the Merger or the other transactions contemplated by this Agreement and the Ancillary Agreements or shall have recommended another offer or proposal with respect to a Third Party Acquisition, or (ii) a Third Party Acquisition has occurred or any person shall have entered into a definitive agreement with the Company with respect to a Third Party Acquisition; or

(d) by the Company if (i) the Company's Board of Directors shall have failed to recommend to its shareholders the approval of the transactions contemplated hereby, or shall have withdrawn, modified or changed such recommendation, in a manner permitted by the penultimate sentence of Section 4.1(n), or (ii) the Company shall have entered into an agreement with respect to a Higher Offer in a manner permitted by the penultimate sentence of Section 4.1(n).

SECTION 7.2 EFFECT OF TERMINATION.

(a) In the event of termination of this Agreement by either the Company or Acquiror as provided in Section 7.1, this Agreement shall forthwith become void and have no effect, without any liability or obligation on the part of Acquiror or the Company, other than the provisions of Section 3.2(i), Section 3.3(k), Section 5.2(c), Section 5.6, this Section and Article VIII and except to the

extent that such termination results from the wilful and material breach by a party of any of its representations, warranties, covenants or agreements set forth in this Agreement, the Reorganization Agreement, or any agreement contemplated hereby or thereby.

(b) If the transactions contemplated by this Agreement are terminated as provided herein:

(i) Acquiror shall return all documents and other material received from the Company or its representatives relating to the transactions contemplated hereby, whether so obtained before or after the execution hereof, to the Company; and

(ii) all confidential information received by Acquiror with respect to the businesses of the Company shall be treated in accordance with the Confidentiality Agreement, which shall remain in full force and effect notwithstanding the termination of this Agreement.

(c) In the event that: (i) Acquiror terminates this Agreement pursuant to Section 7.1(c), (ii) the Company terminates this Agreement pursuant to Section 7.1(d) or (iii) this Agreement shall be terminated pursuant to Section 7.1(b)(i) and, at the time of the meeting called for the approval of the Company's shareholders referred to in Section 7.1(b)(i), there shall have been made a proposal relating to a Third Party Acquisition that has become public and, within six months following such termination, the Company shall enter into a definitive agreement with respect to the sale of the Branded Business; then the Company shall promptly pay to Acquiror (by wire transfer to an account designated by the Acquiror for this purpose) an amount equal to the sum of (i) $20 million and (ii) notwithstanding the provisions of Section 5.6, the fees and expenses actually incurred by the Acquiror in connection with the negotiation and preparation of this Agreement and the Ancillary Agreements to which the Acquiror is a party, the performance of the Acquiror's covenants herein and therein, and the transactions contemplated hereby and thereby, including, without limitation, all fees and disbursements of the Acquiror's financial advisors, legal counsel, accountants and other advisors, up to a maximum of an additional $2.5 million.

SECTION 7.3 AMENDMENT. This Agreement may be amended by the parties at any time before or after any required approval of matters presented in connection with the Merger by the stockholders of the Company; provided, however, that after any such approval, there shall be made no amendment that by law requires further approval by such stockholders without the further approval of such stockholders. This Agreement may not be amended except by an instrument in writing signed on behalf of each of the parties.

SECTION 7.4 EXTENSION; WAIVER. At any time prior to the Effective Time, the parties may (a) extend the time for the performance of any of the obligations or other acts of the other party, (b) waive any inaccuracies in the representations and warranties of the other party contained in this Agreement or in any document delivered pursuant to this Agreement, or (c) subject to the proviso of Section 7.3, waive compliance by the other party with any of the agreements or

conditions contained in this Agreement. Any agreement on the part of a party to any such extension or waiver shall be valid only if set forth in an instrument in writing signed on behalf of such party. The failure of any party to this Agreement to assert any of its rights under this Agreement or otherwise shall not constitute a waiver of such rights.

SECTION 7.5 PROCEDURE FOR TERMINATION, AMENDMENT, EXTENSION OR WAIVER. A termination of this Agreement pursuant to Section 7.1, an amendment of this Agreement pursuant to Section 7.3 or an extension or waiver pursuant to Section 7.4 shall, in order to be effective, require in the case of Acquiror or the Company, action by its Board of Directors or the duly authorized designee of its Board of Directors.

ARTICLE VIII

GENERAL PROVISIONS

SECTION 8.1 NONSURVIVAL OF REPRESENTATIONS AND WARRANTIES. Except as and to the extent provided in the Reorganization Agreement, none of the representations and warranties in this Agreement or in any instrument delivered pursuant to this Agreement shall survive the Effective Time. This Section 8.1 shall not limit any covenant or agreement of the parties which by its terms contemplates performance after the Effective Time.

SECTION 8.2 NOTICES. Any notice, request, instruction or other document to be given hereunder by any party to any other party shall be in writing and shall be deemed to have been duly given (a) on the first business day occurring on or after the date of transmission if transmitted by facsimile (upon confirmation of receipt by journal or report generated by the facsimile machine of the party giving such notice), (b) on the first business day occurring on or after the date of delivery if delivered personally, or (c) on the first business day following the date of dispatch if dispatched by Federal Express or other next-day courier service. All notices hereunder shall be given as set forth below, or pursuant to such other instructions as may be designated in writing by the party to receive such notice:

(a) if to Acquiror or Merger Sub, to

General Mills, Inc.
Number One General Mills Boulevard
Minneapolis, Minnesota 55426
Attention: Siri S. Marshall

with a copy (which shall not constitute notice) to:

Wachtell, Lipton, Rosen & Katz
51 West 52nd St.

New York, New York 10019
Attention: Steven A. Rosenblum

(b) if to the Company, to

Ralcorp Holdings, Inc.
800 Market Street, Suite 2900
St. Louis, Missouri 63101
Attention: Robert W. Lockwood

with a copy (which shall not constitute notice) to:

Bryan Cave LLP
One Metropolitan Square
211 North Broadway, Suite 3600
St. Louis, Missouri 63102
Attention: William F. Seabaugh

SECTION 8.3 CERTAIN DEFINITIONS. For purposes of this Agreement:

(a) an "AFFILIATE" of any person means another person that directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with, such first person;

(b) "PERSON" means an individual, corporation, partnership, limited liability company, joint venture, association, trust, unincorporated organization or other entity; and

(c) a "SUBSIDIARY" of any person means another person, an amount of the voting securities, other voting ownership or voting partnership interests of which is sufficient to elect at least a majority of its Board of Directors or other governing body (or, if there are no such voting interests, 50% or more of the equity interests of which) is owned directly or indirectly by such first person.

SECTION 8.4 INTERPRETATION. When a reference is made in this Agreement to a Section, Exhibit or Schedule, such reference shall be to a Section of, or an Exhibit or Schedule to, this Agreement unless otherwise indicated. The table of contents and headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement. Whenever the words "include," "includes" or "including" are used in this Agreement, they shall be deemed to be followed by the words "without limitation."

SECTION 8.5 COUNTERPARTS. This Agreement may be executed in one or more counterparts, all of which shall be considered one and the same agreement and shall become effective when one or more counterparts have been signed by each of

the parties and delivered to the other parties.

SECTION 8.6 ENTIRE AGREEMENT; NO THIRD-PARTY BENEFICIARIES. This Agreement, the Ancillary Agreements and the agreements referred to herein and therein or required to be delivered in connection with the transactions contemplated by the Ancillary Agreements constitute the entire agreement, and supersede all prior agreements (other than the Confidentiality Agreement) and understandings, both written and oral, among the parties with respect to the subject matter of this Agreement, and except for the provisions of Article II, this Agreement is not intended to confer upon any person other than the parties hereto any rights or remedies.

SECTION 8.7 GOVERNING LAW. This Agreement shall be governed by, and construed in accordance with, the laws of the State of Missouri, regardless of the laws that might otherwise govern under applicable principles of conflicts of laws thereof.

SECTION 8.8 ASSIGNMENT. Neither this Agreement nor any of the rights, interests or obligations under this Agreement shall be assigned, in whole or in part, by operation of law or otherwise by any of the parties without the prior written consent of the other parties. Subject to the preceding sentence, this Agreement will be binding upon, inure to the benefit of, and be enforceable by, the parties and their respective successors and permitted assigns.

SECTION 8.9 ENFORCEMENT. The parties agree that irreparable damage would occur in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached. It is accordingly agreed that the parties shall be entitled to an injunction or injunctions to prevent breaches of this Agreement and to enforce specifically the terms and provisions of this Agreement, this being in addition to any other remedy to which they are entitled at law or in equity. In addition, each of the parties hereto (a) consents to submit itself to the personal jurisdiction of any Federal court located in the State of Missouri or the State of Minnesota in the event any dispute arises out of this Agreement or any of the transactions contemplated by this Agreement, (b) agrees that it will not attempt to deny or defeat such personal jurisdiction by motion or other request for leave from any such court, and (c) agrees that it will not bring any action relating to this Agreement or any of the transactions contemplated by this Agreement in any court other than a Federal court (or if such court does not have subject matter jurisdiction, in a state court) sitting in the State of Missouri or the State of Minnesota. THE PARTIES HEREBY WAIVE ANY RIGHT TO TRIAL BY JURY WITH RESPECT TO ANY DISPUTE ARISING HEREUNDER.

IN WITNESS WHEREOF, Acquiror, Merger Sub and the Company have caused this Agreement to be signed by their respective officers thereunto duly authorized, all as of the date first written above.

GENERAL MILLS, INC.

By: /s/ T.J. BROWN

Name: T.J. Brown
Title: Vice President

GENERAL MILLS MISSOURI, INC.

By: /s/ T.J. BROWN

Name: T.J. Brown
Title: Vice President

RALCORP HOLDINGS, INC.

By: /s/ RICHARD A. PEARCE

Name: Richard A. Pearce
Title: Chief Executive Officer and
President

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AMENDMENT TO
AGREEMENT AND PLAN OF MERGER
BY AND AMONG RALCORP HOLDINGS, INC.,
GENERAL MILLS, INC. AND GENERAL MILLS MISSOURI, INC.

This Amendment to Agreement and Plan of Merger is dated as of October 25, 1996 by and among Ralcorp Holdings, Inc., a Missouri corporation (the "Company"), General Mills, Inc., a Delaware corporation (the "Acquiror"), and General Mills Missouri, Inc., a Missouri corporation and a wholly-owned subsidiary of Acquiror ("Merger Sub").

WHEREAS, the parties hereto are parties to an Agreement and Plan of Merger dated as of August 13, 1996 (the "Merger Agreement");

WHEREAS, pursuant and subject to the terms and conditions of the Merger Agreement and the Reorganization Agreement attached thereto as Exhibit A (the "Reorganization Agreement"), which will be entered into prior to the effective time of the merger contemplated thereby, the parties hereto have agreed to consummate the following transactions: (a) certain of the assets and liabilities of the branded cereals and branded snacks business (the "Branded Business") currently operated by the Company's wholly-owned subsidiary, Ralston Foods, Inc. ("Foods"), will be contributed by Foods to a newly-formed subsidiary (the

"Branded Subsidiary"); (b) all the stock of the Branded Subsidiary will be distributed by Foods to the Company; (c) all of the shares of capital stock of a Missouri corporation to be formed as a wholly-owned subsidiary of the Company and the parent of Foods ("New Holdings") will be distributed on a pro rata basis to the Company's stockholders; and (d) Merger Sub will be merged into the Company, with the Company as the surviving corporation; and

WHEREAS, the parties desire to amend the Merger Agreement and the exhibits thereto (the "Transaction Documents") to reflect the following revised version of the transactions recited above: (a) the Company will form a wholly-owned Missouri subsidiary ("New Ralcorp"), into which Foods will be merged (the "Internal Merger"), with New Ralcorp as the surviving corporation; (b) the Branded Business will be contributed by New Ralcorp (as successor to Foods) to the Branded Subsidiary (the "Branded Contribution"); (c) all the stock of the Branded Subsidiary will be distributed by New Ralcorp to the Company; (d) all of the shares of the capital stock of New Ralcorp will be distributed on a pro rata basis to the Company's stockholders; and (d) Merger Sub will be merged into the Company, with the Company as the surviving corporation; and

WHEREAS, these revisions are structural only and are not intended to affect the substantive rights or obligations of the parties to the Merger Agreement and the related agreements.

NOW, THEREFORE, in consideration of the representations, warranties, covenants and agreements contained in the Merger Agreement and this Amendment, the parties hereto agree as follows:

1. Section 2.1 of the Reorganization Agreement is hereby amended in its entirety as follows:

> 2.1 INTERNAL MERGER; SPINOFF TO RALCORP. Prior to the transactions contemplated by Article III, Ralcorp shall merge Foods into New Ralcorp with New Ralcorp surviving the Internal Merger. After the Internal Merger and the transactions contemplated by Article III but prior to the Distribution Date, New Ralcorp shall distribute all of the issued and outstanding shares of capital stock of the Branded Subsidiary to Ralcorp.

2. The parties acknowledge and agree that the Internal Merger will occur prior to the Branded Contribution. The parties further acknowledge and agree that New Ralcorp will take the place of New Holdings and, after the Internal Merger, Foods in the transactions contemplated by the Merger Agreement and the Ancillary Agreements (as defined in the Reorganization Agreement). Accordingly, the parties hereby agree that each of the Merger Agreement and the Ancillary Agreements is hereby amended to (a) substitute New Ralcorp for New Holdings in each instance, and (b) substitute New Ralcorp for Foods in each instance to the extent the context refers to Foods after the Internal Merger.

3. The parties agree that, prior to their execution, the Ancillary Agreements will be revised to reflect the foregoing amendments and will be executed and delivered, as so revised, at the Closing.

4. Except as expressly amended hereby, the Merger Agreement shall remain in full force and effect.

IN WITNESS WHEREOF, Acquiror, Merger Sub and the Company have caused this Agreement to be signed by their respective officers thereunto duly authorized, all as of the date first written above.

GENERAL MILLS, INC.

By: /s/ T. J. BROWN

Name: T. J. Brown
Title: Vice President

GENERAL MILLS MISSOURI, INC.

By: /s/ T. J. BROWN

Name: T. J. Brown
Title: Vice President

RALCORP HOLDINGS, INC.

By: /s/ J.R. MICHELETTO

Name: J.R. Micheletto
Title: Chief Executive Officer and President

EXHIBIT 10.29

GUARANTY AGREEMENT

THIS GUARANTY AGREEMENT, dated as of September 30, 1996 (the "Guaranty Agreement"), is given by

RALCORP HOLDINGS, INC., a Missouri corporation (the "Guarantor"), in favor of

NATIONSBANK, N.A., a national banking association, in its capacity as agent (in such capacity, hereinafter referred to as the "Agent") for the various lenders from time to time parties to that certain Credit Agreement dated as of the date hereof (such Credit Agreement, as the same may be modified or amended from time to time, being hereinafter referred to as the "Credit Agreement") among the Borrower hereinafter referred to, the Agent and the Lenders (capitalized terms used but not otherwise defined herein shall have the meanings provided in the Credit Agreement), for the benefit of

RALSTON RESORTS, INC., a Colorado corporation (the "Borrower").

RECITALS:

1. Pursuant to the Credit Agreement, the Lenders have agreed, subject to certain terms and conditions, to make a $140,000,000 bridge loan facility available to the Borrower.

2. As a condition precedent to making the bridge loan facility available to the Borrower pursuant to the Credit Agreement, the Lenders have required, among other things, that the Guarantor guarantee all of the Borrower's obligations arising under the Credit Agreement and the other Credit Documents referred to therein.

3. The Borrower is a direct wholly-owned Subsidiary of the Guarantor.

NOW, THEREFORE, for and in consideration of the execution and delivery by the Lenders of the Credit Agreement, and other good and valuable consideration, receipt whereof is hereby acknowledged, the Guarantor hereby agrees as follows:

1. Guarantee of Payment. The Guarantor hereby irrevocably and unconditionally guarantees to the Agent and the Lenders the prompt payment, when due, by acceleration or otherwise, of the Borrower's Obligations. For the purposes hereof the "Borrower's Obligations" means all indebtedness, obligations and liabilities of the Borrower under the Credit Agreement or any other of the Credit Documents to which the Borrower is a party, now existing or hereafter arising, due or to become due, direct or indirect, absolute or contingent, howsoever evidenced, held or acquired, as such indebtedness, obligations and liabilities may be modified, extended, renewed or replaced from time to time. The guaranty of the Guarantor as set forth in this section is a guaranty of payment and not of collection.

2. Release of Collateral, Parties Liable, etc. The Guarantor agrees that the whole or any part of any security now or hereafter held for the Borrower's Obligations may be exchanged, compromised, impaired, released or surrendered from time to time; that neither the Agent nor the Lenders shall have any obligation to protect, perfect, secure or insure any Liens now or hereafter held for the Borrower's Obligations or the properties subject thereto; that the time or place of payment of the Borrower's Obligations may be changed or extended, in whole or in part, to a time certain or otherwise, and may be renewed or accelerated, in whole or in part; that the Borrower may be granted indulgences generally; that any provisions of the Credit Documents or any other documents executed in connection with this transaction may be modified, amended or waived; that any party liable for the payment of the Borrower's Obligations may be granted indulgences or released; and that any deposit balance for the credit of the Borrower or any other party liable for the payment of the Borrower's Obligations or liable upon any security therefor may be released, in whole or in part, at, before and/or after the stated, extended or accelerated maturity of the Borrower's Obligations, all without notice to or further assent by the Guarantor, who shall remain bound thereon, notwithstanding any such exchange, compromise, surrender, extension, renewal, acceleration, modification, indulgence or release.

3. Waiver of Rights. The Guarantor expressly waives: (a) notice of acceptance of this Guaranty Agreement by the Agent and the Lenders and of all extensions of credit to the Borrower by the Agent or any Lender; (b) presentment and demand for payment of any of the Borrower's Obligations; (c) protest and notice of dishonor or of default to the Guarantor or to any other party

with respect to the Borrower's Obligations or with respect to any security

therefor; (d) notice of the Agent or any Lender obtaining, amending, substituting for, releasing, waiving or modifying any security interest, liens, or encumbrances now or hereafter securing the Borrower's Obligations, or the Agent's or any Lender's subordinating, compromising, discharging or releasing such security interests, liens or encumbrances; (e) all other notices to which the Guarantor might otherwise be entitled; (f) demand for payment under this Guaranty Agreement; and (g) any right to assert against the Agent or any Lender, as a defense, counterclaim, set-off or cross-claim, any defense (legal or equitable), set-off, counterclaim or claim which the Guarantor may now or hereafter have against the Agent or any Lender or the Borrower, but such waiver shall not prevent the Guarantor from asserting against the Agent or any Lender in a separate action, any claim, action, cause of action, or demand that the Guarantor might have, whether or not arising out of this Guaranty Agreement.

4. Primary Liability of the Guarantor. The Guarantor agrees that this Guaranty Agreement may be enforced by the Agent and the Lenders without the necessity at any time of resorting to or exhausting any other security or collateral and without the necessity at any time of having recourse to the Borrower or any other Person under the Credit Agreement or any collateral now or hereafter securing the Borrower's Obligations or otherwise, and the Guarantor hereby waives the right to require the Agent and the Lenders to proceed against the Borrower or any other Person (including a co-guarantor) or to require the Agent and the Lenders to pursue any other remedy or enforce any other right. Without limiting the generality of the foregoing, the Guarantor hereby specifically waives, to the extent permitted by applicable law, the benefits of North Carolina General Statutes Sections 26-7 through 26-9, inclusive. In addition, the Guarantor agrees that it shall have no right of subrogation, indemnity, reimbursement or contribution against the Borrower for amounts paid under this Guaranty Agreement until such time as the Lenders have been paid in full and no Person or Governmental Authority shall have any right to request any return or reimbursement of funds from the Lenders in connection with monies received under the Credit Documents. The Guarantor further agrees that nothing contained herein shall prevent the Agent or the Lenders from suing the Borrower with respect to its obligations under the Credit Agreement or foreclosing any security interest in or lien on any collateral now or hereafter securing the Borrower's

Obligations or from exercising any other rights available to the Agent or the Lenders under the Credit Agreement if neither the Borrower nor the Guarantor timely performs the obligations of the Borrower thereunder, and the exercise of any of the aforesaid rights and the completion of any foreclosure proceedings shall not constitute a discharge of the Guarantor's obligations hereunder; it

being the purpose and intent of the Guarantor that the Guarantor's obligations hereunder shall be absolute, irrevocable, independent and unconditional under any and all circumstances. Neither the Guarantor's obligations under this Guaranty Agreement nor any remedy for the enforcement thereof shall be impaired, modified, changed or released in any manner whatsoever by an impairment, modification, change, release or limitation of the liability of the Borrower, by reason of the Borrower's bankruptcy or insolvency or by reason of the invalidity or unenforceability of all or any portion of the Borrower's Obligations. The Guarantor acknowledges that the term the "Borrower's Obligations" as used herein includes any payments made by the Borrower to the Agent or any Lender and subsequently recovered by the Borrower or a trustee for the Borrower pursuant to the Borrower's bankruptcy or insolvency and that the guaranty of the Guarantor hereunder shall be reinstated to the extent of such recovery.

5. Attorneys' Fees and Costs of Collection. If at any time or times hereafter the Agent or the Lenders employ counsel to pursue collection, to intervene, to sue for enforcement of the terms hereof or of the Credit Agreement or any other of the Credit Documents, or to file a petition, complaint, answer, motion or other pleading in any suit or proceeding relating to this Guaranty Agreement, the Credit Agreement or any other of the Credit Documents, then, in such event, all of the reasonable attorneys' fees relating thereto shall be an additional liability of the Guarantor to the Agent and the Lenders hereunder, payable on demand.

6. Security Interests and Setoff. As security for the Guarantor's obligations hereunder, the Guarantor agrees that in the event the Guarantor fails to pay its obligations hereunder when due and payable under this Guaranty Agreement, (a) any of the Guarantor's assets of any kind, nature or description (including, without limitation, deposit accounts) in the possession, control or custody of the Agent or any Lender may, without prior notice (but promptly confirmed in writing by the Agent or such Lender, as applicable, to the Guarantor, provided that failure to provide such written confirmation will not affect

the liabilities of the Guarantor hereunder) to the Guarantor, be reduced to cash or the like and applied by the Agent or such Lender in reduction or payment of the Guarantor's obligations hereunder; and (b) the Agent and each Lender shall have the right, immediately and without further action by them, to set off pro tanto against the Borrower's Obligations all money owed by the Agent or such Lender in any capacity to the Guarantor, whether or not due, and the Agent or such Lender shall be deemed to have made a charge against any such

money immediately upon the occurrence of such obligation becoming due even though such charge is made or entered on the books of the Agent or such Lender subsequent thereto.

7. Term of Guarantee; Warranties; etc. This Guaranty Agreement shall continue in full force and effect until the Borrower's Obligations are fully and indefeasibly paid, performed and discharged. This Guaranty Agreement covers the Borrower's Obligations whether presently outstanding or arising subsequent to the date hereof including all amounts advanced by the Agent or any Lender in stages or installments. The Guarantor warrants and represents to the Agent (i) that the Guarantor is a corporation duly incorporated, validly existing and in good standing under the laws of its jurisdiction of incorporation, (ii) that the Guarantor has all corporate powers and all material governmental licenses, authorizations, consents and approvals required to carry on its business as now conducted, (iii) that the execution and delivery by the Guarantor of this Guaranty Agreement and the performance by the Guarantor of its obligations hereunder are within the corporate power of the Guarantor, have been duly authorized by all necessary corporate action, require no action by or in respect of, or filing with, any governmental body, agency or official (except for any such action or filing that has been taken and is in full force and effect) and do not contravene, or constitute a default under, any provision of applicable law or regulation or of the certificate of incorporation or bylaws (or other constitutional documents) of the Guarantor or of any material agreement, judgment, injunction, order, decree, or other material instrument binding upon the Guarantor or result in the creation or imposition of any Lien on any asset of the Guarantor, (iv) that this Guaranty Agreement constitutes the valid, binding and enforceable agreement of the Guarantor and, when executed and delivered will constitute valid and binding obligations of the Guarantor and (v) that the Incorporated Representations and Warranties are true and correct in all material respects as of the Closing Date (except for those

which expressly relate to an earlier date). The Guarantor hereby covenants and agrees that, so long as this Guaranty Agreement is in effect or any of the Borrower's Obligations remain outstanding, the Guarantor shall comply with the Incorporated Covenants.

8. Further Representations and Warranties. The Guarantor agrees that the Agent and the Lenders will have no obligation to investigate the financial condition or affairs of the Borrower for the benefit of the Guarantor or to advise the Guarantor of any fact respecting, or any change in, the financial condition or affairs of the Borrower which might come to the knowledge of the

Agent or any Lender at any time, whether or not the Agent or any Lender knows or believes or has reason to know or believe that any such fact or change is unknown to the Guarantor or might (or does) materially increase the risk of the Guarantor as guarantor or might (or would) affect the willingness of the Guarantor to continue as guarantor with respect to the Borrower's Obligations.

9. Additional Liability of the Guarantor. If the Guarantor is or becomes liable for any indebtedness owing by the Borrower to the Agent or any Lender by endorsement or otherwise other than under this Guaranty Agreement, such liability shall not be in any manner impaired or reduced hereby but shall have all and the same force and effect it would have had if this Guaranty Agreement had not existed and the Guarantor's liability hereunder shall not be in any manner impaired or reduced thereby.

10. Cumulative Rights. All rights of the Agent and the Lenders hereunder or otherwise arising under any documents executed in connection with or as security for the Borrower's Obligations are separate and cumulative and may be pursued separately, successively or concurrently, or not pursued, without affecting or limiting any other right of the Agent or any Lender and without affecting or impairing the liability of the Guarantor.

11. Usury. Notwithstanding any other provisions herein contained, no provision of this Guaranty Agreement shall require or permit the collection from the Guarantor of interest in excess of the maximum rate or amount that the Guarantor may be required or permitted to pay pursuant to any applicable law. In the event any such interest is collected, it shall be applied in reduction of the Guarantor's obligations hereunder, and the remainder of

such excess collected shall be returned to the Guarantor once such obligations have been fully satisfied.

12. The Agent. In acting under or by virtue of this Guaranty Agreement, the Agent shall be entitled to all the rights, authority, privileges and immunities provided in Article IX of the Credit Agreement, all of which provisions are incorporated by reference herein with the same force and effect as if set forth herein. The Guarantor hereby releases the Agent from any liability for any act or omission relating to this Guaranty Agreement, except such as may result from the Agent's gross negligence or willful misconduct.

13. Successors and Assigns. This Guaranty Agreement shall be binding on and enforceable against the Guarantor and its successors and assigns; provided that the Guarantor may not assign or transfer any of its obligations hereunder

without prior written consent of the Lenders. This Guaranty Agreement is intended for and shall inure to the benefit of the Agent and each Lender and each and every person who shall from time to time be or become the owner or holder of any of the Borrower's Obligations, and each and every reference herein to "Agent" or "Lender" shall include and refer to each and every successor or assignee of the Agent or any Lender at any time holding or owning any part of or interest in any part of the Borrower's Obligations. This Guaranty Agreement shall be transferable and negotiable with the same force and effect, and to the same extent, that the Borrower's Obligations are transferable and negotiable, it being understood and stipulated that upon assignment or transfer by the Agent or any Lender of any of the Borrower's Obligations the legal holder or owner of the Borrower's Obligations (or a part thereof or interest therein thus transferred or assigned by the Agent or any Lender) shall (except as otherwise stipulated by the Agent or any such Lender in its assignment) have and may exercise all of the rights granted to the Agent or such Lender under this Guaranty Agreement to the extent of that part of or interest in the Borrower's Obligations thus assigned or transferred to said person. The Guarantor expressly waives notice of transfer or assignment of the Borrower's Obligations, or any part thereof, or of the rights of the Agent or any Lender hereunder. Failure to give notice will not affect the liabilities of the Guarantor hereunder.

14. Application of Payments. Each of the Agent and the Lenders may apply any payments received by it from any source

against that portion of the Borrower's Obligations (principal, interest, court costs, attorneys' fees or other) in such priority and fashion as it may deem appropriate.

15. Modifications. Subject to the terms of Section 10.08 of the Credit Agreement, this Guaranty Agreement and the provisions hereof may be changed, discharged or terminated only by an instrument in writing signed by the Guarantor and the Agent.

16. Notices. Notices and other communications provided for herein shall be in writing and shall be delivered by hand or overnight courier service, mailed or sent by telex, telecopy, graphic scanning or other telegraphic communications equipment of the sending party, as follows:

(a) if to the Guarantor, to it at 800 Market Street, 29th Floor, St. Louis, Missouri 63101, Attention of T. C. Oviatt, Treasurer (Facsimile No. 314-877-7729);

(b) if to the Agent, to it at 233 S. Wacker Drive, Sears Tower, Suite 2800, Chicago, Illinois 60606-6308, Attention of Valerie Mills (Facsimile No. 312-234-5601);

With a copy to: NationsBank, N.A.
NationsBank Corporate Center, 6th Floor
NC1-002-06-19
Charlotte, North Carolina 28255
Attention of Agency Services
(Facsimile No. 704-386-9923)

All notices and other communications given to any party hereto in accordance with the provisions of this Guaranty Agreement shall be deemed to have been given on the date of receipt if delivered by hand or overnight courier service or sent by telex, telecopy, graphic scanning or other telegraphic communications equipment of the sender, or on the date five (5) Business Days after dispatch by certified or registered mail if mailed, in each case delivered, sent or mailed (properly addressed) to such party as provided in this Section 16 or at such other address or telex, telecopy or other number as shall be designated by such party in a notice to each other party complying with the terms of this Section 16.

17. Severability. In the event that any provision hereof shall be deemed to be invalid by reason of the operation of any law or by reason of the interpretation placed thereon by any court, this Guaranty Agreement shall be construed as not containing such provision, but only as to such jurisdictions where such law or interpretation is operative, and the invalidity of such provision shall not affect the validity of any remaining provision hereof, and any and all other provisions hereof which are otherwise lawful and valid shall remain in full force and effect.

18. Governing Law; Submission to Jurisdiction; Venue; Waiver of Jury Trial.

(a) THIS GUARANTY AGREEMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER SHALL BE GOVERNED BY AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NORTH CAROLINA. The Guarantor hereby submits to the

non-exclusive jurisdiction of the United States District Court for the Western District of North Carolina or the courts of the State of North Carolina in Mecklenburg County for the purposes of any legal action or proceeding with respect to this Guaranty Agreement. The Guarantor irrevocably waives, to the fullest extent permitted by law, any objection which it may now or hereafter have to the laying of the venue of any such proceeding brought in such a court and any claim that such proceeding has been brought in an inconvenient form. The Guarantor hereby consents to process being served in any such proceeding by the mailing of a copy thereof by registered or certified mail, postage prepaid, return receipt requested, to the address specified for notices to the Guarantor pursuant to Section 16 or in any other manner permitted by law. Nothing herein shall affect the right of the Agent to serve process in any other manner permitted by law or to commence legal proceedings or to otherwise proceed against the Guarantor in any other jurisdiction.

(b) EACH OF THE AGENT, THE LENDERS AND THE GUARANTOR HEREBY IRREVOCABLY WAIVES ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM ARISING OUT OF OR RELATING TO THIS GUARANTY AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

19. Headings. The headings in this instrument are for convenience of reference only and shall not limit or otherwise affect the meaning of any provisions hereof.

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20. Counterparts. This Guaranty Agreement may be executed in any number of counterparts and by different parties hereto on separate counterparts, each constituting an original, but all together one and the same instrument.

21. Rights of the Required Lenders. All rights of the Agent hereunder, if not exercised by the Agent, may be exercised by the Required Lenders.

22. Entirety. This Guaranty Agreement represents the entire agreement of the parties hereto and supersedes all prior agreements and understandings, oral or written, if any, including any commitment letters or correspondence, relating to this Guaranty Agreement or the transactions contemplated herein.

IN WITNESS WHEREOF, the Guarantor has caused this Guaranty Agreement to be duly executed as of the date first above written.

RALCORP HOLDINGS, INC.

By _____

Title _____

ACCEPTED:

NATIONSBANK, N.A., as Agent as aforesaid for
the Lenders

By _____

Title _____

EXHIBIT 10.30

AGREEMENT

THIS AGREEMENT (the "Agreement"), dated as of September 30, 1996, is made by and among RALCORP HOLDINGS, INC., a Missouri corporation (the "Borrower"), THE PERSONS IDENTIFIED AS A "LENDER" ON THE SIGNATURE PAGES HERETO (the "Lenders") and NATIONSBANK, N.A., as agent for the Lenders (in such capacity, the "Agent").

W I T N E S S E T H:

WHEREAS, pursuant to a Credit Agreement dated as of March 12, 1996, as amended or waived from time to time thereafter (as previously amended or waived, the "5-Year Credit Agreement") among the Borrower, the Lenders and the Agent, the Lenders have made available a $175,000,000 5-year revolving credit facility to the Borrower;

WHEREAS, pursuant to a Credit Agreement dated as of March 12, 1996, as amended or waived from time to time thereafter (as previously amended or waived, the "364-Day Credit Agreement", and, together with the 5-Year Credit Agreement, the "Credit Agreements") among the Borrower, the Lenders and the Agent, the Lenders have made available a $100,000,000 364-day revolving credit facility to the Borrower; and

WHEREAS, the parties hereto have agreed to enter into this Agreement in order to evidence certain agreements of the parties with respect to the Credit Agreements as set forth herein;

NOW, THEREFORE, in consideration of the agreements herein contained, the parties hereby agree as follows:

PART I
DEFINITIONS

SUBPART 1.1. Certain Definitions. Unless otherwise defined herein or the context otherwise requires, the following term used in this Agreement has the following meaning:

"Effective Date" is defined in Subpart 4.1.

SUBPART 1.2. Other Definitions. Unless otherwise defined herein or

the context otherwise requires, terms used in this Agreement, including its preamble and recitals, have the meanings provided in the Credit Agreements.

3

PART II
5-YEAR CREDIT AGREEMENT

Effective on (and subject to the occurrence of) the Effective Date, the parties hereto hereby agree as follows with respect to the 5-Year Credit Agreement:

SUBPART 2.1. Amendments to Section 1.01.

(a) The definition of "Commitment" set forth in Section 1.01 of the 5-Year Credit Agreement is hereby amended in its entirety to read as follows:

> "Commitment" shall mean, (i) with respect to each Lender, the commitment of such Lender (A) to make Revolving Loans in an aggregate principal amount at any time outstanding of up to such Lender's Commitment Percentage multiplied by the Revolving Committed Amount (as such Revolving Committed Amount may be reduced or increased from time to time pursuant to Section 2.04) and (B) to purchase participation interests in the Swingline Loans in accordance with the provisions of Section 2.03(b)(iii), and (ii) with respect to the Swingline Lender, the commitment of the Swingline Lender to make Swingline Loans in an aggregate principal amount at any time outstanding of up to the Swingline Committed Amount.

(b) The definition of "Interest Period" set forth in Section 1.01 of the 5-Year Credit Agreement is hereby amended in its entirety to read as follows:

> "Interest Period" shall mean (i) as to any Eurodollar Loan, a period of one (1) week or a period of one, two, three or six months' duration, as the Borrower may elect, commencing in each case on the date of the borrowing (including conversions,

extensions and renewals), (ii) as to any Fixed Rate Loan, a period commencing in each case on the date of the borrowing and ending on the date specified in the applicable Competitive Bid whereby the offer to make such Fixed Rate Loan was extended (such ending date in any event to be not less than 15 nor more than 180 days from the date of borrowing) and (iii) as to any Quoted Rate Swingline Loan, a period commencing in each case on the

date of the borrowing and ending on the date agreed to by the Borrower and the Swingline Lender in accordance with the provisions of Section 2.03(b)(i) (such ending date in any event to be not more than 7 Business Days from the date of borrowing); provided, however, (A) if any Interest Period would end on a day which is not a Business Day, such Interest Period shall be extended to the next succeeding Business Day (except that where the next succeeding Business Day falls in the next succeeding calendar month, then on the next preceding Business Day), (B) no Interest Period shall extend beyond the Maturity Date, (C) in the case of Eurodollar Loans made, extended or converted during the Term Loan Amortization Period, no Interest Period shall extend beyond any principal amortization payment date unless the portion of the Term Loans comprised of Base Rate Loans, together with the portion of the Term Loans comprised of Eurodollar Loans with Interest Periods expiring prior to the date such principal amortization payment is due, is at least equal to the amount of such principal amortization payment due on such date and (D) in the case of Eurodollar Loans (other than any Eurodollar Loans having a one (1) week Interest Period), where an Interest Period begins on a day for which there is no numerically corresponding day in the calendar month in which the Interest Period is to end, such Interest Period shall, subject to clause (A) above, end on the last Business Day of such calendar month.

(c) The definition of "Loan" set forth in Section 1.01 of the 5-Year Credit Agreement is hereby amended in its entirety to read as follows:

"Loan" or "Loans" shall mean the Revolving Loans (or any Revolving Loan bearing interest at the Base Rate or the Adjusted Eurodollar Rate and referred to as a Base Rate Loan or a Eurodollar Loan), the Competitive Loans, the Swingline Loans, and/or the Term Loans (or any Term Loan bearing interest at the Base Rate or the Adjusted Eurodollar Rate and referred to as a Base Rate Loan or a Eurodollar Loan), individually or collectively, as appropriate.

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(d) The definition of "Unused Revolving Committed Amount" set forth in Section 1.01 of the 5-Year Credit Agreement is hereby amended in its entirety to read as follows:

"Unused Revolving Committed Amount" shall mean, for any period, (i) at all times prior to the first to occur of a Commitment Increase Event and the Ralston Resorts Disposition, the amount by which (A) the sum of (1) the then applicable Revolving Committed Amount plus (2) $140,000,000 exceeds (B) the daily average sum for such period of (1) the outstanding aggregate principal amount of all Loans other than Swingline Loans and Competitive Loans and (2) 50% of the outstanding aggregate principal amount of all Swingline Loans and (ii) at all times thereafter, the amount by which (A) the then applicable Revolving Committed Amount exceeds (B) the daily average sum for such period of (1) the outstanding aggregate principal amount of all Loans other than Swingline Loans and Competitive Loans and (2) 50% of the outstanding aggregate principal amount of all Swingline Loans.

(e) The following additional definitions are hereby added to Section 1.01 in appropriate alphabetical order:

A "Commitment Increase Event" shall be deemed to occur if the Ralston Resorts Disposition shall not have occurred by January 28, 1997.

"Ralston Resorts" shall mean Ralston Resorts, Inc., a Colorado corporation wholly-owned by the Borrower.

"Ralston Resorts Credit Agreement" shall mean that certain Credit Agreement dated as of September 30, 1996, as amended from time to time, among Ralston Resorts, the lenders party thereto and NationsBank, N.A. as agent for such lenders.

"Ralston Resorts Disposition" shall mean the occurrence of both of (i) the sale by the Borrower of all of the capital stock of Ralston Resorts and (ii) the receipt by the Agent of evidence satisfactory to it that (a) all of the obligations of Ralston Resorts

under the Ralston Resorts Credit Agreement shall have been satisfied in full and (b) the Commitments under and as defined in the Ralston Resorts Credit Agreement shall have been terminated.

"Term Loans" shall have the meaning assigned to such term in Section 2.01(e).

"Term Loan Amortization Date" shall have the meaning assigned to such term in Section 2.01(e).

"Term Loan Termination Date" shall have the meaning assigned to such term in Section 2.01(e).

SUBPART 2.2. Amendments to Section 2.01. Section 2.01 of the 5-Year Credit Agreement is hereby amended in the following respects:

(a) Subsection (a) of Section 2.01 of the 5-Year Credit Agreement is hereby amended in its entirety to read as follows:

(a) Revolving Commitment. Subject to and upon the terms and conditions and relying upon the representations and warranties herein set forth, each Lender agrees, severally and not jointly, at any time and from time to time from the Closing Date until the Maturity Date, to make revolving credit loans (each a "Revolving Loan" and, collectively, "Revolving Loans") to the Borrower for the purposes set forth in Section 7.10; provided, however, (i) with regard to each Lender individually, such Lender's pro rata share of outstanding Revolving Loans shall not exceed such Lender's Commitment Percentage of the Revolving Committed Amount, (ii) with regard to the Lenders collectively, the aggregate amount of Revolving Loans outstanding shall not exceed ONE HUNDRED THIRTY-FIVE MILLION DOLLARS ($135,000,000), as such maximum amount may be reduced or increased from time to time as provided in Section 2.04 or as otherwise provided herein (such amount, as so reduced or increased from time to time, the "Revolving Committed Amount"), and (iii) in addition to the limitations set forth in the preceding subparagraphs (i) and (ii), in no event shall the sum of Revolving Loans outstanding plus Competitive

Loans outstanding exceed the Revolving Committed Amount. Revolving Loans hereunder may consist of Base Rate Loans or Eurodollar Loans

(or a combination thereof) as the Borrower may request, and may be repaid and reborrowed in accordance with the provisions hereof.

(b) The following new subsection (e) is added to Section 2.01 of the 5-Year Credit Agreement immediately succeeding existing subsection (d) thereof:

(e) Amortization of Certain Loans.

(i) The principal balance of the Revolving Loans, Competitive Loans and Swingline Loans, if any, in excess of $175,000,000 outstanding as of the date of reduction of the Revolving Committed Amount required pursuant to the terms of Section 2.04(a)(ii) shall be payable in sixteen (16) equal consecutive quarterly installments on the last day of each March, June, September and December commencing with the first of such dates to occur after the date of such reduction of the Revolving Committed Amount (each such date referred to herein as a "Term Loan Amortization Date" and the last such date referred to herein as the "Term Loan Termination Date"). Revolving Loans, Competitive Loans and/or Swingline Loans remaining outstanding after the date of the reduction of the Revolving Committed Amount required pursuant to the terms of Section 2.04(a)(ii) shall be referred to collectively as the "Term Loans". The Term Loans may be comprised of Base Rate Loans and Eurodollar Loans as the Borrower may elect in accordance with the provisions hereof, and amounts repaid or prepaid on the Term Loans may not be reborrowed.

(ii) It is the intention of the parties hereto that the Term Loans bear interest on the same terms as apply to Revolving Loans prior to the Maturity Date.

SUBPART 2.3. Amendments to Section 2.04. Section 2.04 of the 5-Year Credit Agreement is hereby amended in its entirety to read as follows:

SECTION 2.04. Termination and Reduction of Commitments; Commitment Increase Event.

(a) Termination and Reduction.

(i) The Borrower may from time to time permanently reduce or terminate the aggregate Revolving Committed Amount in whole or in part (in minimum aggregate amounts of the lesser of $5,000,000 or

the full remaining amount of the Revolving Committed Amount) upon three Business Days' prior written notice to the Agent; provided, however, no such termination or reduction shall be made which would reduce the Revolving Committed Amount to an amount less than the sum of Revolving Loans outstanding plus Competitive Loans outstanding. The Agent shall promptly notify each of the Lenders of receipt by the Agent of any notice from the Borrower pursuant to this Section 2.04(a)(i).

(ii) If the Commitment Increase Event shall occur pursuant to the terms of Section 2.04(b), then the Revolving Committed Amount shall automatically be permanently reduced to $175,000,000 on March 11, 1997.

(iii) The Commitments of the Lenders to make, extend or convert Revolving Loans shall automatically terminate on the Maturity Date.

(b) Commitment Increase Event. Upon the occurrence of the Commitment Increase Event and receipt by the Agent of evidence satisfactory to it that (i) all of the obligations of Ralston Resorts under the Ralston Resorts Credit Agreement have been satisfied in full and (ii) the Commitments under and as defined in the Ralston Resorts Credit Agreement have been terminated, the Revolving Committed Amount automatically shall be increased by $140,000,000

SUBPART 2.4. Amendments to Section 3.02. Section 3.02 of the 5-Year Credit Agreement is hereby amended in its entirety to read as follows:

SECTION 3.02. Prepayments.

(a) Revolving Loans. The Borrower shall have the right to prepay Revolving Loans in whole or in part from time to time without premium or penalty; provided, however, that (A) each such partial prepayment shall be a minimum principal amount of $5,000,000 or an integral multiple of $1,000,000 in excess thereof and (B) no Eurodollar Loan may be prepaid prior to the last day of the Interest Period applicable thereto unless accompanied by payment of amounts specified in Section 3.07. Amounts prepaid on the Revolving Loans may be reborrowed in accordance with the

provisions hereof.

(b) Competitive Loans. Competitive Loans may not be prepaid unless accompanied by payment of amounts specified in Section 3.07.

(c) Swingline Loans. The Borrower shall have the right to prepay Swingline Loans which are Base Rate Loans in whole or in part from time to time without premium or penalty; provided, however, that (A) each such partial prepayment shall be a minimum principal amount of $100,000 or an integral multiple of $100,000 in excess thereof. Swingline Loans which are Quoted Rate Swingline Loans may not be prepaid unless accompanied by payment of amounts specified in Section 3.07. Amounts prepaid on the Swingline Loans may be reborrowed in accordance with the provisions hereof.

(d) Term Loans. The Borrower shall have the right to prepay Term Loans in whole or in part from time to time without premium or penalty; provided, however, that (A) each such partial prepayment shall be a minimum principal amount of $5,000,000 or an integral multiple of $1,000,000 in excess thereof and (B) no Eurodollar Loan may be prepaid prior to the last day of the Interest Period applicable thereto unless accompanied by payment of amounts specified in Section 3.07. Amounts prepaid on the Term Loans may not be reborrowed.

(d) Application. Amounts prepaid hereunder shall be applied to the Revolving Loans, the Competitive Loans, the Swingline Loans, and the Term Loans as the Borrower may elect, provided that, if the Borrower shall fail to specify its application, prepayments

shall be applied first to Swingline Loans (and with respect to Base Rate Loans and Quoted Rate Swingline Loans comprising such Loans, first to Base Rate Loans and then to Quoted Rate Swingline Loans in direct order of Interest Period maturities), second to Revolving Loans (and with respect to Base Rate Loans and Eurodollar Loans comprising such Loans, first to Base Rate Loans and then to Eurodollar Loans in direct order of Interest Period maturities), third to the Competitive Loans (in direct order of Interest Period maturities), and fourth, during the Term Loan Amortization Period to the Term Loans, ratably to the remaining principal installments of the Term Loans (and with respect to Base Rate Loans and Eurodollar Loans comprising such Loans, first to Base Rate Loans and then to Eurodollar Loans in direct order of Interest Period

maturities).

(e) General. All prepayments of Loans shall be subject to Section 3.07 but otherwise without premium or penalty and shall be accompanied by accrued interest on the principal amount being prepaid to the date of prepayment and all other amounts due and payable hereunder with respect to such Loans.

SUBPART 2.5. Amendments to Section 4.02. The first sentence of Section 4.02 of the 5-Year Credit Agreement is hereby amended in its entirety to read as follows:

SECTION 4.02. Pro Rata Treatment. Except to the extent otherwise provided herein, each Revolving Loan and Term Loan, each payment or prepayment of principal of any Revolving Loan or Term Loan, each payment of interest on the Revolving Loans or Term Loans, each payment of Unused Fees, each reduction and increase of the Revolving Committed Amount and each conversion or extension of any Revolving Loan or Term Loan, shall be allocated pro rata among the Lenders in accordance with their respective Commitment Percentages.

SUBPART 2.6. Amendments to Section 5.02. Subsection (a) of Section 5.02 of the 5-Year Credit Agreement is hereby amended in its entirety to read as follows:

SECTION 5.02. Each Loan. The obligation of each Lender to make, convert or extend any Loan (including the obligation of the Swingline Lender to make any Swingline Loan) is subject to satisfaction of the following conditions in addition to satisfaction on the Closing Date of the conditions set forth in Section 5.01:

(a) (i) In the case of any Revolving Loan, the Agent shall have received an appropriate Notice of Borrowing or Notice of Extension/Conversion; (ii) in the case of any Competitive Loan, the applicable Competitive Loan Lender shall have received an appropriate notice of acceptance of its related Competitive Bid; (iii) in the case of any Swingline Loan, the Swingline Lender shall have received an appropriate notice of borrowing in accordance with the provisions of Section 2.03(b)(i); and (iv) in the case of any Term Loan, the Agent shall have received notice pursuant to the

terms of Section 2.01(e)(i);

SUBPART 2.7. Amendments to Section 8.01. The word "and" at the end of existing subsection (e) of Section 8.01 of the 5-Year Credit Agreement is hereby deleted, the "." at the end of existing subsection (f) of Section 8.01 of the 5-Year Credit Agreement is hereby deleted and a ";" and the word "and" are hereby substituted therefor, and the following new subsection (g) is hereby added to Section 8.01 of the 5-Year Credit Agreement immediately succeeding such subsection (f):

SECTION 8.01. Funded Indebtedness. The Borrower will not, nor will it permit any of its Subsidiaries to, contract, create, incur, assume or permit to exist any Funded Indebtedness, except:

****

(g) (i) indebtedness of Ralston Resorts arising under that certain Credit Agreement dated as of September 30, 1996 among Ralston Resorts, the lenders party thereto and NationsBank, N.A., as Agent for such lenders; and

(ii) Guaranty Obligations of the Borrower in respect of the indebtedness referred to in subsection (g)(i) above.

PART III
364-DAY CREDIT AGREEMENT

SUBPART 3.1. Termination of 364-Day Credit Agreement. Effective on (and subject to the occurrence of) the Effective Date, the 364-Day Credit Agreement and the Commitments under and as defined therein automatically shall be terminated (notwithstanding any notice requirements pursuant to Section 2.04 of the 364-Day Credit Agreement, but subject to the terms of Section 11.11 of the 364-Day Credit Agreement).

PART IV
CONDITIONS TO EFFECTIVENESS

SUBPART 4.1. Effective Date. The agreements of the parties set forth in Part II and Part III of this Agreement shall be and become effective as of the date hereof (the "Effective Date") when all of the conditions set forth in this Part IV shall have been satisfied.

SUBPART 4.1.1. Execution of Counterparts of Agreement. The Agent shall have received counterparts of this Agreement, which collectively shall have been duly executed on behalf of each of the Borrower and the Lenders.

SUBPART 4.1.2. Ralston Resorts Credit Documents. The Credit Agreement dated as of September 30, 1996 among Ralston Resorts, Inc., the lenders party thereto and NationsBank, N.A., as agent for such lenders, shall have become effective in accordance with the terms of Section 10.03 thereof and all conditions precedent set forth in Section 5.01 thereof shall have been satisfied.

SUBPART 4.1.3. Prepayments of Loans. The Agent shall have received, on behalf of the Lenders, (i) payment of the outstanding Revolving Loans, Competitive Loans and/or Swingline Loans under the 5-Year Credit Agreement to the extent necessary to reduce the aggregate outstanding

principal balance of such Loans to $135,000,000 (it being understood and agreed by the parties hereto that any notice requirement pursuant to the terms of the 5-Year Credit Agreement shall not be applicable in connection with such payment, but that such payment shall be subject to the terms of Section 3.07 of the 5-Year Credit Agreement) and (ii) payment of the principal of and accrued but unpaid interest on the outstanding Loans, and all accrued but unpaid Fees, under the 364-Day Credit Agreement (it being understood and agreed by the parties hereto that any notice requirement pursuant to the terms of the 364-Day Credit Agreement shall not be applicable in connection with such payment, but that such payment shall be subject to the terms of Section 3.07 of the 364-Day Credit Agreement).

SUBPART 4.1.4. Other Documents. The Agent shall have received such other documentation as the Agent may reasonably request in connection with the foregoing.

PART V
MISCELLANEOUS

SUBPART 5.1. Cross-References. References in this Agreement to any Part or Subpart are, unless otherwise specified, to such Part or Subpart of this Agreement.

SUBPART 5.2. Instrument Pursuant to Credit Agreements. This Agreement is a Credit Document executed pursuant to the Credit Agreements and shall (unless otherwise expressly indicated therein) be construed, administered and applied in accordance with the terms and provisions of the Credit Agreements.

SUBPART 5.3. References in Other Credit Documents. At such time as this Agreement shall become effective pursuant to the terms of Subpart 4.1, all references in the Credit Documents (as defined in the 5-Year Credit Agreement) to the Credit Agreement shall be deemed to refer to the 5-Year Credit Agreement as amended by this Agreement.

SUBPART 5.4. Representations and Warranties. The Borrower hereby represents and warrants that (i) the representations and warranties contained in Section 6 of the 5-Year Credit Agreement are correct on and as of the date

hereof as though made on and as of such date and after giving effect to the amendments contained herein and (ii) no Default or Event of Default exists under the 5-Year Credit Agreement on and as of the date hereof and after giving effect to the amendments contained herein.

SUBPART 5.5. Survival. Except as expressly modified and amended in this Agreement, all of the terms and provisions and conditions of each of the Credit Agreements shall remain unchanged.

SUBPART 5.6. Counterparts. This Agreement may be executed by the parties hereto in several counterparts, each of which shall be deemed to be an original and all of which shall constitute together but one and the same agreement.

SUBPART 5.7. Governing Law. THIS AGREEMENT SHALL BE DEEMED TO BE A CONTRACT MADE UNDER AND GOVERNED BY THE INTERNAL LAWS OF THE STATE OF NORTH CAROLINA WITHOUT GIVING EFFECT TO THE CONFLICT OF LAW PRINCIPLES THEREOF.

SUBPART 5.8. Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

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Each of the parties hereto has caused a counterpart of this Agreement to be duly executed and delivered as of the date first above written.

BORROWER: RALCORP HOLDINGS, INC.

By

Title:

LENDERS: NATIONSBANK, N.A.

By

Title:

BANK OF AMERICA, NATIONAL TRUST
AND SAVINGS ASSOCIATION

By

Title:

THE BANK OF NEW YORK

By

Title:

THE BOATMEN'S NATIONAL BANK
OF ST. LOUIS

By

Title:

THE FIRST NATIONAL BANK OF CHICAGO

By

Title:

THE CHASE MANHATTAN BANK, N.A.

By

Title:

[Signatures continued]

WACHOVIA BANK OF GEORGIA, N.A.

By

Title:

MERCANTILE BANK OF ST. LOUIS
NATIONAL ASSOCIATION

By

Title:

CREDIT SUISSE

By

Title:

By

Title:

AGENT: NATIONSBANK, N.A.

By

Title:

EXHIBIT 10.31

FIRST AMENDMENT TO CREDIT AGREEMENT

THIS FIRST AMENDMENT TO CREDIT AGREEMENT (this "Amendment"), dated as of December 20, 1996, is made by and among RALSTON RESORTS, INC., a Colorado corporation (the "Borrower"), THE PERSONS IDENTIFIED AS A "LENDER" ON THE SIGNATURE PAGES HERETO (the "Lenders") and NATIONSBANK, N.A., as agent for the Lenders (in such capacity, the "Agent").

W I T N E S S E T H:

WHEREAS, pursuant to the Credit Agreement, dated as of September 30, 1996 (the "Credit Agreement"), among the Borrower, the Lenders and the Agent, the Lenders have made available a $140,000,000 bridge loan facility to the Borrower; and

WHEREAS, the parties hereto have agreed to enter into this Amendment in order to evidence certain agreements of the parties with respect to the Credit Agreement as set forth herein;

NOW, THEREFORE, in consideration of the agreements herein contained, the parties hereby agree as follows:

PART I
DEFINITIONS

SUBPART 1.1. Certain Definitions. Unless otherwise defined herein or the context otherwise requires, the following term used in this Amendment has the following meaning:

"Effective Date" is defined in Subpart 3.1.

SUBPART 1.2. Other Definitions. Unless otherwise defined herein or the context otherwise requires, terms used in this Agreement, including its preamble and recitals, have the meanings provided in the Credit Agreement.

PART II
CREDIT AGREEMENT

Effective on (and subject to the occurrence of) the Effective Date, the parties hereto hereby agree as follows with respect to the Credit Agreement:

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SUBPART 2.1. Amendments to Section 1.01. The definition of "Applicable Margin" set forth in Section 1.01 of the Credit Agreement is amended in its entirety to read as follows:

"Applicable Margin" shall mean, for purposes of calculating the applicable interest rate for any day for any Eurodollar Loan, 87.5 bps.

SUBPART 2.2. Amendment to Section 10.15. Section 10.15 of the Credit Agreement is amended in its entirety to read as follows:

SECTION 10.15. Incorporated Provisions. The Borrower hereby agrees that (i) the representations and warranties contained in Article VI of the Ralcorp Credit Agreement (together with any defined terms set forth in Article I of the Ralcorp Credit Agreement utilized in such representations and warranties), as in effect as of December 20, 1996 (after giving effect to all amendments to the Ralcorp Credit Agreement occurring as of or before such date), but excluding those which expressly relate to an earlier date (the "Incorporated Representations and Warranties"), (ii) the covenants contained in Articles VII and VIII of the Ralcorp Credit Agreement (together with any defined terms set forth in Article I of the Ralcorp Credit Agreement utilized in such covenants), as in effect as December 20, 1996 (after giving effect to all amendments to the Ralcorp Credit Agreement occurring as of or before such date) (the "Incorporated Covenants") and (iii) the events of default contained in Article IX of the Ralcorp Credit Agreement (together with any defined terms set forth in Article I of the Ralcorp Credit Agreement utilized in such events of default), as in effect as of December 20, 1996 (after giving effect to all amendments to the Ralcorp Credit Agreement occurring as of or before such date) (the "Incorporated Events of Default"), are hereby incorporated by reference and shall be as binding on the Borrower as if set forth fully herein. The incorporation of provisions by reference to the Ralcorp Credit Agreement pursuant to this Section 10.15 shall survive the termination of the Ralcorp Credit Agreement. For purposes of the incorporation of provisions in the Ralcorp Credit Agreement pursuant to this Section 10.15, (A) all references in the Incorporated Representations and Warranties, the Incorporated Covenants and the Incorporated Events of Default to a "Lender" or the "Lenders" shall be deemed to refer to a Lender or the Lenders hereunder, (B) all references in the Incorporated Representations and Warranties, the Incorporated Covenants and the Incorporated Events of Default to the "Required Lenders" shall be deemed to refer to the Required Lenders hereunder, (C) all references in the Incorporated Representations and Warranties, the Incorporated Covenants and the Incorporated Events of Default to the "Agent" shall be deemed to refer to the Agent hereunder and

(D) all references in the Incorporated Representations and Warranties, the Incorporated Covenants and the Incorporated Events of Default to the "Agreement" shall be deemed to refer to this Agreement.

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PART III CONDITIONS TO EFFECTIVENESS

SUBPART 3.1. Effective Date. The agreements of the parties set forth in Part II of this Amendment shall be and become effective as of the date hereof (the "Effective Date") when all of the conditions set forth in this Part III shall have been satisfied.

SUBPART 3.1.1. Execution of Counterparts of Amendment. The Agent shall have received counterparts of this Amendment, which collectively shall have been duly executed on behalf of the Borrower, the Agent and each of the Lenders.

SUBPART 3.1.2. Representations and Warranties, Etc.

(a) After giving effect to the amendments contained herein, the representations and warranties contained in Article VI of the Credit Agreement shall be true and correct in all material respects on and as of the Effective Date (except for those which expressly relate to an earlier date).

(b) After giving effect to the amendments contained herein, no Default or Event of Default shall exist under the Credit Agreement on and as of the Effective Date.

SUBPART 3.1.3. Other Documents. The Agent shall have received such other documentation as the Agent may reasonably request in connection with the foregoing.

PART IV
MISCELLANEOUS

SUBPART 4.1. Cross-References. References in this Amendment to any Part or Subpart are, unless otherwise specified, to such Part or Subpart of this Amendment.

SUBPART 4.2. Instrument Pursuant to Credit Agreement. This Amendment is a Credit Document executed pursuant to the Credit Agreement and shall (unless otherwise expressly indicated therein) be construed, administered and applied in accordance with the terms and provisions of the Credit Agreement.

SUBPART 4.3. References in Other Credit Documents. At such time as this Amendment shall become effective pursuant to the terms of Subpart 3.1, all references in the Credit Documents to the Credit Agreement shall be deemed to refer to the Credit Agreement as amended by this Amendment.

SUBPART 4.4. Survival. Except as expressly modified and amended in this Amendment, all of the terms and provisions and conditions of the Credit Agreement shall remain unchanged.

SUBPART 4.5. Counterparts. This Amendment may be executed by the parties hereto in several counterparts, each of which shall be deemed to be an original and all of which shall constitute together but one and the same agreement.

SUBPART 4.6. Entirety. This Amendment, the Credit Agreement and the other Credit Documents embody the entire agreement between the parties and supersede all prior agreements and understandings, if any, relating to the subject matter hereof and thereof. The Credit Documents represent the final agreement between the parties relating to such subject matter and may not be contradicted by evidence of prior, contemporaneous or subsequent oral agreements of the parties.

SUBPART 4.7. Governing Law. THIS AMENDMENT SHALL BE DEEMED TO BE A CONTRACT MADE UNDER AND GOVERNED BY THE INTERNAL LAWS OF THE STATE OF NORTH CAROLINA WITHOUT GIVING EFFECT TO THE CONFLICT OF LAW PRINCIPLES THEREOF.

SUBPART 4.8. Successors and Assigns. This Amendment shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

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Each of the parties hereto has caused a counterpart of this Amendment to be duly executed and delivered as of the date first above written.

BORROWER:

RALSTON RESORTS, INC.

By:
Name:
Title:

LENDERS:

NATIONSBANK, N.A., individually in its capacity as a Lender and in its capacity as Agent

By:
Name:
Title:

BANK OF AMERICA, NATIONAL TRUST AND SAVINGS ASSOCIATION

By:
Name:
Title:

THE BANK OF NEW YORK

By:
Name:
Title:

THE BOATMEN'S NATIONAL BANK OF ST. LOUIS

By:
Name:
Title:

[Signatures Continue]

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THE FIRST NATIONAL BANK OF CHICAGO

By:
Name:
Title:

TORONTO-DOMINION (TEXAS), INC.

By:
Name:
Title:

WACHOVIA BANK OF GEORGIA, N.A.

By:
Name:
Title:

MERCANTILE BANK OF ST. LOUIS NATIONAL ASSOCIATION

By:
Name:
Title:

CREDIT SUISSE

By:
Name:
Title:

By:
Name:
Title:

EXHIBIT 10.32

SECOND AMENDMENT TO AMENDED AND RESTATED CREDIT AGREEMENT

THIS SECOND AMENDMENT TO AMENDED AND RESTATED CREDIT AGREEMENT (this "Amendment"), dated as of December 20, 1996, is made by and among RALCORP HOLDINGS, INC., a Missouri corporation (the "Borrower"), THE PERSONS IDENTIFIED AS A "LENDER" ON THE SIGNATURE PAGES HERETO (the "Lenders") and NATIONSBANK, N.A., as agent for the Lenders (in such capacity, the "Agent").

W I T N E S S E T H:

WHEREAS, pursuant to the Amended and Restated Credit Agreement, dated as of March 12, 1996, as amended or waived from time to time thereafter (as previously amended or waived, the "Credit Agreement"), among the Borrower, the Lenders and the Agent, the Lenders have made available a $135,000,000 5-year revolving credit facility to the Borrower; and

WHEREAS, the parties hereto have agreed to enter into this Amendment in order to evidence certain agreements of the parties with respect to the Credit Agreement as set forth herein;

NOW, THEREFORE, in consideration of the agreements herein contained, the parties hereby agree as follows:

PART I
DEFINITIONS

SUBPART 1.1. Certain Definitions. Unless otherwise defined herein or the context otherwise requires, the following term used in this Amendment has the following meaning:

"Effective Date" is defined in Subpart 3.1.

SUBPART 1.2. Other Definitions. Unless otherwise defined herein or the context otherwise requires, terms used in this Agreement, including its preamble and recitals, have the meanings provided in the Credit Agreement.

PART II
CREDIT AGREEMENT

Effective on (and subject to the occurrence of) the Effective Date, the parties hereto hereby agree as follows with respect to the Credit Agreement:

SUBPART 2.1. Amendments to Section 1.01.

(a) The following definitions in Section 1.01 of the Credit Agreement are amended in their entireties to read as follows:

"Applicable Margin" shall mean, for purposes of calculating the applicable interest rate for any day for any Eurodollar Loan, the applicable rate of the Unused Fee for any day for purposes of Section 2.05(a) or the applicable rate of the Letter of Credit Fee for any day for purposes of Section 2.05(d)(i), the appropriate applicable margin corresponding to the ratio described below in effect as of the most recent Calculation Date:

<TABLE>
<CAPTION>

Pricing Level	Consolidated Debt Coverage Ratio	Applicable Margin for Eurodollar Loans	Applicable Margin for Letter of Credit Fee	Applicable Margin for Unused Fee
<S>	<C>	<C>	<C>	<C>
V	Greater than 3.25 to 1.0	87.5 bps	87.5 bps	27.5 bps
IV	Equal to or less than 3.25 to 1.0 but greater than 2.75 to 1.0	60.0 bps	60.0 bps	22.5 bps
III	Equal to or less than 2.75 to 1.0 but greater than 2.25 to 1.0	45.0 bps	45.0 bps	17.5 bps
II	Equal to or less than 2.25 to 1.0 but greater than 1.75 to 1.0	40.0 bps	40.0 bps	15.0 bps
I	Equal to or less than 1.75 to 1.0	35.0 bps	35.0 bps	12.5 bps

</TABLE>

The Applicable Margin as of December 20, 1996 and continuing until the Calculation Date occurring on March 31, 1997 is (i) 87.5 bps for Eurodollar Loans, (ii) 87.5 bps for the Letter of Credit Fee and (iii) 27.5 bps for the Unused Fee. Thereafter, determination of the appropriate Applicable Margins based on the Consolidated Debt Coverage Ratio shall be made as of each Calculation Date. The Consolidated Debt Coverage Ratio in effect as of any Calculation Date shall establish the Applicable Margins that shall be effective as of the date designated by the Agent as the Applicable Margin Change Date. The Agent shall determine the Applicable Margins as of each Calculation Date and shall promptly notify the Borrower and the Lenders of the Applicable Margins so determined and of the Applicable Margin Change Date. Such determinations by the Agent of the Applicable Margins shall be conclusive absent manifest error.

"Commitment" shall mean, (i) with respect to each Lender, the commitment of such Lender (A) to make Revolving Loans in an aggregate principal amount at any time outstanding of up to such Lender's Commitment Percentage multiplied by the Revolving Committed Amount (as

such Revolving Committed Amount may be reduced or increased from time to time pursuant to Section 2.04), (B) to purchase participation interests in the Swingline Loans in accordance with the provisions of Section 2.03(b)(iii) and (C) to purchase participation interests in the Letters of Credit in accordance with the provisions

of Section 2.06(c), (ii) with respect to the Swingline Lender, the commitment of the Swingline Lender to make Swingline Loans in an aggregate principal amount at any time outstanding of up to the Swingline Committed Amount and (iii) with respect to the Issuing Lender, the commitment of the Issuing Lender to issue Letters of Credit in an aggregate face amount at any time outstanding (together with the amounts of any unreimbursed drawings thereon) of up to the LOC Committed Amount.

"Credit Documents" shall mean (i) this Agreement, (ii) the LOC Documents and (iii) all other related agreements and documents issued or delivered under this Agreement or pursuant hereto.

"Required Lenders" shall mean, at any time, Lenders which are then in compliance with their obligations hereunder (as determined by the Agent) and holding in the aggregate at least 51% of (i) the Commitments of all Lenders to make Revolving Loans (including any participation interests in any Swingline Loans or any Letters of Credit) or (ii) if the Commitments have been terminated, the outstanding Loans (including the participation interests of the Issuing Lender in any Letters of Credit).

"Unused Revolving Committed Amount" shall mean, for any period, (i) at all times prior to the first to occur of a Commitment Increase Event and the Ralston Resorts Disposition, the amount by which (A) the sum of (1) the then applicable Revolving Committed Amount plus (2) $140,000,000 exceeds (B) the daily average sum for such period of (1) the outstanding aggregate principal amount of all Loans other than Swingline Loans and Competitive Loans plus (2) 50% of the outstanding aggregate principal amount of all Swingline Loans plus (3) the outstanding aggregate principal amount of all LOC Obligations and (ii) at all times thereafter, the amount by which (A) the then applicable Revolving Committed Amount exceeds (B) the daily average sum for such period of (1) the outstanding aggregate principal amount of all Loans other than Swingline Loans and Competitive Loans plus (2) 50% of the outstanding aggregate principal amount of all Swingline Loans plus (3) the outstanding aggregate principal amount of all LOC Obligations.

(b) Section 1.01 of the Credit Agreement is amended to include the following definitions in their proper alphabetical order:

"Issuing Lender" shall mean NationsBank.

"Issuing Lender Fee" shall have the meaning assigned to such term in Section 2.05(d)(ii).

"Letter of Credit" shall mean any letter of credit issued by the

Issuing Lender for the account of the Borrower in accordance with the terms of Section 2.06.

"Letter of Credit Fee" shall have the meaning assigned to such term in Section 2.05(d)(i).

"LOC Committed Amount" shall have the meaning assigned to such term in Section 2.06.

"LOC Documents" shall mean, with respect to any Letter of Credit, such Letter of Credit, any amendments thereto, any documents delivered in connection therewith, any application therefor, and any agreements, instruments, guarantees or other documents (whether general in application or applicable only to such Letter of Credit) governing or providing for (i) the rights and obligations of the parties concerned or at risk or (ii) any collateral security for such obligations.

"LOC Obligations" shall mean, at any time, the sum of (i) the maximum amount which is, or at any time thereafter may become, available to be drawn under Letters of Credit then outstanding, assuming compliance with all requirements for drawings referred to in such Letters of Credit plus (ii) the aggregate amount of all drawings under Letters of Credit honored by the Issuing Lender but not theretofore reimbursed.

SUBPART 2.2. Amendment to Section 2.01(a). Subparagraph (iii) of Section 2.01(a) of the Credit Agreement is amended in its entirety to read as follows:

(iii) in addition to the limitations set forth in the preceding subparagraphs (i) and (ii), in no event shall the sum of Revolving Loans outstanding plus Competitive Loans outstanding plus Swingline Loans outstanding plus LOC Obligations outstanding exceed the Revolving Committed Amount.

SUBPART 2.3. Amendment to Section 2.01(e)(i). Section 2.01(e)(i) of the Credit Agreement is amended in its entirety to read as follows:

SECTION 2.01. Revolving Loans.

* * * * *

(e) Amortization of Certain Loans.

(i) To the extent exceeding an amount equal to $175,000,000 minus the aggregate LOC Obligations outstanding, the principal balance of the Revolving Loans, Competitive Loans and Swingline Loans, if any, outstanding as of the date of reduction of the Revolving Committed Amount required pursuant to the terms of Section 2.04(a)(ii) shall be payable in sixteen (16) equal consecutive quarterly installments on the last day of each March, June, September and December commencing with the first of such dates to occur after the date of such reduction of the Revolving Committed Amount (each such date referred to herein as a "Term Loan Amortization Date" and the last such date referred to herein as

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the "Term Loan Termination Date"). The Revolving Loans, Competitive Loans and/or Swingline Loans subject to amortization under the preceding sentence shall be referred to collectively as the "Term Loans". The Term Loans may be comprised of Base Rate Loans and Eurodollar Loans as the Borrower may elect in accordance with the provisions hereof, and amounts repaid or prepaid on the Term Loans may not be reborrowed.

SUBPART 2.4. Amendment to Section 2.02(a). Subparagraph (ii) of Section 2.02(a) of the Credit Agreement is amended in its entirety to read as follows:

(ii) the sum of Revolving Loans outstanding plus Competitive Loans outstanding plus Swingline Loans outstanding plus LOC Obligations outstanding shall not at any time exceed the Revolving Committed Amount.

SUBPART 2.5. Amendment to Section 2.03(a). Subparagraph (ii) of Section 2.03(a) of the Credit Agreement is amended in its entirety to read as follows:

(ii) the sum of Revolving Loans outstanding plus Competitive Loans outstanding plus Swingline Loans outstanding plus LOC Obligations outstanding shall not exceed at any time the Revolving Committed Amount.

SUBPART 2.6. Amendment to Section 2.04(a)(i). Section 2.04(a)(i) of the Credit Agreement is amended in its entirety to read as follows:

SECTION 2.04. Termination and Reduction of Commitments; Commitment Increase Event.

(a) Termination and Reduction.

(i) The Borrower may from time to time permanently reduce or terminate the aggregate Revolving Committed Amount in whole or in part (in minimum aggregate amounts of the lesser of $5,000,000 or the full remaining amount of the Revolving Committed Amount) upon three Business Days' prior written notice to the Agent; provided, however, no such termination or reduction shall be made which would reduce the Revolving Committed Amount to an amount less than the sum of Revolving Loans outstanding plus Competitive Loans outstanding plus Swingline Loans outstanding plus LOC Obligations outstanding. The Agent shall promptly notify each of the Lenders of receipt by the Agent of any notice from the Borrower pursuant to this Section 2.04(a)(i).

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SUBPART 2.7. Addition of Section 2.05(d). The following subsection (d) is added to Section 2.05 of the Credit Agreement:

SECTION 2.05. Fees.

* * * * *

(d) Letter of Credit Fees.

(i) Letter of Credit Issuance Fee. In consideration of the issuance of Letters of Credit hereunder, the Borrower promises to pay to the Agent for the account of each Lender a fee (the "Letter of Credit Fee") on such Lender's Commitment Percentage of the average daily maximum amount available to be drawn under each such Letter of Credit computed at a per annum rate for each day from the date of issuance to the date of expiration equal to the Applicable Margin for the Letter of Credit Fee. The Letter of Credit Fee will be payable quarterly in arrears on the last day of each March, June, September and December for the immediately preceding quarter (or a portion thereof) and on the Maturity Date.

(ii) Issuing Lender Fees. In addition to the Letter of Credit Fee payable pursuant to clause (i) above, the Borrower promises to pay to the Issuing Lender for its own account a fee (the "Issuing Lender Fee") on the average daily maximum amount available to be drawn under each Letter of Credit computed at a per annum rate for each day from the date of issuance to the date of expiration equal to 12.5 basis points. The Issuing Lender Fee will be payable quarterly in arrears on the last day of each March, June, September and December for the immediately preceding fiscal quarter (or a portion thereof) and on the Maturity Date.

SUBPART 2.8. Addition of Section 2.06. The following Section 2.06 is added to the Credit Agreement:

2.06 Letter of Credit Subfacility.

(a) Issuance. Subject to the terms and conditions hereof and of the LOC Documents, if any, and any other terms and conditions which the Issuing Lender may reasonably require, the Lenders will participate in the issuance by the Issuing Lender from time to time of such standby Letters of Credit in Dollars from the Closing Date until the Maturity Date as the Borrower may request, in a form acceptable to the Issuing Lender; provided, however, that (i) the LOC Obligations outstanding shall not at any time exceed THIRTY MILLION DOLLARS ($30,000,000) (the "LOC Committed Amount") and (ii) in no event shall the sum of Revolving Loans outstanding plus Competitive Loans outstanding plus Swingline Loans outstanding plus LOC Obligations outstanding at any time exceed the aggregate Revolving Committed Amount. No Letter

of Credit shall (x) have an original expiry date more than one year from the date of issuance or (y) as originally issued or as extended, have an expiry date extending beyond the Termination Date. Each Letter of Credit shall comply with the related LOC Documents. The issuance and expiry date of each Letter of Credit shall be a Business Day.

(b) Notice and Reports. The request for the issuance of a Letter of Credit shall be submitted by the Borrower to the Issuing Lender at least three (3) Business Days prior to the requested date of issuance. The Issuing Lender will, at least quarterly and more frequently upon request, disseminate to each of the Lenders a detailed report specifying the Letters of Credit which are then issued and outstanding and any activity with respect thereto which may have occurred since the date of the prior report, and including therein, among other things, the beneficiary, the face amount, expiry date as well as any payment or expirations which may have occurred.

(c) Participation. Each Lender, upon issuance of a Letter of Credit, shall be deemed to have purchased without recourse a risk participation from the Issuing Lender in such Letter of Credit and the obligations arising thereunder, in each case in an amount equal to its pro rata share of the obligations under such Letter of Credit (based on the respective Commitment Percentages of the Lenders) and shall absolutely, unconditionally and irrevocably be obligated to pay to the Issuing Lender and discharge when due, its pro rata share of the obligations arising under such Letter of Credit. Without limiting the scope and nature of each Lender's participation in any Letter of Credit, to the extent that the Issuing Lender has not been reimbursed as required hereunder or under any such Letter of Credit, each such Lender shall pay to the Issuing Lender its pro rata share of such unreimbursed drawing in same day funds on the day of notification by the Issuing Lender of an unreimbursed drawing pursuant to the provisions of subsection (d) hereof. The obligation of each Lender to so reimburse the Issuing Lender shall be absolute and unconditional and shall not be affected by the occurrence of a Default, an Event of Default or any other occurrence or event. Any such reimbursement shall not relieve or otherwise impair the obligation of the Borrower to reimburse the Issuing Lender under any Letter of Credit, together with interest as hereinafter provided.

(d) Reimbursement. In the event of any drawing under any Letter of Credit, the Issuing Lender will promptly notify the Borrower. Unless the Borrower shall immediately notify the Issuing Lender that the Borrower intends to otherwise reimburse the Issuing Lender for such drawing, the Borrower shall be deemed to have requested that the Lenders make a Revolving Loan in the amount of the drawing as provided in subsection (e) hereof on the related Letter of Credit, the proceeds of which will be used to satisfy the related reimbursement obligations. The Borrower promises to reimburse the Issuing Lender on the day of drawing under any Letter of Credit (either with the proceeds of a Revolving Loan obtained hereunder or otherwise) in same day funds. If the Borrower shall fail to reimburse the Issuing Lender as provided hereinabove, the unreimbursed amount of such drawing shall bear interest at a per annum rate equal to the

Base Rate plus two percent (2%). The Borrower's reimbursement obligations hereunder shall be absolute and unconditional under all circumstances irrespective of any rights of setoff, counterclaim or defense to payment the Borrower may claim or have against the Issuing Lender, the Agent, the Lenders, the beneficiary of the Letter of Credit drawn upon or any other Person, including without limitation any defense based on any failure of the Borrower to receive consideration or the legality, validity, regularity or unenforceability of any Letter of Credit. The Issuing Lender will promptly notify the other Lenders of the amount of any unreimbursed drawing and each Lender shall promptly pay to the Agent for the account of the Issuing Lender in Dollars and in immediately available funds, the amount of such Lender's pro rata share of such unreimbursed drawing. Such payment shall be made on the day such notice is received by such Lender from the Issuing Lender if such notice is received at or before 2:00 P.M. (Charlotte, North Carolina time) otherwise such payment shall be made at or before 12:00 Noon (Charlotte, North Carolina time) on the Business Day next succeeding the day such notice is received. If such Lender does not pay such amount to the Issuing Lender in full upon such request, such Lender shall, on demand, pay to the Agent for the account of the Issuing Lender interest on the unpaid amount during the period from the date of such drawing until such Lender pays such amount to the Issuing Lender in full at a rate per annum equal to, if paid within two (2) Business Days of the date that such Lender is required to make payments of such amount pursuant to the preceding sentence, the Federal Funds Rate and thereafter at a rate equal to the Base Rate. Each Lender's obligation to make such payment to the Issuing Lender, and the right of the Issuing Lender to receive the same, shall be absolute and unconditional, shall not be affected by any circumstance whatsoever and without regard to the termination of this Agreement or the Commitments hereunder, the existence of a Default or Event of Default or the acceleration of the obligations of the Borrower hereunder and shall be made without any offset, abatement, withholding or reduction whatsoever. Simultaneously with the making of each such payment by a Lender to the Issuing Lender, such Lender shall, automatically and without any further action on the part of the Issuing Lender or such Lender, acquire a participation in an amount equal to such payment (excluding the portion of such payment constituting interest owing to the Issuing Lender) in the related unreimbursed drawing portion of the LOC Obligation and in the interest thereon and in the related LOC Documents, and shall have a claim against the Borrower with respect thereto.

(e) Repayment with Revolving Loans. On any day on which the Borrower shall have requested, or been deemed to have requested, a Revolving Loan advance to reimburse a drawing under a Letter of Credit, the Agent shall give notice to the Lenders that a Revolving Loan has been requested or deemed requested by the Borrower to be made in connection with a drawing under a Letter of Credit, in which case a Revolving Loan advance comprised of Base Rate Loans (or Eurodollar Loans to the extent the Borrower has complied with the procedures of Section 2.01(b)(i) with respect thereto) shall be immediately made to the Borrower by all Lenders (notwithstanding any termination of the Commitments pursuant to Section 9.02) pro rata based on the respective Commitment Percentages of the Lenders (determined before giving effect to

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any termination of the Commitments pursuant to Section 9.02) and the proceeds thereof shall be paid directly to the Issuing Lender for application to the respective LOC Obligations. Each such Lender hereby irrevocably agrees to make its pro rata share of each such Revolving Loan immediately upon any such request or deemed request in the amount, in the manner and on the date specified in the preceding sentence notwithstanding (i) the amount of such borrowing may not comply with the minimum amount for advances of Revolving Loans otherwise required hereunder, (ii) whether any conditions specified in Section 5.02 are then satisfied, (iii) whether a Default or an Event of Default then exists, (iv) failure for any such request or deemed request for Revolving Loan to be made by the time otherwise required hereunder, (v) whether the date of such borrowing is a date on which Revolving Loans are otherwise permitted to be made hereunder or (vi) any termination of the Commitments relating thereto immediately prior to or contemporaneously with such borrowing. In the event that any Revolving Loan cannot for any reason be made on the date otherwise required above (including, without limitation, as a result of any Bankruptcy Event), then each such Lender hereby agrees that it shall forthwith purchase (as of the date such borrowing would otherwise have occurred, but adjusted for any payments received from the Borrower on or after such date and prior to such purchase) from the Issuing Lender such participation in the outstanding LOC Obligations as shall be necessary to cause each such Lender to share in such LOC Obligations ratably (based upon the respective Commitment Percentages of the Lenders (determined before giving effect to any termination of the Commitments pursuant to Section 9.02)), provided that at the time any purchase of participation pursuant to this sentence is actually made, the purchasing Lender shall be required to pay to the Issuing Lender, to the extent not paid to the Issuer by the Borrower in accordance with the terms of subsection (d) hereof, interest on the principal amount of participation purchased for each day from and including the day upon which such borrowing would otherwise have occurred to but excluding the date of payment for such participation, at the rate equal to, if paid within two (2) Business Days of the date of the Revolving Loan advance, the Federal Funds Rate, and thereafter at a rate equal to the Base Rate.

(f) Renewal, Extension. The renewal or extension of any Letter of Credit shall, for purposes hereof, be treated in all respects the same as the issuance of a new Letter of Credit hereunder.

(g) Uniform Customs and Practices. The Issuing Lender may have the Letters of Credit be subject to The Uniform Customs and Practice for Documentary Credits, as published as of the date of issue by the International Chamber of Commerce (the "UCP"), in which case the UCP may be incorporated therein and deemed in all respects to be a part thereof.

(h) Indemnification; Nature of Issuing Lender's Duties.

(i) In addition to its other obligations under this Section 2.06, the Borrower hereby agrees to pay, and protect, indemnify, and save each Lender

(including the Issuing Lender) harmless from and against, any and all claims, demands, liabilities, damages, losses, costs, charges and expenses (including reasonable attorneys' fees) that any may incur or be subject to as a consequence, direct or indirect, of (A) the issuance of any Letter of Credit or (B) the failure of any Lender (including the Issuing Lender) to honor a drawing under a Letter of Credit as a result of any act or omission, whether rightful or wrongful, of any present or future de jure or de facto government or governmental authority (all such acts or omissions, herein called "Government Acts").

(ii) As between the Borrower and the Lenders (including the Issuing Lender), the Borrower shall assume all risks of the acts, omissions or misuse of any Letter of Credit by the beneficiary thereof. No Lender (including the Issuing Lender) shall be responsible: (A) for the form, validity, sufficiency, accuracy, genuineness or legal effect of any document submitted by any party in connection with the application for and issuance of any Letter of Credit, even if it should in fact prove to be in any or all respects invalid, insufficient, inaccurate, fraudulent or forged; (B) for the validity or sufficiency of any instrument transferring or assigning or purporting to transfer or assign any Letter of Credit or the rights or benefits thereunder or proceeds thereof, in whole or in part, that may prove to be invalid or ineffective for any reason; (C) for errors, omissions, interruptions or delays in transmission or delivery of any messages, by mail, cable, telegraph, telex or otherwise, whether or not they be in cipher; (D) for any loss or delay in the transmission or otherwise of any document required in order to make a drawing under a Letter of Credit or of the proceeds thereof; and (E) for any consequences arising from causes beyond the control of such Lender, including, without limitation, any Government Acts. None of the above shall affect, impair, or prevent the vesting of the Issuing Lender's rights or powers hereunder.

(iii) In furtherance and extension and not in limitation of the specific provisions hereinabove set forth, any action taken or omitted by any Lender (including the Issuing Lender), under or in connection with any Letter of Credit or the related certificates, if taken or omitted in good faith, shall not put such Lender under any resulting liability to the Borrower or any other Credit Party. It is the intention of the parties that this Agreement shall be construed and applied to protect and indemnify each Lender (including the Issuing Lender) against any and all risks involved in the issuance of the Letters of Credit, all of which risks are hereby assumed by the Borrower, including, without limitation, any and all Government Acts. No Lender (including the Issuing Lender) shall, in any way, be liable for any failure by such Lender or anyone else to pay any drawing under any Letter of Credit as a result of any Government Acts or any other cause beyond the control of such Lender.

(iv) Nothing in this subsection (h) is intended to limit the reimbursement obligations of the Borrower contained in subsection (d) above.

The obligations of the Borrower under this subsection (h) shall survive the termination of this Agreement. No act or omissions of any current or prior beneficiary of a Letter of Credit shall in any way affect or impair the rights of any Lender (including the Issuing Lender) to enforce any right, power or benefit under this Agreement.

(v) Notwithstanding anything to the contrary contained in this subsection (h), the Borrower shall have no obligation to indemnify each Lender (including the Issuing Lender) in respect of any liability incurred by such Lender (A) arising solely out of the gross negligence or willful misconduct of such Lender, as determined by a court of competent jurisdiction, or (B) caused by such Lender's failure to pay under any Letter of Credit after presentation to it of a request strictly complying with the terms and conditions of such Letter of Credit, as determined by a court of competent jurisdiction, unless such payment is prohibited by any law, regulation, court order or decree.

(i) Responsibility of Issuing Lender. It is expressly understood and agreed that the obligations of the Issuing Lender hereunder to the Lenders are only those expressly set forth in this Agreement and that the Issuing Lender shall be entitled to assume that the conditions precedent set forth in Section 5.02 have been satisfied unless it shall have acquired actual knowledge that any such condition precedent has not been satisfied; provided, however, that nothing set forth in this Section 2.06 shall be deemed to prejudice the right of any Lender to recover from the Issuing Lender any amounts made available by such Lender to the Issuing Lender pursuant to this Section 2.06 in the event that it is determined by a court of competent jurisdiction that the payment with respect to a Letter of Credit constituted gross negligence or willful misconduct on the part of the Issuing Lender.

(j) Conflict with LOC Documents. In the event of any conflict between this Agreement and any LOC Document (including any letter of credit application), this Agreement shall control.

SUBPART 2.9. Amendment to Section 3.05(a). Section 3.05(a) of the Credit Agreement is amended in its entirety to read as follows:

SECTION 3.05. Reserve Requirements; Change in Circumstances. (a) Notwithstanding any other provision herein, if after the date of this Agreement any change in applicable law or regulation or in the interpretation or administration thereof by any governmental authority charged with the interpretation or administration thereof (whether or not having the force of law) shall impose, modify or deem applicable any reserve, special deposit or similar requirement against assets of,

deposits with or for the account of or credit extended by such Lender, or shall impose on such Lender or the London interbank market any other condition affecting this Agreement, such Lender's Commitment, any Loan made by such Lender or any Letter of Credit, and the result of

any of the foregoing shall be to increase the cost to such Lender of making or maintaining such Loan or issuing or participating in such Letter of Credit or to reduce the amount of any sum received or receivable by such Lender hereunder (whether of principal, interest or otherwise) by an amount deemed by such Lender to be material, then the Borrower will pay to such Lender in accordance with paragraph (c) below upon demand such additional amount or amounts as will compensate such Lender for such additional costs incurred or reduction suffered.

SUBPART 2.10. Amendment to Section 4.01. The third sentence of Section 4.01 of the Credit Agreement is amended in its entirety to read as follows:

The Borrower shall, at the time it makes any payment under this Agreement, specify to the Agent the Loans, LOC Obligations, Fees or other amounts payable by the Borrower hereunder to which such payment is to be applied (and in the event that it fails so to specify, or if such application would be inconsistent with the terms hereof, the Agent shall distribute such payment to the Lenders in such manner as the Agent may determine to be appropriate in respect of obligations owing by the Borrower hereunder, subject to the terms of Section 4.02).

SUBPART 2.11. Amendment to Section 4.02. The first sentence of Section 4.02 of the Credit Agreement is amended in its entirety to read as follows:

SECTION 4.02. Except to the extent otherwise provided herein, each Revolving Loan and Term Loan, each payment or prepayment of principal of any Revolving Loan, Term Loan or reimbursement obligations arising from drawings under Letters of Credit, each payment of interest on the Revolving Loans, Term Loans or reimbursement obligations arising from drawings under Letters of Credit, each payment of Unused Fees, each payment of the Letter of Credit Fee, each reduction and increase of the Revolving Committed Amount and each conversion or extension of any Revolving Loan, shall be allocated pro rata among the Lenders in accordance with their respective Commitment Percentages.

SUBPART 2.12. Amendment to Section 4.03. Section 4.03 of the Credit Agreement is amended in its entirety to read as follows:

SECTION 4.03. Sharing of Payments. The Lenders agree among themselves that, in the event that any Lender shall obtain payment in respect of any Loan, LOC Obligations or other obligation owing to such Lender under this Agreement through the exercise of a right of set-off, banker's lien, counterclaim or otherwise in excess of its pro rata share as provided for in this Agreement, such Lender shall promptly purchase from the other Lenders a participation in such Loans, LOC Obligations and

other obligations in such amounts, and make such other adjustments from time to time, as shall be equitable to the end that all Lenders share such payment in accordance with their respective ratable shares as provided for in this Agreement. The Lenders further agree among themselves

that if payment to a Lender obtained by such Lender through the exercise of a right of set-off, banker's lien, counterclaim or otherwise as aforesaid shall be rescinded or must otherwise be restored, each Lender which shall have shared the benefit of such payment shall, by repurchase of a participation theretofore sold, return its share of that benefit (together with its share of any accrued interest payable with respect thereto) to each Lender whose payment shall have been rescinded or otherwise restored. The Borrower agrees that any Lender so purchasing such a participation may, to the fullest extent permitted by law, exercise all rights of payment, including set-off, banker's lien or counterclaim, with respect to such participation as fully as if such Lender were a holder of such Loan, LOC Obligation or other obligation in the amount of such participation. Except as otherwise expressly provided in this Agreement, if any Lender or the Agent shall fail to remit to the Agent or any other Lender an amount payable by such Lender or the Agent to the Agent or such other Lender pursuant to this Agreement on the date when such amount is due, such payments shall be made together with interest thereon for each date from the date such amount is due until the date such amount is paid to the Agent or such other Lender at a rate per annum equal to the Federal Funds Effective Rate.

SUBPART 2.13. Amendment to Section 5.02. Section 5.02 of the Credit Agreement is amended in its entirety to read as follows:

SECTION 5.02. Each Loan. The obligations of each Lender to make, convert or extend any Loan (including the obligation of the Swingline Lender to make any Swingline Loan) and of the Issuing Lender to issue or extend Letters of Credit are subject to satisfaction of the following conditions in addition to satisfaction on the Closing Date of the conditions set forth in Section 5.01:

(a) (i) In the case of any Revolving Loan, the Agent shall have received an appropriate Notice of Borrowing or Notice of Extension/Conversion; (ii) in the case of any Competitive Loan, the applicable Competitive Loan Lender shall have received an appropriate notice of acceptance of its related Competitive Bid; (iii) in the case of any Swingline Loan, the Swingline Lender shall have received an appropriate notice of borrowing in accordance with the provisions of Section 2.03(b)(i); (iv) in connection with the conversion or extension of any portion of a Term Loan, the Agent shall have received an appropriate notice of such conversion or extension; and (v) in the case of any Letter of Credit, the Issuing Lender shall have received an appropriate request for issuance in accordance with the provisions of Section 2.06(b);

(b) The representations and warranties set forth in Article VI shall be true and correct in all material respects as of such date (except for those which expressly relate to an earlier date);

(c) There shall not have been commenced against the Borrower an involuntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or any case, proceeding or other action for the appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator (or similar official) of the Borrower or for any substantial part of its Property or for the winding up or liquidation of its affairs, and such involuntary case or other case, proceeding or other action shall remain undismissed, undischarged or unbonded; and

(d) No Default or Event of Default shall exist and be continuing either prior to or after giving effect thereto.

The delivery of each Notice of Borrowing and each Notice of Extension/Conversion, each request for a Competitive Bid pursuant to a Competitive Bid Request, each request for a Swingline Loan pursuant to Section 2.03(b)(i) and each request for a Letter of Credit pursuant to Section 2.06(b) shall constitute a representation and warranty by the Borrower of the correctness of the matters specified in subsections (b), (c) and (d) above.

SUBPART 2.14. Amendment to Section 7.10. Section 7.10 of the Credit Agreement is amended in its entirety to read as follows:

SECTION 7.10. Use of Proceeds. The proceeds of the Loans hereunder shall be used, subject to the terms of Section 8.05 and Section 8.07, to refinance existing indebtedness of the Borrower under the Existing Credit Agreement and for the working capital and the general corporate purposes (including, without limitation, acquisitions) of the Borrower and its Subsidiaries. The Letters of Credit shall be used (i) to provide security for the Borrower's indemnity obligations under that certain Agreement and Plan of Reorganization, dated as of March 31, 1994, by and among Ralston Purina Company, certain of its wholly-owned subsidiaries and the Borrower or (ii) for or in connection with appeal bonds, reimbursement obligations arising in connection with surety and reclamation bonds, reinsurance and obligations not otherwise aforementioned relating to transactions entered into by the applicable account party in the ordinary course of business.

SUBPART 2.15. Amendments to Section 7.11(a) and (b). Sections 7.11(a) and (b) of the Credit Agreement are amended in their entireties to read as follows:

SECTION 7.11. Financial Covenants.

(a) Consolidated Debt Coverage Ratio. The Borrower shall cause the

Consolidated Debt Coverage Ratio to be no greater than (i) at the Calculation Date occurring on December 31, 1996, 4.00 to 1.00 and (ii) at each Calculation Date thereafter, 3.25 to 1.00.

(b) Consolidated Interest Coverage Ratio. The Borrower shall cause the Consolidated Interest Coverage Ratio to be no less than (i) at the Calculation Date occurring on December 31, 1996, 1.50 to 1.00 and (ii) at each Calculation Date thereafter, 3.00 to 1.00.

SUBPART 2.16. Amendment to Section 9.01(a). Section 9.01(a) of the Credit Agreement is amended in its entirety to read as follows:

SECTION 9.01. Events of Default. Each of the following shall be an event of default (each an "Event of Default") hereunder:

(a) Payment. The Borrower shall

(i) default in the payment when due of any principal of any of the Loans or any reimbursement obligations arising from drawings under the Letters of Credit, or

(ii) default, and such default shall continue for five (5) or more days, in the payment when due of any interest on the Loans or on any reimbursement obligations arising under drawings under Letters of Credit, or of any Fees or other amounts owing hereunder, under any of the other Credit Documents or in connection herewith or therewith; or

* * * * *

SUBPART 2.17. Amendment to Section 9.02. Section 9.02 of the Credit Agreement is amended in its entirety to read as follows:

SECTION 9.02. Acceleration; Remedies. Upon the occurrence of an Event of Default, and at any time thereafter unless and until such Event of Default has been waived by the Lenders or cured to the satisfaction of the Lenders (pursuant to the voting procedures in Section 11.08), the Agent, upon the request of the Required Lenders, shall, by written notice to the Borrower, take any of the following actions without prejudice to the rights of the Agent or any Lender to enforce its claims against the Borrower, except as otherwise specifically provided for herein:

(i) Termination of Commitments. Declare the Commitments terminated whereupon the Commitments shall be immediately terminated.

(ii) Acceleration of Loans. Declare the unpaid principal of and any accrued interest in respect of all Loans, any reimbursement obligations arising from drawings under Letters of Credit, all accrued and unpaid Fees and other indebtedness or obligations of

any and every kind owing by the Borrower to any of the Lenders hereunder to be due whereupon the same shall be immediately due

and payable without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Borrower.

(iii) Cash Collateral. Direct the Borrower to pay (and the Borrower agrees that upon receipt of such notice, or upon the occurrence of an Event of Default under Section 9.01(d), it will immediately pay) to the Agent additional cash, to be held by the Agent, for the benefit of the Lenders, in a cash collateral account as additional security for the LOC Obligations in respect of subsequent drawings under all then outstanding Letters of Credit in an amount equal to the maximum aggregate amount which may be drawn under all Letters of Credit then outstanding.

(iv) Enforcement of Rights. Enforce any and all rights and interests created and existing under the Credit Documents and all rights of set-off.

Notwithstanding the foregoing, if an Event of Default specified in Section 9.01(d) shall occur, then the Commitments shall automatically terminate and all Loans, all reimbursement obligations arising from drawings under Letters of Credit, all accrued interest in respect thereof, all accrued and unpaid Fees and other indebtedness or obligations of any and every kind owing by the Borrower to any of the Lenders hereunder automatically shall immediately become due and payable without the giving of any notice or other action by the Agent.

SUBPART 2.18. Amendment to Section 10.10. The second sentence of Section 10.10 of the Credit Agreement is amended in its entirety to read as follows:

Each Lender represents to the Agent that it has, independently and without reliance upon the Agent or any other Lender, and based on such documents and information as it has deemed appropriate, made its own appraisal of and investigations into the business, operations, property, financial and other condition and creditworthiness of the Borrower and made its own decision to make Loans hereunder, to participate in Letters of Credit hereunder and to enter into this Agreement.

SUBPART 2.19. Amendment to Section 11.02. Section 11.02 of the Credit Agreement is amended in its entirety to read as follows:

SECTION 11.02. Survival of Agreement. All covenants, agreements, representations and warranties made by the Borrower herein and in the certificates or other instruments prepared or delivered in connection with or pursuant to this Agreement shall be considered to have been relied upon by the Lenders and shall survive the making of Loans by the Lenders hereunder and the issuance of the Letters of Credit by the Issuing Lender hereunder, regardless of any investigation made by the Lenders or on their behalf, and shall continue in full force and effect as long as any Loans, LOC Obligations or any

amounts are outstanding under this Agreement or any of the other Credit Documents and so long as the Commitments have not been terminated.

SUBPART 2.20. Amendment to Section 11.07. Subparagraph (iii) of Section 11.07 of the Credit Agreement is amended in its entirety to read as follows:

(iii) indemnify each Lender, its officers, directors, employees, representatives and agents from and hold each of them harmless against any and all losses, liabilities, claims, damages or reasonable out-of-pocket expenses incurred by any of them as a result of, or arising out of, or in any way related to, or by reason of, any investigation, litigation or other proceeding (whether or not any Lender is a party thereto) related to the entering into and/or performance of any Credit Document, to the use of proceeds of any Loans hereunder, to the use of any Letters of Credit hereunder, to the consummation of any other transactions contemplated in any Credit Document, including, without limitation, the reasonable fees and disbursements of counsel incurred in connection with any such investigation, litigation or other proceeding (but excluding any such losses, liabilities, claims, damages or expenses to the extent incurred by reason of gross negligence or willful misconduct on the part of the Person to be indemnified).

SUBPART 2.21. Amendment to Section 11.08. The final sentence of Section 11.08 of the Credit Agreement is amended in its entirety to read as follows:

No provision of Section 2.03 may be amended without the consent of the Swingline Lender, no provision of Section 2.06 may be amended without the consent of the Issuing Lender and no provision of Article X may be amended without the consent of the Agent.

SUBPART 2.22. Amendment to Section 11.11. Section 11.11 of the Credit Agreement is amended in its entirety to read as follows:

SECTION 11.11. Survival of Indemnification. All indemnities set forth herein, including, without limitation, in Section 2.06(h), 3.05, 3.07, 4.04, 10.09 or 11.07 shall survive the execution and delivery of this Agreement, and the making of the Loans, the issuance of the Letters of Credit, the repayment of the Loans, LOC Obligations and other obligations and the termination of the Commitments hereunder.

PART III
CONDITIONS TO EFFECTIVENESS

SUBPART 3.1. Effective Date. The agreements of the parties set forth in Part II of this Amendment shall be and become effective as of the date hereof (the "Effective Date") when all of the conditions set forth in this Part III shall have been satisfied.

SUBPART 3.1.1. Execution of Counterparts of Amendment. The Agent shall have received counterparts of this Amendment, which collectively shall have been duly executed on behalf of the Borrower, the Agent and each of the Lenders.

SUBPART 3.1.2. Representations and Warranties, Etc.

(a) After giving effect to the amendments contained herein, the representations and warranties contained in Article VI of the Credit Agreement shall be true and correct in all material respects on and as of the Effective Date (except for those which expressly relate to an earlier date).

(b) After giving effect to the amendments contained herein, no Default or Event of Default shall exist on and as of the Effective Date.

SUBPART 3.1.3. Other Documents. The Agent shall have received such other documentation as the Agent may reasonably request in connection with the foregoing.

PART IV
MISCELLANEOUS

SUBPART 4.1. Cross-References. References in this Amendment to any Part or Subpart are, unless otherwise specified, to such Part or Subpart of this Amendment.

SUBPART 4.2. Instrument Pursuant to Credit Agreement. This Amendment is a Credit Document executed pursuant to the Credit Agreement and shall (unless otherwise expressly indicated therein) be construed, administered and applied in accordance with the terms and provisions of the Credit Agreement.

SUBPART 4.3. References in Other Credit Documents. At such time as this Amendment shall become effective pursuant to the terms of Subpart 3.1, all references in the Credit Documents to the Credit Agreement shall be deemed to refer to the Credit Agreement as amended by this Amendment.

SUBPART 4.4. Survival. Except as expressly modified and amended in this Amendment, all of the terms and provisions and conditions of the Credit Agreement shall remain unchanged.

SUBPART 4.5. Counterparts. This Amendment may be executed by the parties hereto in several counterparts, each of which shall be deemed to be an original and all of which shall constitute together but one and the same agreement.

SUBPART 4.6. Entirety. This Amendment, the Credit Agreement and the

other Credit Documents embody the entire agreement between the parties and supersede all prior agreements and understandings, if any, relating to the subject matter hereof and thereof. The Credit Documents represent the final agreement between the parties relating to such subject matter and may not be contradicted by evidence of prior, contemporaneous or subsequent oral agreements of the parties.

SUBPART 4.7. Governing Law. THIS AMENDMENT SHALL BE DEEMED TO BE A CONTRACT MADE UNDER AND GOVERNED BY THE INTERNAL LAWS OF THE STATE OF NORTH CAROLINA WITHOUT GIVING EFFECT TO THE CONFLICT OF LAW PRINCIPLES THEREOF.

SUBPART 4.8. Successors and Assigns. This Amendment shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

[The remainder of this page has been left blank intentionally]

Each of the parties hereto has caused a counterpart of this Amendment to be duly executed and delivered as of the date first above written.

<TABLE>
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BORROWER: RALCORP HOLDINGS, INC.

By:

Name:

Title:

LENDERS: NATIONSBANK, N.A., individually in its capacity as a Lender and in its capacity as Agent

By:

Name:

Title:

BANK OF AMERICA, NATIONAL TRUST AND SAVINGS ASSOCIATION

By:

Name:

Title:

THE BANK OF NEW YORK

By:

Name:

Title:

THE BOATMEN'S NATIONAL BANK
OF ST. LOUIS

By:

Name:

Title:

</TABLE>

[Signatures Continue]

THE FIRST NATIONAL BANK OF CHICAGO

By:

Name:

Title:

TORONTO-DOMINION (TEXAS), INC.

By:

Name:

Title:

WACHOVIA BANK OF GEORGIA, N.A.

By:

Name:

Title:

MERCANTILE BANK OF ST. LOUIS
NATIONAL ASSOCIATION

By:

Name:

Title:

CREDIT SUISSE

By:

Name:

Title:

By:

Name:

Title:

EXHIBIT 21

LIST OF RALCORP HOLDINGS, INC. SUBSIDIARIES

Beech-Nut Nutrition Corporation
State of Incorporation: Nevada

Bremner Finance, Inc.
State of Incorporation: Delaware

Bremner, Inc.
State of Incorporation: Nevada

Keystone Conference Services, Inc.
State of Incorporation: Colorado

Keystone Development Sales, Inc.
State of Incorporation: Colorado

Keystone Food & Beverage Company
State of Incorporation: Colorado

Keystone Resort Property Management Company
State of Incorporation: Colorado

National Oats Company
State of Incorporation: Nevada

Ralston Food Sales, Inc.
State of Incorporation: Nevada

Ralston Foods, Inc.
State of Incorporation: Nevada

Ralston Resorts, Inc.
State of Incorporation: Colorado

EXHIBIT 23

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (No. 33-76912, No. 33-76914 and No. 33-97036) of our report dated October 30, 1996 which appears on page 19 of the Ralcorp Holdings, Inc. Annual Report on Form 10-K for the year ended September 30, 1996.

Price Waterhouse LLP
St. Louis, Missouri
December 30, 1996

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