

## Cost Basis Adjustments

Dear Ralston-Continental Baking Group Shareholder:

Enclosed is your certificate for Ralston-Ralston Purina Group Common Stock ("RPG Stock") which has been issued to you in exchange for the outstanding shares of Ralston-Continental Baking Group Common Stock ("CBG Stock") you surrendered in accordance with the Notice of Exchange to Holders of CBG Stock, dated April 13, 1995. Each share of CBG Stock was exchanged for .0886 shares of RPG Stock, effective May 15, 1995 (the "Exchange").

The Company and outside counsel are of the opinion that the issuance of the RPG shares in exchange for the CBG shares is not taxable to shareholders, and their receipt does not have to be reported for federal income tax purposes. The tax basis of the RPG Stock received in the Exchange will be the same as your tax basis in the CBG Stock surrendered therefor. (If you received your CBG Stock as part of the original issuance on July 30, 1993, your tax basis in the CBG Stock equaled 4.428% of your tax basis in the Company's \$.10 par value Common Stock on that date.)

Fractional shares of RPG Stock are not being issued as part of the Exchange. Instead, the Company is paying you the cash value of any fractional share based on the average of the high and low NYSE prices of the RPG Stock on May 8, 1995, or \$49.50. Such cash is treated, for federal income tax purposes, as an amount realized on the sale of a fractional share and the resulting gain or loss must be reported on your federal income tax return.

For example, assume you surrender 100 shares of CBG Stock and assume your basis in the CBG Stock is \$400. As a result of the Exchange, you will receive 8 shares of RPG Stock and be deemed to have received a .86 fractional share ( $100 \times .0886$ ). You will actually receive cash in the amount of \$42.57 for the fractional share, the value of .86 of a share of RPG Stock ( $.86 \times \$49.50$ ). Your \$400 basis in the CBG shares will be allocated among the 8 shares of RPG Stock actually received and the .86 fractional share. Assuming that all of your CBG shares were acquired at the same time, and that your basis is ratably averaged among the shares of RPG Stock received, the per share basis of your RPG shares is \$45.15 ( $\$400 / 8.86$ ). The basis in the .86 fractional share of RPG Stock is \$38.83 ( $\$45.15 \times .86$ ). Your resulting gain with respect to the fractional share deemed to have been sold by you would be \$3.74 ( $\$42.57 - \$38.83$ ).

Special basis rules will apply if your CBG shares were acquired in different lots - for example, if you acquired some as part of the original issuance of the CBG Stock, and some via subsequent market purchases. Under such rules, your basis for RPG fractional share may be determined under either a "specific identification" or "first-in, first-out" basis, as provided in IRS regulations.

Pursuant to Treasury Regulations, CBG shareholders who receive RPG shares in the Exchange should file an informational statement with their federal income tax return for the taxable year in which the Exchange occurs. An appropriate form of Statement for this purpose is attached to this letter.

Please consult your personal tax advisor regarding any questions you may have concerning the tax consequences for your participation in the Exchange.

The enclosed certificate will service as your permanent certificate. We urge you to keep all of your stock certificates in a safe and secure place. The replacement of lost or destroyed certificates can be costly and inconvenient. Also, be sure to notify the Company of any changes in your address so that all dividends and other shareholder mailings may reach you promptly and safely.