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BEATRICE COMPANY

Response No. 22



## Form 10-K Annual Report

Fiscal Year Ended February 23, 1983

In this report, the term "Beatrice" is used to refer to Beatrice Foods Co., and, unless indicated otherwise or the context suggests otherwise, its subsidiaries.

### PART I

#### ITEM 1. BUSINESS.

Beatrice produces, processes and distributes a broad range of food products under four broad business segments which include Dairy & Agri-Products, Beverages, Grocery and International Food. Beatrice's fifth segment, Consumer, Industrial & Chemical, produces and distributes a broad range of non-food products world-wide.

For information with respect to the net sales, earnings, identifiable assets, net property, plant and equipment additions and depreciation and goodwill amortization expense for the three year period ended February 23, 1983 of Beatrice's business segments and for information regarding Beatrice's operations in various geographic locations, see the section entitled "Net Sales and Earnings by Business Segment" and note 10 of "Notes to Consolidated Financial Statements" appearing on page 5 and page 42, respectively, of Beatrice's 1983 Annual Report, which are incorporated herein by reference.

#### Dairy & Agri-Products

Beatrice is among the largest producers and processors of dairy products in the United States, producing and processing numerous dairy products including *Meadow Gold* fluid milk, cream and ice cream; *Viva* low-fat items, butter and cottage cheese; specialty dairy products such as *County Line* cheeses; and *Swiss Miss* hot chocolate drinks and puddings.

The basic ingredient used in Beatrice's dairy products is raw milk, which is purchased from numerous sources, but primarily from farmers or producer cooperatives. The prices paid for raw milk in the United States are controlled in most areas by Federal Milk Market Orders or state regulatory agencies. These orders and agencies establish basic minimum prices monthly, with adjustments based upon geographic location. In some areas, the prices for raw milk also include additional premiums charged by suppliers. In certain states, governmental or quasi-governmental agencies regulate and control the wholesale prices of dairy products to retailers.

The principal markets for Beatrice's dairy products are supermarkets, grocery stores, restaurants, institutions, the convenience and snack food industries and food manufacturers. Distribution of dairy products is made primarily by Beatrice's truck fleet to the customers' stores or warehouses. Beatrice's dairy products are sold under either Beatrice's national brand names or private brands of its customers. The dairy products industry is highly competitive and competition is based primarily on price. Beatrice's competitors in the sale of dairy products in the United States vary from large and financially strong national companies to regional and local companies and farmers' cooperatives.

Beatrice's agri-products activities are divided into three basic areas: rendering and blending operations; pet foods, cattle feed and animal feed supplements; and tanning. Beatrice's rendering operations process animal and poultry remains, fallen animals and fish to produce inedible meals and tallows which are sold domestically or exported for animal feed. Blending operations process and blend finished animal meals which are sold to feed companies in truck and hopper car lots. Beatrice's pet foods operations gather, grind and freeze poultry and red meat by-products which are sold to manufacturers of retail pet foods. Principal suppliers of these operations include meat packing and

breaking plants and meat departments of retail stores. Cutbacks in herd sizes caused by depressed conditions in the United States agricultural markets and changes in the marketing of beef have limited the supply of raw materials and reduced the demand for feed products. Beatrice also packs and sells to farmers a series of vitamin and mineral pre-mix products under its *Vigortone* brand and complete animal feeds under the *Tindle Mills* brand. Beatrice's Pfister & Vogel operation tans hides into leather. Competition is primarily regional and local.

Beatrice also operates refrigerated and dry storage public warehouses in major markets throughout the United States. Customers for Beatrice's warehousing operations include meat and fish packers, food processors and retail stores. A unit price for storing and handling products is charged, typically on a monthly basis. Competition for Beatrice's warehousing operations is principally regional and local and is based on the convenience of location and the number, quality and price of the services offered. As of February 28, 1983, warehousing operations were being conducted through 41 warehouses in 16 states.

See "Acquisitions and Dispositions" and "Properties" for additional information relating to Beatrice's Dairy & Agri-Products business segment.

#### Beverages

Through Tropicana Products, Inc. Beatrice markets an extensive line of citrus and other fruit products, which includes "Pure Premium" chilled orange juice, a pasteurized product; *Gold n' Pure* chilled orange juice and grapefruit juice made from concentrate; and the *Chugger* line of pure fruit juices (orange, grapefruit and apple). Tropicana also sells frozen concentrated juice and citrus by-products. United States markets served by Tropicana include most of the East and Southeast, California, and portions of the Midwest, Texas and Arizona. "Pure Premium" chilled orange juice is made exclusively from Florida oranges. The supply of Florida oranges has a direct impact on Beatrice's ability to produce not only this product but also the by-products from the production process.

Beatrice's wine and spirits operations include the U.S. distribution of *Cutty Sark* and *Cutty 12* Scotch whiskies, the wines of Baron Philippe de Rothschild, *Marquisat* French wines, *Finlandia* vodka, *Waterford Irish Cream* liqueur and *Armagnac de Montal* brandy. Beatrice imports and distributes wines and spirits in the United States under agreements giving it exclusive rights with respect to such products.

The soft drink operations include the bottling and distribution of *Coca-Cola*, *diet Coke*, *Tab*, *Canada Dry*, *Dr. Pepper*, *Sprite* and *Sun-Kist Orange* brands. Markets served include Southern California; four of the five main Hawaiian Islands; Southern Nevada, including Las Vegas; and portions of Illinois, Iowa, Kansas, Missouri, Nebraska and Wisconsin. The soft drinks are bottled under franchise agreements with various franchisors which give Beatrice the exclusive right to bottle and market the soft drinks in designated territories.

The bottled water operations consist of Arrowhead Puritas Waters, Inc. and the Great Bear Spring Company. Markets served include Texas, California, Arizona and eleven eastern states. Primarily, the water is distributed directly to customers in five gallon containers.

The Beverages business segment is highly competitive and competition is based on price, product quality and availability and brand identification.

See "Acquisitions and Dispositions" and "Properties" for additional information relating to Beatrice's Beverages business segment.

#### Grocery

Beatrice produces, processes and distributes specialty grocery and ethnic foods, specialty meats products, confectionery and snack products and institutional foods from locations throughout the United States. Distribution of grocery products generally is on a regional basis, although there is

national distribution of some products. Sales of Beatrice's grocery products are primarily made through food brokers and wholesalers. Beatrice competes with national, regional and local companies in the Grocery business segment.

Specialty grocery products include *Aunt Nellie's* glass packed vegetables, *Shedd* margarine, spreads and food products and *Martha White* flour and muffin, biscuit and corn bread mixes. Ethnic foods include *LaChoy* oriental foods and *Gebhardt's* and *Rosarita* Mexican-American foods.

Beatrice's specialty meats products are primarily processed and marketed by Peter Eckrich and Sons, Inc. and E. W. Kneip, Inc. under several well known brands including *Eckrich* and *Kneip*. *Eckrich* specialty meats products include varieties of smoked sausage, frankfurters, luncheon meats and other meat specialties. The fresh meat ingredients used in *Eckrich* products are purchased from outside sources and then formulated, cooked or cured and packaged. E. W. Kneip, Inc. operates slaughtering and processing facilities which slaughter livestock and break and fabricate beef carcasses into cooked and cured *Kneip* corned beef, wholesale cuts, choice and tenderized frozen steaks, hamburger patties and other meat specialties. The slaughtering facilities provide most of the beef carcasses used by E. W. Kneip, Inc. A substantial portion of Beatrice's sales of specialty meats products are pre-packaged shelf items. Much of Beatrice's other specialty meats products sales is in loaf or bulk form marketed through delicatessen facilities in supermarkets and elsewhere. *Eckrich* and *Kneip* specialty meats products are primarily distributed in the midwestern United States; however, Peter Eckrich and Sons, Inc. has expanded its markets and now also distributes in the eastern, southeastern and southwestern United States.

Beatrice manufactures and distributes a variety of confectionery and snack products in the United States including *Fisher* nuts, *Clark* and *ZagNut* candy bars, *Milk Duds*, *Slo-Poke* caramel suckers, *Switzer* licorice, *Good & Plenty* panned candy, *Rothchilds* rolled toffee, *Jolly Rancher* hard candies, *Richardson* mints and *Asher Bros.* candy canes. The principal ingredients for the confectionery and snack products, nuts and sugar, are subject to fluctuations in price due to availability. The primary markets for Beatrice's confectionery and snack products are supermarkets, grocery, variety and tobacco stores, restaurants, institutions and food manufacturers.

John Sexton & Co. distributes a wide variety of food products, principally to restaurants and other institutions. The operation distributes its products from 20 distribution centers located in major cities in 19 states to customers who are generally located within 150 miles of these centers.

See "Properties" for additional information relating to Beatrice's Grocery business segment.

#### International Food

Beatrice has significant international food operations and related services. Beatrice's international operations are generally managed by a resident national. In most instances, local management has an equity interest in the operation it manages.

Beatrice's international food operations and related services include milk and/or ice cream plants in Belgium, Canada, Denmark, Italy, Jamaica, Mexico, Puerto Rico, Spain and West Germany; beverage companies in Australia, Belgium, Ireland, the Netherlands and Thailand; bakeries in Canada and Italy; wholesale food distributors in Australia, Belgium, France, Japan and the Netherlands, supermarkets in France; specialty meats companies in Australia and France; confectionery companies in Australia, Brazil, Colombia, New Zealand, Thailand, the United Kingdom, Uruguay and Venezuela; snack food operations in Brazil, Colombia, Guatemala, Honduras, Ireland, Panama, Peru, Puerto Rico and Venezuela; and Chinese frozen delicacies and noodles in Hong Kong.

Because the industries in which the operations are engaged vary widely, the supply of raw materials and competitive conditions with respect to each of the operations also vary greatly. Similarly, risks attendant to operations in foreign countries vary from country to country. A number of countries

maintain controls on repatriation of earnings and capital; however, such controls have not significantly affected Beatrice's consolidated operations. Such variations and risks are mitigated to the extent that operations in no single industry or country are material to Beatrice or to this business segment.

See "Properties" for additional information relating to Beatrice's International Food business segment.

#### Consumer, Industrial & Chemical

Beatrice produces a broad range of products for consumer use including *Samsonite* luggage, attache cases and suit packs; *Swingster* all weather jackets and caps; *E. R. Moore* gowns, robes, school gymwear and warm-up suits; *Velva Sheen* and *Allison* silk-screen knitwear; *Samsonite* and *Hekman* furniture; *Stiffel* lamps; *Del Mar* and *LouwerDrape* window coverings; *AristOKraft* kitchen and bathroom cabinets; *Day-Timers* diary planners and time management aids; *Vogel-Peterson* coat racks and office dividers; and *Webcraft* newspaper and catalog inserts and film mailers. Beatrice also operates photoengraving facilities. Consumer products are sold through a combination of full-time company salesmen, manufacturers' representatives and distributors to home furnishing, department and hardware stores and interior decorators. Certain products, such as *Day-Timers* products, are primarily marketed through direct mail advertising and catalogs. Beatrice competes with international, national, regional and local companies in the sale of its consumer products.

Beatrice produces a variety of industrial products such as *Taylor* soft-serve ice cream dispensers, slush and milk shake machines; *Bloomfield* institutional food service equipment; *Market Forge* ovens; *Wells* fryers; *Culligan* water treatment equipment; *Brillion* foundry products; side-view mirrors for the automotive industry; metal tubing; tool boxes; and biological containers. Beatrice's industrial products are generally sold directly to end-use customers, but are also sold through distributors and manufacturers' representatives. Most of Beatrice's industrial products are sold throughout the United States, although there is regional concentration for certain of them. Sales of these products are directly related to cyclical fluctuations in the United States economy, including fluctuations in the automobile and farm equipment industries. Competition varies from large and financially strong international and national companies to regional and local companies.

Beatrice participates in selected segments of the chemical industry. These include *Fiberite* thermoset molding compounds and graphite fiber composites; *Stahl* finishes for leather; *Permuthane* finishes for vinyls and textiles; *Polyvinyl* ingredients for paper coatings, adhesives, inks and resins; *Molub-Alloy* high performance, metallic lubricants; *Paule* finishes for shoe manufacturers; *LNP* reinforced thermoplastics and fluoropolymer compounds; *Converters* flexographic and gravure printing inks; and *Thoro* specialty water proofing and insulating materials for cement and masonry surfaces. Chemical products are primarily distributed through each operating unit's own technical sales force, supplemented in some instances by distributors. Competition in the sale of Beatrice's chemical products ranges from large and financially strong international and national companies to regional and local companies.

Beatrice's international operations in consumer, industrial and chemical products include a food service equipment manufacturer in Canada; water treatment equipment producers in Belgium, Canada, Ireland and Italy; luggage producers in Belgium, Canada and Mexico; and chemical and allied products operations in Australia, Austria, Belgium, Canada, France, Italy, Mexico, the Netherlands, Nicaragua, Singapore, Spain, Taiwan, the United Kingdom and West Germany.

See "Properties" for additional information relating to Beatrice's Consumer, Industrial & Chemical business segment.

#### Management and Employees

As of February 28, 1983, Beatrice had approximately 78,000 employees with about 320 employees in Beatrice's corporate headquarters. There have been no significant interruptions or curtailments of Beatrice's operations due to labor disputes, and Beatrice considers its labor relations to be satisfactory.

In general, operating decisions are made at the operations management level. The decisions typically include variation of product mix, pricing of products and selection of markets. A significant portion of the total compensation of operating executives typically is based upon profit contributions of the activities under their supervision.

In fiscal year 1983, Beatrice provided a reserve of \$30 million (\$15 million after-tax) for a voluntary early retirement program. During fiscal year 1984, Beatrice will offer early retirement to domestic personnel who meet certain age and service criteria. Those employees electing early retirement will receive normal accrued benefits without reduction plus a temporary supplemental pension. Beatrice anticipates approximately 800 employees will elect retirement under the program.

#### Acquisitions and Dispositions

During fiscal year 1983, a number of companies were acquired in purchase transactions for \$228.4 million in cash and 3.0 million shares of common stock. The excess of purchase price over the fair value of the net assets acquired has been recorded as an intangible asset to be amortized over 40 years. The two largest acquisitions were Coca-Cola Bottling Company of San Diego for 3.0 million shares of common stock and \$23.9 million, and Termicold Corporation, a refrigerated warehouse company, for \$115.2 million.

During 1983, Beatrice continued the divestiture program begun in 1982 and has provided for additional losses on planned divestitures in the amount of \$127.4 million pre-tax (\$75.0 million after-tax). In addition, Beatrice sold a number of companies during 1983 and incurred losses of \$12.7 million pre-tax (\$8.6 million after-tax). In 1982, Beatrice provided for losses on planned divestitures in the amount of \$47.4 million pre-tax (\$31.9 million after-tax). Beatrice plans to divest itself of approximately 50 domestic and international companies over the next two years. These companies had aggregate net sales and earnings for 1983 of \$871.7 million and \$36.3 million, respectively.

#### Executive Officers of the Registrant

The following table sets forth (i) the names and ages of the current executive officers of Beatrice, (ii) the principal offices and positions with Beatrice held by each such person since 1978, and (iii) the principal occupations and employments of each such person since 1978. The officers of Beatrice are elected by the Board of Directors. Each officer serves until his or her successor is elected and qualified or until his or her earlier death, resignation or removal.

<u>Name</u>	<u>Age</u>	<u>Offices and Positions with Beatrice and Other Information</u>
Reuben W. Berry	55	Senior Vice President (Human Resources) since 1981. Previously Vice President (Personnel and Labor Relations) with Montgomery Ward & Co., a national merchandiser.
John D. Conners	58	Executive Vice President (Dairy, Agri-Products, Warehouse, Soft Drinks & Bottled Water and Wines & Spirits) since 1982. Previously Senior Vice President (Dairy, Soft Drinks, Warehouse and Agri-Products).
Duane D. Daggett	50	Executive Vice President (Grocery) since 1981. Senior Vice President (Institutional Foods, Warehouse and Specialty Grocery Divisions) from 1980 to 1981. Previously Vice President (Institutional Foods, Warehouse and Specialty Grocery Divisions and Southwestern Investment Company).
James L. Dutt	58	Chairman of the Board and Chief Executive Officer since 1979 and President since 1982. Previously President and Chief Operating Officer.

<u>Name</u>	<u>Age</u>	<u>Offices and Positions with Beatrice and Other Information</u>
William W. Granger, Jr.	64	Vice Chairman since 1982. Executive Vice President (International Food and Tropicana) 1979-1982. Previously Executive Vice President (Dairy, Soft Drink, Agri-Products and International Food Divisions).
James A. Johnson	45	Senior Vice President and Chief Financial Officer since 1980. Previously Vice President and Controller.
Anthony Luiso	38	Senior Vice President since 1983. Vice President from 1980 to 1983. President of International Division since 1982. Previously Vice President of Operations for Dairy, Agri-Products and International Food Divisions.
John J. McRobbie	58	Senior Vice President (Corporate Marketing) since 1983. President of Ethnic Food Division from 1981 to 1983. Previously General Manager of LaChoy Foods.
Richard J. Pigott	42	Executive Vice President and Chief Administrative Officer since 1980. Previously Senior Vice President and General Counsel.
William E. Reidy	52	Senior Vice President (Corporate Strategy) since 1983. From 1980 to 1982 Senior Vice President corporate strategy and development Dart & Kraft, Inc., a diversified food and manufacturing company. Previously member of Dart & Kraft Management Policy Committee.
Fred K. Schomer	43	Vice President since 1982 and Treasurer since 1980. Previously Assistant Vice President (International Financial Services).
Douglas J. Stanard	38	Vice President since 1982 and Secretary and Assistant to the Chairman since 1981. Previously assistant to the General Counsel.
John A. Stevens	37	Vice President since 1982 and Controller since 1980. Previously manager of corporate accounting.
Richard F. Vitkus	43	Senior Vice President and General Counsel since 1981. Previously Vice President (Counsel-International).

#### ITEM 2. PROPERTIES.

Beatrice uses various owned and leased plants, warehouses, distribution centers and other facilities in its businesses and operations. Beatrice also uses various owned and leased motor vehicles, equipment and other personal property in its businesses and operations.

The following table sets forth information with respect to the approximate number and location of facilities operated by Beatrice by business segment as of February 28, 1983.

	Approximate Number of Facilities				
	United States		Outside United States		Total
	Owned	Leased	Owned	Leased	
Dairy & Agri-Products	250	170	—	—	420
Beverages	80	50	—	—	130
Grocery	150	130	—	—	280
International Food	—	—	200	250	450
Consumer, Industrial & Chemical	150	210	30	60	450
	<u>630</u>	<u>560</u>	<u>230</u>	<u>310</u>	<u>1,730</u>

**ITEM 3. LEGAL PROCEEDINGS.**

On June 29, 1978, the Federal Trade Commission ("FTC") issued a complaint in a proceeding before one of its administrative law judges, alleging that the acquisition of Tropicana Products, Inc. ("Tropicana") by Beatrice might have anticompetitive and monopolistic effects. Contemporaneous with this action, the FTC filed a complaint and motions in the United States District Court for the District of Columbia seeking an order restraining and enjoining consummation of the acquisition pending completion of the FTC administrative proceeding. After hearings before the District Court, the FTC's motion for a temporary restraining order and for a preliminary injunction was denied. Following the denial of the preliminary injunction, the FTC appealed to the United States Court of Appeals for the District of Columbia Circuit. On August 4, 1978, the Court of Appeals upheld the District Court's denial of the motion for a preliminary injunction, and, on August 7, 1978, the acquisition was completed.

Beginning on November 29, 1979, a hearing was held in the FTC's administrative proceeding. This hearing resulted in a November, 1980 initial decision by the FTC's administrative law judge that, *inter alia*, Beatrice divest itself of its interest in the assets and business of Tropicana and pay any profits from Tropicana to the United States Treasury. The initial decision is of no effect until appeals (including those, if any, to the federal courts) have been exhausted. Beatrice has initiated the appellate process. Briefs were filed with the full FTC and oral arguments were heard on May 14, 1981. To date, the FTC has not ruled on the matter.

In the opinion of management, the outcome of the FTC administrative proceeding and other litigation to which Beatrice is a party will not have a material adverse effect on Beatrice's consolidated financial condition.

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

The Item is not applicable. No matters were submitted to a vote of stockholders during the fourth quarter of fiscal year 1983.

**PART II****ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS.**

The information under the caption "Stockholder Information" on page 49 in Beatrice's 1983 Annual Report is incorporated herein by reference.

**ITEM 6. SELECTED FINANCIAL DATA.**

The information for the five fiscal years ended February 28, 1983, excluding ratios and percentages, under the caption "Eleven Year Review" on pages 26 and 27 in Beatrice's 1983 Annual Report is incorporated herein by reference.

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

The information under the caption "Discussion and Analysis of Operations and Financial Condition" on pages 28 through 30 in Beatrice's 1983 Annual Report is incorporated herein by reference.

**ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.**

The following consolidated financial statements of Beatrice Foods Co. and subsidiaries and the Accountants' Report on pages 31 through 46 and page 47, respectively, in Beatrice's 1983 Annual Report are incorporated herein by reference:

Consolidated Balance Sheet—As of last day of February, 1983 and 1982

Statement of Consolidated Earnings—Years ended last day of February, 1983, 1982 and 1981

Statement of Consolidated Stockholders' Equity—Years ended last day of February, 1983, 1982 and 1981

Statement of Consolidated Changes in Financial Position—Years ended last day of February, 1983, 1982 and 1981

Notes to Consolidated Financial Statements

Accountants' Report

**ITEM 9. DISAGREEMENTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.**

The Item is not applicable.

**PART III**

**ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT.**

Information under the caption "Election of Directors" on pages 1 through 6 in Beatrice's Proxy Statement dated May 5, 1983 is incorporated herein by reference. Also, see Part I, Item 1 of this Report, under the caption "Executive Officers of the Registrant" for information relating to Beatrice's executive officers.

**ITEM 11. MANAGEMENT REMUNERATION AND TRANSACTIONS.**

The information under the caption "Remuneration" on pages 7 through 15 of Beatrice's Proxy Statement dated May 5, 1983 is incorporated herein by reference.

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

The information under the captions "Election of Directors" and "Principal Stockholders" on pages 1 through 6 and pages 17 and 18, respectively, in Beatrice's Proxy Statement dated May 5, 1983 is incorporated herein by reference.

**PART IV**

**ITEM 13. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K.**

(a) List of documents filed as part of this Report:

- (1) All financial statements, Notes to Consolidated Financial Statements and the Accountants' Report as set forth under Part II, Item 8 of this Report are incorporated by reference from Beatrice's 1983 Annual Report.
- (2) The following financial statement schedules of Beatrice Foods Co. and subsidiaries are being filed with this Report. The financial statement schedules for the three years ended February 28, 1983 which have been omitted are inapplicable or not required under the instructions or the information is included in the "Notes to Consolidated Financial Statements" of Beatrice's 1983 Annual Report.

<u>Schedule Number</u>	<u>Description</u>	<u>Page Number</u>
V	Property, plant and equipment	13
VI	Accumulated depreciation, depletion and amortization of property, plant and equipment	14
VIII	Valuation and qualifying accounts	15
X	Supplementary income statement information	16

The Accountants' Report on Supporting Schedules appears on page 12 of this Report.

Financial statements of 50% or less owned companies and other unconsolidated subsidiaries of Beatrice Foods Co. have been omitted since all such companies considered in the aggregate do not constitute a significant subsidiary of Beatrice Foods Co.

## (3) Exhibits:

<u>Exhibit Numbers</u>	<u>Description</u>
3.1	Articles of Incorporation of Beatrice Foods Co. were filed as Exhibit 3.1 to Beatrice's Post-Effective Amendment No. 21 to Form S-1 Registration Statement No. 2-56558 and are incorporated herein by reference.
3.2	By-laws of Beatrice Foods Co. were filed as Exhibit 3.2 to Beatrice's Post-Effective Amendment No. 21 to Form S-1 Registration Statement No. 2-56558 and are incorporated herein by reference.
4	Instruments Defining the Rights of Security Holders, Including Indentures*
10.1	1977 Restricted Stock Performance Plan was filed as Exhibit 5(a) to Beatrice's Post-Effective Amendment No. 10 to Form S-1 Registration Statement No. 2-56558 and is incorporated herein by reference.
10.2	1977 Phantom Book Unit Plan in Conjunction with Phantom Stock Plan was filed as Exhibit 5(b) to Beatrice's Post-Effective Amendment No. 10 to Form S-1 Registration Statement No. 2-56558 and is incorporated herein by reference.
10.3	1970 Management Incentive Deferred Compensation Plan is incorporated herein by reference to Beatrice's Proxy Statement dated May 8, 1970.
10.4	1973 Management Incentive Deferred Compensation Plan was filed as Exhibit 8 to Beatrice's Annual Report on Form 10-K for fiscal year ended February 28, 1974 and is incorporated herein by reference.
10.5	Employment and Service Contract made and entered into September 1, 1981 between Beatrice Foods Co. and James L. Dutt was filed as Exhibit 10.8 to Beatrice's Post-Effective Amendment No. 20 to Form S-1 Registration Statement No. 2-56558 and is incorporated herein by reference.
10.6	Employment and Service Contract made and entered into September 1, 1981 between Beatrice Foods Co. and John D. Conners was filed as Exhibit 10.10 to Beatrice's Post-Effective Amendment No. 20 to Form S-1 Registration Statement No. 2-56558 and is incorporated herein by reference.
10.7	Employment and Service Contract made and entered into September 1, 1981 between Beatrice Foods Co. and William W. Granger, Jr. was filed as Exhibit 10.11 to Beatrice's Post-Effective Amendment No. 20 to Form S-1 Registration Statement No. 2-56558 and is incorporated herein by reference.
10.8	1982 Incentive Stock Option Plan, as amended, was filed as Exhibits 4.1 and 4.2 to Beatrice's Form S-8 Registration Statement No. 2-83711 and is incorporated herein by reference.
10.9	1982 Non-Qualified Stock Option Plan was filed as Exhibit 4.3 to Beatrice's Form S-8 Registration Statement No. 2-83711 and is incorporated herein by reference.
10.10	Performance Unit Plan of Beatrice Foods Co.
11	Computation of Earnings per Share
12	Computation of Ratio of Earnings Before Fixed Charges to Fixed Charges

<u>Exhibit Numbers</u>	<u>Description</u>
13	Beatrice Foods Co. 1963 Annual Report
22	Subsidiaries of Beatrice Foods Co.
24	Accountants' Consent
25	Powers of Attorney were filed as Exhibit 25 to Form S-15 Registration Statement No. 2-53641 and are incorporated herein by reference.

\* None. Beatrice Foods Co. agrees to furnish to the Securities and Exchange Commission upon request copies of any instrument (of which the total securities authorized thereunder do not exceed 10% of the total assets of Beatrice Foods Co. and its subsidiaries on a consolidated basis) defining the rights of the holders of long-term debt.

(b) Reports on Form 8-K:

None.

SIGNATURES

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

BEATRICE FOODS CO.

By James A. Johnson  
James A. Johnson, Senior Vice President and  
Chief Financial Officer

May 20, 1983

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

<u>Signature</u>	<u>Title</u>
JAMES L. DUTT	Chairman of the Board, Chief Executive Officer, President and Director
JAMES A. JOHNSON	Senior Vice President and Chief Financial Officer
JOHN A. STEVENS	Vice President and Controller
ANGELO R. ARENA	Director
JOHN D. CONNERS	Executive Vice President and Director
G. A. COSTANZO	Director
WILLIAM W. GRANGER, JR.	Vice Chairman and Director
WALTER J. LEONARD	Director
BERNARD A. MONAGHAN	Director
CEDRIC E. RITCHIE	Director
GOFF SMITH	Director
JAYNE B. SPAIN	Director
OMER G. VOSS	Director
RUSSELL L. WAGNER	Director
MURRAY L. WEIDENBAUM	Director

By James A. Johnson  
James A. Johnson  
Attorney-in-fact

May 20, 1983

## ACCOUNTANTS' CONSENT

The Board of Directors  
Beatrice Foods Co.:

We consent to incorporation by reference in the Registration Statements on Form S-3 [No. 2-79507], Form S-8 [Nos. 2-61554 and 2-83711] and Form S-16 [No. 2-50317] of Beatrice Foods Co. of our report, dated April 21, 1983, relating to the consolidated balance sheet of Beatrice Foods Co. and subsidiaries as of February 28, 1983 and 1982 and the related statements of consolidated earnings, stockholders' equity and changes in financial position for each of the years in the three-year period ended February 28, 1983 and of our report dated April 21, 1983 relating to the supporting schedules to the financial statements which reports are incorporated by reference or appear in the annual report on Form 10-K for the fiscal year ended February 28, 1983.

*Plat, Marwick, Mitchell & Co.*

Chicago, Illinois  
May 19, 1983

## ACCOUNTANTS' REPORT ON SUPPORTING SCHEDULES

The Board of Directors and Stockholders  
Beatrice Foods Co.:

Under date of April 21, 1983, we reported on the consolidated balance sheet of Beatrice Foods Co. and subsidiaries as of February 28, 1983 and 1982, and the related statements of consolidated earnings, stockholders' equity and changes in financial position for each of the years in the three-year period ended February 28, 1983, as contained in the annual report to stockholders for the fiscal year 1983. These financial statements and our report thereon are incorporated by reference in the annual report on Form 10-K for the fiscal year ended February 28, 1983.

In connection with our examinations of the aforementioned consolidated financial statements, we also examined the related supporting schedules listed in Part IV, Item 13(a)(2). In our opinion, such supporting schedules, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly in all material respects the information set forth therein.

*Plat, Marwick, Mitchell & Co.*

Chicago, Illinois  
April 21, 1983

## BEATRICE FOODS CO. AND SUBSIDIARIES

## PROPERTY, PLANT, AND EQUIPMENT

Three Years Ended February 28, 1983  
(In millions)

Classification	Balance At Beginning of Period	Additions At Cost (A)	Disposals	Elimination of Fully Depreciated Assets	Other (B)	Balance At End of Period
Year ended February 28, 1981						
Land .....	\$ 72.1	\$ 5.3	\$ 6.1	\$ —	\$ —	\$ 71.3
Buildings .....	738.5	50.5	45.9	2	—	742.9
Machinery and equipment ..	1,187.4	221.4	66.7	28.7	—	1,313.4
	<u>\$1,998.0</u>	<u>\$277.2</u>	<u>\$118.7</u>	<u>\$28.9</u>	<u>\$ —</u>	<u>\$2,127.6</u>
Year ended February 28, 1982						
Land .....	\$ 71.3	\$ 47.0	\$ 8.9	\$ —	\$ —	\$ 109.4
Buildings .....	742.9	142.0	54.1	2	—	830.6
Machinery and equipment	1,313.4	290.0	150.8	24.1	—	1,418.5
	<u>\$2,127.6</u>	<u>\$469.0</u>	<u>\$213.8</u>	<u>\$24.3</u>	<u>\$ —</u>	<u>\$2,358.5</u>
Year ended February 28, 1983						
Land .....	\$ 109.4	\$ 32.0	\$ 5.1	\$ —	\$ (5.7)	\$ 130.8
Buildings .....	830.6	155.5	30.1	.1	(38.1)	919.8
Machinery and equipment	1,418.5	280.0	98.8	55.2	(80.8)	1,465.7
	<u>\$2,358.5</u>	<u>\$467.5</u>	<u>\$132.0</u>	<u>\$55.3</u>	<u>\$(122.8)</u>	<u>\$2,516.1</u>

(A) Year ended February 28, 1983 includes plant and equipment of \$24.6 million acquired in exchange for shares of common stock and cash upon the purchase of other companies.

(B) Represents foreign currency translation adjustments due to the adoption of Statement of Financial Accounting Standards No. 52 in 1983.

The following summarizes the annual rates of depreciation currently in use:

Buildings .....	2 to 5 %
Machinery and equipment .....	7 to 33½

The cost of plant and equipment sold or otherwise disposed of and the accumulated depreciation thereon are eliminated from the asset and accumulated depreciation accounts and any resulting profit or loss is included in the statement of consolidated earnings.

## BEATRICE FOODS CO. AND SUBSIDIARIES

ACCUMULATED DEPRECIATION, DEPLETION AND AMORTIZATION  
OF PROPERTY, PLANT AND EQUIPMENTThree Years Ended February 28, 1963  
(In millions)

Description	Balance At Beginning of Period	Additions Charged To Costs and Expenses	Disposals	Elimination of Fully Depreciated Assets	Other Additions (Deductions)	Balance At End of Period
Year ended February 28, 1961						
Buildings .....	\$214.1	\$ 30.1	\$ 15.8	\$ .2	\$ 1.4 (A)	\$229.6
Machinery and equipment .....	504.6	125.3	51.2	28.7	24.0 (A)	574.0
	<u>\$718.7</u>	<u>\$155.4</u>	<u>\$ 67.0</u>	<u>\$28.9</u>	<u>\$ 25.4</u>	<u>\$603.6</u>
Year ended February 28, 1962						
Buildings .....	\$229.6	\$ 36.6	\$ 24.2	\$ .2	\$ —	\$241.8
Machinery and equipment .....	574.0	126.6	87.8	24.1	.2 (A)	583.9
	<u>\$803.6</u>	<u>\$163.2</u>	<u>\$112.0</u>	<u>\$24.3</u>	<u>\$ .2</u>	<u>\$830.7</u>
Year ended February 28, 1963						
Buildings .....	\$241.8	\$ 35.2	\$ 14.8	\$ .1	\$ (8.5)(B)	\$253.6
Machinery and equipment .....	588.9	146.4	52.4	55.2	(29.6)(B)	598.1
	<u>\$830.7</u>	<u>\$181.6</u>	<u>\$ 67.2</u>	<u>\$55.3</u>	<u>\$(38.1)</u>	<u>\$651.7</u>

(A) Primarily represents amounts applicable to international companies purchased during the year.

(B) Represents deductions of \$52.0 million due to the adoption of Statement of Financial Accounting Standards No. 52 net of \$13.9 million in additions applicable to international companies purchased during the year.

## BEATRICE FOODS CO. AND SUBSIDIARIES

## VALUATION AND QUALIFYING ACCOUNTS

Three Years Ended February 28, 1983  
(In millions)

Description	Balance At Beginning of Period	Additions			Deductions	Balance At End Of Period
		Charged To Costs And Expenses	Recoveries	Other		
Allowance for doubtful accounts:						
Year ended February 28, 1981	\$27.4	\$ 11.8	\$1.8	\$ .3(A)	\$15.1(B)	\$ 26.0
Year ended February 28, 1982	\$28.0	\$ 12.3	\$1.6	\$1.6(A)	\$15.1(B)	\$ 28.4
Year ended February 28, 1983	\$28.4	\$ 13.7	\$1.5	\$1.0(A)	\$15.8(B)	\$ 28.8
Divestiture reserve:						
Year ended February 28, 1981	\$15.6	\$ 12.6	\$—	\$—	\$12.0(C)	\$ 16.2
Year ended February 28, 1982	\$16.2	\$ 53.2(E)	\$—	\$—	\$ 9.2(C)	\$ 60.2
Year ended February 28, 1983	\$60.2	\$139.1(E)	\$—	\$—	\$32.3(C)	\$167.0(D)

(A) Represents allowances for doubtful accounts of acquired companies.

(B) Represents accounts charged off as uncollectible and amounts written off for divested companies.

(C) Represents realized losses on divested operations. Year ended February 28, 1983 includes \$10.6 million of goodwill write-downs on companies to be divested.

(D) Includes an \$37.3 million current and a \$79.7 million noncurrent divestiture reserve classified as an accrued expense and other noncurrent liability, respectively.

(E) Includes \$127.4 million in 1983 and \$47.4 million in 1982 for losses on planned divestitures. The remaining charges to expense of \$11.7 million in 1983 and \$5.8 million in 1982 represent additional estimated losses on divested businesses.

## BEATRICE FOODS CO. AND SUBSIDIARIES

## SUPPLEMENTARY INCOME STATEMENT INFORMATION

Three Years Ended February 28, 1983  
(In millions)

<u>Description</u>	<u>Charged to Costs and Expenses Year Ended Last Day of February</u>		
	<u>1983</u>	<u>1982</u>	<u>1981</u>
Maintenance and repairs .....	<u>\$121.4</u>	<u>\$120.5</u>	<u>\$114.8</u>
Advertising costs(A) .....	<u>\$270.6</u>	<u>\$201.3</u>	<u>\$183.5</u>

(A) Represents costs of media and cooperative advertising and sales promotions.

INDEX TO EXHIBITS

<u>Exhibit Number</u>	<u>Description of Exhibits</u>	<u>Page</u>
(10)	Performance Unit Plan of Beatrice Foods Co. ....	19
(11)	Computation of Earnings per Share .....	23
(12)	Computation of Ratio of Earnings Before Fixed Charges to Fixed Charges .....	24
(13)	Beatrice Foods Co. 1983 Annual Report .....	25
(22)	Subsidiaries of Beatrice Foods Co. ....	77
(24)	Accountants' Consent .....	13

Beatrice Foods Co.

1982 Performance  
Unit Plan

*Section 1. Purpose*

The purpose of the Performance Unit Plan (the "Plan") is to provide Beatrice Foods Co. (the "Company") with a means of attracting, retaining and motivating executive personnel of outstanding ability, by offering them performance-related incentives which identify with the interests of the stockholders.

*Section 2. Definitions.*

The following definitions are applicable to this Plan:

- (a) "Affiliate" shall mean any present or future subsidiary or parent of the Company or any other business entity in which the Company, directly or indirectly, owns at least 50% of the capital or profit interest.
- (b) "Committee" shall mean the Compensation and Benefits Committee of the Company's Board of Directors, or any successor committee thereto consisting of disinterested persons.
- (c) "Common Stock" shall mean the common stock of the Company.
- (d) "Disability" shall mean a disability which qualifies an Employee for benefits under a long term disability program maintained by the Company or an Affiliate.
- (e) "Employee" shall mean a full-time employee of the Company or any Affiliate.
- (f) "Fiscal Year" shall mean the fiscal year of the Company.
- (g) "Market Price" shall mean the composite closing price per share of the Common Stock, which includes trades on the New York Stock Exchange and the Midwest Stock Exchange and transactions reported by the National Association of Securities Dealers and Instinet.
- (h) "Normal Retirement Date" shall mean an Employee's 65th birthday or his earlier "Formula 90 Date" (as defined in the Company's Retirement Income Plan), if applicable.
- (i) "Participant" shall mean an Employee who is selected by the Committee to participate in the Plan pursuant to Section 4.
- (j) "Payment Value" shall mean the dollar amount assigned to a Performance Unit, which shall be determined by multiplying (i) the arithmetical mean average of the Market Price of the Common Stock on the twenty trading days immediately preceding the end of the Performance Cycle, by (ii) the Performance Factor for such unit; provided, however, that the Payment Value of a Performance Unit shall not exceed 300% of the Market Price of the Common Stock for the last trading day next preceding the day on which such unit was granted.
- (k) "Performance Cycle" shall mean the period of time selected by the Committee during which the performance of the Company is measured, which period shall not be less than two nor more than five Fiscal Years.
- (l) "Performance Factor" shall mean that percentage, not to exceed 150%, which results from the achievement of Performance Goals as provided in Section 6.
- (m) "Performance Goals" shall mean the performance objectives established by the Committee for the Company.
- (n) "Performance Unit" shall mean a grant pursuant to Section 4 of a performance award expressed as a unit.

**Section 3. Administration.**

The Plan shall be administered under the direction of the Committee. The Committee shall (i) select the Participants, (ii) establish and adjust Performance Goals and the duration of the Performance Cycle, (iii) determine the size of the awards, (iv) establish and adjust the ranges of achievement for the calculation of the Performance Factors, and (v) establish from time to time regulations and make all determinations deemed necessary or advisable for the administration of the Plan.

**Section 4. Participation.**

The Committee shall select from time to time the Participants from those Employees who, in the opinion of the Committee, have the capacity for contributing in a substantial measure to the successful performance of the Company or an Affiliate. The Committee may grant Performance Units to Participants at any time during the Performance Cycle. In making such grants the Committee may take into account the Participant's level of responsibility, rate of compensation, and such other criteria as it deems appropriate. If an Employee is selected for participation after the initial grant of Performance Units or if a Participant is thereafter promoted, the Committee may grant additional Performance Units and may adjust the ranges for the calculation of the Performance Factor with respect to those units to reflect the then shorter duration of the Performance Cycle.

**Section 5. Maximum Amount Available for Awards.**

The maximum number of Performance Units which may be granted under the Plan is 400,000, but said number shall be subject to adjustment as provided in Section 9. If Performance Units are forfeited, they shall again be available for grants.

**Section 6. Performance Goals.**

The Committee shall establish long-term Performance Goals for the Performance Cycle and interim Performance Goals for each Fiscal Year ending with or within the Performance Cycle to measure the Company's progress toward the attainment of the long-term goals set for the cycle. Points will be awarded for each such Fiscal Year based upon the achievement of the Performance Goals for that year. At the end of the Performance Cycle, the accumulated points will be used to determine the Performance Factors.

Performance Goals shall be established on the basis of such criteria, and to accomplish such objectives, as the Committee may from time to time determine. In setting Performance Goals the Committee may take into consideration such matters as earnings growth, real sales growth, return on capital employed in the business or such other measures of financial performance as it deems appropriate. During the Performance Cycle, the Committee shall have the authority to adjust the Performance Goals in such manner as it deems appropriate in recognition of extraordinary or non-recurring events, changes in the Company's business mix or long term economic prospects, changes in applicable accounting rules or principles or in the Company's methods of accounting or changes in applicable law.

**Section 7. Payment.**

(a) Except as hereinafter provided in this section and Section 8, after the end of the Performance Cycle, each Participant shall be entitled to a cash amount equal to the sum of the Payment Values of his Performance Units; provided, however, that, in the sole discretion of the Committee, all or part of such amount may be paid in shares of Common Stock valued at the Market Price of the Common Stock on the last trading day of the month next preceding the date of delivery of such shares. The maximum number of shares of Common Stock available for payment under the Plan shall not exceed 200,000, subject to adjustment as provided in Section 9.

(b) Payment shall be made prior to the June 1 next following the expiration of the Performance Cycle. Payment Values shall not bear interest, and a Participant shall have no rights as a stockholder with respect to any shares of Common Stock delivered under the Plan until he shall become the holder thereof. Notwithstanding the foregoing provisions of this paragraph, any payment to be made in cash may be deferred, with the consent of the Participant, to such future date as the Committee may select, in which event the amount so deferred shall be credited with interest in such manner as the Committee shall specify.

(c) Any payment made with respect to a Participant who has died shall be paid to the beneficiary designated by the Participant to receive the proceeds of any group life insurance coverage provided for the Participant by the Company or an Affiliate. A Participant who has not designated such beneficiary, or who desires to designate a different beneficiary may file with the Committee a written designation of a beneficiary under the Plan, which designation may be changed or revoked only by the Participant. If no designation of beneficiary has been made under such life insurance coverage or filed with the Committee, distribution shall be made to the Participant's spouse, if surviving, and if not, to the Participant's estate.

#### *Section 8. Termination of Employment.*

(a) A Participant must be an Employee continuously from the date of grant of his Performance Units through the last day of the Performance Cycle, to be entitled to any payment with respect to such units, except as hereinafter provided.

(b) If a Participant ceases to be an Employee prior to the end of the Performance Cycle by reason of his death or disability, the Participant (or in the case of his death, his beneficiary) shall be entitled to the Payment Values which would have been paid to him had he continued to be so employed until the end of the cycle multiplied by a fraction, (i) the numerator of which shall be the number of full calendar months from March 1, 1982 through the date of his death or disability, as the case may be, and (ii) the denominator of which shall be the number of full calendar months in the Performance Cycle.

(c) If a Participant ceases to be an Employee prior to the end of the Performance Cycle for any reason other than those specified in (b), next above, the Committee may, in its sole discretion, authorize the payment of all or part of the Payment Values which would have been paid to him for the Performance Cycle had he continued to be so employed until the end of the cycle, subject to such conditions (including conditions regarding competition) as the Committee may impose. The Committee may also accelerate the date of any such payment, in which event the amount thereof shall be subject to adjustments to reflect the shorter period of Company performance and the current Market Prices of the Common Stock.

(d) Any exercise of discretion by the Committee with respect to a case described in (c), next above, shall in no way constitute a precedent for any future cases or a limitation on any future exercises of Committee discretion.

#### *Section 9. Changes in Capitalization.*

In the event of any change in the outstanding shares of Common Stock by reason of a stock dividend or split, recapitalization, reclassification, consolidation, reorganization, combination or exchange of shares or other similar corporate changes, the number of Performance Units which have been or may be granted under the Plan, the number of shares of Common Stock available for payment under the Plan, the Market Prices of the Common Stock and Performance Goals may be adjusted in such manner as the Committee deems appropriate, and any such adjustments so made shall be conclusive for all purposes of the Plan.

#### *Section 10. Assignments and Transfers.*

The rights and interests of a Participant under the Plan may not be assigned, encumbered or transferred except, in the event of the death of a Participant, by will or the laws of descent and distribution.

**Section 11. *Employee Rights Under the Plan.***

No Employee or other person shall have any claim or right to be granted an award under the Plan. Neither the Plan nor any action taken thereunder shall be construed as giving any Employee or other person any right to be retained in the employ of the Company or any Affiliate.

**Section 12. *Withholding Tax.***

The Company and each Affiliate shall have the right to deduct from all payments made under the Plan any taxes required by law to be withheld with respect to such payments.

**Section 13. *Amendment or Termination.***

The Committee may amend the Plan at any time and in such manner and to such extent as it deems advisable, but (except as provided in Section 9) no amendment shall be made, without approval of the stockholders of the Company, which would (i) increase the number of Performance Units which may be granted under the Plan, (ii) materially increase the percentage limitations on Payment Values, (iii) increase the maximum number of shares of Common Stock available for payment under the Plan, or (iv) change the class of Employees eligible to participate.

**Section 14. *Effective Date.***

The Plan shall be effective as of March 1, 1982.

## BEATRICE FOODS CO. AND SUBSIDIARIES

## COMPUTATION OF EARNINGS PER SHARE

Three Years Ended February 28, 1983  
(In millions, except per share data)

	Year Ended Last Day of February		
	1983	1982	1981
<i>Primary Earnings per Share</i>			
Net earnings	\$43.2*	\$390.1***	\$304.2
Add interest paid on 4% Convertible Subordinated Guaranteed Debentures due 1993 (common share equivalent)—net of income taxes	.1	.2	.4
Less dividends on preference stock	(16.8)	(16.9)	(17.0)
Net earnings applicable to common shares and common share equivalents	\$26.5*	\$373.4***	\$287.6
Average common shares outstanding during the year	99.1	97.9	97.4
Common share equivalents:			
Stock options	.2	—	—
4% Convertible Subordinated Guaranteed Debentures due 1993	.2	.3	.5
Total average common shares and common share equivalents	99.5	98.2	97.9
Primary earnings per share	\$ .27*	\$ 3.80***	\$ 2.94
<i>Fully Diluted Earnings per Share</i>			
Net earnings	**	\$390.1***	\$304.2
Add interest paid on convertible debentures—net of income taxes		1.6	1.9
Net earnings applicable to common shares, common share equivalents and other dilutive securities		\$391.7***	\$306.1
Average common shares outstanding during the year		97.9	97.4
Common share equivalents and other dilutive securities:			
Stock options		—	—
Shares issuable upon conversion of debentures		2.2	2.7
Shares issuable upon conversion of preference stock		9.4	9.5
Total fully diluted shares		109.5	109.6
Fully diluted earnings per share	\$ .27**	\$ 3.58***	\$ 2.79

\* Net earnings for 1983 include the following special charges: goodwill write-downs totaling \$187.6 million (per share effect: \$1.89 primary; \$1.69 fully diluted); an additional provision for planned divestitures of \$75.0 million (per share effect: \$.75 primary; \$.68 fully diluted); and a provision for a voluntary early retirement program of \$15.0 million (per share effect: \$.15 primary; \$.14 fully diluted).

\*\* Certain convertible securities have been eliminated from the calculation of fully diluted earnings per share because the assumed conversion is anti-dilutive. Therefore, the primary earnings per share computation is used for fully diluted earnings per share.

\*\*\* Net earnings for 1982 include the following special items: a \$45.1 million gain from the sale of the Dannon business (per share effect: \$.46 primary; \$.42 fully diluted) and \$31.8 million of income from the cumulative effect of change in accounting principle for investment tax credit (per share effect: \$.32 primary; \$.29 fully diluted).

## BEATRICE FOODS CO. AND SUBSIDIARIES

COMPUTATION OF RATIO OF EARNINGS  
BEFORE FIXED CHARGES TO FIXED CHARGES(Unaudited)  
(Dollars in millions)

	Year Ended Last Day of February				
	1983	1982	1981	1980	1979
Earnings before special items .....	\$ 43.2	\$313.2**	\$304.2	\$290.1	\$262.2
Add (deduct):					
Provision for income taxes .....	216.5	298.6	301.7	285.5	251.2
Portion of rents representative of interest factor ...	18.8	18.1	17.2	15.7	14.4
Interest expense .....	113.8	89.8	96.4	90.9	72.6
Amortization of debt issuance costs .....	.7	.8	.7	.7	.6
Minority interests .....	12.8	13.5	12.9	9.1	8.5
Undistributed earnings of affiliated companies .....	(2.9)	(1.0)	(2.8)	(8.3)	(8.3)
Earnings as adjusted .....	<u>\$402.5*</u>	<u>\$733.0</u>	<u>\$730.3</u>	<u>\$685.7</u>	<u>\$601.2</u>
Fixed charges:					
Portion of rents representative of interest factor ...	\$ 18.6	\$ 18.1	\$ 17.2	\$ 15.7	\$ 14.4
Interest expense .....	113.8	89.8	96.4	90.9	72.6
Amortization of debt issuance costs .....	.7	.8	.7	.7	.6
Capitalized interest .....	1.0	1.2	.5	—	—
Fixed charges .....	<u>\$134.1</u>	<u>\$109.9</u>	<u>\$114.8</u>	<u>\$107.3</u>	<u>\$ 87.6</u>
Ratio of earnings before fixed charges to fixed charges	<u>3.00*</u>	<u>6.67</u>	<u>6.36</u>	<u>6.39</u>	<u>6.86</u>

\* Earnings as adjusted for 1983 are after pre-tax charges of \$345.0 million (\$187.6 million of goodwill write-downs, an additional \$127.4 million provision for planned divestitures and \$30.0 million provision for a voluntary early retirement program). The ratio of earnings before fixed charges to fixed charges would be 5.57 had these charges not been deducted from pre-tax earnings.

\*\* Earnings for 1982 are before a \$45.1 million after-tax (\$67.8 million pre-tax) gain from the sale of the Dannon business and \$31.8 million of income from the cumulative effect of change in accounting principle for investment tax credit.

## Financial Highlights

57

Beatrice Foods Co. 85th Annual Report Year Ended February 28, 1983

i.

For the Years Ended:	February 28, 1983	February 28, 1982
<i>(In Millions Except Per Share Data)</i>		
Net sales	\$9,188.2	\$9,023.5
Net earnings	43.2	390.1
Earnings per share:		
Primary	.27	3.80
Fully diluted	.27	3.58
Working capital	815.8	921.0
Stockholders' equity	2,214.8	2,422.0
Dividends	166.3	153.8
Dividends paid per common share	1.50	1.40

The financial highlights above include special actions in both 1983 and 1982 which are described below:

For the Years Ended:	February 28, 1983			February 28, 1982		
	Earnings Per Share			Earnings Per Share		
<i>(In Millions Except Per Share Data)</i>	Earnings	Primary	Fully Diluted	Earnings	Primary	Fully Diluted
Earnings before special actions	\$320.8	\$3.06	\$2.91	\$313.2	\$3.02	\$2.87
Special charges*	(277.6)	(2.79)	(2.64)	—	—	—
	43.2	.27	.27*	313.2	3.02	2.87
Special items**	—	—	—	76.9	.78	.71
Net earnings	\$ 43.2	\$ .27	\$ .27*	\$390.1	\$3.80	\$3.58

\*Includes charges in the fourth quarter of 1983 for goodwill write-down, voluntary early retirement program and divestiture provision. Certain convertible securities have been eliminated from the calculation of fully diluted earnings per share because they are anti-dilutive. See Letter to Stockholders for additional details.

\*\*Includes gain on the sale of the Dannon business and cumulative effect of change in accounting principle for investment tax credit.

### CONTENTS

Financial Highlights . . . . .	1.	Growth Through Marketing . . . . .	16.
Letter to Stockholders . . . . .	2.	Financial Review 1983 . . . . .	25.
Net Sales and Earnings by Business Segment . . . . .	5.	Accountants' Report . . . . .	47.
Review of 1983 Operations:		Management Report On Financial Statements . . . . .	47.
Dairy & Agri-Products . . . . .	6.	Officers and Directors . . . . .	48.
Beverages . . . . .	8.	Stockholder Information . . . . .	49.
Grocery . . . . .	10.		
International Food . . . . .	12.		
Consumer, Industrial & Chemical . . . . .	14.		

## To the Owners of Beatrice Foods Co.

28

2.

Fiscal 1983 was a turning point for Beatrice. During the year, your company embarked on a new strategic course built around a total commitment to marketing.

This new plan calls for transforming Beatrice into a unified, directed marketing company, with real power in the markets we serve, and with the skills needed to enter new markets successfully.

Marketing will be the decisive element in our future program of internal growth, while acquisitions will play a smaller role.

We have begun to group our domestic businesses together to increase marketing effectiveness. By combining similar businesses into larger cohesive units we also can achieve additional efficiencies in cost, productivity and distribution.

This program is already under way in our grocery, confections, agri-products, dairy, building

products, graphic arts, warehousing and chemical operations.

We have established a new corporate marketing department to coordinate our efforts and to provide research and other marketing services.

To enhance the marketing presence our realignment will bring, we've initiated a corporate-wide identity study to recommend ways to increase the marketing equity of the Beatrice name. The Beatrice name will become a more recognized identity with our customers and consumers.

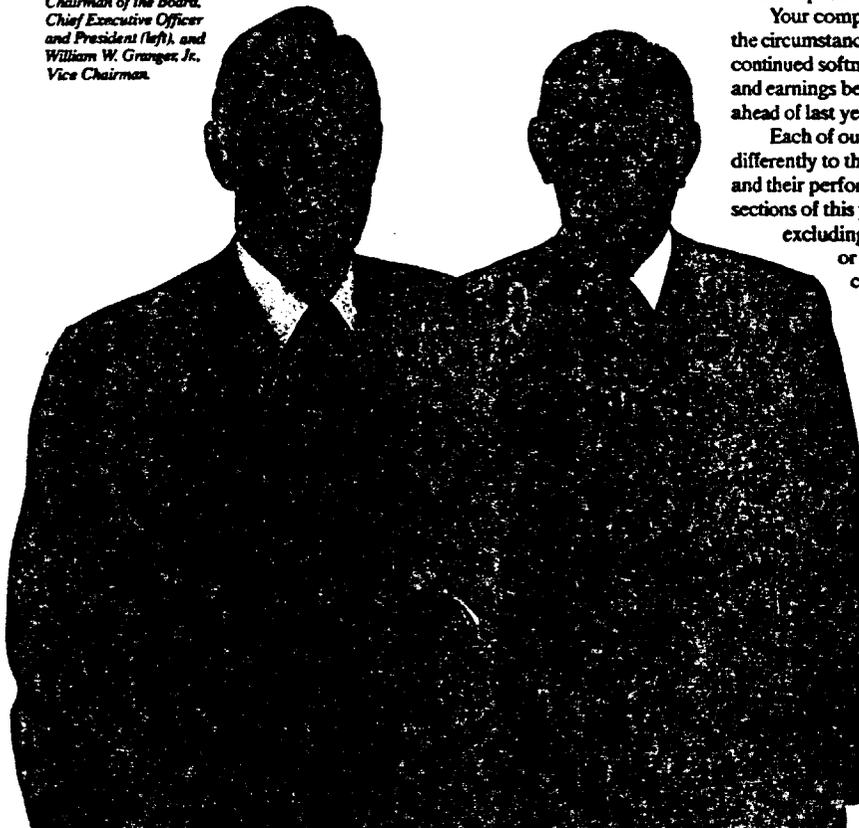
The shift toward internal growth generated by a total commitment to marketing is a major new direction for Beatrice, but it is a course we must follow. We already have begun to recognize progress from our new marketing focus, and many marketing successes are detailed throughout this year's annual report.

Your company performed well last year given the circumstances of recession, the strong dollar and continued softness in consumer demand. Both sales and earnings before special actions were slightly ahead of last year's record operating results.

Each of our five operating segments responded differently to these economic circumstances, and their performance is highlighted in separate sections of this year's annual report. Earnings excluding special charges were \$321 million, or \$3.06 primary earnings per share, compared with fiscal 1982 earnings of \$313 million before special items, or \$3.02 primary earnings per share. Fiscal 1983 sales were \$9.2 billion, up 2 percent from last year's \$9.0 billion. Fully diluted earnings per share, before special actions in both years, reached \$2.91 in fiscal 1983 compared with \$2.87 the previous year.

As I discussed with you in a recent letter, the company's board of directors decided to take several special charges against fourth quarter earnings. These special charges reduced fiscal year reported earnings to \$43 million, or 27 cents for earnings per share. Net earnings in fiscal 1982 were

*James L. Dutt,  
Chairman of the Board,  
Chief Executive Officer  
and President (left), and  
William W. Granger, Jr.,  
Vice Chairman.*



\$390 million, or \$3.80 primary and \$3.58 fully diluted earnings per share.

This year-to-year comparison is notable because it pairs special items that increased reported results in fiscal 1982 with special charges that reduced net earnings in fiscal 1983.

Fiscal 1982 results included gains from the sale of Dannon and gains from adopting the flow-through method of accounting for investment tax credit.

Special charges taken this year include:

First: an increase of \$75 million after-tax in our divestiture reserve to accommodate continuing plans to position Beatrice in the most promising industries and businesses.

The increased divestiture reserve will allow Beatrice to move out of cyclical, capital-intensive industrial operations as well as food and non-food businesses in which our market position is not meaningful. Within two years we plan to sell approximately 50 domestic and international companies, which reported \$872 million in sales and \$36 million in segment earnings during fiscal 1983.

Second: a write-down of \$188 million after-tax in goodwill largely associated with our acquisition of Tropicana. Tropicana and the citrus juice industry remain promising, but repeated weather abnormalities reduced Tropicana's performance and diminished the value of its goodwill. We're now carrying our investment in Tropicana at a more realistic valuation.

Third: a \$15 million after-tax charge to initiate a voluntary early retirement program for employees who meet certain age and service requirements. This program is part of a continuing effort to improve productivity. We have undertaken it in a manner which best benefits Beatrice and the employees who volunteer for the program.

These three charges are part of our long-term plan to situate Beatrice for strong internal growth. We are convinced that these actions best serve the long-term interests of Beatrice and its owners.

**FINANCIAL HIGHLIGHTS**

**Dividends:** In March 1983 the board of directors voted a 6.7 percent increase in the quarterly common stock dividend, raising it to 40 cents per share from 37½ cents, or to an annualized rate of \$1.60 per share. This increase reflects our expectations for improved earnings in fiscal 1984.

**Return on Stockholders' Equity:** In fiscal 1983, return on average stockholders' equity was 13.1 percent before the special charges, compared with 13.6 percent in fiscal 1982, before special items. Including special actions in both years, the return on average stockholders' equity was 1.9 percent in fiscal 1983 and 16.9 percent in fiscal 1982. Although charges against earnings depressed return on average stockholders' equity in fiscal 1983, the long-term effect will be positive, due to increased earnings levels.

**Net Capital Expenditures:** As a result of the recession, we reduced our capital expenditures to \$211 million in fiscal 1983, compared with \$216 million last year. For fiscal 1984, Beatrice expects to invest over \$250 million in plant and equipment to maintain facilities, expand production and improve efficiency.

**Indebtedness:** The ratio of long-term debt to stockholders' equity was 35 percent this year compared with 31 percent in fiscal 1982.

**Currency Translation:** In fiscal 1983, Beatrice adopted the provisions of FASB 52 for foreign currency translation. This change reduced net foreign currency translation losses and other expenses included in fiscal 1983 net earnings by \$11 million, or an effect of 11 cents on earnings per share. Under this rule, fiscal 1983 foreign currency translation losses were \$13 million. In fiscal 1982, this amount was \$2 million under FASB 8.

**Advertising:** In fiscal 1983, advertising and promotion expenditures increased to \$271 million from \$200 million in fiscal 1982. The large increase resulted from the advertising and promotion expense associated with the beverage operations acquired in fiscal 1982.

**MANAGEMENT**

As part of my personal commitment to Beatrice operations, I assumed the additional position of president following the resignation of Donald P. Eckrich last year. William W. Granger, Jr., former executive vice president of the International Division and one of the company's most experienced managers, now assists me with operations in his new role as vice chairman. Also, retiring during fiscal 1983 was James Weiss, executive vice president, Consumer, Industrial & Chemical, and a director of the company.

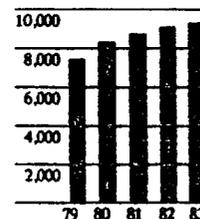
Everyone throughout Beatrice was saddened by the death in December of Theodore R. Ruwitch, vice president and assistant to the chairman. Ted headed our China group, and in 1981 helped negotiate the first joint venture agreement with China by any major U.S. company. He was a wise business associate, a good friend, and a fine man.

With the increased focus on marketing, John J. McRobbie, formerly president of LaChoy, has assumed the position of senior vice president, director of corporate marketing. William E. Reidy was appointed senior vice president, director of strategy and will coordinate the combining of our domestic businesses.

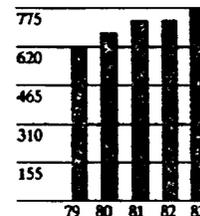
During the year several other managers were promoted to positions of greater responsibility.

Anthony Luiso, president of the International Division, was promoted from vice president to senior vice president.

**SALES**  
(In Millions of Dollars)



**SEGMENT EARNINGS**  
(In Millions of Dollars)



## Net Sales and Earnings by Business Segment

31

5.

### TOTAL OPERATIONS\*

(In Millions)	1983		1982		1981		1980		1979	
	Sales	Earnings								
Dairy & Agri-Products	\$2,022	\$123	\$2,156	\$131	\$2,189	\$138	\$2,021	\$126	\$1,787	\$109
Beverages	1,099	111	705	66	623	78	558	71	357	41
Grocery	2,324	177	2,321	162	2,184	157	2,121	142	1,981	140
International Food	1,840	129	1,773	129	1,749	108	1,444	99	1,325	90
Consumer, Industrial & Chemical	1,903	233	2,069	236	2,028	242	2,147	240	2,029	237
Total segments	\$9,188	773	\$9,024	724	\$8,773	723	\$8,291	678	\$7,479	617
Unallocated operating expense		(79)		(74)		(49)		(42)		(45)
Gross operating margin		\$694		\$650		\$674		\$636		\$572

\*Years prior to 1982 have not been restated to reflect the change to the last-in, first-out (LIFO) cost basis for substantially all inventories in the United States.

### OPERATIONS TO BE DIVESTED

During 1983 Beatrice announced that its divestiture program would be expanded. See "Letter to Stockholders" and note 2 of Notes to Consolidated Financial Statements for further information. The following table presents the net sales and segment earnings of operations to be divested under this program which are included in the table above.

(In Millions)	1983		1982		1981		1980		1979	
	Sales	Earnings	Sales	Earnings	Sales	Earnings	Sales	Earnings	Sales	Earnings
Operations to be divested	\$ 872	\$ 36	\$1,007	\$ 58	\$ 987	\$ 55	\$1,006	\$ 81	\$ 915	\$ 81

### Divested Operations

The following table presents the net sales and segment earnings of operations divested through the end of fiscal 1983 which are included in the table at the top of this page.

(In Millions)	1983		1982		1981		1980		1979	
	Sales	Earnings	Sales	Earnings	Sales	Earnings	Sales	Earnings	Sales	Earnings
Dairy & Agri-Products	\$ 32	\$ (1)	\$ 153	\$ 10	\$ 266	\$ 11	\$ 264	\$ 13	\$ 249	\$ 8
Beverages	-	-	220	21	201	15	178	17	165	14
Grocery	3	-	70	4	75	3	87	3	138	7
International Food	-	-	-	-	20	1	16	1	114	2
Consumer, Industrial & Chemical	8	(2)	121	-	221	8	389	(7)	462	23
Total	\$ 43	\$ (3)	\$ 564	\$ 35	\$ 783	\$ 38	\$ 934	\$ 27	\$1,128	\$ 54

## Dairy & Agri-Products

6

Fiscal 1983 sales for Beatrice's Dairy & Agri-Products segment were \$2.0 billion, down 6 percent from the \$2.2 billion reported in fiscal 1982. Earnings were \$123 million, down 7 percent from the \$131 million posted last year.

The declines are largely attributable to the recession, which especially hurt the agricultural economy, reducing commodity prices and diminishing demand for livestock feeds, and the absence of divested operations.

### DAIRY

Earnings for the Dairy operations declined 5 percent and sales declined 6 percent during fiscal 1983. Excluding the results of The Dannon Company, which was divested in fiscal 1982, earnings increased modestly. Dairy accounted for 76 percent of sales and 55 percent of earnings for the segment.

Dairy products are sold primarily under the *Meadow Gold* and *VIVA* brands. Beatrice's dairy business is striving to attain even greater cost and operating efficiencies through a program of business consolidations and key capital expenditures.

Overall, Dairy operations performed reasonably well. Unit sales declined approximately 1 percent, matching the industry's experience. Fluid

milk sales were affected by heated competition and price-sensitive retail markets.

Ice cream unit sales increased nicely, spurred by greater advertising expenditures and by introductions of premium products under the *Louis Sherry* and *Meadow Gold Olde Fashioned Recipe* ice cream brands.

Beatrice's cheese business showed robust sales and earnings increases. Gains were achieved by broadening retail and broker distribution, by introducing new products, and from capital investments focusing on energy-efficient production machinery.

A new "Baby Swiss" from *County Line* cheese proved to be a competitive entry and a popular product. *Meinerz* introduced a soft cream cheese, under the *Meadow Gold* label.

Unit sales of butter remained near last year's levels as market share in this competitive industry was maintained. Beatrice is increasing its presence by introducing butter/margarine blends that satisfy the consumer's desire for the taste of butter, yet are lower in cholesterol and less expensive.

Specialty dairy recorded a sales increase, but a decline in earnings resulting from plant consolidation costs. Many of its products are used as ingredients by the convenience and snack foods industries. Dehydrated food ingredients, including a dry cheese powder, cheese flavored sauces for the pasta industry, and a creaming agent for alcoholic beverages, have become especially promising product lines for the specialty dairy business.

*Swiss Miss*, Beatrice's branded hot chocolate and pudding products, reported good results. Frozen pudding bars, introduced last year, were met with good acceptance, and their distribution is being expanded nationally.

Beatrice also is expanding the sales base of a new product, *Swiss Miss Sugar Free*, an exciting hot chocolate product aimed at the health-conscious consumer. The product is sweetened with aspartame, a new low-calorie ingredient that leaves no aftertaste and contains no saccharin.



## AGRI-PRODUCTS

Agri-Products, composed of tanning, feedstuff and rendering operations, faced a difficult year during fiscal 1983, with sales and earnings declines of 13 percent and 34 percent, respectively, as the recession affected farm-related industries. Beatrice capitalized upon that tough environment by moving into new product lines and combining businesses. Agri-Products operations accounted for 20 percent of sales and 19 percent of earnings for the segment.

In tanning, *Pfister & Vogel* responded to import competition by concentrating on higher quality tanning products. The operation benefited from correct anticipation of consumers' preference for top-of-the-line leather products.

Declining livestock population contributed to reduced sales and earnings for feeds and feed supplements. In response to industry conditions, *Vigortone* restructured its sales and marketing force. *Vigortone* also began a "pull-through" program aimed at expanding its markets by increasing demand for dairy and meat products.

*Ross-Wells* has built its pet food business by selling premium products to veterinarians, pet shops and kennels, and now is bolstering its business further with the introduction of *Bonkers*, a between-meal treat for cats. Distribution for *Bonkers* will expand into a major portion of the country this year.

Rendering and blending operations were severely influenced by the recession. Changes within the industry reduced availability of raw material, resulting in significantly lower sales and earnings.

## WAREHOUSING

During fiscal 1983 the company's Warehousing business achieved record sales and earnings. Sales rose 21 percent, and earnings were up 30 percent. Contributing factors were higher occupancy, a broadening of the business base, increased services to the perishable food industry, and the acquisition of *Termicold Corporation*. Warehousing operations accounted for 4 percent of sales and 26 percent of earnings for the segment.

Beatrice became a national warehouse in December 1982 through the acquisition of *Termicold* and its 19 locations in seven states. The acquisition enlarged the refrigerated warehouse capacity to 175 million cubic feet, placing Beatrice in an excellent position to offer a broad spectrum of services, from point-of-production storage to area distribution.

## OUTLOOK

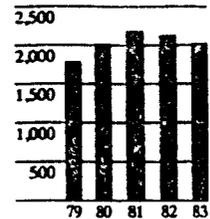
Beatrice's Dairy operations should show improved results in all categories during fiscal 1984, led by expected strong results from cheeses and other specialty dairy products.

Agri-Products should begin to benefit from the economic upswing, stable raw material costs, and improved demand for feeds based on increased livestock production.

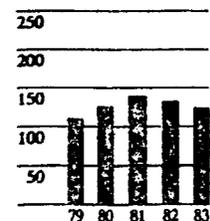
Warehousing expects to sustain upward momentum in earnings, having ended fiscal 1983 with a high percentage of occupancy.

33  
7

SALES  
(In Millions of Dollars)



SEGMENT EARNINGS  
(In Millions of Dollars)



## Beverages

8.

Beatrice's Beverages segment experienced a significant increase in sales and earnings in fiscal 1983. The increase is due primarily to the inclusion of a full year of operating results from the Soft Drinks and Bottled Water, and Wine and Spirits operations acquired at the end of the last fiscal year.

Sales for the segment grew 56 percent to \$1.1 billion compared with \$705 million in fiscal 1982. Earnings of \$111 million rose 67 percent from the \$66 million a year ago.

**TROPICANA**

*Tropicana* reported a sales increase of 2 percent and an increase in earnings of 2 percent for fiscal 1983. *Tropicana* represents 39 percent of sales and 38 percent of earnings for the Beverages segment.

*Tropicana* was able to achieve a slight increase in earnings despite higher fruit costs following the January 1982 freeze in Florida, generally softening prices, and a significant increase in marketing expenditures. In a year of intense competition in the ready-to-serve orange juice category, *Tropicana* was the only major branded product to maintain market share.

Fiscal 1983 can be viewed as a year of investment in the marketplace for *Tropicana*. Advertising and marketing expenditures increased approximately 50 percent. *Tropicana* also introduced new packaging for existing products. New product entries included *Chugger*, an

all-natural, shelf-stable, pure juice product; *Tropicana* frozen juice bars on a stick, made of 40 percent pure juice; and a line of non-alcoholic drink mixes.

The outlook for the Florida orange crop is favorable, which should allow the industry and *Tropicana* to grow in excess of 5 percent. The sizeable crop expected will allow *Tropicana* to bring *Pure Premium* juice into more markets.

*Tropicana* will place increased emphasis on *Gold N Pure* orange juice and other products made from concentrate. As a result, future freezes, if they occur, will not be as disruptive.

**WINE AND SPIRITS**

The Buckingham Corporation, acquired in January 1982, imports and distributes such brands as *Cutty Sark* and *Cutty 12 Scots Whiskies*, *Finlandia* vodka, *Waterford Irish Cream Liqueur*, *Armagnac de Montal*, *Marquisat Burgundian* wines, and the wines of Baron Philippe de Rothschild, including *Mouton-Cadet*.

Wine and Spirits account for 9 percent of sales and 16 percent of earnings for the Beverages segment. On a comparable basis, Buckingham posted a good earnings increase due to the growth in wine sales and the favorable purchasing strength of the U.S. dollar.

*Cutty Sark* maintained its share position but experienced some volume erosion as the scotch category was affected by high prices, poor economic conditions, and the continued trend towards "white" spirits, specialties and wine.



Wine experienced unit volume gains in excess of 10 percent. *Mouton-Cadet* strengthened its leadership position and market share among branded premium Bordeaux table wines.

*Finlandia*, the second-largest imported vodka in the United States, enjoyed improved earnings and volume growth in this fast-growing category.

Buckingham continued its national introduction of *Waterford Irish Cream Liqueur* in the cordial category. Buckingham also began marketing *Armagnac de Montal*, a distinctive brandy from the Gascony region of France. In fiscal 1984, Buckingham will be the exclusive importer for *Henriot Champagnes*.

**SOFT DRINKS AND BOTTLED WATER**

Fiscal 1983 is the first full year of reported results for the Soft Drinks and Bottled Water operations acquired in January 1982. Soft Drinks and Bottled Water account for 52 percent of sales and 46 percent of earnings for the segment.

On a comparable basis, earnings from these operations, excluding acquisition costs, increased over the prior year. Unit volume increased about 1 percent, in line with market growth. The recession and the introduction of many new products resulted in an intensely competitive soft-drink environment characterized by extensive discounting.

Beatrice made substantial progress in strengthening its soft-drink bottling leadership position with the acquisition of additional *Coca-Cola* franchise territories in California and the Midwest. These new areas are contiguous to existing operations and enable Beatrice to enjoy significant productivity advantages.

Beatrice also strengthened its relationship with *Coca-Cola U.S.A.* with the signing of the *Coca-Cola* franchise amendment, which grants *Coca-Cola U.S.A.* greater flexibility in pricing. Though required to pay a higher price for *Coca-Cola* syrup, Beatrice will receive increased marketing support and has the right to manufacture *Coca-Cola* syrup from concentrate.

*diet Coke's* introduction has been well-received, and it should be a significant contributor to unit volume growth. With both *diet Coke* and *Tab*, Beatrice is positioned well in low-calorie soft drinks, the fastest growing category.

Bottled water reported another year of double-digit increases in both sales and earnings. While unit volume gains were modest because of the recession, results benefited from price increases and productivity improvements.

Beatrice is the largest supplier of bottled water in the country and is positioned well in both the route delivery and the rapidly growing super-market sales segments.

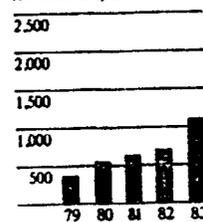
Principal bottled water brands are *Arrowhead*, serving Southern California, and *Great Bear*, which serves the Northeastern portion of the country.

**OUTLOOK**

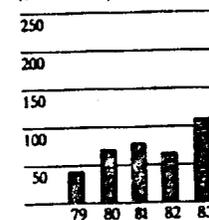
For fiscal 1984, Beatrice expects excellent growth in its Beverages segment. Unit volume gains for soft drinks, bottled water and citrus products should be in excess of 5 percent.

Wine and Spirits earnings may be slightly reduced, due to an expected modest decline in scotch volume, coupled with comparisons with a good fiscal 1983 performance.

SALES  
(In Millions of Dollars)



SEGMENT EARNINGS  
(In Millions of Dollars)



Beatrice's Grocery segment had fiscal 1983 earnings of \$177 million on sales of \$2.3 billion. These results represent an increase of 9 percent over fiscal 1982 earnings of \$162 million.

Overall, the Grocery segment's earnings growth occurred despite intense competition and the sluggish economy. Introductions of new products, aggressive pursuit of sales for existing products, and market expansions contributed to the segment's overall performance.

#### SPECIALTY GROCERY AND ETHNIC FOODS

Specialty Grocery and Ethnic Foods reported an earnings increase of 11 percent and a sales decrease of 6 percent during fiscal 1983. The sales decline resulted from the absence of sales from divested operations. Specialty Grocery and Ethnic Foods represents 40 percent of sales and 50 percent of earnings of the Grocery segment.

*LaChoy* continued to lead the market for Chinese foods and condiments. *LaChoy* is increasing its emphasis on product improvement and introducing new products. This year, *LaChoy* introduced a 3-oz. dinner-size egg roll packaged for retail and delicatessen sales.

Grocery continues to be successful in the pursuit of export sales. Markets for Chinese food outside the United States offer significant growth potential.

Mexican food is the fastest growing ethnic food category and Beatrice, through its *Rosarita* and *Gebhardt* brands, has an important and growing position in this category.

The Mexican food operations are combining distribution and marketing functions to operate more efficiently. In fiscal 1984, Beatrice expects to increase its geographic reach with such products as sauces, refried beans, and taco shells.

Unit sales of margarines and spreads increased strongly, led by the highly successful national roll-out of *Shedd's Spread Country Crock*. Volume also increased in Beatrice's other margarine business. *Shedd's* will exploit its successes in margarines by testing a new product, *ButterMatch*, in fiscal 1984.

*Aunt Nellie's*, with its glass-packed and canned vegetables, fruit drinks, and sauces, reported a 5-percent growth in revenues. The increase was due primarily to unit volume gains and an improved product mix, including a successful sloppy Joe sauce.

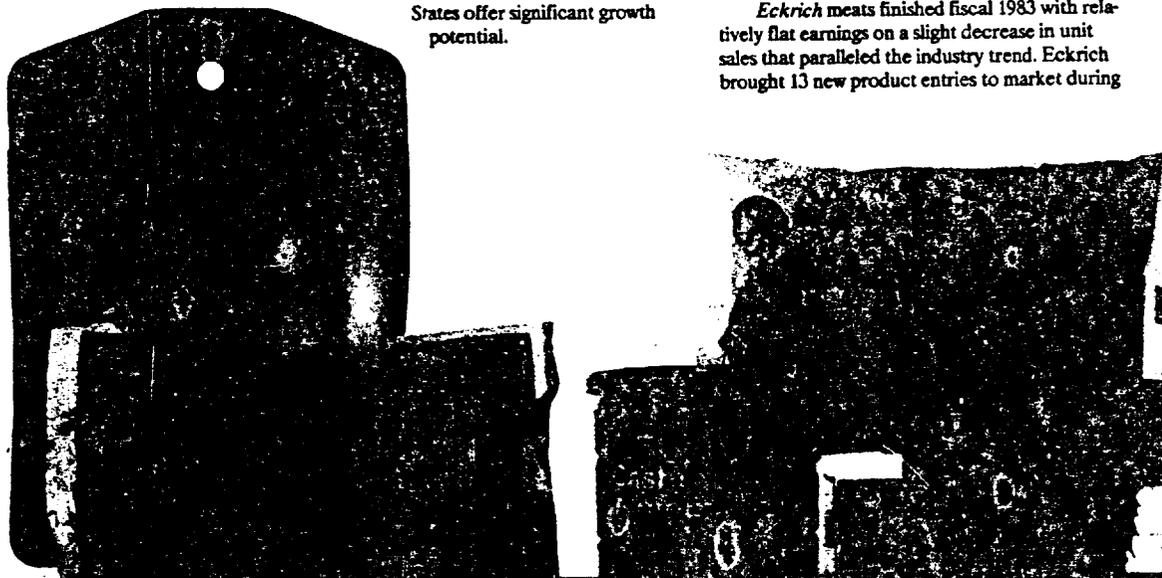
*Martha White* reported a moderate increase in earnings as it benefited from lower commodity costs. *Martha White* also posted strong unit sales of its newer products, including home-mixed baking and dining products. New products include a boil-in-bag quick grits and a one-step-preparation macaroni and cheese dinner that will be introduced in fiscal 1984.

Beatrice cookie brands experienced excellent growth in sales and earnings.

#### SPECIALTY MEATS

Sales for Specialty Meats increased 8 percent as earnings rose 16 percent. The first full year of results from *Berliner & Marx*, a premium veal operation acquired in fiscal 1982, contributed to the segment's improved performance. Specialty Meats represents 32 percent of sales and 30 percent of earnings for the segment.

*Eckrich* meats finished fiscal 1983 with relatively flat earnings on a slight decrease in unit sales that paralleled the industry trend. *Eckrich* brought 13 new product entries to market during



the year. Tonnage of the new cheese franks increased in excess of 50 percent. A skinless smoked sausage and a six-per-pound package of smoked sausage with cheese were especially popular following their debuts this year.

Earnings from *Kneip*, a brand of fresh meat products, reflected a recovery from last year's depressed level. Margins improved due to higher selling prices.

Berliner & Marx, serving both retail and food-service markets, anticipates a significant improvement in volume over the next three years. Added capacity will permit expansion into Western and Midwestern markets.

**CONFECTIONERY AND SNACK**

Confectionery and Snack experienced a 3-percent decline in sales and a 16-percent decline in earnings. Brands include *Clark*, *Milk Duds*, *Jolly Rancher*, *Now & Later*, *Switzer*, *Good & Plenty*, *Asher*, and *Fisher*. These operations account for 10 percent of sales and 14 percent of earnings for the segment.

The confectionery market was characterized by heavy price promotion and softness in select areas. In addition, the confectionery industry overall was hurt by numerous false reports of product tamperings, principally during the Halloween season.

During the year a number of products were reformulated to improve quality and taste, and additional package sizes were brought to market.

To achieve a better competitive position and to improve efficiency, confectionery operations were combined at the end of the fiscal year. This marketing realignment will enhance distribution and improve the market reach for all of the candy brands.

*Fisher Nut* achieved several marketing successes. Market share, units, and earnings grew modestly despite overall industry softness. Fisher

continues to introduce creative new products to supplement its traditional nut lines. The reduced-sodium nuts introduced this year have proven popular with consumers, benefiting overall growth. Fisher now sells salted, unsalted, and reduced-sodium nut products.

**INSTITUTIONAL FOODS**

Beatrice's Institutional Foods operations offer food-service items to all segments of the food industry, including restaurants, fast-food franchises, hotels, and health institutions. In fiscal 1983, sales increased 4 percent and earnings rose 45 percent from 1982's depressed level. Institutional Foods represents 18 percent of sales and 6 percent of earnings for the segment.

*Sexton* reported substantially increased unit volume by emphasizing a strategy of stronger penetration in established markets and product line extensions such as fresh meats and produce.

*Sexton* also enlarged its sales force substantially, streamlined operations in its 20 branches by improving its computer network, and increased operating efficiency.

During fiscal 1984 *Sexton* celebrates its 100th anniversary as a top-quality food distributor.

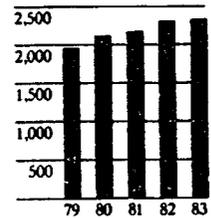
**OUTLOOK**

Beatrice anticipates improved performance for the Grocery segment during fiscal 1984 with most grocery operations expected to show good gains.

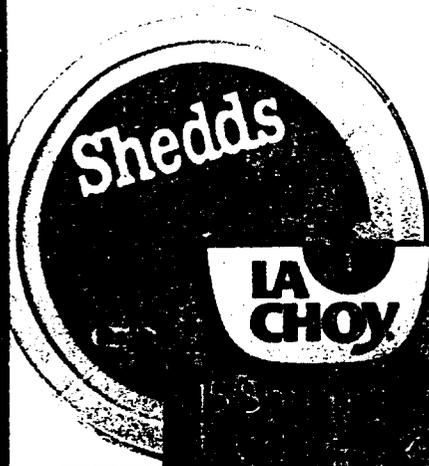
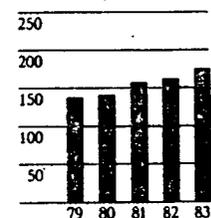
For most brands, heavy emphasis will be placed on improved product awareness and geographic expansion. Particularly good volume gains are expected in ethnic foods, margarine, and specialty meats, where marketing spending will accelerate.

11.

**SALES**  
(In Millions of Dollars)



**SEGMENT EARNINGS**  
(In Millions of Dollars)



## International Food

38

12.

Beatrice's International Food segment reported increased sales and earnings in fiscal 1983. Sales rose to \$1.84 billion from \$1.77 billion in fiscal 1982, an increase of 4 percent. Earnings of \$129 million represented a slight increase from 1982.

Despite the weakness of world economies, most operations showed good sales and earnings gains in local currencies. The continued strengthening of the U.S. dollar weakened International Food's reported results.

### EUROPE

European operations experienced an increase in sales of 2 percent while earnings rose 10 percent. Europe represented 55 percent of sales and 41 percent of the earnings for the segment.

Food distribution operations, particularly *Société Européenne de Supermarchés (SES)* and *Etablissements Baud, S.A.*, in France, reported improved sales and earnings results.

SES, one of the largest food retailers in France, expanded by opening four new stores and remodeling existing stores. SES is capitalizing on consumer preference for larger supermarkets, which offer competitive prices and wider assortments.

Baud, a wholesale food distributor, continued to expand by promoting its unique "Super Discount" merchandising program and by adding 15 new FranPrix franchise supermarket outlets. At the same time, costs were contained through aggressive buying and cost control efforts. Baud has grown more than 15 percent annually over the past five years, outpacing its Paris area competitors.

Beatrice's European specialty dairy operations benefited from increased volume during the summer season and from productivity improvements. Principal

products include ice cream and yogurt. The group has increased its emphasis on quality and has successfully introduced several new high-volume ice cream novelties.

During fiscal 1983, Beatrice acquired *Callard & Bowser Nuttall, Ltd.*, an established manufacturer of premium confectionery products in England. The operation will be joined with *Smith-Kendon, Ltd.*, which has complementary lines and is a strong exporter.

*Tayto, Ltd.*, in Ireland posted increases in sales, earnings and market share. *Tayto* is the market leader in potato crisps and currently is building on this strength through the promotion of extruded snacks, peanuts, and popcorn products.

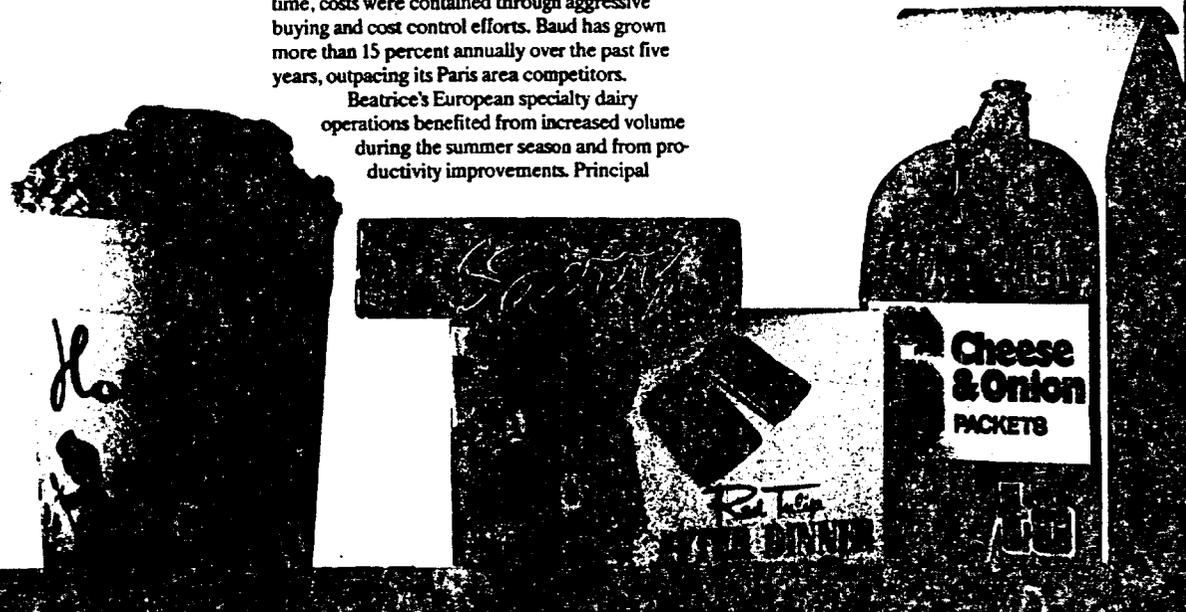
*Conserva Campofrio, S.A.*, a specialty meat joint venture in Spain, posted strong earnings due to favorable raw material purchases, improved production techniques and aggressive marketing. Continued efforts will be aimed at expanding *Campofrio's* presence in the Spanish meat market.

### LATIN AMERICA

Latin American operations were adversely affected by lower currency exchange rates, increased labor costs, and difficulty in passing on price increases. Sales increased 16 percent, and earnings declined 7 percent. Latin American operations represented 17 percent of sales and 34 percent of the earnings for the segment.

In Venezuela, *Industrias Savoy, C.A.*, a major confectionery and snack producer, increased its unit sales by 10 percent. There was especially strong unit growth in *Savoy's* chocolate and wafer products, spurred by increased promotion and packaging innovations.

*Savoy* is planning to increase its wafer production capacity by 40 percent in fiscal 1984. In



addition, Savoy is planning significant increases in marketing expenditures.

*Holanda, S.A.*, the top producer of ice cream in Mexico, saw 15 percent growth in unit volume despite that country's economic difficulties. The operation continued to increase the size of its franchise network, particularly in rural markets, from its base in Mexico City.

*Ailiram S.A.*, a manufacturer of biscuits, candy and confections in Brazil, has been successful in building a strong regional base, and now is looking for growth in new regions.

**CANADA**

Canadian operations reported a 6 percent increase in sales, while earnings rose 22 percent. Canada represents 16 percent of sales and 16 percent of earnings for the segment.

Canadian dairy operations reported good sales and earnings increases over the prior year's strong performance. Beatrice is increasing the size of its dairy customer base, largely because of its ability to provide quality service to chain stores and a full line of dairy products. New products currently being introduced include flavored soft-spread cream cheese and new yogurts, including a custard-style yogurt.

*Colonial Cookies, Ltd.*, added a number of new products to its line, and showed excellent growth despite a flat industry environment. Colonial also experienced significant improvement in margins, due in part to commodity price declines. In 1984, Colonial will increase marketing support for many of its branded products.

**AUSTRALASIA**

Australasia operations posted a sales decline of 5 percent and an earnings decline of 28 percent. Australasia accounted for 12 percent of sales and 9 percent of earnings for the segment. The declines resulted from start-up costs of a new plant for the specialty meat operation, higher raw material costs, and sluggish consumer

demand experienced by the non-confectionery operations.

*Red Tulip Chocolates Pty., Ltd.*, was able to benefit from Australia's traditionally strong Easter confectionery sales before the drop in consumer spending began. *Red Tulip* continued to penetrate new markets.

In food distribution, *Manassen Lucchitti Co. Pty. Ltd.*, posted excellent sales increases by meeting the growing demand for imported gourmet cheeses. The operation increased its cold storage capabilities and added new complementary lines.

**NEW VENTURES**

In November, Beatrice acquired a majority ownership position in *Winner Food Products Limited*, Hong Kong. Winner produces and distributes specialty Chinese foods, snacks, beverages, and edible oils for Hong Kong and export markets.

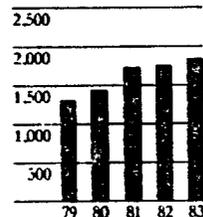
In March 1983, Beatrice, the City of Guangzhou (Canton), and the China International Trust and Investment Company broke ground for the joint venture partnership's first production facility in Guangzhou.

The partnership will complete the 130,000-square-foot plant in May 1984. Guangmei Foods eventually will produce canned vegetables, snack foods, fruit juices, and soft drinks for the China market and export.

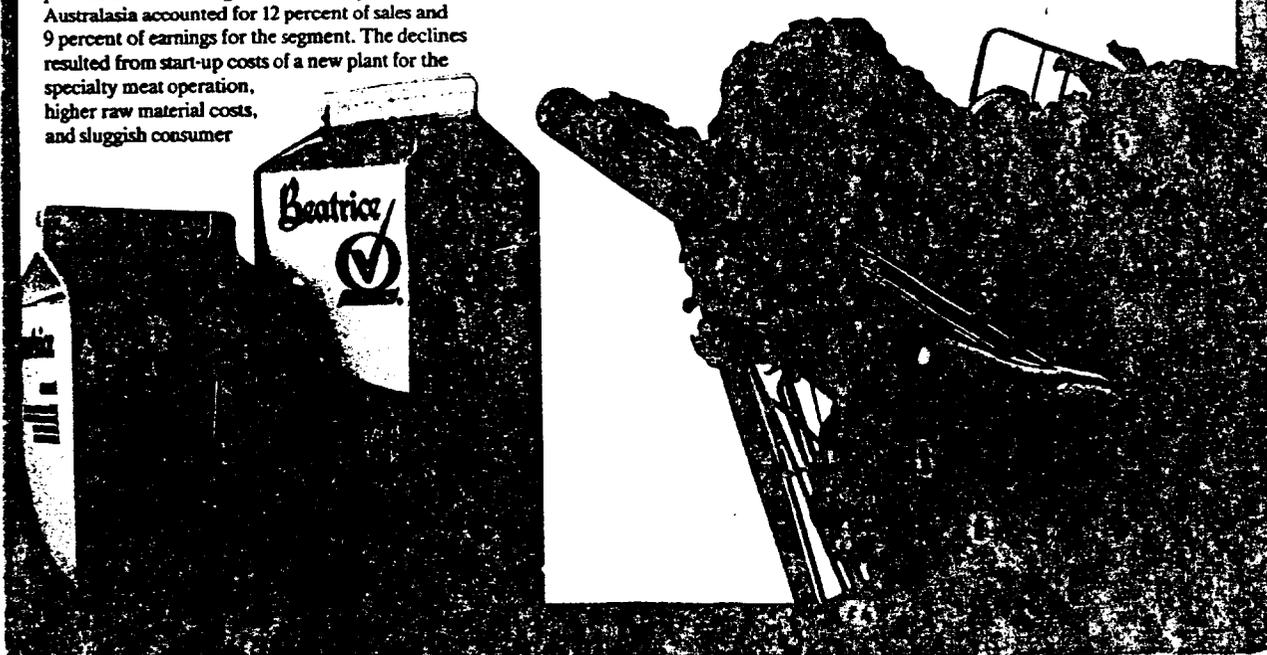
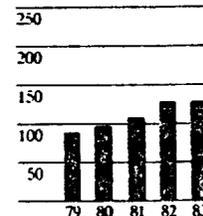
**OUTLOOK**

Beatrice is positioned well to sustain volume increases despite continued sluggish economic conditions in many international markets. Low-cost convenience food items dominate the product lines. Growth in local currencies should be good, although reported earnings will be dependent on the stability of currencies in relation to the U.S. dollar.

**SALES**  
(In Millions of Dollars)



**SEGMENT EARNINGS**  
(In Millions of Dollars)



## Consumer, Industrial & Chemical

14.

Beatrice's Consumer, Industrial & Chemical segment reported declines in both sales and earnings. Sales for the segment were \$1.9 billion, a decline of 8 percent from \$2.1 billion in fiscal 1982. Earnings declined 1 percent to \$233 million, compared with \$236 million last year.

Weak demand in the industrial and chemical areas was responsible for the declines. Productivity improvements and streamlining of operations allowed an increase in operating margins.

### CONSUMER

Most Consumer operations performed well last year. Sales declined 2 percent, while earnings rose 20 percent. The Consumer area represents 51 percent of sales and 54 percent of earnings for the segment.

Home product operations, with several new product introductions, posted good sales and earnings gains despite weak industry conditions. Recognizing the strength of the remodeling and rehabilitation markets, leading brands such as *LouverDrape* and *Del Mar* window coverings, and *Stiffel* lamps capitalized on this trend. *Stiffel* introduced a new lower-priced collection of lamps which appeal to contemporary tastes. *Del Mar* expanded its distribution channels.

Outdoor products posted relatively flat earnings results as retailers reduced inventory levels. In addition, an unusually wet summer hurt demand for *Melnor* lawn sprinklers.

Improved productivity and product mix aided *Samsonite* results as earnings rose sharply while sales continued to be depressed. Earnings domestically and in Europe increased, more than offsetting declines in other foreign markets. A doubling of advertising dollars and the introduction of several new softside luggage and attaché products provided upward momentum in the last half of the year for domestic luggage.

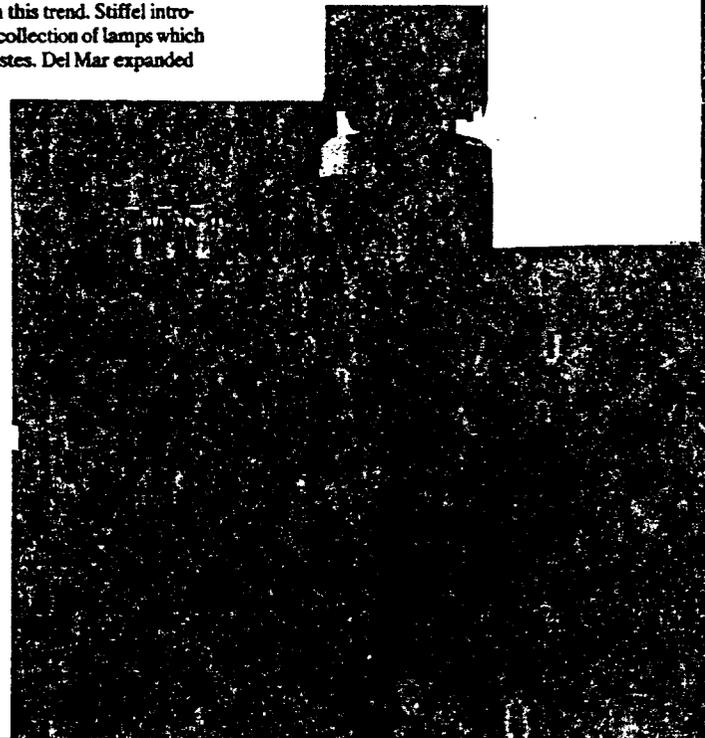
*Day-Timers*, *Webercraft*, and *Sax Arts & Crafts* continued their consistently successful performances. Expansion of the customer base contributed to the gains.

Leisure apparel, led by *E.R. Moore*, *Velva Sheen*, and *Swingster*, experienced moderate sales and earnings gains. The mid-year acquisition of *Dunbrooke Sportwear* aided results. These operations successfully market apparel that capitalize on the popularity of video games, western wear, and football. *Swingster* boosted its capacity through the addition of a new facility.

### INDUSTRIAL

Sales of Beatrice's Industrial area declined 17 percent. Earnings declined 15 percent. These operations account for 27 percent of sales and 25 percent of earnings for the segment.

Despite continued sluggishness in the housing industry, *Culligan's* sales and earnings rose from last year's levels. The decline in residential water softener sales was offset by continued improvement



in sales of residential drinking water systems. Sales in Europe were particularly strong.

Culligan's results were aided by productivity improvements and a better balance in its product line.

Everpure's sales and earnings also increased, due in part to the introduction of its new *Insulce* water filtration system, which reduces lime scale and taste problems in commercial ice-making operations.

The sharp decline in agriculture, automotive and heavy equipment activity due to the recession depressed results of both *Brillion* and *Harman Automotive*. Sluggish demand for certain industrial components also reduced earnings. Productivity improvements and cost reductions limited the extent of the declines in these areas.

Food service equipment operations reported modest declines in sales and earnings but significantly outperformed their competition. Product line extensions from *Bloomfield* and *Wells* and growth in the fast-food restaurant customer base contributed to the gains in market share.

*Taylor Freezer's* sales increased domestically, but sluggish demand abroad and the strong dollar resulted in weaker export sales.

*Minnesota Valley Engineering* experienced a decline in sales and earnings due to reduced demand for liquified-gas equipment.

**CHEMICAL**

Beatrice's Chemical business had declines of 8 percent in sales and 20 percent in earnings compared with a record performance last year. Chemical operations represent 22 percent of sales and 21 percent of earnings for the segment.

Several operating areas were affected by the recession. Research and development expenditures rose, and market shares were either maintained or increased in a difficult operating environment.

Plastics and coatings, principally *Fiberite* and *LNP*, were affected by sluggish demand in the automotive, construction, commercial aviation, and elec-

trical machinery markets. Growth in the defense business was not enough to offset other weaknesses. A new plant was opened in Texas for the manufacture of advanced composite plastics.

Synthetic resins performed well during the past year. Results were bolstered by increased demand as well as declining raw material prices. The introduction of new resins for waterborne coatings contributed to market share gains. Plant capacity for synthetic resins is currently being expanded in California.

The domestic leather chemical business was depressed by low consumer demand but *Stahl Finish* did relatively well in this environment. Demand in European markets was sluggish but market share increased.

Industrial inks and adhesives also experienced good growth. The stability of the packaged food industry—a major market—and new products permitted volume and market share gains.

Lubricants and paints declined due to weakness in industries served such as metals, petroleum and shipping.

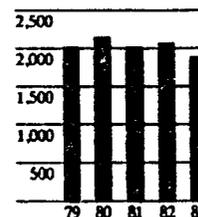
*Standard Dry Wall* benefited from improved demand in repair, maintenance and renovation and should continue to advance with the recent surge in construction activity.

**OUTLOOK**

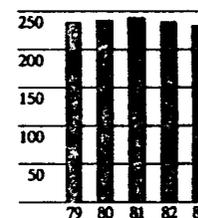
Consumer products and services should maintain strong volume and earnings trends. New products in the home, luggage, and leisure apparel categories should contribute to the expected growth.

Early signs point to some improvement in demand in industrial and specialty chemical markets. Greater efficiencies in operations should result in improved margins as the markets recover.

**SALES**  
(In Millions of Dollars)



**SEGMENT EARNINGS**  
(In Millions of Dollars)



**AGRI-PRODUCTS**

Agri-Products, composed of tanning, feedstuff and rendering operations, faced a difficult year during fiscal 1983, with sales and earnings declines of 13 percent and 34 percent, respectively, as the recession affected farm-related industries. Beatrice capitalized upon that tough environment by moving into new product lines and combining businesses. Agri-Products operations accounted for 20 percent of sales and 19 percent of earnings for the segment.

In tanning, *Pfister & Vogel* responded to import competition by concentrating on higher quality tanning products. The operation benefited from correct anticipation of consumers' preference for top-of-the-line leather products.

Declining livestock population contributed to reduced sales and earnings for feeds and feed supplements. In response to industry conditions, *Vigortone* restructured its sales and marketing force. *Vigortone* also began a "pull-through" program aimed at expanding its markets by increasing demand for dairy and meat products.

*Ross-Wells* has built its pet food business by selling premium products to veterinarians, pet shops and kennels, and now is bolstering its business further with the introduction of *Bonkers*, a between-meal treat for cats. Distribution for *Bonkers* will expand into a major portion of the country this year.

Rendering and blending operations were severely influenced by the recession. Changes within the industry reduced availability of raw material, resulting in significantly lower sales and earnings.

**WAREHOUSING**

During fiscal 1983 the company's Warehousing business achieved record sales and earnings. Sales rose 21 percent, and earnings were up 30 percent. Contributing factors were higher occupancy, a broadening of the business base, increased services to the perishable food industry, and the acquisition of *Termicold Corporation*. Warehousing operations accounted for 4 percent of sales and 26 percent of earnings for the segment.

Beatrice became a national warehouse in December 1982 through the acquisition of *Termicold* and its 19 locations in seven states. The acquisition enlarged the refrigerated warehouse capacity to 175 million cubic feet, placing Beatrice in an excellent position to offer a broad spectrum of services, from point-of-production storage to area distribution.

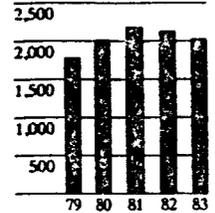
**OUTLOOK**

Beatrice's Dairy operations should show improved results in all categories during fiscal 1984, led by expected strong results from cheeses and other specialty dairy products.

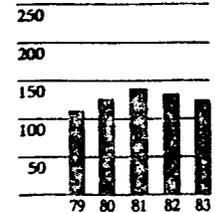
Agri-Products should begin to benefit from the economic upswing, stable raw material costs, and improved demand for feeds based on increased livestock production.

Warehousing expects to sustain upward momentum in earnings, having ended fiscal 1983 with a high percentage of occupancy.

**SALES**  
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**SEGMENT EARNINGS**  
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## Beverages

34

8.

Beatrice's Beverages segment experienced a significant increase in sales and earnings in fiscal 1983. The increase is due primarily to the inclusion of a full year of operating results from the Soft Drinks and Bottled Water, and Wine and Spirits operations acquired at the end of the last fiscal year.

Sales for the segment grew 56 percent to \$1.1 billion compared with \$705 million in fiscal 1982. Earnings of \$111 million rose 67 percent from the \$66 million a year ago.

### TROPICANA

*Tropicana* reported a sales increase of 2 percent and an increase in earnings of 2 percent for fiscal 1983. *Tropicana* represents 39 percent of sales and 38 percent of earnings for the Beverages segment.

*Tropicana* was able to achieve a slight increase in earnings despite higher fruit costs following the January 1982 freeze in Florida, generally softening prices, and a significant increase in marketing expenditures. In a year of intense competition in the ready-to-serve orange juice category, *Tropicana* was the only major branded product to maintain market share.

Fiscal 1983 can be viewed as a year of investment in the marketplace for *Tropicana*. Advertising and marketing expenditures increased approximately 50 percent. *Tropicana* also introduced new packaging for existing products. New product entries included *Chugger*, an

all-natural, shelf-stable, pure juice product; *Tropicana* frozen juice bars on a stick, made of 40 percent pure juice; and a line of non-alcoholic drink mixes.

The outlook for the Florida orange crop is favorable, which should allow the industry and *Tropicana* to grow in excess of 5 percent. The sizeable crop expected will allow *Tropicana* to bring *Pure Premium* juice into more markets.

*Tropicana* will place increased emphasis on *Gold N Pure* orange juice and other products made from concentrate. As a result, future freezes, if they occur, will not be as disruptive.

### WINE AND SPIRITS

The Buckingham Corporation, acquired in January 1982, imports and distributes such brands as *Cutty Sark* and *Cutty 12 Scots Whiskies*, *Finlandia* vodka, *Waterford Irish Cream Liqueur*, *Armagnac de Montal*, *Marquisat Burgundian* wines, and the wines of Baron Philippe de Rothschild, including *Mouton-Cadet*.

Wine and Spirits account for 9 percent of sales and 16 percent of earnings for the Beverages segment. On a comparable basis, Buckingham posted a good earnings increase due to the growth in wine sales and the favorable purchasing strength of the U.S. dollar.

*Cutty Sark* maintained its share position but experienced some volume erosion as the scotch category was affected by high prices, poor economic conditions, and the continued trend towards "white" spirits, specialties and wine.



Wine experienced unit volume gains in excess of 10 percent. *Mouton-Cadet* strengthened its leadership position and market share among branded premium Bordeaux table wines.

*Finlandia*, the second-largest imported vodka in the United States, enjoyed improved earnings and volume growth in this fast-growing category.

Buckingham continued its national introduction of *Waterford Irish Cream Liqueur* in the cordial category. Buckingham also began marketing *Armagnac de Montal*, a distinctive brandy from the Gascony region of France. In fiscal 1984, Buckingham will be the exclusive importer for *Henriot Champagnes*.

**SOFT DRINKS AND BOTTLED WATER**

Fiscal 1983 is the first full year of reported results for the Soft Drinks and Bottled Water operations acquired in January 1982. Soft Drinks and Bottled Water account for 52 percent of sales and 46 percent of earnings for the segment.

On a comparable basis, earnings from these operations, excluding acquisition costs, increased over the prior year. Unit volume increased about 1 percent, in line with market growth. The recession and the introduction of many new products resulted in an intensely competitive soft-drink environment characterized by extensive discounting.

Beatrice made substantial progress in strengthening its soft-drink bottling leadership position with the acquisition of additional *Coca-Cola* franchise territories in California and the Midwest. These new areas are contiguous to existing operations and enable Beatrice to enjoy significant productivity advantages.

Beatrice also strengthened its relationship with *Coca-Cola U.S.A.* with the signing of the *Coca-Cola* franchise amendment, which grants *Coca-Cola U.S.A.* greater flexibility in pricing. Though required to pay a higher price for *Coca-Cola* syrup, Beatrice will receive increased marketing support and has the right to manufacture *Coca-Cola* syrup from concentrate.

*diet Coke's* introduction has been well-received, and it should be a significant contributor to unit volume growth. With both *diet Coke* and *Tab*, Beatrice is positioned well in low-calorie soft drinks, the fastest growing category.

Bottled water reported another year of double-digit increases in both sales and earnings. While unit volume gains were modest because of the recession, results benefited from price increases and productivity improvements.

Beatrice is the largest supplier of bottled water in the country and is positioned well in both the route delivery and the rapidly growing super-market sales segments.

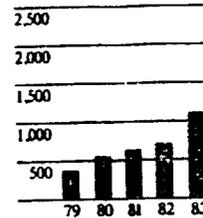
Principal bottled water brands are *Arrowhead*, serving Southern California, and *Great Bear*, which serves the Northeastern portion of the country.

**OUTLOOK**

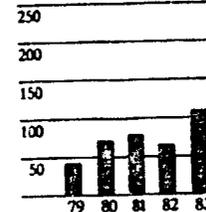
For fiscal 1984, Beatrice expects excellent growth in its Beverages segment. Unit volume gains for soft drinks, bottled water and citrus products should be in excess of 5 percent.

Wine and Spirits earnings may be slightly reduced, due to an expected modest decline in scotch volume, coupled with comparisons with a good fiscal 1983 performance.

SALES  
(In Millions of Dollars)



SEGMENT EARNINGS  
(In Millions of Dollars)



Beatrice's Grocery segment had fiscal 1983 earnings of \$177 million on sales of \$2.3 billion. These results represent an increase of 9 percent over fiscal 1982 earnings of \$162 million.

Overall, the Grocery segment's earnings growth occurred despite intense competition and the sluggish economy. Introductions of new products, aggressive pursuit of sales for existing products, and market expansions contributed to the segment's overall performance.

#### SPECIALTY GROCERY AND ETHNIC FOODS

Specialty Grocery and Ethnic Foods reported an earnings increase of 11 percent and a sales decrease of 6 percent during fiscal 1983. The sales decline resulted from the absence of sales from divested operations. Specialty Grocery and Ethnic Foods represents 40 percent of sales and 50 percent of earnings of the Grocery segment.

*LaChoy* continued to lead the market for Chinese foods and condiments. *LaChoy* is increasing its emphasis on product improvement and introducing new products. This year, *LaChoy* introduced a 3-oz. dinner-size egg roll packaged for retail and delicatessen sales.

Grocery continues to be successful in the pursuit of export sales. Markets for Chinese food outside the United States offer significant growth potential.

Mexican food is the fastest growing ethnic food category and Beatrice, through its *Rosarita* and *Gebhardt* brands, has an important and growing position in this category.

The Mexican food operations are combining distribution and marketing functions to operate more efficiently. In fiscal 1984, Beatrice expects to increase its geographic reach with such products as sauces, refried beans, and taco shells.

Unit sales of margarines and spreads increased strongly, led by the highly successful national roll-out of *Shedd's Spread Country Crock*. Volume also increased in Beatrice's other margarine business. *Shedd's* will exploit its successes in margarines by testing a new product, *ButterMatch*, in fiscal 1984.

*Aunt Nellie's*, with its glass-packed and canned vegetables, fruit drinks, and sauces, reported a 5-percent growth in revenues. The increase was due primarily to unit volume gains and an improved product mix, including a successful sloppy Joe sauce.

*Martha White* reported a moderate increase in earnings as it benefited from lower commodity costs. *Martha White* also posted strong unit sales of its newer products, including home-mixed baking and dining products. New products include a boil-in-bag quick grits and a one-step-preparation macaroni and cheese dinner that will be introduced in fiscal 1984.

Beatrice cookie brands experienced excellent growth in sales and earnings.

#### SPECIALTY MEATS

Sales for Specialty Meats increased 8 percent as earnings rose 16 percent. The first full year of results from *Berliner & Marx*, a premium veal operation acquired in fiscal 1982, contributed to the segment's improved performance. Specialty Meats represents 32 percent of sales and 30 percent of earnings for the segment.

*Eckrich* meats finished fiscal 1983 with relatively flat earnings on a slight decrease in unit sales that paralleled the industry trend. *Eckrich* brought 13 new product entries to market during

the year. Tonnage of the new cheese franks increased in excess of 50 percent. A skinless smoked sausage and a six-per-pound package of smoked sausage with cheese were especially popular following their debuts this year.

Earnings from *Kneip*, a brand of fresh meat products, reflected a recovery from last year's depressed level. Margins improved due to higher selling prices.

Berliner & Marx, serving both retail and food-service markets, anticipates a significant improvement in volume over the next three years. Added capacity will permit expansion into Western and Midwestern markets.

**CONFECTIONERY AND SNACK**

Confectionery and Snack experienced a 3-percent decline in sales and a 16-percent decline in earnings. Brands include *Clark*, *Milk Duds*, *Jolly Rancher*, *Now & Later*, *Switzer*, *Good & Plenty*, *Asher*, and *Fisher*. These operations account for 10 percent of sales and 14 percent of earnings for the segment.

The confectionery market was characterized by heavy price promotion and softness in select areas. In addition, the confectionery industry overall was hurt by numerous false reports of product tamperings, principally during the Halloween season.

During the year a number of products were reformulated to improve quality and taste, and additional package sizes were brought to market.

To achieve a better competitive position and to improve efficiency, confectionery operations were combined at the end of the fiscal year. This marketing realignment will enhance distribution and improve the market reach for all of the candy brands.

*Fisher Nut* achieved several marketing successes. Market share, units, and earnings grew modestly despite overall industry softness. Fisher

continues to introduce creative new products to supplement its traditional nut lines. The reduced-sodium nuts introduced this year have proven popular with consumers, benefiting overall growth. Fisher now sells salted, unsalted, and reduced-sodium nut products.

**INSTITUTIONAL FOODS**

Beatrice's Institutional Foods operations offer food-service items to all segments of the food industry, including restaurants, fast-food franchises, hotels, and health institutions. In fiscal 1983, sales increased 4 percent and earnings rose 45 percent from 1982's depressed level. Institutional Foods represents 18 percent of sales and 6 percent of earnings for the segment.

Sexton reported substantially increased unit volume by emphasizing a strategy of stronger penetration in established markets and product line extensions such as fresh meats and produce.

Sexton also enlarged its sales force substantially, streamlined operations in its 20 branches by improving its computer network, and increased operating efficiency.

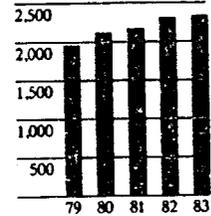
During fiscal 1984 Sexton celebrates its 100th anniversary as a top-quality food distributor.

**OUTLOOK**

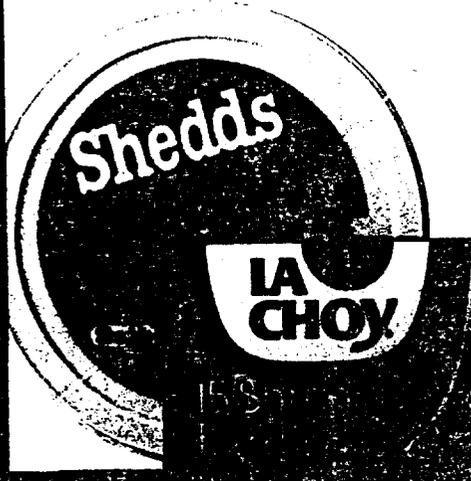
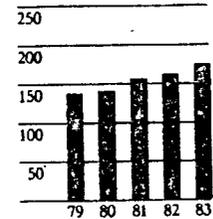
Beatrice anticipates improved performance for the Grocery segment during fiscal 1984 with most grocery operations expected to show good gains.

For most brands, heavy emphasis will be placed on improved product awareness and geographic expansion. Particularly good volume gains are expected in ethnic foods, margarine, and specialty meats, where marketing spending will accelerate.

SALES  
(In Millions of Dollars)



SEGMENT EARNINGS  
(In Millions of Dollars)



## International Food

38

12.

Beatrice's International Food segment reported increased sales and earnings in fiscal 1983. Sales rose to \$1.84 billion from \$1.77 billion in fiscal 1982, an increase of 4 percent. Earnings of \$129 million represented a slight increase from 1982.

Despite the weakness of world economies, most operations showed good sales and earnings gains in local currencies. The continued strengthening of the U.S. dollar weakened International Food's reported results.

### EUROPE

European operations experienced an increase in sales of 2 percent while earnings rose 10 percent. Europe represented 55 percent of sales and 41 percent of the earnings for the segment.

Food distribution operations, particularly *Société Européenne de Supermarchés (SES)* and *Établissements Baud, S.A.*, in France, reported improved sales and earnings results.

SES, one of the largest food retailers in France, expanded by opening four new stores and remodeling existing stores. SES is capitalizing on consumer preference for larger supermarkets, which offer competitive prices and wider assortments.

Baud, a wholesale food distributor, continued to expand by promoting its unique "Super Discount" merchandising program and by adding 15 new FranPrix franchise supermarket outlets. At the same time, costs were contained through aggressive buying and cost control efforts. Baud has grown more than 15 percent annually over the past five years, outpacing its Paris area competitors.

Beatrice's European specialty dairy operations benefited from increased volume during the summer season and from productivity improvements. Principal

products include ice cream and yogurt. The group has increased its emphasis on quality and has successfully introduced several new high-volume ice cream novelties.

During fiscal 1983, Beatrice acquired *Callard & Bowser Nuttall, Ltd.*, an established manufacturer of premium confectionery products in England. The operation will be joined with *Smith-Kendon, Ltd.*, which has complementary lines and is a strong exporter.

*Tayto, Ltd.*, in Ireland posted increases in sales, earnings and market share. *Tayto* is the market leader in potato crisps and currently is building on this strength through the promotion of extruded snacks, peanuts, and popcorn products.

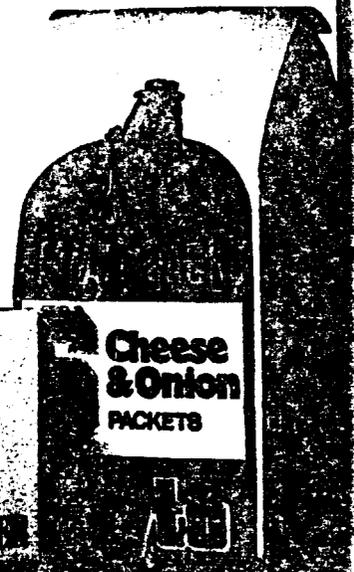
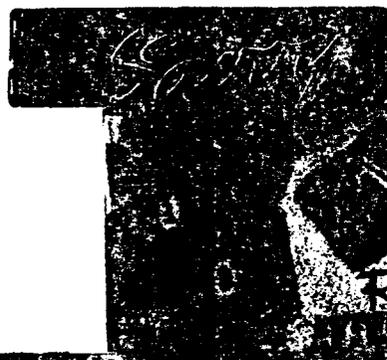
*Conservera Campofrio, S.A.*, a specialty meat joint venture in Spain, posted strong earnings due to favorable raw material purchases, improved production techniques and aggressive marketing. Continued efforts will be aimed at expanding *Campofrio's* presence in the Spanish meat market.

### LATIN AMERICA

Latin American operations were adversely affected by lower currency exchange rates, increased labor costs, and difficulty in passing on price increases. Sales increased 16 percent, and earnings declined 7 percent. Latin American operations represented 17 percent of sales and 34 percent of the earnings for the segment.

In Venezuela, *Industrias Savoy, C.A.*, a major confectionery and snack producer, increased its unit sales by 10 percent. There was especially strong unit growth in *Savoy's* chocolate and wafer products, spurred by increased promotion and packaging innovations.

*Savoy* is planning to increase its wafer production capacity by 40 percent in fiscal 1984. In



addition, Savoy is planning significant increases in marketing expenditures.

*Holanda, S.A.*, the top producer of ice cream in Mexico, saw 15 percent growth in unit volume despite that country's economic difficulties. The operation continued to increase the size of its franchise network, particularly in rural markets, from its base in Mexico City.

*Alliram S.A.*, a manufacturer of biscuits, candy and confections in Brazil, has been successful in building a strong regional base, and now is looking for growth in new regions.

**CANADA**

Canadian operations reported a 6 percent increase in sales, while earnings rose 22 percent. Canada represents 16 percent of sales and 16 percent of earnings for the segment.

Canadian dairy operations reported good sales and earnings increases over the prior year's strong performance. Beatrice is increasing the size of its dairy customer base, largely because of its ability to provide quality service to chain stores and a full line of dairy products. New products currently being introduced include flavored soft-spread cream cheese and new yogurts, including a custard-style yogurt.

*Colonial Cookies, Ltd.* added a number of new products to its line, and showed excellent growth despite a flat industry environment. Colonial also experienced significant improvement in margins, due in part to commodity price declines. In 1984, Colonial will increase marketing support for many of its branded products.

**AUSTRALASIA**

Australasia operations posted a sales decline of 5 percent and an earnings decline of 28 percent. Australasia accounted for 12 percent of sales and 9 percent of earnings for the segment. The declines resulted from start-up costs of a new plant for the specialty meat operation, higher raw material costs, and sluggish consumer

demand experienced by the non-confectionery operations.

*Red Tulip Chocolates Pty. Ltd.* was able to benefit from Australia's traditionally strong Easter confectionery sales before the drop in consumer spending began. *Red Tulip* continued to penetrate new markets.

In food distribution, *Manassen Lucchitti Co. Pty. Ltd.* posted excellent sales increases by meeting the growing demand for imported gourmet cheeses. The operation increased its cold storage capabilities and added new complementary lines.

**NEW VENTURES**

In November, Beatrice acquired a majority ownership position in *Winner Food Products Limited*, Hong Kong. Winner produces and distributes specialty Chinese foods, snacks, beverages, and edible oils for Hong Kong and export markets.

In March 1983, Beatrice, the City of Guangzhou (Canton), and the China International Trust and Investment Company broke ground for the joint venture partnership's first production facility in Guangzhou.

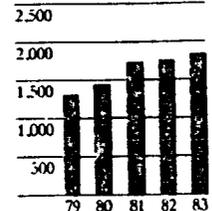
The partnership will complete the 130,000-square-foot plant in May 1984. Guangmei Foods eventually will produce canned vegetables, snack foods, fruit juices, and soft drinks for the China market and export.

**OUTLOOK**

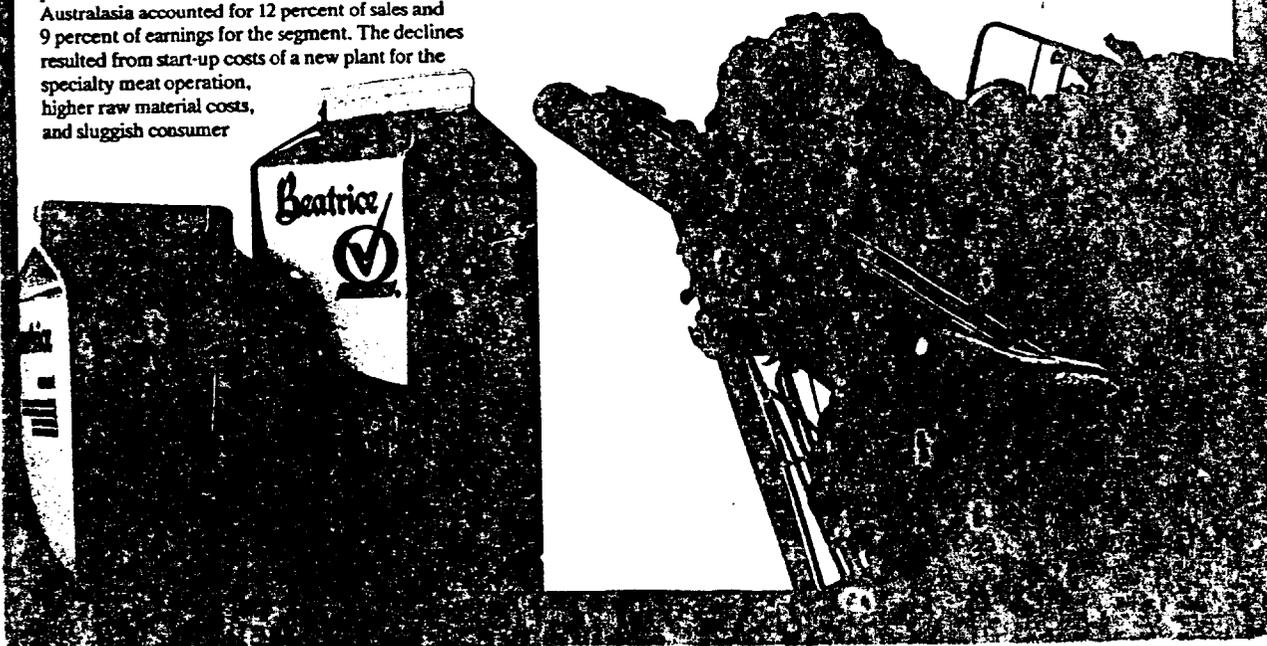
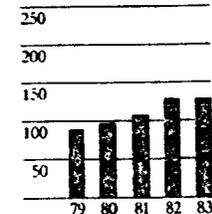
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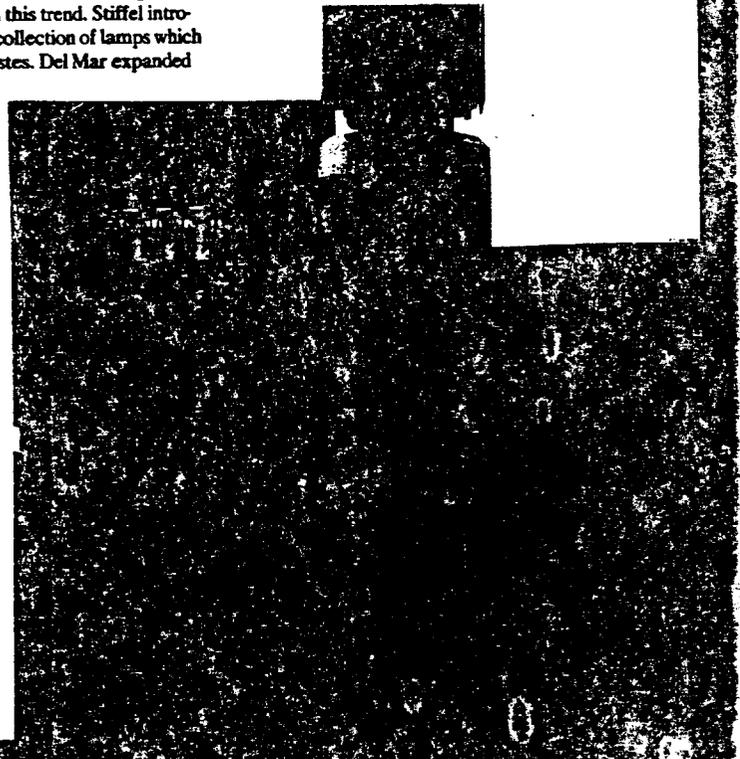
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in sales of residential drinking water systems. Sales in Europe were particularly strong.

Culligan's results were aided by productivity improvements and a better balance in its product line.

Everpure's sales and earnings also increased, due in part to the introduction of its new *InsurIce* water filtration system, which reduces lime scale and taste problems in commercial ice-making operations.

The sharp decline in agriculture, automotive and heavy equipment activity due to the recession depressed results of both *Brillion* and *Harman Automotive*. Sluggish demand for certain industrial components also reduced earnings. Productivity improvements and cost reductions limited the extent of the declines in these areas.

Food service equipment operations reported modest declines in sales and earnings but significantly outperformed their competition. Product line extensions from *Bloomfield* and *Wells* and growth in the fast-food restaurant customer base contributed to the gains in market share.

*Taylor Freezer*'s sales increased domestically, but sluggish demand abroad and the strong dollar resulted in weaker export sales.

*Minnesota Valley Engineering* experienced a decline in sales and earnings due to reduced demand for liquified-gas equipment.

### CHEMICAL

Beatrice's Chemical business had declines of 8 percent in sales and 20 percent in earnings compared with a record performance last year. Chemical operations represent 22 percent of sales and 21 percent of earnings for the segment.

Several operating areas were affected by the recession. Research and development expenditures rose, and market shares were either maintained or increased in a difficult operating environment.

Plastics and coatings, principally *Fiberite* and *LNP*, were affected by sluggish demand in the automotive, construction, commercial aviation, and elec-

trical machinery markets. Growth in the defense business was not enough to offset other weaknesses. A new plant was opened in Texas for the manufacture of advanced composite plastics.

Synthetic resins performed well during the past year. Results were bolstered by increased demand as well as declining raw material prices. The introduction of new resins for waterborne coatings contributed to market share gains. Plant capacity for synthetic resins is currently being expanded in California.

The domestic leather chemical business was depressed by low consumer demand but *Stahl Finish* did relatively well in this environment. Demand in European markets was sluggish but market share increased.

Industrial inks and adhesives also experienced good growth. The stability of the packaged food industry—a major market—and new products permitted volume and market share gains.

Lubricants and paints declined due to weakness in industries served such as metals, petroleum and shipping.

*Standard Dry Wall* benefited from improved demand in repair, maintenance and renovation and should continue to advance with the recent surge in construction activity.

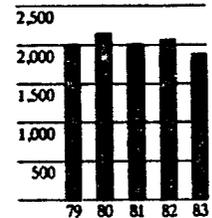
### OUTLOOK

Consumer products and services should maintain strong volume and earnings trends. New products in the home, luggage, and leisure apparel categories should contribute to the expected growth.

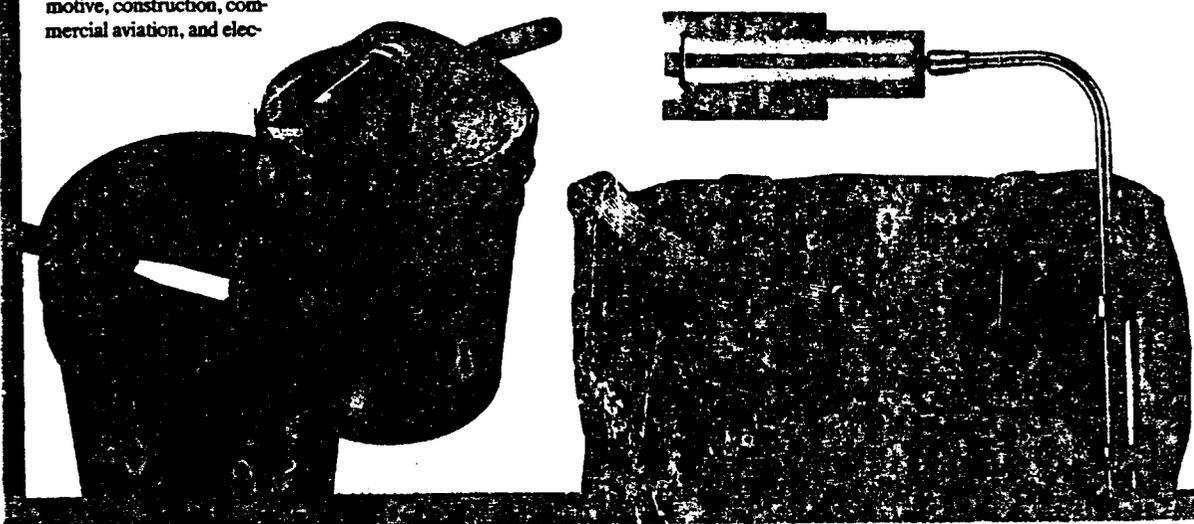
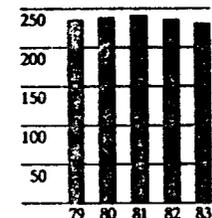
Early signs point to some improvement in demand in industrial and specialty chemical markets. Greater efficiencies in operations should result in improved margins as the markets recover.

15.

SALES  
(In Millions of Dollars)



SEGMENT EARNINGS  
(In Millions of Dollars)



## Growth Through Marketing

42

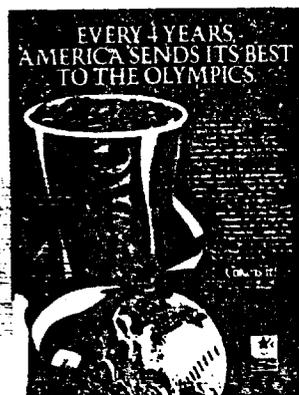
16.

Marketing is more than just selling a product. It involves identifying consumer preferences and needs, creating awareness of the product, and selling the product at a competitive price. Marketing also involves identifying the appropriate channels of product distribution and developing strong trade relations.

The following pages highlight how different Beatrice operations met a variety of marketing challenges during fiscal 1983, and showcase some marketing programs that are being undertaken in fiscal 1984. The coupons on pages 21-24 are included so that stockholders can sample some of the quality products in the Beatrice family.

*COCA-COLA AND ARROWHEAD are official sponsors of the 1984 Summer Olympics in Los Angeles, as they were in 1932 when the games were last held there. The companies are using their exclusive association with the world's most celebrated sporting event to raise the visibility of their brands in Southern California. Marketing efforts, including sales promotions, youth activities and advertising tied specifically to the Olympics, already are under way.*

17.

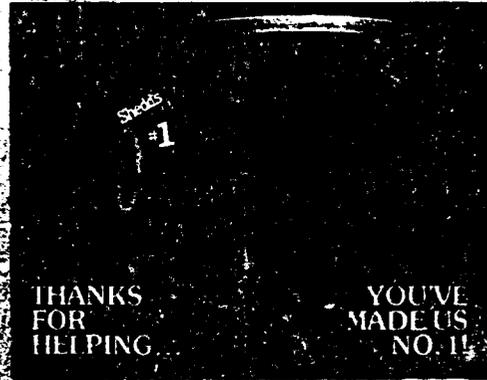


*BEATRICE FOODS is one of the leading suppliers of Girl Scout cookies in the country and has achieved this distinction by supplying a quality product and providing aggressive marketing support for the Girl Scouts who sell the cookies. Beatrice was the first Girl Scout supplier to introduce a sales support package, which includes a theme for the annual cookie sale, training posters for the Girl Scouts, and a "hot line" telephone service.*





*SHEDD'S began the national roll-out of its new Country Crock spread late in 1982 after an extensive market testing program. Shedd's Spread, backed by strong television and print advertising, is now the fastest growing spread in the country. Its crock container and three-pound size were firsts in the industry. Shedd's Spread also contains one-third fewer calories than margarine.*



19.

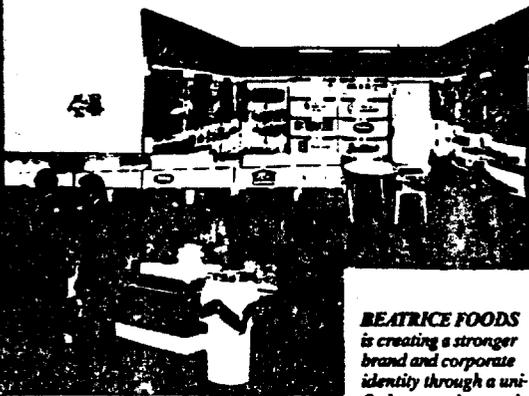


*CAMPOFRIO, Spain's leading premium meat company, has introduced a new in-store marketing concept—Compostands—which are self-standing refrigerated cases placed in the supermarkets. Compostands reinforce the brand name and provide increased shelf space for Campofrio products.*



*JOLLY RANCHER, by painting 700,000 paint scopes on its trucks, has turned a fleet of 10,000 trailers into mobile advertisements for its brand name. Painted by Dick Albano, the logos are distinctive and attractive reminders of Jolly Rancher's products and are visible on highways throughout the country.*

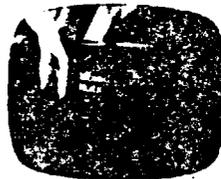




**BEATRICE FOODS** is creating a stronger brand and corporate identity through a unified approach to trade

show marketing. Using a "common customer" approach, companies now reach the marketplace together under the Beatrice Foods umbrella. This approach was implemented recently at the National American Wholesale Grocers Association (NAWGA) convention in Chicago (above left). A similar booth (top), combining all products of the confectionery group, was used earlier this year at the International Sweets and Biscuits Fair in Cologne, West Germany.

**DEL MAR WINDOW COVERINGS**, creating a point of difference with a "shade of difference," introduced Softlight Shades during fiscal 1983. The pleated fabric shades are very popular with homeowners and interior designers because they provide the warmth of a fabric with the fashionable look of horizontal blinds. Sales of the product grew dramatically throughout the year in a sluggish industry.



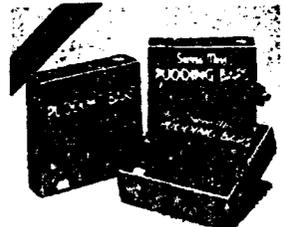
**FISHER NUT** has introduced a line of reduced sodium nuts which contain only half the added salt of Fisher's established line of nuts. The new product responds to consumer concerns about the level of sodium in their diets. The introduction is backed by increased advertising and marketing programs, aimed both at consumers and the trade. The national advertising program uses the theme, "At Fisher we take the nut very seriously."



**BEATRICE FOODS**, long a supplier of private label cream cheeses, is increasing its visibility in the branded cream cheese segment with the introduction of Meadow Gold branded products. The new products are benefiting from the highly recognized Beatrice dairy trade name. The product is competing well with the number one brand in the country in several markets.

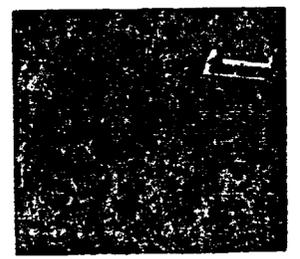
**ATTENTION STOCK-HOLDERS:**  
Please use these coupons and enjoy some of your company's many fine brands. It is our way of thanking you for taking stock in Beatrice.

Swiss Miss.



47

Tropicana 



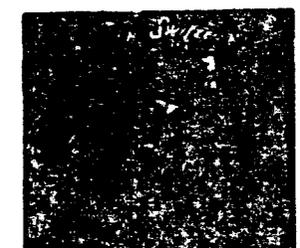
FISHER 



  
JOLLY RANCHER



Switzer



## Free Swiss Miss Pudding Bars

Any one carton of 10 Pudding Bars

Retailer: You are authorized as our agent to provide the bearer of this coupon with any one carton of 10 Swiss Miss® Pudding Bars upon surrender of this coupon to you. We will reimburse you up to a maximum of \$2.50 plus 7¢ handling provided you and the customer have complied with the terms of this offer. Coupon may not be assigned or transferred by you. Invoices proving purchase of sufficient Swiss Miss® Pudding Bars to cover coupons presented for redemption must be shown upon request. Void where prohibited, taxed or otherwise restricted. Good only in continental U.S.A. Cash value 1/20¢. Customer to pay sales tax. Mail coupons to: Sanna Coupon Redemption Program, P.O. Box 1689, Elm City, N.C. 27896. Redeemable only by retailer. Limit one coupon per purchase. 000-406  
Offer expires May 1, 1984

Swiss Miss

48

Available in your Grocer's Freezer

## 25¢ Off any Tropicana Orange Juice Product

Retailer: We will reimburse you for the face amount of the coupon plus 7¢ per coupon for handling provided you and the consumer have complied with the terms of this offer. Presentation for redemption without such compliance constitutes fraud. Invoices proving purchase of sufficient stock of our brand(s) to cover coupons presented for redemption must be shown upon request. Consumer must pay any sales tax. Coupon may not be transferred or assigned and is void where its use is prohibited, taxed or otherwise restricted. Cash value 1/20¢. This offer is limited to one coupon per purchase. Redeem by mailing to Tropicana Products Sales, Inc., P.O. Box 1497, Clinton, Iowa 52734. Coupon must be forwarded to clearing house within 60 days of expiration date.  
Offer expires May 1, 1984.

Tropicana

48500 112973

## Free Fisher Dry Roasted Peanuts

One 12-oz. or 16-oz. jar of Salted,  
Unsalted or Reduced Sodium Dry  
Roasted Peanuts

Retailer: You are authorized as our agent to provide the bearer of this coupon with any one 12-oz. or 16-oz. jar of Fisher Nut Dry Roasted Peanuts upon surrender of this coupon to you. We will reimburse you up to a maximum of \$2.50 plus 7¢ handling provided you and the customer have complied with the terms of this offer. For payment, mail coupons to: Fisher Nut Co., P.O. Box 1151, Clinton, Iowa 52734. Coupon will be honored only if submitted by a retailer of our merchandise or a clearing house approved by us and acting for and at the risk of such a retailer. Invoices proving purchase of sufficient stock, to cover coupons presented for redemption, must be shown upon request. Any sales tax must be paid by the consumer. Only one coupon redemption per package. Offer good only in the United States and void where prohibited, licensed, taxed or restricted by law. Cash value 1/20¢. Coupon subject to confiscation when terms of offer have not been complied with.  
Offer expires May 1, 1984.

99993 101114

## 25¢ Off any Bag of Jolly Rancher Stix Kisses

Retailer: You are authorized to act as our agent for redemption of this coupon. We will pay you 25¢ plus 7¢ handling, provided you and your customer have complied with the terms of this offer. OFFER TERMS: Coupon good only when redeemed by you from the customer at time of purchasing one bag of Jolly Rancher Candy. Any sales tax must be paid by the customer. Invoices showing your purchase of sufficient stock to cover all coupons must be shown upon request. Void if taxed, restricted or prohibited by law or if presented by outside agency, broker or institutional user. Cash value 1/20¢. Mail coupons to Jolly Rancher Candy Co., Box 1861, Clinton, Iowa 52734.  
Offer expires May 1, 1984.

 JOLLY RANCHER

## Free Switzer's Stix or Bites

One bag—any size—of Licorice,  
Cherry or Strawberry Stix or Bites

Retailer: You are authorized as our agent to provide the bearer of this coupon with one bag of any size of Licorice, Cherry or Strawberry Switzer's Stix or Bites upon surrender of this coupon to you. We will reimburse you up to a maximum of \$1.40 plus 7¢ handling provided you and the customer have complied with the terms of this offer. Invoices proving purchase of sufficient stock to cover coupons redeemed must be shown upon request. Customer must pay any sales tax. Void when presented by broker or agency or where prohibited, taxed or otherwise restricted. Cash value 1/20¢. Mail coupon to: Switzer Candies, Division of Beatrice Foods Co., P.O. Box 1276, Clinton, Iowa 52734.  
Offer expires May 1, 1984.



27400 102250

**ATTENTION STOCK-HOLDERS:**  
*Please use these coupons and enjoy some of your company's many fine brands. It is our way of thanking you for taking stock in Beatrice.*



49



Samsonite



Stiffel



5625-M 5370-P 5588-M

**Free LaChoy  
Frozen Egg Rolls**  
Any one package of 15 Egg Rolls

**Retailer:** You are authorized as our agent to provide the bearer of this coupon with any one package of 15 LaChoy Frozen Egg Rolls upon surrender of this coupon to you. We will reimburse you up to a maximum of \$1.25 plus 7¢ handling provided you and the customer have complied with the terms of this offer. Presentation for redemption without such compliance constitutes fraud. Invoices proving purchase of sufficient stocks of the LaChoy item specified must be shown upon request. Cash value 1/20¢. Customer must pay any sales tax. Coupon good only in U.S.A. and void where prohibited, taxed or restricted. Mail coupons for payment to LaChoy Food Products, Box 1563, Clinton, Iowa 52734. Offer expires May 1, 1984.



50

44300 100334

**25¢ Off any Shedd's  
Spread Products**

**Retailer:** You are authorized to act as our agent for redemption of this coupon. We will pay you 25¢ plus 7¢ handling provided you and the customer have complied with the terms of this offer. This coupon good only when redeemed by you from the consumer at time of purchasing any Shedd's Spread or Shedd's Corn Spread item. Any sales tax must be paid by the consumer. Invoices showing your purchase of sufficient stock to cover all coupons redeemed must be shown on request. Void if taxed, restricted or prohibited by law, or if presented by outside agency, broker or institutional user. Cash value 1/20¢. Mail coupons to Shedd's Food Products, P.O. Box 1102, Clinton, Iowa 52734. Offer limited to one coupon per item. Offer expires May 1, 1984.



99991 126857

**Complete 6-Month  
Pocket Day-Timer Set**

**Includes:** Wallet Pen      6 Monthly Filers Address & Phone Directory      6-Year Planner File Box

You're on! Here's my dollar. I want to discover why over 2,000,000 busy executives and professionals use a Day-Timer Time/Planner to help them get more done in less time. I have no obligation to continue, and no further materials will be sent unless I specifically order them. 3902



Offer expires May 1, 1984.  
Ship to: Name \_\_\_\_\_  
Address \_\_\_\_\_  
City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_

Mail this coupon and \$1.00 today to: DAY-TIMERS, INC., P.O. Box 2368, Allentown, Pennsylvania 18001

**Save \$145.00 on  
Samsonite's 3-Piece Set  
of Freestyles™ Luggage**

Mail this coupon and a check or money order to:

**SAMSONITE CORPORATION**  
Code 123  
11200 E. 45th Avenue  
Denver, CO 80239

Item (Color: Charcoal)	Suggested List	Your Cost*	Quantity	Total
Carry-On	\$ 80.00	\$ 52.00		
Garment Bag	140.00	88.00		
26 Cartwheels*	120.00	76.00		
3-Piece Set (Carry-On, Garment Bag, 26 Cartwheel*)	340.00	195.00		
				<b>Total Cost</b>

\*Cost includes shipping and handling. This offer only good in the Continental United States. Allow four weeks for delivery. Offer expires May 1, 1984.

Name \_\_\_\_\_  
Address \_\_\_\_\_  
City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_

Up to 35% off on Stiffel lamps when you use this coupon to save. Select any of the lamps on the reverse side of this coupon. Just fill out, mail with your check and save. No limit on quantity. Allow 4-6 weeks for delivery.

Style	Height	Suggested Retail	Your Cost	Your Savings	Number of Lamps	Total Cost
5370-P	37"	\$250	\$169	32%		
5588-M	28 1/2"	\$195	\$139	30%		
5625-M	26 1/2"	\$185	\$119	35%		
Add \$10.00 Per Lamp for Freight & Handling Costs. \$10 x _____						<b>Total Cost</b>

Send to: **THE STIFFEL COMPANY**  
700 N. Kingsbury Street, Dept. A  
Chicago, IL 60640

Name \_\_\_\_\_  
Address \_\_\_\_\_  
City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_  
Send to: **THE STIFFEL COMPANY**  
700 N. Kingsbury, Chicago, IL 60640  
Offer expires May 1, 1984.

\$25.00 rebate when you purchase a Stiffel lamp from any Stiffel dealer. We'll mail you \$25.00 if you send us this coupon, your receipt and the inspection sticker from the bottom of any Stiffel lamp purchased between 5/1/83 and 5/1/84.

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## Financial Review 1983

51

25.

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### CONTENTS

Eleven Year Review .....	26.
Discussion and Analysis of Operations and Financial Condition .....	28.
<b>Consolidated Financial Statements</b>	
Consolidated Balance Sheet .....	31.
Statement of Consolidated Earnings .....	32.
Statement of Consolidated Stockholders' Equity .....	33.
Statement of Consolidated Changes in Financial Position .....	34.
Notes to Consolidated Financial Statements .....	35-46.
Accountants' Report .....	47.
Management Report On Financial Statements .....	47.

## Eleven Year Review\*

52

26

In Millions	1983	1982	1981	1980
Net Sales	\$9,188	\$9,024	\$8,773	\$8,291
Operating Expenses:				
Cost of Sales	6,597	6,682	6,511	6,153
Selling and Administrative	1,715	1,529	1,432	1,360
Depreciation	182	163	156	142
	8,494	8,374	8,099	7,655
Gross Operating Margin	694	650	674	636
Interest Expense	(114)	(90)	(96)	(91)
Interest Income and Other Income (Expense)	(314)	59	33	29
Pre-tax Earnings	266	619	611	574
Income Taxes	217	299	302	286
Earnings Before Equity in Earnings of Affiliated Companies, Minority Interests, and Special Items	49	320	309	288
Equity in Earnings of Affiliated Companies, Minority Interests, and Special Items	(6)	70**	(5)	2
Net Earnings	\$ 43	\$ 390	\$ 304	\$ 290
Total Assets	\$4,732	\$4,744	\$4,237	\$3,980
Long-Term Debt	\$ 772	\$ 759	\$ 691	\$ 659

### 1983 Supplemental Data Excluding Special Charges

Per Common Share	1983	1982	1981	1980
Earnings:				
Primary	\$ 3.06***	\$ .27	\$ 3.02**	\$ 2.94
Fully Diluted	\$ 2.91***	\$ .27	\$ 2.87**	\$ 2.79
Dividends	\$ 1.50	\$ 1.40	\$ 1.30	\$ 1.20
Book Value	\$19.77	\$21.95	\$19.63	\$17.95
Market Price:				
High	\$25.13	\$23.50	\$24.50	\$24.25
Low	\$18.00	\$16.75	\$16.25	\$18.50
Dividend Payout Ratio	49.0%***	555.6%	46.4%**	44.2%

### Ratios/Percent

Current Assets to Current Liabilities	1.60:1	1.73:1	2.13:1	1.96:1
Pre-tax Return on Sales	6.6%***	2.9%	6.9%**	6.9%
After-tax Return on Sales	3.6%***	.5%	3.5%**	3.5%
Effective Tax Rate	46.5%***	81.5%	48.2%**	49.8%
Return on Average Equity	13.1%***	1.9%	13.6%**	15.1%
Long-Term Debt to Equity	34.9%	31.3%	31.7%	32.9%

\*Amounts have not been restated for capitalization of leases prior to 1978, change to LIFO method for valuing inventories prior to 1982 and change in foreign currency translation method (FASB 52) prior to 1983.

\*\*Special items (gain on the sale of the Dannon business and cumulative effect of accounting change for investment tax credit) total \$77 million. Per share data and ratios are computed before these special items.

\*\*\*For information purposes only, these statistics are presented excluding special charges totaling \$345 million pre-tax (\$278 million after-tax) against 1983 earnings. See Letter to Stockholders for additional information.

1979	1978	1977	1976	1975	1974	1973
\$7,479	\$6,522	\$5,745	\$5,174	\$4,785	\$4,151	\$3,428
5,530	4,842	4,246	3,850	3,598	3,096	2,517
1,255	1,087	1,003	896	796	713	624
122	106	71	66	62	58	51
6,907	6,035	5,320	4,812	4,456	3,867	3,192
572	487	425	362	329	284	236
(73)	(58)	(34)	(37)	(35)	(24)	(19)
13	19	15	17	13	17	12
512	448	406	342	307	277	229
251	221	198	166	147	129	108
261	227	208	176	160	148	121
1	—	(2)	(1)	(1)	(2)	1
\$ 262	\$ 227	\$ 206	\$ 175	\$ 159	\$ 146	\$ 122
\$3,674	\$2,857	\$2,371	\$2,076	\$1,934	\$1,692	\$1,449
\$ 679	\$ 486	\$ 294	\$ 299	\$ 315	\$ 244	\$ 197
\$ 2.60	\$ 2.35	\$ 2.15	\$ 1.84	\$ 1.68	\$ 1.53	\$ 1.30
\$ 2.51	\$ 2.30	\$ 2.09	\$ 1.79	\$ 1.63	\$ 1.49	\$ 1.27
\$ 1.08	\$ .96	\$ .82	\$ .74	\$ .68½	\$ .62¾	\$ .59
\$16.32	\$14.70	\$13.24	\$11.70	\$10.48	\$ 9.37	\$ 8.32
\$28.25	\$26.13	\$28.50	\$25.88	\$22.63	\$28.50	\$30.25
\$21.50	\$22.00	\$21.50	\$18.00	\$12.13	\$16.63	\$21.50
41.5%	39.8%	38.5%	39.8%	40.4%	40.6%	43.4%
2.00:1	2.12:1	2.22:1	2.39:1	2.38:1	2.27:1	2.26:1
6.8%	6.9%	7.1%	6.6%	6.4%	6.7%	6.7%
3.5%	3.5%	3.6%	3.4%	3.3%	3.6%	3.5%
49.0%	49.3%	48.8%	48.5%	47.9%	46.6%	47.2%
16.1%	16.9%	17.2%	16.4%	16.6%	17.0%	16.0%
36.9%	34.3%	23.1%	26.7%	31.2%	26.8%	24.3%

## Discussion and Analysis of Operations and Financial Condition\*

54

28

### Fiscal 1983 Compared to 1982

Net sales rose 2 percent to \$9.2 billion. Segment earnings reached \$773 million, an increase of 7 percent, in part due to the acquisition of beverage operations in the fourth quarter of fiscal 1982 and during fiscal 1983. Net earnings decreased from \$390 million to \$43 million as a result of special charges of \$278 million in the current year and gains of \$77 million for special items in the prior year.

### SEGMENT RESULTS

Dairy & Agri-Products net sales were 6 percent lower at \$2.0 billion and segment earnings 7 percent lower at \$123 million due largely to the U.S. recessionary economy's effect on selling prices, unit volume and margins at agri-products operations. In addition, the absence of the Dannon business, which was divested in the second quarter of the prior year, adversely affected net sales and segment earnings comparisons.

Beverages net sales rose 56 percent to \$1.1 billion and segment earnings increased 67 percent to \$111 million primarily due to the acquisition of the Coca-Cola Bottling Company of Los Angeles, The Buckingham Corporation and other beverage companies whose combined sales and earnings exceeded the prior year sales and earnings of divested Royal Crown bottling operations. Beverages segment earnings were also favorably affected by higher margins from the acquired companies.

Grocery net sales were \$2.3 billion, an increase of less than 1 percent while segment earnings grew 9 percent to \$177 million. The improved margins resulted primarily from changes in product mix to higher margin products at ethnic food operations, higher selling prices at specialty meat operations and generally lower cost of commodities.

The International Food segment, which was adversely impacted by the continued strengthening of the U.S. dollar compared to most other currencies, reported a 4 percent net sales increase to \$1.8 billion and segment earnings of \$129 million, an increase of less than 1 percent. In local currencies, net sales increased 17 percent and segment earnings 11 percent over the prior year. These gains resulted primarily from unit volume and selling price increases in Europe, Canada and Latin America as well as acquisitions in Europe and Latin America.

Consumer, Industrial & Chemical's net sales declined 8 percent to \$1.9 billion. The decline is due to the impact of the U.S. recession on unit volume at industrial and chemical operations, and the absence of net sales from operations divested since

February 28, 1981. Segment earnings declined 1 percent to \$233 million primarily due to lower net sales at industrial and chemical operations and reduced operating margins at chemical operations. The decline was partially offset by higher segment earnings at consumer product operations. Changes in currency exchange rates adversely affected reported results.

### OTHER RESULTS

Interest income declined 41 percent and interest expense increased 27 percent, both of which were associated with the use of cash for acquisitions, primarily in the Beverages segment.

Special actions announced in the fourth quarter of fiscal 1983 resulted in pre-tax charges of \$345 million (\$278 million after-tax). These charges include a \$188 million goodwill write-down, a \$127 million pre-tax provision for planned divestitures and a \$30 million pre-tax provision for a voluntary early retirement program.

In fiscal 1983, Beatrice adopted FASB 52 for foreign currency translation. This change reduced net foreign currency translation losses and other expenses included in fiscal 1983 net earnings by \$11 million. After giving effect to FASB 52, translation losses were \$13 million in fiscal 1983 compared to \$2 million recorded under FASB 8 in the prior year.

The effective tax rate increased to 81.5 percent from 48.2 percent, due to the goodwill write-down which had no tax benefits associated with it. Excluding the \$188 million goodwill write-down, the effective tax rate would have been 47.8 percent.

\*These comments refer to Net Sales and Earnings by Business Segment on page 5 and to the Consolidated Financial Statements.

**Fiscal 1982 Compared to 1981**

Net sales rose to \$9.0 billion, an increase of 3 percent. Segment earnings were \$724 million, an increase of less than 1 percent due to a \$36 million LIFO charge. Net earnings increased 28 percent to \$390 million.

**SEGMENT RESULTS**

Dairy & Agri-Products net sales declined 2 percent to \$2.2 billion primarily due to the divestiture of the Dannon business and unit volume declines in agri-products operations. Segment earnings declined 5 percent to \$131 million due to decreased dairy and agri-products earnings and the absence of gains from the settlement of a class action anti-trust lawsuit which were recorded in the prior year.

Beverages net sales were 13 percent higher at \$705 million primarily due to increased selling prices and unit volume at the Royal Crown bottling operations prior to divestiture and the acquisition of Coca-Cola Bottling Company of Los Angeles and The Buckingham Corporation in the fourth quarter. Segment earnings, which declined 15 percent to \$66 million, were negatively affected by both a LIFO charge of \$16 million and the effects of weather-related crop damage in Florida at Tropicana Products, Inc.

Grocery net sales increased 6 percent to \$2.3 billion primarily due to new products and higher selling prices at grocery operations, new products and expanding geographic market coverage at specialty meat operations, sales promotions at institutional food operations and selling price increases of confectionery and snack products. The increase in segment earnings of 3 percent to \$162 million was a result of increased net sales partially offset by a LIFO charge of \$5 million and reduced margins at institutional food operations.

International Food net sales increased 1 percent to \$1.8 billion. Segment earnings increased 19 percent to \$129 million primarily due to improved margins on higher net sales at Latin American and Canadian operations and the absence of litigation expenses which were incurred in the prior year. Changes in currency exchange rates adversely affected reported results.

Consumer, Industrial & Chemical net sales rose 2 percent to \$2.1 billion primarily due to increased unit volume and selling prices of chemical products and improvements at consumer product operations partially offset by the loss of sales from divested operations. Segment earnings were lower at \$236 million, a decline of 3 percent, due to a LIFO charge of \$14 million and the adverse effect of changes in currency exchange rates. Excluding the effect of the LIFO charge, segment earnings increased 3 percent.

**OTHER RESULTS**

Unallocated operating expense increased due to costs associated with an increase in the corporate self-insurance reserve and other corporate programs.

Interest income rose 93 percent to \$78 million due to an increase in the level of short-term investments and generally higher interest rates through most of the fiscal year. Interest expense declined 7 percent to \$90 million due to a reduction in long-term debt through most of the fiscal year.

Losses and provision for losses on divestitures were reduced due to the gain on the sale of Royal Crown bottling operations. Net other income was substantially lower due to a gain on the sale of debentures realized in the prior fiscal year. Capital gains and lower foreign tax rates were the primary reasons for the improvement in the effective tax rate from 49.4 percent to 48.2 percent.

**FINANCIAL CONDITION AND INFLATION**

**Internal Funds:** Funds are derived primarily from operations; however, from time to time additional debt and/or equity is required. Cash provided by operations was \$603 million in fiscal 1983 compared to \$623 million in fiscal 1982 and \$559 million in fiscal 1981.

During fiscal 1983, 1982 and 1981, the other primary sources of funds were the issuance of long-term debt, short-term debt and the proceeds from the sale of various operations. During this period significant funds were used for the acquisition of companies, capital expenditures and dividends. Additional details can be found in Notes to Consolidated Financial Statements. Operations are expected to be the primary source of cash in fiscal 1984 with divestitures contributing substantial additional amounts.

**Working Capital:** At February 28, 1983, current assets exceeded current liabilities by \$816 million, a decline of \$105 million from the prior fiscal year-end. The decline was caused primarily by a 9 percent reduction in inventories resulting from improved control of raw material and finished goods inventory levels and the absence of inventories of operations divested during fiscal 1983. In addition, short-term debt increased 51 percent to help finance several acquisitions and the purchase of treasury stock.

**Leverage:** The total debt to equity ratio at fiscal 1983 year-end increased to 47 percent from 39 percent at the end of fiscal 1982. This change is principally due to the increase in short-term debt, the decrease in retained earnings from special charges taken in fiscal 1983 and the cumulative foreign currency translation adjustment. The balance in other noncurrent liabilities increased 119 percent from fiscal 1982 year-end due to the establishment of reserves for losses on divestitures and for the voluntary early retirement program.

At February 28, 1983, informal lines of bank credit and revolving credit agreements of approximately \$523 million were available if needed for short-term liquidity. Management considers the current sources of liquidity acceptable for the near-term and does not anticipate a material change in the nature of its liquidity needs unless a significant acquisition arises in the future.

**Capital Expenditures:** Net expenditures for property, plant and equipment during fiscal 1983 totaled \$211 million, slightly lower than the \$216 million spent in fiscal 1982 and \$215 million spent in fiscal 1981. Capital expenditures are expected to increase in fiscal 1984. Spending levels will be influenced by economic conditions.

**Inflation:** The high rate of inflation experienced throughout the world during recent years has increased the cost of doing business. Management recognizes the effects of inflation on its businesses and, accordingly, has taken steps to minimize those effects and the related tax consequences. This includes the change to the LIFO inventory method for the major portion of its domestic inventories in fiscal 1982.

Additional information on the impact of inflation can be found in note 13 of Notes to Consolidated Financial Statements.

## Consolidated Balance Sheet

57

As of Last Day of February, 1983 and 1982

31.

### ASSETS

<i>(In Millions Except Share Data)</i>	1983	1982
<b>Current assets:</b>		
Cash	\$ 133.6	\$ 75.6
Short-term investments, at cost which approximates market	130.7	149.2
Receivables, less allowance for doubtful accounts of \$26.8 (1982—\$26.4)	892.4	874.8
Inventories	881.0	965.1
Other current assets	129.4	114.2
<b>Total current assets</b>	<b>2,167.1</b>	<b>2,178.9</b>
Investments in affiliated companies	46.7	53.2
Net property, plant and equipment	1,664.4	1,527.8
Inangible assets, principally goodwill	725.7	863.1
Noncurrent receivables	88.5	84.8
Other noncurrent assets	39.3	36.1
	<b>\$4,731.7</b>	<b>\$4,743.9</b>

### LIABILITIES AND STOCKHOLDERS' EQUITY

<b>Current liabilities:</b>		
Short-term debt	\$ 209.3	\$ 138.2
Accounts payable	583.5	579.4
Accrued expenses	495.7	489.3
Current portion of long-term debt	62.8	51.0
<b>Total current liabilities</b>	<b>1,351.3</b>	<b>1,257.9</b>
Long-term debt	772.4	759.0
Other noncurrent liabilities	222.8	101.7
Deferred income taxes	85.4	108.2
Deferred income	22.5	24.6
Minority interests	62.5	70.5
<b>Stockholders' equity:</b>		
Preference stock (without par value)		
Authorized 20,000,000 shares.		
Issued and outstanding 4,896,656 shares (1982—5,001,308 shares) at stated values.	253.8	259.2
Common stock (without par value)		
Authorized 200,000,000 shares.		
Issued 101,635,032 shares (1982—98,543,633 shares) at \$1.85 stated value.	183.0	182.3
Additional capital	161.4	107.4
Retained earnings	1,750.7	1,873.8
Treasury stock 2,551,490 shares at cost (1982—104,901 shares)	(49.9)	(.7)
Cumulative foreign currency translation adjustment	(89.2)	—
<b>Total stockholders' equity</b>	<b>2,214.8</b>	<b>2,422.0</b>
	<b>\$4,731.7</b>	<b>\$4,743.9</b>

See Notes to Consolidated Financial Statements.

## Statement of Consolidated Earnings

58

32. Years Ended Last Day of February, 1983, 1982 and 1981

<i>(In Millions Except Per Share Data)</i>	1983	1982	1981
Net sales	\$9,188.2	\$9,023.5	\$8,772.8
Operating expenses:			
Cost of sales, excluding depreciation	6,597.2	6,681.8	6,510.8
Selling and administrative expenses, excluding depreciation	1,715.2	1,528.6	1,432.3
Depreciation	181.6	163.2	155.4
Total operating expenses	8,494.0	8,373.6	8,098.5
Gross operating margin	694.2	649.9	674.3
Other income (expense):			
Interest income	45.8	77.7	40.2
Interest expense	(113.8)	(89.8)	(96.4)
Gains (losses) and provision for losses on divestitures	(140.1)	(13.1)	(20.2)
Goodwill write-down	(187.6)	(9.7)	(6.4)
Provision for voluntary early retirement program	(30.0)	—	—
Other, net	(2.8)	3.9	19.7
Total other income (expense)	(428.5)	(31.0)	(63.1)
Earnings before income taxes, equity in earnings of affiliated companies, minority interests and special items	265.7	618.9	611.2
Provision for income taxes	216.5	298.6	301.7
Earnings before equity in earnings of affiliated companies, minority interests and special items	49.2	320.3	309.5
Equity in earnings of affiliated companies	6.6	6.4	7.6
Minority interests	(12.6)	(13.5)	(12.9)
Earnings before special items	43.2	313.2	304.2
Special items*	—	76.9	—
Net earnings	\$ 43.2	\$ 390.1	\$ 304.2
Primary earnings per share:			
Before special items	\$ .27	\$ 3.02	\$ 2.94
Special items*	—	.78	—
Primary earnings per share	\$ .27	\$ 3.80	\$ 2.94
Fully diluted earnings per share:			
Before special items	\$ .27	\$ 2.87	\$ 2.79
Special items*	—	.71	—
Fully diluted earnings per share	\$ .27	\$ 3.58	\$ 2.79

\*Special items include \$45.1 million gain (net of \$22.7 million in taxes) from the sale of the Dannon business (per share effect of \$.46 primary; \$.42 fully diluted) and \$31.8 million cumulative effect of the change in accounting principle for investment tax credit (per share effect of \$.32 primary; \$.29 fully diluted).

See Notes to Consolidated Financial Statements.

## Statement of Consolidated Stockholders' Equity

59

Years Ended Last Day of February, 1983, 1982 and 1981

33.

	Number of Shares (In Thousands)			Stockholders' Equity (In Millions)					Cumulative Foreign Currency Translation Adjustment
	Preference Stock	Issued Common Stock	Treasury Stock	Preference Stock	Issued Common Stock	Additional Capital	Retained Earnings	Treasury Stock	
Balance, February 29, 1980	5,031	96,980	35	\$261.1	\$179.4	\$ 91.1	\$1,473.4	\$ —	\$ —
Net earnings	—	—	—	—	—	—	304.2	—	—
Conversion of preference stock	(21)	93	—	(1.5)	.2	1.3	—	—	—
Conversion of debentures	—	618	—	—	1.1	12.4	—	—	—
Exercise of stock options	—	104	—	—	.2	1.5	—	—	—
Stock contributed to employee stock benefit plans (forfeitures shown as treasury stock)	—	43	10	—	.1	.5	—	—	—
Dividends paid on:	—	—	—	—	—	—	(126.5)	—	—
Common stock	—	—	—	—	—	—	(17.0)	—	—
Preference stock	—	—	—	—	—	—	—	—	—
Sundry	—	—	36	—	—	.1	—	(.1)	—
Balance, February 28, 1981	5,010	97,838	81	259.6	181.0	106.9	1,634.1	(.1)	—
Net earnings	—	—	—	—	—	—	390.1	—	—
Conversion of preference stock	(9)	24	(17)	(.4)	—	—	—	.3	—
Conversion of debentures	—	26	(56)	—	.1	.6	—	1.0	—
Exercise of stock options	—	6	(8)	—	—	.2	—	—	—
Forfeitures of stock previously contributed to employee stock benefit plans	—	—	5	—	—	(.1)	—	—	—
Purchase of treasury stock	—	—	100	—	—	—	—	(1.9)	—
Dividends paid on:	—	—	—	—	—	—	(136.9)	—	—
Common stock	—	—	—	—	—	—	(16.9)	—	—
Preference stock	—	—	—	—	—	—	—	—	—
Sundry	—	650	—	—	1.2	(.2)	3.4	—	—
Balance, February 28, 1982	5,001	98,544	105	259.2	182.3	107.4	1,873.8	(.7)	—
Net earnings	—	—	—	—	—	—	43.2	—	—
Conversion of preference stock	(104)	—	(205)	(5.4)	—	2.8	—	2.6	—
Conversion of debentures	—	—	(106)	—	—	—	—	2.1	—
Stock contributed to employee stock benefit plans (forfeitures shown as treasury stock)	—	57	11	—	.1	.7	—	—	—
Purchase of treasury stock	—	—	2,746	—	—	—	—	(53.9)	—
Stock issued for assets of purchased companies	—	3,034	—	—	5.6	50.5	—	—	—
Dividends paid on:	—	—	—	—	—	—	(149.5)	—	—
Common stock	—	—	—	—	—	—	(16.8)	—	—
Preference stock	—	—	—	—	—	—	—	—	—
Cumulative foreign currency translation adjustment	—	—	—	—	—	—	—	—	(89.2)
Balance, February 28, 1983	4,897	101,635	2,551	\$253.8	\$188.0	\$161.4	\$1,750.7	\$(49.9)	\$(89.2)

See Notes to Consolidated Financial Statements.

## Statement of Consolidated Changes in Financial Position

60

34. Years Ended Last Day of February, 1983, 1982 and 1981

<i>(In Millions)</i>	1983	1982	1981
<b>Cash provided (used) by operations:</b>			
Earnings before special items	\$ 43.2	\$ 313.2	\$ 304.2
Items which did not currently use cash:			
Depreciation and amortization	220.0	182.8	170.6
Goodwill write-down	187.6	9.7	6.4
Increase in divestiture reserve, current and noncurrent	106.8	44.0	.6
Deferred taxes and other items	28.4	41.5	24.8
<b>Cash provided by earnings before special items</b>	<b>586.0</b>	<b>591.2</b>	<b>506.6</b>
Changes in working capital items affecting operations:			
(Increase) in receivables	(39.4)	(40.3)	(10.9)
Decrease in inventories	60.6	7.0	41.7
(Increase) in other current assets	(17.3)	(51.7)	(.8)
Increase in accounts payable and accrued expenses other than divestiture reserve	13.5	116.7	22.4
<b>Cash provided by operations</b>	<b>603.4</b>	<b>622.9</b>	<b>559.0</b>
<b>Cash provided (used) by investment activities:</b>			
Net expenditures for property, plant and equipment	(210.6)	(216.0)	(215.1)
Property, plant and equipment acquired through purchase of other companies	(212.9)	(226.1)	(9.6)
Intangible assets acquired	(113.4)	(434.6)	(18.1)
Investments in affiliated companies	(4.5)	(.8)	(4.4)
Change in noncurrent receivables	(4.3)	6.8	(42.7)
Disposal of net property, plant and equipment of divested operations	34.8	59.3	24.7
Sale of the Dannon business	-	54.5	-
Other items	13.2	(4.3)	10.5
<b>Cash used by investment activities</b>	<b>(497.7)</b>	<b>(761.2)</b>	<b>(254.7)</b>
<b>Cash provided (used) by financing activities:</b>			
Increases in long-term debt, including current portion	186.3	133.4	178.6
Fair value of common stock issued for assets of purchased companies	56.1	-	-
Issuance of common stock upon conversion of preference stock and debentures	7.5	2.0	15.0
Preference stock and debentures (net) retired upon conversion into common stock	(7.5)	(2.0)	(15.0)
Purchase of treasury stock	(53.9)	(1.9)	-
Reductions in long-term debt, including current portion	(166.5)	(53.0)	(123.8)
Increase (decrease) in short-term debt	79.7	15.8	(21.3)
Other items	(1.6)	5.1	13.4
<b>Cash provided by financing activities</b>	<b>100.1</b>	<b>99.4</b>	<b>46.9</b>
<b>Cash provided (used) before dividend payments</b>	<b>205.8</b>	<b>(38.9)</b>	<b>351.2</b>
<b>Cash dividends paid</b>	<b>(166.3)</b>	<b>(153.8)</b>	<b>(143.5)</b>
<b>Increase (decrease) in cash and short-term investments</b>	<b>39.5</b>	<b>(192.7)</b>	<b>207.7</b>
<b>Cash and short-term investments at beginning of year</b>	<b>224.8</b>	<b>417.5</b>	<b>209.8</b>
<b>Cash and short-term investments at end of year</b>	<b>\$264.3</b>	<b>\$ 224.8</b>	<b>\$ 417.5</b>

See Notes to Consolidated Financial Statements.

**1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Principles of Consolidation.** The consolidated financial statements include all significant majority owned subsidiaries. Intercompany transactions and balances have been eliminated in consolidation. Investments in most 20% to 50% owned companies and joint ventures (affiliated companies) are carried on the equity method. Subsidiaries operating outside the United States are included on the basis of fiscal years generally ending on December 31.

**Inventories.** Inventories are valued at the lower of cost or market. Prior to 1982, inventories were stated principally on the first-in, first-out (FIFO) cost basis. Beginning in 1982, substantially all inventories located in the United States are stated on the last-in, first-out (LIFO) cost basis. For all other inventories, primarily international, the FIFO cost basis is generally used. The FIFO amount of inventories exceeds that of the LIFO inventories by approximately \$54.8 million and \$51.8 million at February 28, 1983 and 1982, respectively.

**Net Property, Plant and Equipment.** Property, plant and equipment are stated at cost. The lease rights of capitalized leases and capitalized interest costs are recorded in the balance sheet as property, plant and equipment. The related lease obligations of the capitalized leases are accounted for as liabilities.

Depreciation is provided principally on the straight-line method for financial reporting purposes and on accelerated methods for income tax purposes where possible. Amortization of capitalized leases and capitalized interest costs is included with depreciation expense. The amount of interest capitalized was not material in any year.

**Intangible Assets.** Intangible assets (principally goodwill) generally are amortized using the straight-line method over periods not in excess of 40 years. Amortized amounts are not accumulated but are deducted directly from the related asset.

Goodwill is written down when there is evidence of a permanent loss in its value. Such write-downs in 1983 included \$170 million associated with Tropicana Products, Inc.

**Income Taxes.** Certain items of income and expense (principally depreciation, provision for losses on divestitures, self-insurance and deferred compensation) are reported differently for income tax purposes than for financial reporting purposes. The tax effects of such differences are reflected in the financial statements as prepaid or deferred income taxes.

Beginning in 1982, investment tax credit is recognized on the flow-through method. In prior years, investment tax credit was deferred and amortized to earnings over the lives of the related assets over a maximum of seven years.

**Calculation of Earnings Per Share.** Primary earnings per share is computed by adjusting net earnings for preference stock dividends and the after-tax interest expense on the 4 $\frac{7}{8}$ % debentures, and dividing that amount by the weighted average number of shares of common stock and common stock equivalents (stock options and 4 $\frac{7}{8}$ % debentures) outstanding during the period. Fully diluted earnings per share is computed by adjusting net earnings for the after-tax interest expense on all convertible debentures and dividing that amount by the sum of the weighted average number of shares of common stock and shares issuable for stock options and for the assumed full conversion of preference stock and convertible debentures. If the effect of the assumed conversion of any security is anti-dilutive, then the primary earnings per share calculation is used for that security in the determination of fully diluted earnings per share.

**Pension Plans.** Beatrice has pension plans which cover salaried employees and certain hourly-paid employees. In general, it is Beatrice's policy to fund pension costs currently. Approximately 80% of Beatrice's prior service costs are amortized to expense over periods not exceeding thirty years. The remaining prior service costs are being amortized over a forty year period. Beatrice contributes to other plans jointly administered by industry and union representatives.

## 36. Note 1) Summary of Significant Accounting Policies, continued.

**Accounting Changes.** During 1983, Beatrice adopted the provisions of Statement of Financial Accounting Standards No. 52 (FASB 52) for foreign currency translation. This change reduced net foreign currency translation losses and other expenses included in fiscal 1983 net earnings by \$11.2 million or an effect of \$.11 on earnings per share. Prior years' financial statements, which were prepared under the provisions of Statement of Financial Accounting Standards No. 8, have not been restated, since the effect would not be material.

During 1982, Beatrice made two significant accounting changes. The last-in, first-out (LIFO) cost basis was adopted for substantially all inventories located in the United States, resulting in decreased net earnings in 1982 of \$18.8 million (per share effect: \$.19 primary; \$.17 fully diluted). Pro forma effects of retroactive application of LIFO to years prior to 1982 are not determinable, and thus there is no cumulative effect on retained earnings at the beginning of that year. Also in 1982, Beatrice changed from the deferred method to the flow-through method of accounting for investment tax credit. The cumulative effect of the change was an increase in net income of \$31.8 million (per share effect: \$.32 primary; \$.29 fully diluted) for the first quarter and entire year of 1982. If the flow-through rather than the deferred method of accounting for investment tax credit had been used in 1981, net earnings and related per share amounts would not be materially different from those reported.

**Reclassification.** Certain amounts for previous years in the consolidated financial statements have been reclassified to conform to the presentation used for 1983.

## 2 ACQUISITIONS AND DIVESTITURES

**Acquisitions.** During 1983, a number of companies were acquired in purchase transactions for \$226.4 million in cash and 3.0 million shares of common stock. The excess of purchase price over the fair value of the net assets acquired has been recorded as an intangible asset to be amortized over 40 years. The two largest acquisitions in 1983 were Coca-Cola Bottling Company of San Diego for 3.0 million shares of common stock and \$23.9 million, and Termicold Corporation for \$115.2 million.

During 1982, a number of companies were acquired for \$642.6 million. The two largest acquisitions that year were the Beverages Segment of Northwest Industries, Inc. (which included the Coca-Cola Bottling Company of Los Angeles, The Buckingham Corporation and their respective affiliates) for \$580.0 million, and LouverDrape, Inc., for approximately \$41.0 million.

The results of operations of companies acquired in purchase transactions in 1983, 1982 and 1981 are included in Beatrice's results of operations subsequent to their respective acquisition dates. The effects of these transactions were not significant to Beatrice in any of those years except for the four acquisitions mentioned previously. The summarized pro forma results of operations, assuming these four named acquisitions were acquired as of the beginning of 1982, are:

Pro Forma* (In Millions Except Per Share Data)	1983	1982
Net sales	\$9,247	\$9,655
Net earnings	40	280**
Earnings per share:		
Primary	.23	2.60**
Fully diluted	.23	2.50**

\*Includes results of operations through disposal date for companies divested in both years.

\*\*Before special items.

**Divestitures.** Beatrice has divested and planned the divestiture of a number of operations in 1981, 1982 and 1983. The net after-tax gains and losses and provisions for losses recognized by Beatrice in 1981 were not material to Beatrice's results of operations for that year.

In 1982, Beatrice sold its Dannon yogurt business for a pre-tax gain of \$67.8 million (\$45.1 million after-tax) and its Royal Crown bottling operations for a pre-tax gain of \$48.0 million (\$32.4 million after-tax). In addition, Beatrice incurred losses, net of gains, of \$13.7 million pre-tax (\$7.4 million after-tax) on other divested operations. Beatrice also provided for losses on planned divestitures in the amount of \$47.4 million pre-tax (\$31.9 million after-tax). These losses are estimated to be incurred upon the divestiture of a number of operations which management expects to sell or close because they no longer contribute adequately to Beatrice's corporate goals.

In 1983, Beatrice has continued this divestiture program and has provided for additional losses on planned divestitures in the amount of \$127.4 million pre-tax (\$75.0 million after-tax). In addition, Beatrice incurred losses of \$12.7 million pre-tax (\$8.6 million after-tax) in 1983 on divested operations.

Tables presenting sales and segment earnings of operations divested through the end of fiscal 1983 and operations to be divested are included in the business segment data presented on page 5 of this report. In addition, identifiable assets of operations to be divested can be found in note 10.

**3 BALANCE SHEET COMPONENTS**

The components of certain balance sheet accounts as of the last day of February, 1983 and 1982 are:

<i>(In Millions)</i>	1983	1982
<b>Inventories</b>		
Raw materials and supplies	\$ 288.5	\$ 339.1
Work in process	155.1	156.4
Finished goods	437.4	469.6
<b>Total</b>	<b>\$ 881.0</b>	<b>\$ 965.1</b>

**Other Current Assets**

Prepaid income taxes	\$ 76.9	\$ 62.9
Other	52.5	51.3
<b>Total</b>	<b>\$ 129.4</b>	<b>\$ 114.2</b>

**Net Property, Plant and Equipment**

Land	\$ 130.6	\$ 109.4
Buildings	919.8	830.6
Machinery and equipment	1,465.7	1,418.5
	2,516.1	2,358.5
Less accumulated depreciation	851.7	830.7
<b>Net</b>	<b>\$1,664.4</b>	<b>\$1,527.8</b>

**Accrued Expenses**

Employee compensation and benefits	\$ 159.1	\$ 166.1
Divestiture reserve	87.3	60.2
Taxes, other than income taxes	39.4	36.3
Income taxes	118.3	136.0
Other accruals	91.6	90.7
<b>Total</b>	<b>\$ 495.7</b>	<b>\$ 489.3</b>

**4 LEASES**

Leased property is included in net property, plant and equipment as follows:

<i>(In Millions)</i>	1983	1982
Real property	\$144.3	\$141.8
Machinery and equipment	55.0	45.4
	199.3	187.2
Less accumulated depreciation	61.4	63.6
<b>Net</b>	<b>\$137.9</b>	<b>\$123.6</b>

Future minimum rentals under capital subleases as of February 28, 1983 are \$6.5 million. Contingent rent under capital leases was \$1.2 million, \$1.6 million and \$1.3 million for fiscal years 1983, 1982 and 1981, respectively.

Future minimum payments under noncancellable leases as of February 28, 1983 are:

<i>(In Millions)</i>	Capital Leases	Operating Leases
1984	\$ 27.7	\$ 26.3
1985	23.7	20.0
1986	19.6	14.2
1987	16.8	10.9
1988	14.5	8.1
Later years	142.0	26.7
<b>Total minimum lease payments</b>	<b>244.3</b>	<b>\$106.2</b>
Less estimated executory costs	2.0	
<b>Net minimum lease payments</b>	<b>242.3</b>	
Less amount representing interest	107.6	
<b>Present value of net minimum lease payments</b>	<b>\$134.7</b>	

Future minimum rental receipts under noncancellable operating subleases as of February 28, 1983 are \$2.9 million.

Rent expense for operating leases for 1983, 1982 and 1981 was:

<i>(In Millions)</i>	1983	1982	1981
Minimum rent	\$52.5	\$50.0	\$41.0
Contingent rent	4.2	5.8	12.8
	56.7	55.8	53.8
Less sublease rentals	1.2	1.4	2.2
<b>Net</b>	<b>\$55.5</b>	<b>\$54.4</b>	<b>\$51.6</b>

## 5 SHORT-TERM DEBT AND COMPENSATING CASH BALANCES

The components of Beatrice's short-term debt and related interest rates for each fiscal year are:

(Dollars in Millions)	1983	1982	1981
Domestic borrowings, principally commercial paper	\$122	\$ 44	\$ —
International borrowings, principally bank debt	87	94	122
<b>Total short-term debt at year-end</b>	<b>\$209</b>	<b>\$138</b>	<b>\$122</b>
Weighted average interest rate at year-end	10.9%	15.1%	14.7%
Maximum amount outstanding during the year	\$261	\$316	\$227
Average amount outstanding during the year	\$192	\$133	\$119
Weighted average interest rate during the year	14.2%	16.6%	17.1%

The average amounts of short-term debt outstanding during each of the years are calculated by averaging all month-end balances for each year. The associated weighted average interest rates are exclusive of the cost of maintaining certain compensating balances. These average rates represent total short-term interest expense divided by the average balances outstanding.

Beatrice's credit lines are adjusted as needs change. As of February 28, 1983, Beatrice has \$250 million committed lines of credit under revolving credit agreements, and \$273 million informal lines of credit, with both foreign and domestic banks. Commitment fees for these credit lines range between ¼ and ½ of 1% of the unused credit. Alternatively, in some cases Beatrice has informally agreed to maintain compensating balances ranging between 3% and 10% of the unused credit. Such compensating balance requirements were approximately \$1 million and \$6 million as of February 28, 1983 and 1982, respectively. There are no legal restrictions on the use of such compensating balances. Borrowings under any lines of credit are at interest rates ranging between prime and 104% of prime or, at Beatrice's option, borrowings under the revolving credit agreements may instead be priced at rates based upon U.S. dollar bank certificates of deposit rates or provided in Eurodollars or other convertible currencies at rates based upon the London interbank rate. At February 28,

1983, these revolving credit agreements are available to Beatrice for periods of three and four years. Beatrice's informal lines of credit as of the last day of February, 1983 and 1982 are:

(In Millions)	1983	1982
Maximum lines of credit:		
Domestic	\$161	\$168
International	112	161
Borrowings under lines of credit:		
International	\$ 32	\$ 60

## 6 LONG-TERM DEBT

The balance of long-term debt is composed of:

(In Millions)	1983	1982
<b>Sinking fund debentures:</b>		
9% due 1983 to 1985	\$ 2.0	\$ 3.0
7% due 1983 to 1994	21.8	22.2
8½% due 1989 to 2008	54.9	54.9
10% due 1991 to 2010	150.0	150.0
<b>Convertible subordinated debentures:</b>		
7¼% due 1983 to 1990	2.7	3.3
6¼% due 1983 to 1991	19.1	19.9
4½% due 1983 to 1992	22.5	24.6
4% due 1993	4.3	5.8
<b>Other debt:</b>		
9.5% notes due 1983	8.5	8.5
7% notes due 1983	—	100.0
8¼% notes due 1983 to 1984	12.2	12.2
8.9% notes due 1983 to 1986	20.0	25.0
8¼% notes due 1983 to 1987	11.1	11.5
9% notes due 1983 to 1995	48.0	52.0
Zero coupon notes, payments due:		
May, 1984—\$114.3		
Feb., 1992—\$250.0		
May, 2014—\$114.3	176.9	64.4
Miscellaneous, due various dates through 2012 (10.5% weighted average effective rate)	146.5	122.6
Capital lease obligations (7.7% weighted average effective rate)	134.7	130.1
	835.2	810.0
Less current portion (Includes capital lease obligations of \$16.1 and \$15.4 for 1983 and 1982, respectively)	62.8	51.0
<b>Total long-term debt</b>	<b>\$772.4</b>	<b>\$759.0</b>

The 7¼%, 6¼%, 4½% and 4% convertible subordinated debentures are convertible into common stock at rates of 57.142, 43.716, 35.714 and 43.956 shares of common stock, respectively, for each one thousand dollar principal amount.

During the fourth quarter of 1983, Beatrice transferred short-term investments, which mature at the end of April 1983, to an irrevocable trust established for the purpose of funding the repayment of the \$100.0 million 7¼% notes due May 1, 1983. Accordingly, the short-term investments of \$106.5 million, including accrued interest receivable, have been offset in the balance sheet against the debt and the related accrued interest payable.

The aggregate annual maturities and sinking fund requirements of long-term debt, including obligations of capitalized leases, for the five years following February 28, 1983 are:

(In Millions)	Amount
1984	\$ 63
1985	171
1986	42
1987	37
1988	25

#### STOCKHOLDERS' EQUITY

Preference Stock. The components of outstanding preference stock are:

(Dollars In Millions)	1983	1982
\$2.70 Convertible, \$60.00 stated value, 4,386 shares in 1983 and 4,693 shares in 1982 Conversion price—\$12.875	\$ .3	\$ .3
\$4.00 Convertible, \$10.00 stated value, 22,774 shares in 1983 and 24,907 shares in 1982 Conversion price—\$20.00	.2	.2
\$4.50 Convertible, \$100.00 stated value, 1,379 shares in 1983 and 2,590 shares in 1982 Conversion price—\$22.62	.1	.3
Series A Cumulative Convertible, \$52.00 stated value, 4,868,117 shares in 1983 and 4,969,118 shares in 1982 Conversion price—\$27.957	253.2	258.4
<b>Total</b>	<b>\$253.8</b>	<b>\$259.2</b>

All outstanding shares of preference stock are convertible into common stock at the conversion prices stated above based upon the respective stated values of each series, except the conversion price of the \$4.00 series is based upon a value of \$100.00 per share. The reduction of outstanding shares of each series of preference stock during fiscal 1983 was due to conversions into common stock.

Outstanding preference stock is redeemable at Beatrice's option at the stated value, except the \$4.00 series is redeemable at \$100.00 per share and the Series A is redeemable at \$55.00 per share beginning August 8, 1983, declining to \$52.00 beginning August 8, 1986. In addition, the Series A stock may be redeemed prior to August 8, 1986 only if the dividends paid on the underlying common stock during the twelve months preceding the redemption total at least 105% of the dividends paid on the Series A stock. At the time any preference stock is redeemed, Beatrice is also required to pay an additional amount equal to all dividends accrued or in arrears on the shares being redeemed through the date fixed for redemption.

The preference stock is preferred as to assets over common stock in the event of voluntary liquidation by an amount per share equal to the then current redemption price. The preference stock has preference upon involuntary liquidation in an amount equal to the stated value of such stock, except the \$4.00 series has a preference of \$100.00 per share. Aggregate liquidation value of the preference stock as of February 28, 1983 and 1982 was \$255.8 million and \$261.4 million, respectively. There are no restrictions upon retained earnings resulting from the excess of the involuntary liquidation preference over the stated value of preference stock.

**Common Stock.** As of February 28, 1983, an aggregate of 14,231,332 shares of Beatrice common stock was reserved for issuance for:

	Shares of Beatrice Common Stock
Exercise of stock options	2,000,000
Conversion of preference stock	9,195,099
Conversion of debentures	1,975,283
Incentive deferred compensation plans	1,060,950
<b>Total</b>	<b>14,231,332</b>

In 1983, Beatrice's shareholders approved the "Beatrice Foods Co. Performance Unit Plan." This plan is directly related to Beatrice's financial performance and permits payment in cash or Beatrice common stock at the end of the performance period. The maximum number of shares of Beatrice common stock available for payment under the performance unit plan will not

## 40. Note 7) Stockholders' Equity, continued.

exceed 200,000. During the year, shareholders also approved the "1982 Stock Option Plans" (individually the "1982 Incentive Stock Option Plan" and the "1982 Non-Qualified Stock Option Plan"). These plans permit purchase of Beatrice's common stock at prices not less than 100% of market value at the date of grant. The number of shares of common stock which may be issued under the 1982 stock option plans, in the aggregate, may not exceed 2 million. Options granted under these plans may not be exercised during the first twelve months after the date of grant and expire not later than ten years thereafter. Options may not be granted under the 1982 plans after February 29, 1992. All other stock option plans had ended by February 28, 1983.

The shares under option at the beginning and end of the year, and changes during the year, are:

	1983	1982
Beginning of year	20,337	107,998
Options granted	1,568,500	—
Options exercised	—	(14,283)
Options cancelled	(69,487)	(73,378)
End of year	1,519,350	20,337

The total option price of options exercised during 1982 was \$.2 million. The total option price of options outstanding at February 28, 1983 and 1982 was \$29.3 million and \$.6 million, respectively. As of February 28, 1983, no stock options were currently exercisable.

**Treasury Stock.** During 1983, Beatrice announced plans to purchase up to 3.0 million shares of its common stock to replace stock issued for the acquisition of Coca-Cola Bottling Company of San Diego. Additionally, in 1982, Beatrice adopted a plan to acquire treasury shares for purposes of conversions, exercises of stock options, and issuances under the incentive deferred compensation plans. Total shares purchased under these plans were 2.7 million and .1 million in 1983 and 1982, respectively. Treasury shares also were acquired in 1983 and 1982 upon the forfeiture of shares previously issued under incentive deferred compensation plans.

**Retained Earnings.** Retained earnings include approximately \$23.5 million and \$19.7 million at February 28, 1983 and 1982, respectively, representing undistributed earnings of affiliated companies.

Internationally, there are currency controls over the remittance of dividends. The effect of these restrictions on the payment of dividends is not considered significant to Beatrice's consolidated operations.

There are no material restrictions on retained earnings.

**INCOME TAXES**

The provision for income taxes for the years ended the last day of February, 1983, 1982 and 1981 comprises:

(In Millions)	1983	1982	1981
<b>Current taxes:</b>			
Domestic Federal	\$155.3	\$211.3	\$170.5
International	73.8	77.6	60.0
Domestic state and local	21.5	33.5	33.0
	250.6	322.4	263.5
<b>Deferred taxes:</b>			
Domestic Federal:			
Accelerated tax depreciation	14.0	12.7	12.3
Divestiture reserve	(42.7)	(11.8)	(2.4)
Voluntary early retirement program	(13.8)	—	—
Other	15.1	(18.1)	22.6
International	(.8)	(4.0)	5.7
Domestic state and local	(5.9)	(2.6)	—
	(34.3)	(23.8)	38.2
<b>Total</b>	<b>\$216.5</b>	<b>\$298.6</b>	<b>\$301.7</b>

Earnings before income taxes, equity in earnings of affiliated companies, minority interests and special items are:

(In Millions)	1983	1982	1981
Domestic	\$126.3	\$474.9	\$486.2
International	139.4	144.0	125.0
<b>Total</b>	<b>\$265.7</b>	<b>\$618.9</b>	<b>\$611.2</b>

Following is a reconciliation of the difference between the U.S. statutory rate and the effective tax rate:

	1983	1982	1981
U.S. statutory rate	46.0%	46.0%	46.0%
Amortization and write-down of goodwill, and non-deductible depreciation	37.6	2.2	1.9
Domestic state and local income taxes, net of Federal income tax benefit	3.2	2.7	2.9
Rate difference on net capital gains and losses	3.6	(.5)	(.2)
Difference between U.S. and foreign rates	(5.3)	(2.1)	(.8)
Investment tax credit	(5.0)	(1.5)	(1.3)
Other, net	1.4	1.4	.9
<b>Effective tax rate</b>	<b>81.5%</b>	<b>48.2%</b>	<b>49.4%</b>

In fiscal 1982, \$22.7 million in taxes was provided on the gain on the sale of the Dannon business. This differs from the U.S. statutory rate due to Federal tax at the capital gains rate and state income taxes.

Beatrice has provided for deferred taxes on that portion of the undistributed earnings of its international subsidiaries which is not considered to be permanently invested. The accumulated earnings that are considered permanently invested in these operations aggregated approximately \$400 million at February 28, 1983. In the event such earnings were distributed, Beatrice would have available tax credits which would substantially reduce any Federal income tax due.

### 9 PENSION PLANS AND VOLUNTARY EARLY RETIREMENT PROGRAM

The amounts charged to earnings for Beatrice's domestic and international pension plans, including plans jointly administered by industry and union representatives, totaled \$42.0 million, \$49.3 million and \$50.1 million for the years ended 1983, 1982 and 1981, respectively. Accumulated plan benefit information, as estimated by consulting actuaries, and plan net assets for Beatrice's domestic defined benefit plans as of the most recent valuation date, which for most plans is March 1, are:

(In Millions)	March 1,	
	1982	1981
Actuarial present value of accumulated plan benefits:		
Vested	\$235.8	\$221.8
Nonvested	20.5	23.4
	<b>\$256.3</b>	<b>\$245.2</b>
Net assets available for benefits	<b>\$328.5</b>	<b>\$296.6</b>

The weighted average assumed rate of return used in determining the actuarial present value of accumulated plan benefits was 8.2% and 8.0% as of March 1, 1982 and 1981, respectively, except the rate used to value the benefits of a certain group of retirees at March 1, 1982 was 12.26%, which is the rate of return of a dedicated bond portfolio established to fund such benefits.

The information in the table above excludes amounts for plans jointly administered by industry and union representatives because the information is not readily available from the plans' trustees. Beatrice does not determine the actuarial present value of accumulated plan benefits or net assets available for benefits for its international pension plans.

During fiscal 1984, Beatrice will offer a voluntary early retirement program to domestic personnel who meet certain age and service criteria. A \$30.0 million pre-tax charge to earnings (\$15.0 million after-tax) was provided in the fourth quarter of fiscal 1983 for the expected cost of this program. This expense is not included with the pension costs disclosed in the first paragraph of this note.

## 10 INFORMATION BY BUSINESS SEGMENT AND GEOGRAPHIC LOCATION

Net sales and earnings by business segment are shown on page 5 of this annual report and information with respect to the years ended the last day of February, 1983, 1982 and 1981 contained therein is considered an integral part of this note.

Intersegment and intergeographic sales to affiliates are not significant to the total sales of any industry segment or geographic location.

There were no material sales to any single customer. Export sales to unaffiliated customers are an immaterial percentage of net sales.

Earnings by geographic location and business segment represent gross operating margin excluding net unallocated operating expenses.

Identifiable segment assets are those assets used in the operations of the segment. Corporate assets are cash, short-term investments, investments in affiliated companies, certain corporate receivables and certain other assets.

Identifiable segment assets at February 28, 1983 include \$440 million for companies to be divested.

### Geographic Location

(In Millions)	Net Sales	Segment Earnings	Identifiable Assets		
			Segment	Corporate	Total
<b>United States</b>					
1983	\$7,076	\$607	\$3,279	\$346	\$3,625
1982	6,939	560	3,330	250	3,580
1981	6,705	583	2,731	412	3,143
<b>Europe</b>					
1983	1,207	79	507	83	590
1982	1,213	73	561	96	657
1981	1,313	69	566	105	671
<b>Canada</b>					
1983	363	26	120	13	133
1982	359	25	127	12	139
1981	325	20	115	18	133
<b>Latin America</b>					
1983	325	47	147	98	245
1982	291	49	159	78	237
1981	236	37	123	47	170
<b>Australia/ Far East</b>					
1983	217	14	129	10	139
1982	222	17	125	6	131
1981	194	14	113	7	120
<b>Consolidated</b>					
1983	\$9,188	\$773	\$4,182	\$550	\$4,732
1982	9,024	724	4,302	442	4,744
1981	8,773	723	3,648	589	4,237

Additional segment information for the years ended the last day of February, 1983, 1982 and 1981 is:

### Business Segment

(In Millions)	Identifiable Assets			Net Property, Plant and Equipment Additions			Depreciation and Goodwill Amortization Expense		
	1983	1982	1981	1983	1982	1981	1983	1982	1981
Dairy & Agri-Products	\$ 638	\$ 491	\$ 535	\$182	\$ 17	\$ 47	\$ 34	\$ 32	\$ 28
Beverages	1,174	1,223	610	70	193	23	60	32	26
Grocery	574	603	601	29	24	33	29	29	33
International Food	754	798	732	72	73	82	38	42	35
Consumer, Industrial & Chemical	1,042	1,187	1,170	23	55	25	42	45	42
Corporate	550	442	589	13	5	(10)	4	3	7
<b>Total</b>	<b>\$4,732</b>	<b>\$4,744</b>	<b>\$4,237</b>	<b>\$389</b>	<b>\$367</b>	<b>\$200</b>	<b>\$207</b>	<b>\$183</b>	<b>\$171</b>



### INTERNATIONAL OPERATIONS

Selected financial information relating to Beatrice's operations outside the United States is as follows:

(In Millions)	1983	1982
Current assets	\$ 692.1	\$ 661.8
Net property, plant and equipment	305.5	343.8
Investments in affiliated companies	29.6	40.7
Intangibles (principally goodwill) and other assets	79.2	118.0
	1,106.4	1,164.3
<b>Less:</b>		
Current liabilities	424.9	421.5
Other liabilities	96.4	91.0
Minority interests	60.2	68.2
	581.5	580.7
<b>Beatrice's equity in net assets</b>	<b>\$ 524.9</b>	<b>\$ 583.6</b>

Beatrice's equity in net earnings was \$62.6 million, \$64.0 million and \$59.0 million for the years ended 1983, 1982 and 1981, respectively (after goodwill amortization and write-downs of \$21.2 million, \$12.1 million and \$6.7 million for those years, respectively). Foreign currency translation adjustments, after the effect of hedging transactions, resulted in net losses of \$12.8 million for 1983, \$2.4 million for 1982, and \$3.2 million for 1981.

The above information excludes certain financing subsidiaries which are located outside the United States whose purpose is to help obtain funds from outside the United States. The assets and liabilities of these financing subsidiaries are almost entirely denominated in U.S. dollars.

In fiscal 1983, Beatrice adopted the provisions of Statement of Financial Accounting Standards No. 52 for foreign currency translation. Assets and liabilities are translated at the rates of exchange on the balance sheet date. Income and expense accounts are translated at the average rates of exchange during the year. Translation gains and losses are reported in stockholders' equity for operations in non-highly inflationary countries. Gains and losses on foreign exchange transactions and on translation of financial statements of operations in highly inflationary countries are included in the Statement of Consolidated Earnings.

The foreign currency translation adjustment of \$89.2 million that is included in stockholders' equity as of February 28, 1983 comprises the March 1, 1982 cumulative foreign currency translation adjustment of \$54.7 million and the current year foreign currency translation adjustment of \$34.5 million (net of applicable income taxes of \$3.4 million).

Beatrice's Venezuelan operations, which are included in the Consolidated Financial Statements, have a year-end of December 31. Since January 1, 1983, Venezuela's currency was devalued against the U.S. dollar. This will result in a charge of approximately \$30 million to the cumulative foreign currency translation adjustment component of stockholders' equity in the first quarter of fiscal 1984.



### CONTINGENT LIABILITIES

In June 1978, the Federal Trade Commission (FTC) issued a complaint in an administrative proceeding alleging that Beatrice's acquisition of Tropicana Products, Inc., constitutes a violation of the antitrust laws. Beatrice disagrees and is contesting the matter. In November 1980, an FTC administrative law judge ruled that Beatrice must divest itself of Tropicana and must turn over to the United States Treasury all profits which Beatrice has earned from Tropicana. Beatrice has appealed this ruling to the full FTC, and oral arguments were heard on the matter in May 1981, but no decision has as yet been issued. If the FTC were to affirm the administrative law judge's decision, Beatrice would appeal to the Federal Circuit Court of Appeals. If an appeal to the Federal Circuit Court is necessary, Beatrice does not anticipate the entry of a final order in this matter for at least one year thereafter.

In the opinion of management, Beatrice will ultimately prevail in this matter. Also in the opinion of management, the outcome of this proceeding and other litigation to which Beatrice is a party will not have a material adverse effect on Beatrice's consolidated financial condition.

## **B** INFLATION ACCOUNTING (Unaudited)

**Introduction.** Financial statements prepared in accordance with generally accepted accounting principles present historical costs stated in dollars of varying purchasing power, which may not adequately measure the impact of inflation. The following supplemental schedules, prepared in accordance with Financial Accounting Standards Board requirements, attempt to reflect the effects of changing prices on Beatrice's operations.

In preparing these schedules, historical amounts were translated into U.S. dollars and then restated to reflect changes in specific prices during the periods being measured. The effect of general inflation on the remaining current cost is based on the U.S. Consumer Price Index for all Urban Consumers (CPI-U). The objective of this approach is to reflect the current costs of the resources actually used in the operations, rather than the historical costs expended to acquire them. Current cost disclosures in this note for property, plant and equipment, depreciation expense, inventories, and cost of sales were derived as follows:

**Property, plant and equipment and depreciation expense—** The current cost of property, plant and equipment was determined by the use of indices issued by the United States and foreign governments for the class of assets being measured. The adjusted values of plant and equipment were then used to compute the related depreciation expense.

**Inventories and cost of sales—** Current cost of inventories was determined by valuing year-end inventories on a first-in, first-out (FIFO) basis and applying specific indices to these amounts on the basis of inventory turnover. Because the majority of domestic inventories is valued on a last-in, first-out (LIFO) basis on the historical balance sheet, most of the increase from historical to current cost relates to domestic inventories. Under the LIFO method, the effects of current cost changes are already reflected in cost of sales on the historical statement of earnings for the domestic operations of Beatrice. Therefore, current cost adjustments to historical cost of sales result primarily from adjusting the inventories of international operations.

Because the development of inflation-adjusted data requires the use of estimation techniques and assumptions which vary among companies, caution should be exercised in comparing the inflation-adjusted financial data presented herein. Also, the inflation-adjusted data reflect the current costs of fixed assets in their present condition, and do not necessarily reflect how Beatrice would actually replace existing assets. Technological changes, which significantly influence decisions regarding fixed asset replacement, are not considered in calculating the current cost of fixed assets.

**1983 Historical and Current Cost Statement of Consolidated Earnings.** Below is a comparison of the historical and current cost 1983 Statement of Consolidated Earnings. The current cost column reflects the historical amounts after current cost adjustments have been applied to cost of sales and depreciation expense. Because historical net sales and all other expenses are assumed to be incurred at average prices during the year, inflation is already reflected in these amounts.

<i>(Dollars in Millions Except Per Share Data)</i>	As Reported in the Historical Cost Financial Statements	Adjusted for Changes in Current Cost
Net sales	\$9,188	\$9,188
<b>Operating expenses:</b>		
Cost of sales, excluding depreciation	6,597	6,606
Selling and administrative expenses, excluding depreciation	1,715	1,715
Depreciation	182	269
<b>Total operating expenses</b>	<b>8,494</b>	<b>8,590</b>
Gross operating margin	694	598
Other expenses, net	428	428
Earnings before income taxes, equity in earnings of affiliated companies and minority interests	266	170
Provision for income taxes	217	217
Earnings before equity in earnings of affiliated companies and minority interests	49	(47)
Equity in earnings of affiliated companies	7	7
Minority interests	(13)	(13)
<b>Net earnings</b>	<b>\$ 43</b>	<b>\$ (53)</b>
<b>Primary earnings per share</b>	<b>\$ .27</b>	<b>\$ (.71)</b>

**Comparison of Selected Supplementary Financial Data Adjusted for Effects of Changing Prices.** In the accompanying chart, current cost information is presented in the current costs of each year, converted to average fiscal 1983 dollars for comparability. Data omitted for 1979 are not required. The description of various captions in the chart is as follows:

**Net Assets at Year-End (Stockholders' Equity)**—The value of net assets (stockholders' equity) stated at current cost was determined by adding to historical stockholders' equity the difference between historical and inflation-adjusted values for inventories, net property, plant and equipment and net monetary liabilities. At February 28, 1983, the current cost values of net property, plant and equipment and inventories were \$2.3 billion and \$937 million, respectively.

**Increase in General Price Level (Over) Under Increase in Specific Prices**—This amount compares the change in the general price level to the change in the specific prices of inventories and property. General price level changes are measured by the CPI-U.

**Unrealized Gain from Decline in Purchasing Power of Net Amounts Owed**—This amount represents the unrealized gain in purchasing power that holders of monetary liabilities derive in periods of inflation because liabilities are repaid in dollars of diminished purchasing power.

**Foreign Currency Translation Adjustment**—This amount reflects the effect of exchange rate changes on net assets, adjusted to current cost, during fiscal 1983. Translation adjustment amounts prior to 1983 have not been separately disclosed.

**Cash Dividends Declared and Market Price per Common Share**—These amounts represent historical data expressed in average fiscal 1983 dollars, calculated by multiplying prior years' amounts by the average-for-the-current-year CPI-U and dividing the results by the average-for-the-respective-prior-year CPI-U.

<i>(Dollars in Millions Except Per Share Data)</i>	1983	1982	1981	1980	1979
Net sales	\$9,188	\$9,511	\$10,152	\$10,851	\$10,962
Historical cost information adjusted to estimated current costs:					
Net earnings	\$ (53)	\$ 239*	\$ 250	\$ 257	
Primary earnings per share	\$ (.71)	\$ 2.27*	\$ 2.38	\$ 2.46	
Net assets at year-end (stockholders' equity)	\$2,919	\$3,264	\$ 3,216	\$ 3,399	
Increase in general price level (over) under increase in specific prices	\$ 167	\$ (16)	\$ (198)	\$ (223)	
Unrealized gain from decline in purchasing power of net amounts owed	\$ 33	\$ 53	\$ 82	\$ 121	
Foreign currency translation adjustment	\$ (59)	\$ —	\$ —	\$ —	
Cash dividends declared per common share	\$ 1.50	\$ 1.48	\$ 1.51	\$ 1.57	\$ 1.58
Market price per common share at year-end	\$23.88	\$19.37	\$ 20.97	\$ 24.86	\$ 31.89
Average consumer price index	290.8	275.9	251.3	222.2	198.4

\*Before the effect of special items which includes the net gain on the sale of the Dannon business and the cumulative effect of change in accounting principle for investment tax credit.

## 1 QUARTERLY RESULTS OF OPERATIONS

(Unaudited)

The following is a summary of the unaudited quarterly results of operations for the years ended the last day of February, 1983 and 1982. Quarterly results for the first three quarters of 1983 have been restated to reflect the change in accounting for foreign currency translation in accordance with Statement of Financial Accounting Standards No. 52. The effect on results of operations and earnings per share was not material in any quarter.

(In Millions Except Per Share Data)

1983*	May 31	Aug. 31	Nov. 30	Feb. 28
Net sales	\$2,272.9	\$2,330.0	\$2,308.0	\$2,277.3
Cost of sales	1,653.3	1,680.0	1,653.8	1,610.1
Net earnings	71.7	84.8	84.8	(198.1)
Earnings per share:				
Primary	.68	.81	.81	(2.03)
Fully diluted**	.65	.76	.77	(2.03)

1982***	May 31	Aug. 31	Nov. 30	Feb. 28
Net sales	\$2,233.7	\$2,313.8	\$2,248.4	\$2,227.6
Cost of sales	1,667.3	1,709.5	1,667.5	1,637.5
Net earnings	108.9	127.3	79.9	74.0
Earnings per share:				
Primary	1.06	1.26	.77	.71
Fully diluted	1.00	1.17	.73	.68

\*In the fourth quarter of 1983, Beatrice charged net earnings for the following special actions: Goodwill write-downs totaling \$187.6 million (per share effect: \$1.89 primary; \$1.69 fully diluted); an additional provision for divestitures of \$75.0 million (per share effect: \$.75 primary; \$.68 fully diluted); and a provision for a voluntary early retirement program of \$15.0 million (per share effect: \$1.15 primary; \$.14 fully diluted).

\*\*The sum of the quarterly fully diluted earnings per share amounts is less than the amount shown for the full year on the Statement of Consolidated Earnings because the assumed conversion of certain convertible securities is dilutive in the first three quarters but is anti-dilutive in the fourth quarter and for the full year. This anti-dilutive effect results from the special charges described above.

\*\*\*Earnings for 1982 include the following special items: Income of \$31.8 million from the cumulative effect of change in accounting principle for investment tax credits in the first quarter (per share effect: \$.32 primary; \$.29 fully diluted); and a \$45.1 million after-tax gain on the sale of the Dannon business in the second quarter (per share effect: \$.46 primary; \$.42 fully diluted).

## Accountants' Report

## Management Report On Financial Statements

73

47.

### The Board of Directors and Stockholders Beatrice Foods Co.:

We have examined the consolidated balance sheet of Beatrice Foods Co. and subsidiaries as of February 28, 1983 and 1982 and the related statements of consolidated earnings, stockholders' equity and changes in financial position for each of the years in the three-year period ended February 28, 1983. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the aforementioned consolidated financial statements present fairly the financial position of Beatrice Foods Co. and subsidiaries at February 28, 1983 and 1982 and the results of their operations and changes in their financial position for each of the years in the three-year period ended February 28, 1983, in conformity with generally accepted accounting principles which, except for the changes, with which we concur, in 1983 in the method of accounting for foreign currency translation and in 1982 in the methods of accounting for investment tax credit and inventory costing, as described in note 1 to the consolidated financial statements, have been applied on a consistent basis.

*Peat, Marwick, Mitchell & Co.*  
*Peat, Marwick, Mitchell & Co.*

Peat, Marwick, Mitchell & Co.  
303 East Wacker Drive  
Chicago, Illinois 60601

April 27, 1983

The integrity of the information contained in the consolidated financial statements and elsewhere in the annual report is the responsibility of management. The financial statements were prepared by Beatrice in conformity with generally accepted accounting principles considered appropriate in the circumstances and accordingly are based on certain judgments and estimates.

Management believes that Beatrice's systems of internal accounting controls provide reasonable assurance that, in all material respects, transactions are executed in accordance with management's policies, assets are safeguarded, and the financial statements are reliable. The concept of reasonable assurance is based on the recognition that the cost of such systems should not exceed the expected benefits. These systems include written policies and procedures, a comprehensive program of internal audit and the careful selection and training of financial staff.

The maintenance and monitoring of internal accounting controls is a responsibility of all levels of management. Internal accounting controls are also monitored and tested by a program of internal and external audits. The activities of the internal auditors and independent public accountants are coordinated to obtain reasonable audit coverage with a minimum of duplicate effort and cost. Audit findings are reported to management.

Beatrice's independent public accountants, Peat, Marwick, Mitchell & Co., have been engaged to render an opinion on the fairness of the financial statements. They review and make appropriate tests of the systems of internal accounting control and of the financial data included in the financial statements to the extent they consider necessary to render an opinion.

The Audit Committee of the Board of Directors, composed of four outside directors, meets at least four times each year with management, the internal auditors and the independent public accountants to review their activities, to discuss various auditing, internal accounting control and financial reporting matters, and to recommend appointment of the independent public accountants. Both the independent public accountants and the director of internal audit periodically meet privately with and have free access to the Audit Committee.

## Officers and Directors

74

48.

### OFFICERS

**James L. Dott**  
*Chairman of the Board  
Chief Executive Officer  
President*

**William W. Grainger, Jr.**  
*Vice Chairman*

**John D. Conners**  
*Executive Vice President  
Dairy & Agri-Products, Soft  
Drinks and Bottled Water,  
Wine and Spirits*

**Duane D. Duggett**  
*Executive Vice President  
Grocery*

**Richard J. Pigott**  
*Executive Vice President  
Chief Administrative Officer*

**Reuben W. Berry**  
*Senior Vice President  
Director, Human Resources*

**James A. Johnson**  
*Senior Vice President  
Chief Financial Officer*

**Anthony Laine**  
*Senior Vice President  
President, International  
Division*

**John J. McRobbie**  
*Senior Vice President  
Director, Corporate Marketing*

**William E. Reidy**  
*Senior Vice President  
Director, Corporate Strategy*

**Richard F. Vitkus**  
*Senior Vice President  
General Counsel*

**Mary D. Allen**  
*Vice President  
Assistant General Counsel*

**Roland M. Blumington**  
*Vice President  
President, Canadian  
Operations  
International Division*

**Richard L. Chisholm**  
*Vice President  
President, Dairy Division*

**Robert V. Dale**  
*Vice President  
President, Specialty Grocery  
& Bakery Division*

**Vernon A. Davidson**  
*Vice President  
President, Consumer Arts/  
Leisure Products Division*

**William L. DeHaven**  
*Vice President  
President, Specialty Meats  
Division*

**John F. Hazelton, Jr.**  
*Vice President  
President, Australasian  
Operations  
International Division*

**André J. Job**  
*Vice President  
President, Latin American  
Operations  
International Division*

**Thomas P. Kemp**  
*Vice President  
President, Soft Drinks  
and Bottled Water Division*

**Barbara M. Knechles**  
*Vice President  
Director, Corporate Marketing  
Research*

**Daniel M. Lechin**  
*Vice President  
Director, Corporate  
Development*

**Fred K. Schomer**  
*Vice President  
Treasurer*

**Douglas J. Stansard**  
*Vice President  
Secretary  
Assistant to the Chairman*

**John A. Stevens**  
*Vice President  
Controller*

**Richard Walruck**  
*Vice President  
President and  
Chief Executive Officer  
Tropicana Products, Inc.*

**Harry C. Wechsler**  
*Vice President  
President, Chemical Division*

**A. Jerome Becker**  
*Assistant Vice President  
Corporate Development*

**Barbara L. Bowles**  
*Assistant Vice President  
Director, Financial Relations*

**John E. Cooper**  
*Assistant Vice President  
Director, Taxes*

**Calvin J. Dandley, Jr.**  
*Assistant Vice President  
Director, Labor Relations*

**Raymond C. Howick**  
*Assistant Vice President  
Director, Purchasing*

**Donald H. Klein**  
*Assistant Vice President  
Director, Security*

**Thomas Mitchell**  
*Assistant Vice President  
Consumer, Industrial  
& Chemical*

**Ted E. Olson**  
*Assistant Vice President  
Director, Operating Services*

**Arthur Przybyl**  
*Assistant Vice President  
Director, Data Processing  
Services & Information  
Systems*

**Eric W. Volkman**  
*Assistant Vice President  
Director, Engineering*

**Robert W. Webb**  
*Assistant Vice President  
Law*

**Charles E. Harrison**  
*Assistant Secretary*

**M. Patricia Kehoe**  
*Assistant Secretary*

**Robert L. Skummer**  
*Assistant Treasurer*

**Nolan Archibald**  
*President  
Home Products Division*

**Robert Cooper**  
*President  
Institutional Foods Division*

**Robert T. Drape**  
*President  
European Operations  
International Division*

**Anthony Glrome**  
*President  
Industrial Division*

**Paul W. Hyllbert**  
*Chief Executive Officer  
Culligan International  
Company*

**Kenneth P. MacKnight**  
*President  
Warehouse Division*

**Richard J. Newman**  
*President  
Wine and Spirits Division*

**Donald G. Stephens**  
*President  
Agri-Products Division*

## Stockholder Information

49

### DIRECTORS

**Angelo R. Arena** (1,4)  
Vice Chairman  
Retail division of Baus. Inc.  
Chicago, IL

**John D. Conners**  
Executive Vice President  
Beatrice Foods Co.

**G. A. Costanzo** (2,3\*4)  
Retired Vice Chairman  
Citicorp and Citibank, N.A.  
New York, NY

**James L. Dutt** (1\*4)  
Chairman  
Chief Executive Officer  
President  
Beatrice Foods Co.

**William W. Granger, Jr.** (1,5)  
Vice Chairman  
Beatrice Foods Co.

**Walter J. Leonard** (2,5)  
President  
Fisk University  
Nashville, TN

**Bernard A. Monaghan** (2\*5)  
Of Counsel  
Bradley, Arant, Rose & White  
Birmingham, AL

**Cedric E. Ritchie** (3,4)  
Chairman,  
Chief Executive Officer  
The Bank of Nova Scotia  
Toronto, Ontario, Canada

**Goff Smith** (1,2,3)  
Retired Chairman,  
Chief Executive Officer  
Amsted Industries  
Incorporated  
Chicago, IL

**Jayne B. Spain** (3,5)  
Distinguished Visiting Professor  
and Executive in Residence  
George Washington University  
Washington, D.C.

**Omer G. Vom** (1,5\*)  
Retired Vice Chairman  
International Harvester  
Company  
Chicago, IL

**Russell L. Wagner** (1,3,4\*)  
Retired Chairman,  
Chief Executive Officer  
NLT Corporation  
Vero Beach, FL

**Murray L. Weidenbaum**  
Mallinckrodt Distinguished  
University Professor  
Director of the Center for the  
Study of American Business  
Washington University  
St. Louis, MO

### COMMITTEES OF THE BOARD

(1) Executive Committee      (\*) Committee Chairman  
(2) Audit Committee  
(3) Compensation and Benefits Committee  
(4) Nominating Committee  
(5) Public Policy Committee

### STOCKHOLDER PUBLICATIONS

The following additional information can be obtained without charge by writing to Barbara L. Bowles, Assistant Vice President, Director of Financial Relations, Beatrice Foods Co., Two North LaSalle Street, Chicago, IL 60602.  
Form 10-K Annual Report to the Securities and Exchange Commission provides further details on Beatrice's business (after May 31).  
Form 10-Q Quarterly Report to the Securities and Exchange Commission is available in July, October, and January.

### CAPITAL STOCK LISTING

**Common:** New York Stock Exchange, Midwest Stock Exchange, Basel, Geneva, Lausanne and Zurich, Switzerland, and Frankfurt and Dusseldorf, Republic of West Germany, Stock Exchanges.  
Stock Exchange Symbol—BRY  
**Series A Preference:** New York Stock Exchange, Stock Exchange Symbol—BRY Pr A

### DIVIDEND REINVESTMENT SERVICE AVAILABLE TO STOCKHOLDERS

Beatrice Foods Co. makes available at no cost to holders of its common stock an automatic dividend reinvestment service. Those interested in participating in this service are invited to write for details and an authorization form to:  
Continental Illinois National Bank and Trust Company of Chicago  
Shareholder Service Division  
30 North LaSalle Street  
Chicago, IL 60693

Continental Illinois National Bank and Trust Company of Chicago is also the company's Stock Transfer Agent, Dividend Disbursing Agent and Registrar.

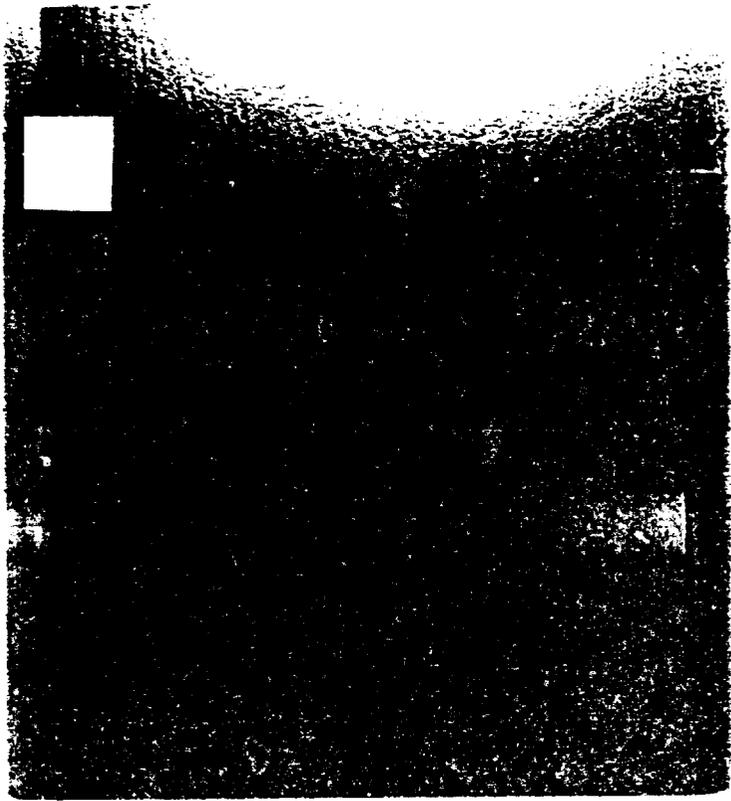
### STOCK DATA

Fiscal Quarter	Fiscal 1983		Fiscal 1982	
	Cash Dividends Paid	Market Price Range	Cash Dividends Paid	Market Price Range
<b>Common*</b>				
First Quarter (May 31)	\$.37½	\$20¼-18	\$.35	\$23¼-18
Second Quarter (August 31)	.37½	22½-18	.35	23½-20
Third Quarter (November 30)	.37½	25½-20¾	.35	21¼-16¾
Fourth Quarter (February 28)	.37½	25 -21½	.35	18¾-16¾
<b>Series A Preference**</b>				
First Quarter (May 31)	\$.84½	\$38¾-34¾	\$.84½	\$44¼-36¾
Second Quarter (August 31)	.84½	41 -35	.84½	44¼-39
Third Quarter (November 30)	.84½	47 -39½	.84½	40½-33
Fourth Quarter (February 28)	.84½	46¼-41¼	.84½	36¾-34

\*High and low market prices based upon composite sales prices, which include trades on the New York Stock Exchange and the Midwest Stock Exchange and transactions reported by the National Association of Securities Dealers and Instinet.

\*\*High and low market prices based upon trades on the New York Stock Exchange.

As of April 7, 1983, Beatrice had approximately 54,000 stockholders, of which approximately 50,000 were record holders of common stock.



## EXHIBIT 22

## SUBSIDIARIES OF BEATRICE FOODS CO.

The following are subsidiaries of Beatrice Foods Co. which are consolidated with Beatrice Foods Co. and which are included in the consolidated financial statements of Beatrice Foods Co. and subsidiaries for the fiscal year ended February 28, 1983.

<u>Name of Subsidiary</u>	<u>Place of Incorporation</u>
DOMESTIC	
Allison Manufacturing Co.	Delaware
Arizona Sparkling Bottled Water, Inc.	Arizona
Arrowhead Puritas Waters, Inc.	California
Aunt Nellie's Foods, Inc.	Wisconsin
Beatrice Beverage Co.(1)	Delaware
Beatrice DISC, Inc.	Delaware
Beatrice Worldwide, Inc.	Delaware
Berliner & Marx, Inc.	New York
Bloomfield Industries, Inc.	Delaware
Brillion Iron Works, Inc.	Massachusetts
Cal-Compact Foods, Inc.	Delaware
Certified Transportation Co., Inc.	California
Coca-Cola Bottling Company of San Diego, Inc.	California
County Line Cheese Company, Inc.	Delaware
Culligan DISC Company	Illinois
Culligan International Company(2)	Delaware
CWC Finance Corp.	Illinois
Dahlgren & Company	Delaware
Day-Timers, Inc.	Delaware
Edgar Packing Company, Inc.	Wisconsin
Elite Sounds, Inc.	New York
E. R. Moore Company	Delaware
Everpure, Inc.	Nevada
E. W. Kneip, Inc.	Delaware
Fiberite Corporation	Delaware
Fiberite West Coast Corporation	Delaware
Fiberite West Coast Leasing Corp.	Delaware
Fisher Nut Company	Delaware
Great Bear Spring Company	New Jersey
Harman Automotive, Inc.	Michigan
Harman Automotive—Puerto Rico, Inc.	Delaware
James J. Gallery, Inc.	Massachusetts
John Sexton & Co.	Delaware
KSS Transportation Corp.	New Jersey
LaChoy Food Products Company	Delaware
LouverDrape, Inc.	California
LouverDrape International, Inc.	California
LouverDrape of New York	California
Mantecados Payco, Inc.	Delaware
Market Forge Co.	Delaware
Martha White Foods, Inc.	Tennessee
Melamine Plastic Corporation	Minnesota
Melnor Industries, Inc.	New Jersey

## EXHIBIT 22

<u>Name of Subsidiary</u>	<u>Place of Incorporation</u>
Mid-America Container Corporation .....	Delaware
Minnesota Valley Engineering Inc. ....	Delaware
Mother's Cookie Company .....	Delaware
North East Cold Storage Corporation .....	Massachusetts
Peppol Manufacturing Co. ....	Colorado
Peter Eckrich and Sons, Inc. ....	Delaware
Quincy Market Cold Storage and Warehouse Co. ....	Massachusetts
Rainbo Foods, Inc. ....	Delaware
Salem International Sales, Inc. ....	Delaware
Samsonite Corporation(3) .....	Colorado
Samsonite Domestic International Sales Corporation .....	Colorado
Samsonite International Sales Corp. ....	Colorado
Sanna, Inc. ....	Delaware
Schwarz Leather International Sales Corp. ....	New Jersey
Stahl Chemicals S.A., Inc. ....	Massachusetts
Taylor Freezer Company .....	Delaware
Termicold Corporation .....	Oregon
The Buckingham Corporation .....	Delaware
The D. L. Clark Company .....	Delaware
Tindle Mills, Inc. ....	Missouri
Tropicana International, Inc. ....	Delaware
Tropicana Products, Inc.(4) .....	Florida
Waterloo Industries, Inc. ....	Iowa
Webcraft Games, Inc. ....	New Jersey

## INTERNATIONAL

Acabados Newark Stahl S.A. de C.V. ....	Mexico
Alliram Productos Alimenticios S.A. ....	Brazil
Alimentos del Istma S.A. ....	Panama
Aliments Beatrice Quebec, Inc. ....	Canada
Anchor Japan Co., Ltd. ....	Japan
Artic France S.A.R.L. ....	France
Artic S.A. ....	Belgium
Artigel GmbH .....	West Germany
Atlantik GmbH .....	West Germany
B.C. Quimica Ltda. ....	Brazil
B.F.C. Industria e Comercio Ltda. ....	Brazil
B.F.C. Investments (Belgium) N.V. ....	Belgium
B.F. Finanziaria S.p.A. ....	Italy
Beatrice Australia Ltd. ....	Australia
Beatrice Chemical Pte. Ltd. ....	Singapore
Beatrice Deutschland GmbH .....	West Germany
Beatrice Finance N.V. ....	Neth. Antilles
Beatrice Foods (Canada) Ltd. ....	Canada
Beatrice Foods Co. (Hong Kong) Ltd. ....	Hong Kong
Beatrice Foods Co. & Dr. Suwelack GmbH .....	West Germany
Beatrice Foods Co. (Middle East) Limited .....	Jersey, Channel Is.
Beatrice Foods (Ontario) Ltd. ....	Canada
Beatrice Foods (United Kingdom) Ltd. ....	United Kingdom

## EXHIBIT 22

<u>Name of Subsidiary</u>	<u>Place of Incorporation</u>
Beatrice Foods Finance (Europe) B.V.	Netherlands
Beatrice Foods Overseas Finance N.V.	Neth. Antilles
Beatrice International (Canada) Ltd.	Canada
Beatrico Foods (New Zealand) Ltd.	New Zealand
Beneke GmbH	West Germany
Beneke Industries Ltd.	Canada
Bettendorf Ltd.	Canada
Bloomfield Industries Canada Ltd.	Canada
Boquitas Fiestas, S.A. de C.V.	Honduras
Brouwater Import Kantoor Eindhoven B.V.	Netherlands
Cafeteria de Molsheim	France
Callard & Bowser Ltd.	United Kingdom
Callard & Bowser Nuttall Ltd.	United Kingdom
Caramelos Royal S.A.	Venezuela
Carou B.V.	Netherlands
Cerealista Cristal-Comercial	Brazil
Chicago Specialty Mfg. of Canada Ltd.	Canada
Chitos International Y Cia Ltd.	Guatemala
Choice Confectionery Pty. Limited	Australia
Choky S.A.	France
Crema Ltd.	Jamaica
Crema Sales Ltd.	Jamaica
Culligan Italiana, S.p.A.	Italy
Dairyworld S.A.	Switzerland
Day-Timers of Canada Ltd.	Canada
De Forenede Isvaerker A/S	Denmark
Delite Foods Co., Ltd.	Thailand
Distribuidora Marsanita C.A.	Venezuela
Dwan Export, Ltd.	Ireland
Dwan Manufacturing Ltd.	Ireland
Elnagh S.p.A.	Italy
Eric's Swiss Products, Inc.	Puerto Rico
Etablissements Baud S.A.	France
Euroma Van Olphen B.V.	Netherlands
Europe Strength Food Co. Pty. Ltd.	Australia
Eurosnax International Ltd.	Ireland
Everpure Ltd.	Ireland
Exthene Pty. Ltd.	Australia
Finance Corporation of Jamaica Ltd.	Jamaica
Food Producers Canada Ltd.	Canada
Foods and Services S.A.	Switzerland
Gelati Sanson S.p.A.	Italy
Granos de Oriente C.A.	Venezuela
Handelsmaatschappij Winters B.V.	Netherlands
Harman International Industries GmbH	West Germany
Helados Canarios S.A.	Spain
Holanda S.A. de C.V.	Mexico
Home-Pac Limited	United Kingdom
Idala S.A.	Uruguay
Industrias Anita C.A.	Venezuela

## EXHIBIT 22

<u>Name of Subsidiary</u>	<u>Place of Incorporation</u>
Industrias Benco C.A.	Venezuela
Industrias Gran Colombia S.A.	Colombia
Industrias Savoy C.A.	Venezuela
Interglas S.A.	Spain
Internacional Olivarera	Spain
Jack's Amazonia Industria de Alimentos Ltda.	Brazil
King Foods Export Ltd.	Ireland
King Foods Ltd.	Ireland
King Kandy Limited	Ireland
Koninklijke Frisdranken Industrie Winters B.V.	Netherlands
LNP Plastics (Nederland) B.V.	Netherlands
Lancelot Furniture Ltd.	United Kingdom
Les Fromages Crescent Ltd.	Canada
LouverDrape of Canada Limited	Canada
Manassen Lucchitti Co. Pty. Ltd.	Australia
Marlon C.A.	Venezuela
Melnor GmbH	West Germany
Melnor Manufacturing Ltd.	Canada
Melnor N.V.	Belgium
Metallic Lubricants Limited	Canada
Metallic Lubricants Limited	Taiwan
Modern Dairies Limited	Canada
Modernas Aplicaciones de la Refrigeracion Industrial S.A.	Spain
Nergico—Belgique S.A.	Belgium
Nergico S.A.	France
North Shore Dairies Ltd.	Jamaica
Novibras Comercio e Importacao	Brazil
Polyvinyl Chemie (Holland) N.V.	Netherlands
Pop Snax Pty. Ltd.	Australia
Potato Distributors Ltd.	Ireland
Premier IS A/S	Denmark
Primalp S.A.	Switzerland
Productos Alimenticios Rene S.A.	Guatemala
Productos Chipy S.A.	Peru
Quan S.A. de C.V.	Mexico
Quimica Stahl Centroamericana (Nicaragua), S.A.	Nicaragua
Red Tulip Chocolates Pty. Ltd.	Australia
Red Tulip Confectionery Dist. Services (S.A.) Pty. Ltd.	Australia
Red Tulip Distrib. Serv. (N.S.W.) Pty. Ltd.	Australia
Red Tulip Distrib. Serv. (QLD.) Pty. Ltd.	Australia
Red Tulip Distrib. Serv. (VIC.) Pty. Ltd.	Australia
Red Tulip Distrib. Serv. (W.A.) Pty. Ltd.	Australia
Red Tulip Imports Pty. Ltd.	Australia
S.A. Choky	Belgium
Samsonite Industrial e Commercial Ltda.	Brazil
Sandt Printing Co., Ltd.	Canada
Sedipro S.A.	France
Smith Kendon Ltd.	United Kingdom
Societe Corr. de Prod. Alimentario Socialim S.A.	France
Societe d'Exploitation des Etablissements Boizet & Barraud, S.A.	France

## EXHIBIT 22

<u>Name of Subsidiary</u>	<u>Place of Incorporation</u>
Societe Europeenne de Supermarches S.A. ....	France
Societe Pour la Rationalisation Industrielle Imperial S.A.R.L. ....	France
Sodeca S.A.R.L. ....	France
Stahl Armstrong Pty. Ltd. ....	Australia
Stahl Asia Trading Pte. Ltd. ....	Singapore
Stahl Chemical Asia Pte. Ltd. ....	Singapore
Stahl Chemicals (G.B.) Ltd. ....	United Kingdom
Stahl Chemicals Industries B.V. ....	Netherlands
Stahl Chemische Industrien B.V. GmbH ....	Austria
Stahl Iberica S.A. ....	Spain
Stahl Italia S.R.L. ....	Italy
Stahl Polyvinyl Chemie GmbH ....	Germany
Stahl Polyvinyl International B.V. ....	Netherlands
Stark's Confectionery Limited ....	Australia
Sunco N.V. ....	Belgium
Tayto Ltd. ....	Ireland
Ten Doesschate B.V. ....	Netherlands
Tendo Haco Farmacie B.V. ....	Netherlands
The Baron's Table Specialty Meats Pty. Ltd. ....	Australia
The Baron's Table (Qld.) Pty. Ltd. ....	Australia
Thoro N.V. ....	Belgium
Unicorp Pty. Ltd. ....	Australia
Van Camp Chocolate Ltd. ....	New Zealand
Water Conditioning Finance Limited ....	Canada
Winner Food Products Ltd. ....	Hong Kong
W. J. Dwan & Sons Ltd. ....	Ireland
W. J. Dwan & Sons (Athlone) Ltd. ....	Ireland
World Dryer Co. Ltd. ....	Canada
Yomix Pty. Ltd. ....	Australia

**NOTES:**

- (1) Beatrice Beverage Co. includes 14 domestic wholly-owned subsidiaries which are engaged in the bottling and distribution of various soft drinks.
- (2) Culligan International Company includes 28 domestic and 6 international wholly-owned subsidiaries which are engaged in the manufacture, sale and service of water treatment equipment.
- (3) Samsonite Corporation includes 5 international wholly-owned subsidiaries which are engaged in the manufacture and sale of luggage and furniture.
- (4) Tropicana Products, Inc. includes 11 domestic and 1 international wholly-owned subsidiaries which are engaged in the manufacture, sale and distribution of citrus products.

The names of 71 domestic and 57 international subsidiaries have been omitted. All such unnamed subsidiaries considered in the aggregate as a single subsidiary would not constitute a significant subsidiary of Beatrice Foods Co.

# END

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TOTAL OF SEQUENTIALLY NUMBERED PAGES: 170  
EXHIBIT INDEX ON SEQUENTIALLY NUMBERED PAGE: 17

SECURITIES AND EXCHANGE COMMISSION  
Washington, D. C. 20549

SECURITIES AND EXCHANGE COMMISSION  
**FEE RECEIVED**  
MAY 7 1984  
OFFICE OF APPLICATIONS  
AND REPORT SERVICES

ORIGINAL  
3-30-750

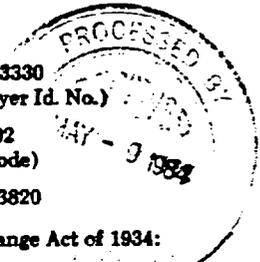
**Form 10-K**

Annual Report Pursuant to Section 13 or 15 (d)  
of the Securities Exchange Act of 1934  
For the Fiscal Year Ended February 29, 1984  
Commission File No.: 1-831

**Beatrice Foods Co.**

Delaware  
(State of Incorporation)  
Two North LaSalle Street, Chicago, Illinois  
(Address of Principal Executive Offices)

36-078-3330  
(I.R.S. Employer Id. No.)  
60602  
(Zip Code)



Registrant's telephone no., including area code: (312) 782-3820

Securities registered pursuant to Section 12(b) of the Securities Exchange Act of 1934:

Title of Class	Name of Each Exchange on Which Registered
7 1/2 % Sinking Fund Debentures Due 1994	New York Stock Exchange
8 1/2 % Sinking Fund Debentures Due 2008	New York Stock Exchange
10 1/2 % Sinking Fund Debentures Due 2010	New York Stock Exchange
Series A Cumulative Convertible Preference Stock	New York Stock Exchange
Common Stock	New York Stock Exchange Midwest Stock Exchange

No securities are registered pursuant to Section 12(g) of the Securities Exchange Act of 1934.

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

The aggregate market value of all voting stock held by non-affiliates of the Registrant computed by reference to the last reported price at which stock was sold on May 1, 1984 was approximately \$2,967 million.

As of May 1, 1984, a total of 90,597,936 shares of Common Stock were outstanding.

**DOCUMENTS INCORPORATED BY REFERENCE**

Parts I, II and IV incorporate by reference portions of Beatrice Foods Co. Annual Report to Stockholders for the fiscal year ended February 29, 1984 ("Beatrice's 1984 Annual Report"). Part III incorporates by reference portions of Beatrice Foods Co. Proxy Statement for the Annual Meeting of Stockholders dated April 30, 1984 ("Beatrice's Proxy Statement dated April 30, 1984").

# Form 10-K Annual Report

For the Fiscal Year Ended February 29, 1984

In this report, the term "Beatrice" is used to refer to Beatrice Foods Co., and, unless indicated otherwise or the context suggests otherwise, its subsidiaries.

## PART I

### ITEM 1. BUSINESS.

Beatrice is a worldwide marketer of food and consumer products. Beatrice produces and distributes food and food-related products with operations organized into four business groups: Refrigerated Foods & Services, Beverage, Grocery and International Food. A broad range of non-food related products for use in various consumer, commercial and industrial markets are produced and distributed through the Consumer & Commercial Products and Chemical groups.

For information with respect to the net sales, earnings, identifiable assets, net property, plant and equipment additions and depreciation and goodwill amortization expense for the three-year period ended February 29, 1984 of Beatrice's business groups and for information regarding Beatrice's operations in various geographic locations, see the section entitled "Net Sales and Earnings by Business Group" and Note 12 of "Notes to Consolidated Financial Statements" appearing on page 24 and page 41, respectively, of Beatrice's 1984 Annual Report, which are incorporated herein by reference.

#### Refrigerated Foods & Services

Beatrice Dairy Products is one of the largest producers and processors of dairy products in the United States, producing and processing numerous dairy products including Meadow Gold fluid milk, cream and ice cream; Viva low-fat products, butter and cottage cheese; Louis Sherry ice cream; and Mountain High yogurt.

The basic ingredient used in Beatrice's dairy products is raw milk, which is purchased from numerous sources, but primarily from farmers or producer cooperatives. The prices paid for raw milk in the United States are controlled in most areas by Federal Milk Market Orders or state regulatory agencies. These orders and agencies establish basic minimum prices monthly, with adjustments based upon geographic location. In some areas, the prices for raw milk also include additional premiums charged by suppliers. In certain states, governmental or quasi-governmental agencies regulate and control the wholesale prices of dairy products to retailers.

The principal markets for Beatrice's dairy products are supermarkets, grocery stores, restaurants, institutions, the convenience and snack food industries and food manufacturers. Distribution of dairy products is made primarily by Beatrice's truck fleet to the customers' stores or warehouses. Beatrice's dairy products are sold under either Beatrice's national brand names or private brands of its customers. The dairy products industry is highly competitive and competition is based primarily on price. Beatrice's competitors in the sale of dairy products in the United States vary from large and financially strong national companies to regional and local companies and farmers' cooperatives.

Beatrice Public Refrigerated Services operates refrigerated public warehouses in major markets throughout the United States. Customers for Beatrice's public refrigerated warehousing operations include meat and fish packers, food processors and retail stores. A unit price for storing and handling products is charged, typically on a monthly basis. Competition for Beatrice's public refrigerated warehousing operations is principally regional and local and is based on the convenience of location and the number, quality and price of the services offered. As of February 29, 1984, warehousing operations were being conducted through 43 warehouses in 19 states.

Beatrice Agri-Products sells to farmers a series of vitamin and mineral pre-mix feed supplement products under the Vigortone brand. Beatrice also sells complete feeds to farmers under the Tindle

Mills brand. Cutbacks in herd sizes, the consolidation of smaller farms into larger farms and depressed conditions in the United States agricultural markets affected both the supply of and demand for feed products. Competition is primarily regional and local.

Beatrice Food Service & Ingredients manufactures and supplies a wide variety of food ingredients to food manufacturers, including snack coatings, dry cheese powders, creaming agents and natural colors. Beatrice also supplies food products to the food service industry, including concentrated drink mixes, fruit fillings and toppings. Competition is both regional and local.

Beatrice Leather is the leading supplier of tanned leather to upholstered furniture manufacturers through Lackawanna Leather. Beatrice tans hides into leather for shoes under the Pfister & Vogel brand. Competition is primarily regional and local.

#### **Beverage**

Beatrice Fruit Juices markets an extensive line of citrus and other fruit products, which includes Tropicana "Pure Premium" chilled orange juice, a pasteurized product; Tropicana Gold n' Pure chilled orange juice and grapefruit juice made from concentrate; and the Chugger line of pure fruit juices (orange, grapefruit and apple). Beatrice also sells frozen concentrated juice and citrus by-products. United States markets served by Beatrice include most of the East and Southeast, California, and portions of the Midwest, Texas and Arizona. Tropicana "Pure Premium" chilled orange juice is made exclusively from Florida oranges. The supply of Florida oranges has a direct impact on Beatrice's ability to produce not only this product but also the by-products from the production process.

Beatrice Soft Drinks, through various wholly-owned subsidiaries, bottles and distributes an extensive line of soft drinks, some or all of which are marketed in the following territories: portions of Central and all of Southern California; four of the five main Hawaiian Islands; Southern Nevada, including Las Vegas; and portions of Arizona, Illinois, Iowa, Kansas, Missouri, Nebraska and Wisconsin. All soft drinks are bottled under franchise agreements giving the franchisee exclusive right to bottle and market the brands in designated territories. These brands include Coca-Cola, diet Coke, Tab, Canada Dry, Dr. Pepper, Sprite and Sunkist Orange.

Beatrice Bottled Waters consists of Arrowhead Puritas Waters, Inc. and the Great Bear Spring Company. Markets served include Texas, California, Arizona and eleven Eastern states. The water is primarily distributed directly to customers in five gallon containers or distributed and sold in packaged containers through retail outlets.

Beatrice Wine & Spirits include the exclusive U.S. distribution of Cutty Sark and Cutty 12 Scotch Whisky, Marquisat French Wines, Finlandia vodka, Waterford Cream Liqueur, Armagnac de Montal brandy, Henriot Champagne, the wines of Baron Philippe de Rothschild including Mouton-Cadet, and Licor 43. Beatrice imports and distributes wines and spirits in the United States under agreements giving it exclusive rights with respect to such products.

The Beverage group's business is highly competitive and competition is based on price, product quality, availability and brand identification.

#### **Grocery**

Beatrice produces, processes and distributes grocery products, prepared foods, specialty meats, cheese and bakery products at many locations throughout the United States. Beatrice's Grocery group competes with national, regional and local companies. Distribution is generally on a national or regional basis through various local food brokers or, in the case of certain meat and bread products, via direct store door delivery. Ingredients are generally available from a variety of independent suppliers.

Beatrice Grocery Products include Aunt Nellie's vegetables and sauces, Bonkers cat treats, Fisher snack nuts, Martha White flour and convenience mixes, Swiss Miss hot cocoa mixes, frozen pudding bars, refrigerated pudding and chocolate milk makers and Lowrey's meat snacks.

Beatrice Prepared Foods include La Choy Oriental vegetables, egg rolls, entrees and soy sauce and Rosarita Mexican entrees, dinners, beans, sauces and salsas.

Beatrice Specialty Meats include Eckrich smoked sausage, frankfurters, luncheon meats, and other meat specialties and Kneip corned beef. Beatrice also slaughters and fabricates beef and veal carcasses. Beef is sold as wholesale cuts, frozen steaks, and hamburger patties. Veal is marketed under the Plum de Veau brand primarily as fresh product. Specialty Meats products are distributed to retail and food service markets.

Beatrice Cheese manufactures and distributes natural cheese, cream cheese and other products to food manufacturing, food service and retail markets. Retail products are sold primarily under the County Line brand. The price of raw milk, a basic ingredient for cheese, is subject to governmental control as outlined in the description of Beatrice's Dairy Products operations. The U.S. Government's Surplus Distribution Program for cheese has reduced the demand for cheese products.

Beatrice Bakery Products manufactures and distributes cookies and bread on a regional and local basis under a variety of brands.

#### **Consumer & Commercial Products**

Beatrice produces a broad range of products for consumer use including Samsonite fashion luggage and attache cases; Samsonite furniture; Stiffel lamps; Del Mar and LouverDrape window coverings; Aristokraft kitchen and bathroom cabinets; Waterloo tool boxes; Day-Timers diary planners and time management aids; racks and office dividers; Culligan water treatment services; Chicago Specialty plumbing products; Swingster jackets and caps; Velva Sheen and Allison silk-screen knitwear; and Webcraft newspaper and catalog inserts and film mailers. Beatrice also operates photoengraving facilities. Consumer products are sold through a combination of full-time company salesmen, manufacturers' representatives and distributors to home furnishing, department and hardware stores and interior decorators. Certain products, such as Day-Timers products, are primarily marketed through direct mail advertising and catalogs. Beatrice competes with international, national, regional and local companies in the sale of its consumer products.

Beatrice produces a variety of products for commercial uses: Taylor slush and milk share machines; Bloomfield institutional food service equipment; Market Forge/Wells cooking equipment; Culligan commercial and industrial water treatment equipment; and industrial gas and specialty medical equipment. Beatrice's commercial products are generally sold directly to end-use customers, but are also sold through distributors and manufacturers' representatives. Most of Beatrice's commercial products are sold throughout the United States, although there is regional concentration for certain of them. Sales of these products are directly related to cyclical fluctuations in the United States economy. Beatrice commercial products are also sold in international markets. Competition varies from large and financially strong international and national companies to regional and local companies.

Beatrice's international manufacturing operations in Consumer & Commercial Products include a food service equipment manufacturer in Canada; water treatment equipment producers in Belgium, Canada, Ireland and Italy; and luggage producers in Belgium, France, Canada and Mexico.

#### **Chemical**

Beatrice Chemical participates in selected segments of the chemical industry. Beatrice Plastics & Coatings includes Fiberite thermoset molding materials and graphite fiber composites; LNP reinforced thermoplastics and fluoropolymer compounds; Dri-Print decorative foils; and Thoro specialty water-proofing treatments for cement and masonry surfaces.

Beatrice Performance Chemicals include Stahl finishes for leather; Permuthane coatings for vinyls and textiles; Polyvinyl synthetic resins for paper coatings, adhesives, inks and toners; Molub-Alloy high performance lubricants; Paule dressings for shoe manufacturers; Converters flexographic and rotogravure printing inks; Craig adhesives; and Farboil marine and powder coatings.

Beatrice has Chemical operations located in the U.S. and in Australia, Belgium, Canada, Mexico, the Netherlands, Nicaragua, Singapore, Spain, Taiwan, the United Kingdom, Venezuela and West Germany. Chemical products are primarily distributed through each operating unit's own technical sales force, supplemented in some instances by distributors. Competition in the sale of Beatrice Chemical products ranges from large and financially strong international and national companies to regional and local companies.

#### **International Food**

Beatrice International Food operations and related services include milk and/or ice cream plants in Belgium, Canada, Denmark, Italy, Jamaica, Mexico, Puerto Rico, Spain and West Germany; beverage companies in Australia, Belgium, Ireland, the Netherlands and Thailand; bakeries in Canada and Italy; wholesale food distributors in Australia, Belgium, France, Japan and the Netherlands; supermarkets in France; specialty meats companies in Australia and France; confectionery companies in Australia, Brazil, Colombia, New Zealand, Thailand, the United Kingdom, Uruguay and Venezuela; snack food operations in Brazil, Colombia, Guatemala, Honduras, Ireland, Panama, Peru, and Venezuela; fruit juices, jams and preserves in West Germany; and Chinese frozen delicacies and noodles in Hong Kong.

Because the industries in which the operations are engaged vary widely, the supply of raw materials and competitive conditions with respect to each of the operations also vary greatly. Similarly, risks attendant to operations in foreign countries vary from country to country. A number of countries maintain controls on repatriation of earnings and capital; however, such controls have not significantly affected Beatrice's consolidated operations. Such variations and risks are mitigated to the extent that operations in no single industry or country are material to Beatrice or to this business group.

Beatrice International Food operations are generally managed by a resident of the country where the operation is located. In some instances, local management has an equity interest in the operation it manages.

#### **Management and Employees**

As of February 29, 1984, Beatrice had approximately 72,000 employees with about 400 employees in Beatrice's corporate headquarters. There have been no significant interruptions or curtailments of Beatrice's operations due to labor disputes, and Beatrice considers its labor relations to be satisfactory.

In general, operating decisions are made at the operations management level. The decisions typically include variation of product mix, pricing of products and selection of markets. A significant portion of the total compensation of operating executives typically is based upon profit contributions of the activities under their supervision.

#### **Business Realignment**

Beatrice has undertaken a long-term program to realign its businesses along marketing lines. This program has resulted in a major corporate restructuring, including investments in new companies, divestitures of businesses that did not fit the strategic direction of the company, a new corporate identity program and a reorganization of Beatrice's management structure. For further information on the business realignment program, see Note 2 of "Notes to Consolidated Financial Statements" appearing on page 35 of Beatrice's 1984 Annual Report, which is incorporated herein by reference.

#### **Executive Officers of the Registrant**

The following table sets forth as of April 30, 1984, (i) the names and ages of the executive officers of Beatrice (ii) the principal offices and positions with Beatrice held by each such person since 1979, and (iii) the principal occupations and employments of each such person since 1979. The

officers of Beatrice are elected by the Board of Directors. Each officer serves until his or her successor is elected and qualified or until his or her earlier death, resignation or removal.

<u>Name</u>	<u>Age</u>	<u>Offices and Positions with Beatrice and Other Information</u>
Nolan D. Archibald	40	Senior Vice President (Consumer & Commercial Products Group) since 1983. President of Home Products division from 1981 to 1983. President of the Liken division from 1979 to 1981.
Reuben W. Berry	57	Senior Vice President (Organization and Management Resources) since 1983. Senior Vice President and Director (Human Resources) from 1981 to 1983. Previously Vice President (Personnel and Labor Relations) with Montgomery Ward & Co., Chicago, Illinois, a retail merchandiser.
Richard L. Chisholm	52	Senior Vice President (Refrigerated Foods & Services Group) since 1983. Previously Vice President (Dairy division).
John D. Connors	59	Vice Chairman since 1983. Executive Vice President (Dairy & Agri-Products, Soft Drinks, Bottled Water and Wine & Spirits) from 1982 to 1983. Previously Senior Vice President (Dairy, Soft Drinks, Warehouse and Agri-Products).
James L. Dutt	59	Chairman of the Board and Chief Executive Officer since 1979. President from 1982 to 1983. Previously President and Chief Operating Officer.
William W. Granger, Jr.	65	Vice Chairman since 1982. Executive Vice President (International Food and Tropicana) from 1979 to 1982. Previously Executive Vice President (Dairy, Soft Drink, Agri-Products and International Food divisions).
James A. Johnson	46	Senior Vice President and Chief Financial Officer since 1980. Treasurer since 1984. Previously Vice President and Controller.
Thomas P. Kemp	53	Senior Vice President (Beverage Group) since June 9, 1983. Vice President from March 2, 1983 to June 9, 1983. President of Soft Drinks and Bottled Water division from 1982 to June 1983. Previously President of the Coca-Cola Bottling Company of Los Angeles, a bottler and distributor of beverages.
Anthony Luiso	40	Senior Vice President (Office of the Chairman) since March 1984. Senior Vice President (International Food Group) from 1983 to 1984. Vice President from 1980 to 1983. President of International division from 1982 to 1983. Previously Executive Vice President of the International Food division.
John J. McRobbie	58	Senior Vice President (Grocery Group) since 1983. Senior Vice President (Corporate Marketing) from January 1983 to July 1983. President of Ethnic Food division from 1981 to 1982. Previously General Manager of the La Choy Foods division.
William S. Mowry, Jr.	44	Senior Vice President (International Food Group) since April 20, 1984. Vice President from March 1, 1984 to April 20, 1984. Director, Administration/Organization (Grocery Group) from November 1983 to March 1984. President of Institu-

<u>Name</u>	<u>Age</u>	<u>Offices and Positions with Beatrice and Other Information</u>
Richard J. Pigott	43	tional Food division from June 1983 to November 1983. Director of Operations for Dairy, Agri-Products, Warehouse, Soft Drink & Bottled Water and Wine & Spirits divisions from 1982 to 1983. Previously President of Soft Drink division.
William E. Reidy	52	Executive Vice President and Chief Administrative Officer since 1980. Previously Senior Vice President and General Counsel.
Douglas J. Stanard	37	Senior Vice President (Corporate Strategy) since 1983. From 1980 to 1982, Senior Vice President, Corporate Strategy and Development, Dart & Kraft, Inc., Northbrook, Illinois, a diversified food and manufacturing company. Previously member of Dart & Kraft, Inc. Management Policy Committee.
John A. Stevens	38	Vice President since 1982. Secretary since 1978. Director of Corporate Relations since 1983. Assistant to the Chairman from 1981 to 1983.
Richard F. Vitkus	44	Vice President since 1982 and Controller since 1980. Previously Manager of Corporate Accounting.
Harry C. Wechsler	64	Senior Vice President and General Counsel since 1981. Previously Vice President (Counsel-International).
		Senior Vice President (Chemical Group) since 1983. President of Chemical division since 1977. Vice President from 1980 to 1983.

**ITEM 2. PROPERTIES.**

Beatrice uses various owned and leased plants, warehouses, distribution centers and other facilities in its businesses and operations. The following table sets forth information with respect to the approximate number and location of facilities operated by Beatrice by business group as of February 29, 1984.

	Approximate Number of Facilities				
	United States		Outside United States		Total
	Owned	Leased	Owned	Leased	
Refrigerated Foods & Services	220	150	—	—	370
Beverage	80	50	—	—	130
Grocery	140	80	10	—	230
Consumer & Commercial Products	90	160	10	30	290
Chemical	20	50	10	20	100
International Food	—	—	190	280	470
	<u>550</u>	<u>490</u>	<u>220</u>	<u>330</u>	<u>1,590</u>

**ITEM 3. LEGAL PROCEEDINGS.**

In the opinion of management, there are no claims or litigation pending to which Beatrice is a party which could have a material adverse effect on Beatrice's consolidated financial condition.

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

The Item is not applicable.

## PART II

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

The information under the caption "Stockholder Information" on page 46 in Beatrice's 1984 Annual Report is incorporated herein by reference.

### ITEM 6. SELECTED FINANCIAL DATA.

The information for the five fiscal years ended February 29, 1984, excluding ratios and percentages, under the caption "Eleven Year Review" on pages 28 and 29 in Beatrice's 1984 Annual Report is incorporated herein by reference.

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

The information under the caption "Discussion of Operations and Financial Condition" on pages 25 through 27 in Beatrice's 1984 Annual Report is incorporated herein by reference.

### ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

The following consolidated financial statements of Beatrice Foods Co. and subsidiaries and the Accountants' Report on pages 30 through 44 and page 45, respectively, in Beatrice's 1984 Annual Report are incorporated herein by reference:

Consolidated Balance Sheet—As of last day of February 1984 and 1983

Statement of Consolidated Earnings—Years ended last day of February 1984, 1983 and 1982

Statement of Consolidated Stockholders' Equity—Years ended last day of February 1984, 1983 and 1982

Statement of Consolidated Changes in Financial Position—Years ended last day of February 1984, 1983 and 1982

Notes to Consolidated Financial Statements

Accountants' Report

### ITEM 9. DISAGREEMENTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

The Item is not applicable.

## PART III

### ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT.

Information under the caption "Election of Directors" on pages 1 through 6 in Beatrice's Proxy Statement dated April 30, 1984 is incorporated herein by reference. Also, see Part I of this Report, under the caption "Executive Officers of the Registrant", for information relating to Beatrice's executive officers.

### ITEM 11. EXECUTIVE COMPENSATION.

The information under the captions "Committees of the Board of Directors" and "Executive Compensation" on pages 8 through 12 of Beatrice's Proxy Statement dated April 30, 1984 is incorporated herein by reference.

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

The information under the captions "Election of Directors" and "Principal Stockholders" on pages 1 through 6 and page 31, respectively, in Beatrice's Proxy Statement dated April 30, 1984 is incorporated herein by reference.

**ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.**

The Item is not applicable.

**PART IV**

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

(a) List of documents filed as part of this Report:

- (1) All consolidated financial statements, Notes to Consolidated Financial Statements and the Accountants' Report as set forth under Part II, Item 8 of this Report are incorporated by reference from Beatrice's 1984 Annual Report.
- (2) The following financial statement schedules of Beatrice Foods Co. and subsidiaries are being filed with this Report. The financial statement schedules for the three years ended February 29, 1984 which have been omitted are inapplicable or not required under the instructions or the information is included in the "Notes to Consolidated Financial Statements" of Beatrice's 1984 Annual Report.

<u>Schedule Number</u>	<u>Description</u>	<u>Page Number</u>
V	Property, plant and equipment	12
VI	Accumulated depreciation, depletion and amortization of property, plant and equipment	13
VIII	Valuation and qualifying accounts	14
X	Supplementary income statement information	15

The Accountants' Report on Financial Statement Schedules appears on page 11 of this Report.

Financial statements of 50% or less owned companies and other unconsolidated subsidiaries of Beatrice Foods Co. have been omitted since all such companies considered in the aggregate do not constitute a significant subsidiary of Beatrice Foods Co.

(3) Exhibits:

<u>Exhibit Numbers</u>	<u>Description</u>
3.1	Articles of Incorporation of Beatrice Foods Co. were filed as Exhibit 3.1 to Beatrice's Post-Effective Amendment No. 21 to Form S-1 Registration Statement No. 2-56558 and are incorporated herein by reference.
3.2	By-laws of Beatrice Foods Co.
4	Instruments Defining the Rights of Security Holders, Including Indentures*
10.1	1977 Restricted Stock Performance Plan was filed as Exhibit 5(a) to Beatrice's Post-Effective Amendment No. 10 to Form S-1 Registration Statement No. 2-56558 and is incorporated herein by reference.
10.2	1977 Phantom Book Unit Plan in Conjunction with Phantom Stock Plan was filed as Exhibit 5(b) to Beatrice's Post-Effective Amendment No. 10 to Form S-1 Registration Statement No. 2-56558 and is incorporated herein by reference.

<u>Exhibit Numbers</u>	<u>Description</u>
10.3	1970 Management Incentive Deferred Compensation Plan is incorporated herein by reference to Beatrice's Proxy Statement dated May 8, 1970.
10.4	1973 Management Incentive Deferred Compensation Plan was filed as Exhibit 8 to Beatrice's Annual Report on Form 10-K for the fiscal year ended February 28, 1974 and is incorporated herein by reference.
10.5	1982 Incentive Stock Option Plan, as amended, was filed as Exhibits 4.1 and 4.2 to Beatrice's Form S-8 Registration Statement No. 2-83711 and is incorporated herein by reference.
10.6	1982 Non-Qualified Stock Option Plan was filed as Exhibit 4.3 to Beatrice's Form S-8 Registration Statement No. 2-83711 and is incorporated herein by reference.
10.7	Performance Unit Plan of Beatrice Foods Co. was filed as Exhibit 10 to Beatrice's Annual Report on Form 10-K for the fiscal year ended February 28, 1983, and is incorporated herein by reference.
10.8	Employment and Service Contract made and entered into September 1, 1981 between Beatrice Foods Co. and James L. Dutt was filed as Exhibit 10.8 to Beatrice's Post-Effective Amendment No. 20 to Form S-1 Registration Statement No. 2-56558 and is incorporated herein by reference.
10.9	Employment and Service Contract made and entered into September 1, 1981 between Beatrice Foods Co. and John D. Conners was filed as Exhibit 10.10 to Beatrice's Post-Effective Amendment No. 20 to Form S-1 Registration Statement No. 2-56558 and is incorporated herein by reference.
10.10	Employment and Service Contract made and entered into September 1, 1981 between Beatrice Foods Co. and William W. Granger, Jr. was filed as Exhibit 10.11 to Beatrice's Post-Effective Amendment No. 20 to Form S-1 Registration Statement No. 2-56558 and is incorporated herein by reference.
10.11	Employment and Service Contract made and entered into September 1, 1981 between Beatrice Foods Co. and Richard J. Pigott.
10.12	Employment Agreement made and entered into May 19, 1982 between Beatrice Foods Co. and T. P. Kemp.
11	Computation of Earnings per Share
12	Computation of Ratio of Earnings Before Fixed Charges to Fixed Charges
13	Beatrice Foods Co. 1984 Annual Report
22	Subsidiaries of Beatrice Foods Co.
24	Accountants' Consent
25	Powers of Attorney

\* None. Beatrice Foods Co. agrees to furnish to the Securities and Exchange Commission upon request copies of any instrument (of which the total securities authorized thereunder do not exceed 10% of the total assets of Beatrice Foods Co. and its subsidiaries on a consolidated basis) defining the rights of the holders of long-term debt.

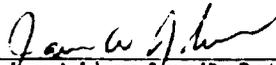
(b) Reports on Form 8-K:

None.

**SIGNATURES**

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

BEATRICE FOODS CO.

By   
James A. Johnson, Senior Vice President,  
Chief Financial Officer and Treasurer

April 30, 1984

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

<u>Signature</u>	<u>Title</u>
JAMES L. DUTT	Chairman of the Board, Chief Executive Officer and Director
JAMES A. JOHNSON	Senior Vice President, Chief Financial Officer and Treasurer
JOHN A. STEVENS	Vice President and Controller
ANGELO R. ARENA	Director
ALEXANDER BRODY	Director
JOHN D. CONNERS	Vice Chairman and Director
G. A. COSTANZO	Director
JAMES W. COZAD	Director
WILLIAM W. GRANGER, JR.	Vice Chairman and Director
WALTER J. LEONARD	Director
BERNARD A. MONAGHAN	Director
RICHARD J. FIGOTT	Executive Vice President, Chief Administrative Officer and Director
CEDRIC E. RITCHIE	Director
GOFF SMITH	Director
JAYNE B. SPAIN	Director
OMER G. VOSS	Director
RUSSELL L. WAGNER	Director
MURRAY L. WEIDENBAUM	Director

By   
James A. Johnson  
Attorney-in-Fact

April 30, 1984

## ACCOUNTANTS' CONSENT

The Board of Directors  
Beatrice Foods Co.:

We consent to incorporation by reference in the Registration Statements on Form S-3 [No. 2-79507], Form S-5 [Nos. 2-61554 and 2-53711] and Form S-16 [No. 2-50317] of Beatrice Foods Co. of our report, dated April 16, 1984, relating to the consolidated balance sheet of Beatrice Foods Co. and subsidiaries as of February 29, 1984 and February 28, 1983 and the related statements of consolidated earnings, stockholders' equity and changes in financial position for each of the years in the three-year period ended February 29, 1984 and of our report dated April 16, 1984 relating to the financial statement schedules which reports are incorporated by reference or appear in the annual report on Form 10-K for the fiscal year ended February 29, 1984.

*Peat, Marwick, Mitchell & Co.*  
PEAT, MARWICK, MITCHELL & CO.

Chicago, Illinois  
April 27, 1984

## ACCOUNTANTS' REPORT ON FINANCIAL STATEMENT SCHEDULES

The Board of Directors and Stockholders  
Beatrice Foods Co.:

Under date of April 16, 1984, we reported on the consolidated balance sheet of Beatrice Foods Co. and subsidiaries as of February 29, 1984 and February 28, 1983 and the related statements of consolidated earnings, stockholders' equity and changes in financial position for each of the years in the three-year period ended February 29, 1984, as contained in the annual report to stockholders for the fiscal year ended February 29, 1984. These financial statements and our report thereon are incorporated by reference in the annual report on Form 10-K for the fiscal year ended February 29, 1984. In connection with our examinations of the aforementioned consolidated financial statements, we also examined the related financial statement schedules listed in Part IV, Item 14(a)(2).

In our opinion, such financial statement schedules, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly in all material respects the information set forth therein.

*Peat, Marwick, Mitchell & Co.*  
PEAT, MARWICK, MITCHELL & CO.

Chicago, Illinois  
April 16, 1984

## BEATRICE FOODS CO. AND SUBSIDIARIES

## PROPERTY, PLANT AND EQUIPMENT

Three Years Ended February 29, 1984  
(In millions)

Classification	Balance at Beginning of Period	Additions At Cost (A)	Disposals	Elimination of Fully Depreciated Assets	Other (B)	Balance at End of Period
Year ended February 28, 1982						
Land	\$ 71	\$ 47	\$ 9	\$ —	\$ —	\$ 109
Buildings	743	142	54	—	—	831
Machinery and equipment	1,314	290	151	24	—	1,419
	<u>\$2,128</u>	<u>\$469</u>	<u>\$214</u>	<u>\$ 24</u>	<u>\$ —</u>	<u>\$2,359</u>
Year ended February 28, 1983						
Land	\$ 109	\$ 32	\$ 5	\$ —	\$ (6)	\$ 130
Buildings	831	155	30	—	(38)	920
Machinery and equipment	1,419	290	97	55	(81)	1,466
	<u>\$2,359</u>	<u>\$467</u>	<u>\$132</u>	<u>\$ 55</u>	<u>\$(123)</u>	<u>\$2,516</u>
Year ended February 29, 1984						
Land	\$ 130	\$ 18	\$ 17	\$ —	\$ (3)	\$ 128
Buildings	920	65	111	—	(27)	847
Machinery and equipment	1,466	225	181	24	(64)	1,422
	<u>\$2,516</u>	<u>\$308</u>	<u>\$309</u>	<u>\$ 24</u>	<u>\$( 94)</u>	<u>\$2,397</u>

(A) Includes property, plant, and equipment totaling \$2 million in 1984 and \$25 million in 1983 which was acquired in exchange for shares of common stock upon the purchase of other companies.

(B) Represents foreign currency translation adjustments due to the adoption of Statement of Financial Accounting Standards No. 52 in 1983.

(C) The following summarizes the annual rates of depreciation currently in use:

Buildings	2% to 10%
Machinery and equipment	7% to 50%

(D) The cost of plant and equipment sold or otherwise disposed of and the accumulated depreciation thereon are eliminated from the asset and accumulated depreciation accounts and any resulting profit or loss is included in the statement of consolidated earnings.

## BEATRICE FOODS CO. AND SUBSIDIARIES

ACCUMULATED DEPRECIATION, DEPLETION AND AMORTIZATION  
OF PROPERTY, PLANT AND EQUIPMENTThree Years Ended February 29, 1984  
(In millions)

Description	Balance at Beginning of Period	Additions Charged to Costs and Expenses	Disposals	Elimination of Fully Depreciated Assets	Other (A)	Balance At End of Period
Year ended February 28, 1982						
Buildings	\$230	\$ 38	\$ 24	\$—	\$ —	\$242
Machinery and equipment	574	127	88	24	—	589
	<u>\$304</u>	<u>\$163</u>	<u>\$112</u>	<u>\$24</u>	<u>\$ —</u>	<u>\$331</u>
Year ended February 28, 1983						
Buildings	\$242	\$ 35	\$ 15	\$—	\$ (8)	\$254
Machinery and equipment	589	147	53	55	(30)	598
	<u>\$831</u>	<u>\$182</u>	<u>\$ 68</u>	<u>\$55</u>	<u>\$(38)</u>	<u>\$852</u>
Year ended February 29, 1984						
Buildings	\$254	\$ 39	\$ 43	\$—	\$ (6)	\$244
Machinery and equipment	598	155	103	24	(32)	594
	<u>\$852</u>	<u>\$194</u>	<u>\$146</u>	<u>\$24</u>	<u>\$(38)</u>	<u>\$838</u>

(A) Represents deductions of \$41 million and \$52 million due to foreign currency translation adjustments, net of \$3 million and \$14 million of additions applicable to international companies purchased during the years ended the last day of February 1984 and 1983, respectively.

## BEATRICE FOODS CO. AND SUBSIDIARIES

## VALUATION AND QUALIFYING ACCOUNTS

Three Years Ended February 29, 1984  
(In millions)

Description	Balance At Beginning Of Period	Additions			Deductions	Balance At End Of Period
		Charged To Costs And Expenses	Recoveries	Other		
Allowance for doubtful accounts:						
Year ended February 28, 1982	\$ 26	\$ 12	\$ 2	\$ 1(A)	\$ 15(B)	\$ 26
Year ended February 28, 1983	\$ 28	\$ 14	\$ 2	\$ 1(A)	\$ 16(B)	\$ 27
Year ended February 29, 1984	\$ 27	\$ 17	\$ 1	\$ —	\$ 15(B)	\$ 30
Business realignment reserve:						
Year ended February 28, 1982	\$ 16	\$ 53(E)	\$ —	\$ —	\$ 9(C)	\$ 60
Year ended February 28, 1983	\$ 60	\$ 139(E)	\$ —	\$ —	\$ 32(C)	\$ 167(D)
Year ended February 29, 1984	\$ 167	\$ —	\$ —	\$ —	\$ 112(F)	\$ 55

(A) Represents allowances for doubtful accounts of acquired companies.

(B) Represents accounts charged off as uncollectible and amounts associated with divested companies.

(C) Represents realized losses on divested operations. Year ended February 28, 1983 includes \$11 million of goodwill write-downs on companies to be divested.

(D) Includes an \$87 million current and an \$80 million noncurrent business realignment reserve classified as an accrued expense and other noncurrent liability, respectively.

(E) Includes \$127 million in 1983 and \$47 million in 1982 for losses on planned divestitures and business realignment costs. The remaining charges to expense of \$12 million in 1983 and \$6 million in 1982 represent additional estimated losses on divested businesses.

(F) Includes \$56 million of realized losses and other costs associated with companies divested, a \$38 million reserve reduction credited to earnings as a result of better than anticipated selling prices for divested companies and \$18 million of other corporate identity and business realignment costs.

## BEATRICE FOODS CO. AND SUBSIDIARIES

## SUPPLEMENTARY INCOME STATEMENT INFORMATION

Three Years Ended February 29, 1984  
(In millions)

Description	Charged to Costs and Expenses Year Ended Last Day of February		
	1984	1983	1982
Maintenance and repairs	\$127	\$121	\$121
Advertising costs(A)	\$238	\$226(B)	\$199(B)

(A) Represents costs of media and cooperative advertising and sales promotions.

(B) Certain sales promotion activities in the past were classified as expenses and are now reflected as a reduction of sales. Advertising and sales promotion expenses prior to fiscal 1984 have been restated to reflect this change.

**INDEX TO EXHIBITS**

<u>Exhibit Number</u>	<u>Description of Exhibits</u>	<u>Page</u>
3.2	By-laws of Beatrice Foods Co.	18
10.11	Employment and Service Contract made and entered into September 1, 1981 between Beatrice Foods Co. and Richard J. Pigott.	34
10.12	Employment Agreement made and entered into May 19, 1982 between Beatrice Foods Co. and T. P. Kemp.	40
11	Computation of Earnings per Share	46
12	Computation of Ratio of Earnings Before Fixed Charges to Fixed Charges	47
13	Beatrice Foods Co. 1984 Annual Report	48
22	Subsidiaries of Beatrice Foods Co.	99
24	Accountants' Consent	12
25	Powers of Attorney	104

Effective March 1, 1984

BY-LAWS

OF

BEATRICE FOODS CO.

ARTICLE I

Stockholders

Section 1.1. Annual Meetings. An annual meeting of stockholders shall be held each year for the election of directors at such date, time and place either within or without the State of Delaware as shall be designated by the Board of Directors. Any other proper business may be transacted at the annual meeting of stockholders.

Section 1.2. Special Meetings. Special meetings of stockholders may be called at any time by the Board of Directors or by the Chairman and shall be called by the Chairman or the Secretary at the request, in writing, stating the purpose or purposes of the meeting, of a majority of the members of the Board of Directors or of stockholders representing one-third of the number of outstanding shares of capital stock. Each special meeting shall be held at such date, time and place either within or without the State of Delaware as shall be designated by the person or persons calling such meeting, at least ten days prior to such meeting.

Section 1.3. Notice of Meetings. Unless otherwise provided by law, whenever stockholders are required or permitted to take any action at a meeting, a written notice of the meeting shall be given which shall state the date, time and place of the meeting, and, in the case of a special meeting, the purpose or purposes for which the meeting is called. Unless otherwise provided by law, the written notice of any meeting shall be given not less than ten nor more than sixty days before the date of the meeting to each stockholder entitled to vote at the meeting. If mailed, notice is given when deposited in the United States mail, postage prepaid, directed to the stockholder at the stockholder's address as it appears on the records of the Company.

Section 1.4. Adjournments. Any meeting of stockholders, annual or special, may adjourn from time to time to reconvene at the same or some other place, and notice need not be given of any such adjourned meeting if the time and place thereof are announced at the meeting at which the adjournment is taken. At the adjourned meeting, the Company may transact any business which might have been transacted at the original

meeting. If the adjournment is for more than thirty days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at such meeting.

Section 1.5. Quorum. Unless otherwise provided by law, at each meeting of stockholders, the presence in person or representation by proxy of the holders of a majority of the shares of capital stock of the Company entitled to vote at the meeting shall constitute a quorum for the transaction of business. In the absence of a quorum, the stockholders so present and represented may by vote of the holders of a majority of the shares of the capital stock of the Company so present and represented, adjourn the meeting from time to time until a quorum shall attend, and the provisions of Section 1.4 of these by-laws shall apply to each such adjournment.

Section 1.6. Organization. Meetings of stockholders shall be presided over by the Chairman, or in the Chairman's absence by a chairman designated by the Chairman, or in the absence of such designation by a chairman designated by the Board of Directors, or in the absence of either of such designations by a chairman chosen at the meeting. The Secretary shall act as secretary of the meeting, but in the Secretary's absence the chairman of the meeting may appoint any person to act as secretary of the meeting.

Section 1.7. Voting; Proxies. Each stockholder entitled to vote at a meeting of stockholders or to express consent or dissent to corporate action in writing without a meeting may authorize another person or persons to act for such stockholder by proxy, but no such proxy shall be voted or acted upon after three years from its date, unless the proxy provides for a longer period. A duly executed proxy shall be irrevocable if it states that it is irrevocable and if, and only as long as, it is coupled with an interest sufficient in law to support an irrevocable power. A stockholder may revoke any proxy which is not irrevocable by filing an instrument in writing revoking the proxy or by filing another duly executed proxy bearing a later date with the Secretary before the proxy is voted. Voting of stockholders for the election of directors shall be by written ballot. Unless otherwise provided by law or the certificate of incorporation, the vote of the holders of a majority of the shares of the capital stock of the Company present in person or represented by proxy at a meeting at which a quorum is present and entitled to vote on the subject matter submitted to a vote at the meeting shall be the act of the stockholders.

Section 1.8. Fixing Date for Determination of Stockholders of Record. In order that the Company may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof or to

express consent to corporate action in writing without a meeting, or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action, the Board of Directors may fix, in advance, a record date, which shall not be more than sixty nor less than ten days before the date of such meeting, nor more than sixty days prior to any other action. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provide, however, that the Board of Directors may fix a new record date for the adjourned meeting.

Section 1.9. List of Stockholders Entitled to Vote.

The Secretary shall prepare and make, at least ten days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting, arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least ten days prior to the meeting, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or, if not so specified, at the place where the meeting is to be held. The list shall also be produced and kept at the time and place of the meeting during the whole time thereof and may be inspected by any stockholder who is present.

ARTICLE II

Board of Directors

Section 2.1. Powers; Number; Qualifications. The business and affairs of the Company shall be managed by or under the direction of the Board of Directors, except as may be otherwise provided by law or by the certificate of incorporation. The Board of Directors shall consist of such number of directors as the Board of Directors shall from time to time designate.

Section 2.2. Election; Term of Office; Resignation; Removal; Vacancies. Each director shall hold office until such director's successor is elected and qualified or until such director's earlier resignation or removal. Any director may resign at any time upon written notice to the Company directed to the Board of Directors and the Secretary. Such resignation shall take effect at the time specified therein, and unless otherwise specified therein no acceptance of such resignation shall be necessary to make it effective. Vacancies and newly created directorships resulting from any

increase in the authorized number of directors elected by all of the stockholders having a right to vote as a single class may be filled by a majority of the directors then in office, provided that the remaining directors shall not at such time be less than a quorum, in which event the stockholders, at a special meeting duly called and held for that purpose, shall fill all such vacancies.

Section 2.3. Regular Meeting. At least four regular meetings of the Board of Directors shall be held annually. Such meetings shall be held at such date, time and place either within or without the State of Delaware as shall be fixed by the Chairman or the Secretary, unless otherwise ordered by the Board of Directors.

Section 2.4. Special Meetings. Special meetings of the Board of Directors may be called at any time by the Chairman, the President, the Secretary, or any three members of the Board of Directors. Each special meeting shall be held at such date, time and place either within or without the State of Delaware as shall be fixed by the person or persons calling such meeting.

Section 2.5 Notices. Written notice of each meeting of the Board of Directors shall be given which shall state the date, time and place of the meeting. The written notice of any meeting shall be given at least twenty four hours in advance of the meeting to each director. Notice may be given by letter, telegram, or telex and shall be deemed to have been given when deposited in the United States mail, delivered to the telegraph company or transmitted by telex, as the case may be.

Section 2.6. Telephonic Meetings. Members of the Board of Directors or any committee designated by the Board of Directors may participate in a meeting of the Board of Directors or of such committee by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and participation in a meeting pursuant to this by-law shall constitute attendance and presence in person at such meeting.

Section 2.7. Quorum; Vote Required for Action. Unless otherwise provided by law, at each meeting of the Board of Directors, the presence of a majority of the total number of directors shall constitute a quorum for the transaction of business. The vote of a majority of the directors present at a meeting at which a quorum is present shall be the act of the Board of Directors. In case at any meeting of the Board of Directors a quorum shall not be present, the members of the Board of Directors present may by majority vote adjourn the meeting from time to time until a quorum shall attend.

Section 2.8. Organization. Meetings of the Board of Directors shall be presided over by the Chairman, or in the Chairman's absence by a chairman designated by the Chairman, or in the absence of such designation by a chairman designated by the Board of Directors. The Secretary shall act as secretary of the meeting, but in the Secretary's absence the chairman of the meeting may appoint any person to act as secretary of the meeting.

Section 2.9. Action by Directors Without a Meeting. Any action required or permitted to be taken at any meeting of the Board of Directors, or of any committee thereof, may be taken without a meeting if all members of the Board of Directors or of such committee, as the case may be, consent thereto in writing, and the writings are filed with the minutes of proceedings of the Board of Directors or such committee.

Section 2.10. Compensation of Directors. Each member of the Board of Directors who is not an active, full-time employee of the Company shall be paid compensation for services as a director in the sum of \$20,000 annually, plus an attendance fee of \$1,000 for each Board of Directors meeting attended, plus an attendance fee of \$1,000 for each committee meeting attended, plus \$2,500 for each Board of Directors committee for which such director is appointed chairman, plus actual expenses.

### ARTICLE III

#### Committees

Section 3.1. Executive Committee. The Board of Directors may, by resolution passed by a majority of the whole Board of Directors, designate an Executive Committee consisting of the Chairman, the President, and such other number of directors as the Board of Directors shall from time to time designate. The Board of Directors may designate one or more directors as alternate members of the Executive Committee who may replace any absent or disqualified member of the Executive Committee at any meeting thereof.

The Chairman shall preside at all meetings of the Executive Committee or, in the Chairman's absence, a chairman designated by the Chairman shall preside at all such meetings or, in the absence of such designation a chairman designated by the Board of Directors shall preside at all such meetings. Meetings of the Executive Committee may be called by the Chairman, the President, the Secretary or by any two members of the Executive Committee. Each meeting of the Executive Committee shall be held at such date, time and place as shall be designated by the person or persons calling such meeting. Written notice of each meeting of the Executive Committee shall be given which shall state the date, time and place of

the meeting. The written notice of any meeting shall be given at least twenty-four hours in advance of such meeting to each member of the Executive Committee. Notice may be given by letter, telegram or telex and shall be deemed to have been given when deposited in the United States mail, delivered to the telegraph company or transmitted by telex, as the case may be.

**Section 3.2. Other Committees.** The Board of Directors may, by resolution passed by a majority of the whole Board of Directors, designate one or more committees in addition to the Executive Committee, each committee to consist of one or more of the directors of the Company. The Board of Directors may designate one or more directors as alternate members of any such committee who may replace any absent or disqualified member of such committee at any meeting thereof.

**Section 3.3 Power of Committees.** During intervals between meetings of the Board of Directors, the Executive Committee shall have and may exercise all of the powers and authority of the Board of Directors in the management of the business and affairs of the Company, may authorize the issuance of shares of the Preference Stock and Common Stock of the Company, may adopt a certificate of ownership and merger pursuant to Section 253 of the General Corporation Law of the State of Delaware, and may authorize the seal of the Company to be affixed to all papers which may require it. Each other committee designated by the Board of Directors shall have and may exercise all of the powers and authority of the Board of Directors in the management of the business and affairs of the Company to the extent provided in a resolution of the Board of Directors. Neither the Executive Committee nor any other committee designated by the Board of Directors shall have the power or authority to take any action with reference to:

- (a) amending the certificate of incorporation of the Company (except that a committee may, to the extent authorized in the resolution or resolutions providing for the issuance of shares of stock adopted by the Board of Directors as provided in Section 151(a) of the General Corporation Law of the State of Delaware, fix any of the preferences or rights of such shares relating to dividends, redemption, dissolution, any distribution of assets of the Company or the conversion into, or the exchange of such shares for, shares of any other class or classes or any other series of the same or any other class or classes of stock of the Company),
- (b) adopting an agreement of merger or consolidation of the Company under Sections 251 or 252

of the General Corporation Law of the State of Delaware,

- (c) recommending to the stockholders of the Company the sale, lease or exchange of all or substantially all of the property and assets of the Company,
- (d) recommending to the stockholders of the Company a dissolution of the Company or a revocation thereof,
- (e) amending the by-laws of the Company,

and the Executive Committee shall not have the power or authority to take any action with reference to:

- (f) filling vacancies of the Board of Directors or in the Executive Committee,
- (g) electing officers,
- (h) fixing compensation of any member of the Executive Committee or of any officer or director of the Company, or
- (i) declaring any dividend.

Unless the Board of Directors otherwise provides, the Executive Committee and each other committee designated by the Board of Directors may adopt, amend and repeal rules for the conduct of its business; a majority of the total number of members of the Executive Committee or such other committee, as the case may be, shall constitute a quorum for the transaction of business; and the vote of a majority of the members present at a meeting at which a quorum is present shall be the act of the Executive Committee or such other committee, as the case may be.

#### ARTICLE IV

##### Officers

Section 4.1 Officers; Election. As soon as practicable after the annual meeting of stockholders in each year, the Board of Directors shall elect from its membership at least one of: a Chairman of the Board of Directors (herein called "Chairman"), one or more Vice Chairmen of the Board of Directors, and a President; shall elect from its membership a Chief Executive Officer; may elect, from its membership or outside thereof, any or all of: a Chief Administrative Officer, a Chief Financial Officer, one or more Vice Presidents (which may be designated Executive Vice Presidents, Senior Vice Presidents, or other Vice Presidents), a General

Counsel and a Controller; and shall elect from its membership or outside thereof at least one of: a Secretary, one or more Assistant Secretaries, A Treasurer and one or more Assistant Treasurers. The Board of Directors may also elect from its membership or outside thereof one or more Assistant Vice Presidents and such other Officers or agents as it may determine. The Same person may hold any two or more of the aforesaid offices at the same time, provided that neither the Chairman, any Vice Chairman nor the President shall also be Secretary, Treasurer, or a Vice President. The Chairman, each Vice Chairman, President, and each Executive Vice President of the Company may appoint officers for the divisions of the Company, which officers shall be agents only of the respective divisions to which appointed and shall not be such appointment be deemed to be corporate officers of the Company. The Authority and powers of each divisional officer shall be only those that are specifically delegated in writing to such divisional officer by the Chairman, any Vice Chairman, the President or any one of the Executive Vice Presidents.

As used in these by-laws, and unless otherwise specified by the Board of Directors as used in any resolution or written consent of the Board of Directors, the term "Vice President" shall mean each Executive Vice President, each Senior Vice President and each other Vice President.

Section 4.2. Term of Office; Resignation; Removal; Vacancies. Except as otherwise provided by the Board of Directors when electing any officer, each officer shall hold office until the first meeting of the Board of Directors after the annual meeting of stockholders next succeeding the election of such officer, or until such officer's successor is elected and qualified or until such officer's earlier resignation or removal. Any officer may resign at any time upon written notice to the Company directed to the Board of Directors and the Secretary. Such resignation shall take effect at the time specified therein and unless otherwise specified therein no acceptance of such resignation shall be necessary to make it effective. The Board of Directors may remove any officer or agent of the Company elected or appointed by it with or without cause at any time by a majority vote of the whole Board of Directors. Any such removal shall be without prejudice to the contractual rights of such officer or agent, if any, with the Company, but the election of an officer or agent shall not of itself create contractual rights. Any vacancy occurring in any office of the Company by death, resignation, removal or otherwise may be filled for the unexpired portion of the term by the Board of Directors.

Section 4.3. Chairman of the Board. The Chairman shall preside at all meetings of the Board of Directors and stockholders and shall have such other duties and powers as the Board of Directors or the Chief Executive Officer (if such

office is not held by the Chairman) shall from time to time delegate to the Chairman.

Section 4.4. Vice Chairman of the Board. Each Vice Chairman shall have such duties and powers as the Board of Directors or the Chief Executive Officer shall from time to time delegate to such Vice Chairman.

Section 4.5. President. The President shall have such duties and powers as the Board of Directors or the Chief Executive Officer (if such office is not held by the President) shall from time to time delegate to the President.

Section 4.6. Chief Executive Officer. The office of Chief Executive Officer shall be held by either the Chairman or President. The Chief Executive Officer shall have the general duties and powers of a chief executive of a corporation and such other duties and powers as the Board of Directors shall from time to time delegate to the Chief Executive Officer. The Chief Executive Officer shall have the duty to assure that all orders and resolutions of the Board of Directors are carried into effect. The Chief Executive Officer shall have the power:

(a) to delegate to the Chairman or the President (whoever does not hold the office of Chief Executive Officer) such of the Chief Executive Officer's duties and powers as the Chief Executive Officer may from time to time determine;

(b) to enter into and execute on behalf of the Company any and all contracts, license and permit applications, property schedules, tax reports, deeds, and other documents and instruments deemed necessary or desirable in connection with the conduct of the normal and ordinary operations of the business and affairs of the Company in all divisions and at all operating levels;

(c) to delegate, in general or specific instances, the total or a limited use of the power vested in the Chief Executive Officer under clause (b) above to any other officer or officers of the Company, all without further authorization from the Board of Directors. Each other officer of the Company to whom a power to act in general or specific instances has been delegated by the Chief Executive Officer under the authority hereof may also appoint, from time to time, such agents as such officer shall deem advisable to appear for and represent the Company in matters concerned with the scope of the authority delegated to such officer by the Chief Executive Officer, vest such agents with such power in general or specific instances as such officer shall deem proper and advisable;

(d) to purchase, lease or otherwise acquire on behalf of the Company properties and assets, both tangible and

intangible, whether or not in the ordinary course of business, including vacant land, land with buildings or other improvements, machinery, tools, equipment, furnishings, fixtures, and the assets, tangible and intangible, of other going business concerns and contracts relating thereto; and to enter into on behalf of the Company all contracts, guarantees (except guarantees of any obligation of an officer, employee or director of the Company or any of its subsidiaries) and obligations of every kind and nature, whether or not in the ordinary course of business, which the Chief Executive Officer shall deem in the best interests of the company; and to sell, lease or otherwise dispose of on behalf of the company properties and assets for the Company, both tangible and intangible, whether or not in the ordinary course of business; all provided that the amount involved in any single transaction, contract, guarantee, or obligation (including the total rental due under any lease) does not exceed \$2,000,000; and

(e) to delegate, in general or specific instances, the total or a limited use of the power vested in the Chief Executive Officer under clause (d) above to any other officer or officers of the Company or any employee of the Company, all without further authorization from the Board of Directors. Each other officer of the Company to whom power to act in general or specific instances has been delegated by the Chief Executive Officer under the authority hereof may also appoint, from time to time such agents as such officer shall deem advisable to appear for and represent the Company in any of the matters listed in clause (d) above and, within the scope of the authority delegated to such officer by the Chief Executive Officer, vest such agents with such power in general or specific instances as such officer shall deem proper and advisable; and the Chief Executive Officer, each such officer or employee of the company to whom the Chief Executive Officer delegates such authority as herein provided, and each agent to whom an officer of the Company delegates authority as herein provided may execute and deliver, in the name and on behalf of the Company, all deeds, contracts, agreements, or other documents or instruments which may be required, or which may be deemed to be necessary or desirable by such officer, to evidence, formalize or consummate any commitments or transactions authorized in the manner herein provided.

In the event of the absence or disability of the Chief Executive Officer, such other officer of the Company as the Chief Executive Officer may from time to time designate shall have the duties and powers of the Chief Executive Officer for the duration of such absence or disability, unless and until the Board of Directors shall otherwise determine.

Section 4.7. Chief Administrative Officer. The Chief Administrative Officer of the Company shall have the duties and powers to supervise and manage the administrative affairs of the Company and to supervise and to direct and assign

duties to those officers and agents of the Company who are engaged in the administrative affairs of the Company and shall have such other duties and powers as the Board of Directors or the Chief Executive Officer shall from time to time delegate to the Chief Administrative Officer.

Section 4.8. Chief Financial Officer. The Chief Financial Officer of the Company shall have such duties and powers as the Board of Directors or the Chief Executive Officer shall from time to time delegate to the Chief Financial Officer.

Section 4.9. Vice Presidents. Each Vice President shall have such duties and powers as the Board of Directors or the Chief Executive Officer shall from time to time delegate to the Vice President.

Section 4.10. Assistant Vice President. Each Assistant Vice President shall have such duties and powers as the Board of Directors or the Chief Executive Officer shall from time to time delegate to such Assistant Vice President.

Section 4.11. Secretary. The Secretary shall have the general duties and powers of a secretary of a corporation and such other duties and powers as the Board of Directors or the Chief Executive Officer shall from time to time delegate to the Secretary. The Secretary shall attend all meetings of the stockholders the Board of Directors, the Executive Committee and other committees designated by the Board of Directors and shall have the duty to record the proceedings of all such meetings in a book to be kept for that purpose. The Secretary shall have the duty to assure that notice is given of all meetings of the stockholders, the Board of Directors, the Executive Committee and other committees designated by the Board of Directors and the power to attest all contracts, conveyances and other documents and instruments in writing as shall require attestation. The Secretary shall have custody of and the power to affix to such papers as may require it, the corporate seal.

Section 4.12. Assistant Secretaries. Each Assistant Secretary shall have the duties and powers of the Secretary in the event of the absence or the disability of the latter and such other duties and powers as the Board of Directors or the Chief Executive Officer shall from time to time delegate to such Assistant Secretary.

Section 4.13. Treasurer. The Treasurer shall have the general duties and powers of a treasurer of a corporation and such other duties and powers as the Board of Directors or the Chief Executive Officer shall from time to time delegate to the Treasurer. The Treasurer shall have custody of the accounts for the money, funds, and securities of the Company.

Section 4.14. Assistant Treasurers. Each Assistant Treasurer shall have the duties and powers of the Treasurer in the event of the absence or disability of the latter and such other duties and powers as the Board of Directors or the Chief Executive Officer shall from time to time delegate to such Assistant Treasurer.

Section 4.15. General Counsel. The General Counsel shall have the general duties and powers of a general counsel of a corporation and such other duties and powers as the Board of Directors or the Chief Executive Officer shall from time to time delegate to the General Counsel.

Section 4.16. Controller. The Controller shall be the chief accounting officer of the Company and shall have the general duties and powers of a controller of a corporation and such other duties and powers as the Board of Directors or the Chief Executive Officer shall from time to time delegate to the Controller.

## ARTICLE V

### Stock

Section 5.1 Certificates. All certificates of stock shall be signed by the manual or facsimile signature of the Chairman, the President or an Executive Vice President and sealed with an actual or facsimile imprint of the corporate seal, attested by the manual or facsimile signature of the Secretary or an Assistant Secretary, and shall state that the stock is fully paid and nonassessable; provided that facsimile signatures shall not be used unless the certificates are manually countersigned by a transfer agent other than the Company or its employees or by a registrar other than the Company or its employees.

Section 5.2 Registrar and Transfer Agent. The Board of Directors may at any time provide for the registration of its stock by one or more banks or trust companies and may appoint one or more banks or trust companies to act as transfer agents of its stock.

Section 5.3 Transfer. No transfer of stock shall be valid and binding on the Company unless and until transferred on its books. The transfer of shares of stock and certificates representing shares of stock shall be governed by Article 8 of the Uniform Commercial Code as adopted and in effect in the State of Delaware. Whenever any transfer of shares of stock shall be made for collateral security, and not absolutely, if both the transferor and transferee request the Company to do so when the certificates representing the shares are presented for transfer, the fact that the transfer is

being made for collateral security shall be expressed in the entry for transfer.

Section 5.4 Stock Records. In addition to the usual transfer and stock books, the Secretary shall maintain a record wherein will appear the names and addresses of all stockholders of the Company as furnished to the Secretary or to the transfer agent by such stockholders.

#### ARTICLE VI

##### Indemnification of Directors, Officers and Employees

Section 6.1 Actions Not By Company. The Company shall indemnify any person who becomes a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the Company) by reason of the fact that such person is or was a director or officer of the Company against expenses (including attorneys' fees), judgments, fines and sums paid in settlement actually and reasonably incurred by such person in connection with such action, suit or proceeding if such person acted in good faith and in a manner such person reasonably believed to be in or not opposed to the best interests of the Company, and with respect to any criminal action or proceeding, had no reasonable cause to believe his or her conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which such person reasonably believed to be in or not opposed to the best interests of the Company, and, with respect to any criminal action or proceeding, had reasonable cause to believe that his or her conduct was unlawful.

Section 6.2 Actions By Company. The Company shall indemnify any person who becomes a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the Company to procure a judgment in its favor by reason of the fact that such person is or was a director or officer of the Company against expenses (including attorneys' fees) actually and reasonably incurred by such person in connection with the defense or settlement (but not sums paid in settlement) of such action or suit if such person acted in good faith and in a manner such person reasonably believed to be in or not opposed to the best interests of the Company, except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable for negligence or misconduct in the performance of such person's duty to the Company unless and only to the extent that the court in

which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which such court shall deem proper.

Section 6.3. Expenses. To the extent that a director or officer of the Company has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in Section 6.1 and 6.2, or in defense of any claim, issue or matter therein, he shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by such person in connection therewith.

Section 6.4. Authorization. Any indemnification under Section 6.1 and 6.2 (unless ordered by a court) shall be made by the Company only as authorized in a specific case upon a determination that indemnification of the director or officer is proper in the circumstances because such director or officer has met the applicable standard of conduct set forth in such Sections 6.1 and 6.2. Such determination shall be made (a) by the Board of Directors by a majority vote of a quorum consisting of directors who were not parties to such action, suit or proceeding, or (b) if such quorum is not obtainable, or, even if obtainable a quorum of disinterested directors, by independent legal counsel in a written opinion, or (c) by the stockholder of the Company.

Section 6.5. Advance Payments. Expenses incurred by a director or officer of the Company in defending a civil or criminal action, suit or proceeding may be paid by the Company in advance of the final disposition of such action, suit or proceeding as authorized by the Board of Directors in the manner provided in Section 6.4 upon receipt of an undertaking by or on behalf of such director or officer to repay such amounts unless it shall ultimately be determined that such director or officer is entitled to be indemnified by the Company as provided in this Article VI.

Section 6.6. Non-Exclusivity. The indemnification provided by this Article 6 shall not be deemed exclusive of any other rights to which those indemnified may be entitled under any agreement, vote of stockholders or disinterested directors or otherwise, both as to action in his official capacity and as to action in another capacity while holding such office, and shall continue as to a person who has ceased to be a director or officer and shall inure to the benefit of the heirs, executors and administrators of such a person.

## ARTICLE VII

### Waiver of Notices

Whenever notice is required to be given by law or under any provision of the certificate of incorporation or these by-laws, a written waiver thereof, signed by the person entitled to notice, whether before or after the time stated therein, shall be deemed equivalent to notice. Attendance of a person at a meeting shall constitute a waiver of notice of such meeting, except when the person attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the stockholders, directors, or members of a committee of directors need be specified in any written waiver of notice unless so required by the certificate of incorporation or these by-laws.

## ARTICLE VIII

### Bank Accounts and Commercial Paper

Section 8.1. Notes. All notes given for money borrowed for the use of the Company shall be signed on behalf of the Company by the Chairman, the President, or an Executive Vice President, or the Treasurer, provided that the Board of Directors may at any time authorize any other office or agent to sign notes for or on behalf of the Company.

Section 8.2. Deposits. (a) All moneys and funds of the Company deposited in banks whether at the principal office or elsewhere shall be deposited in the name of the Company. Deposit banks of the Company shall be designated by (i) the Board of Directors, or (ii) written order executed by either the Chief Financial Officer or the Treasurer and attested by the Secretary or any Assistant Secretary.

(b) All checks, drafts, or orders for the payment of money drawn on the deposit banks of the Company shall be signed by (i) any one of the Chairman, the President, any Executive Vice President, the Chief Financial Officer or the Treasurer; or (ii) any one or more employees of the Company designated by written order executed by either the Chief Financial Officer or the Treasurer and attested by the Secretary or any Assistant Secretary; or (iii) any one or more employees of the Company designated by the Board of Directors. The signature of any officer or employee of the Company on checks, drafts, and orders for the payment of money shall be in writing, unless otherwise specified by written order executed jointly by any two of the Chairman, the President,

any Executive Vice President, the Chief Financial Officer or the Treasurer.

#### ARTICLE IX

##### Miscellaneous

Section 9.1. Fiscal Year. The fiscal year of the Company shall be from the first day of March of each year to the last day of February of the following year.

Section 9.2. Seal. The Company may have a corporate seal which shall have the name of the Company and the words "Corporate Seal, Delaware" inscribed thereon and shall be in such form as may be approved from time to time by the Board of Directors. The corporate seal may be used by causing it or a facsimile thereof to be impressed or affixed or in any other manner reproduced.

Section 9.3. Amendment of By-Laws. These by-laws may be amended or repealed, and new by-laws adopted, by the Board of Directors, but the stockholders entitled to vote may adopt additional by-laws and may amend or repeal any by-law whether or not adopted by them.

**EXHIBIT** 10.11

EMPLOYMENT AND SERVICE CONTRACT

THIS AGREEMENT, made and entered into as of the 1st day of September, 1981 by and between BEATRICE FOODS CO., a Delaware corporation (the "Company"), and RICHARD J. PIGOTT ("Executive"):

W I T N E S S E T H:

WHEREAS, Executive is now serving the Company in the capacity of an Executive Vice President; and

WHEREAS, it is the opinion of the Board of Directors of the Company (the "Board") that it is desirable and in the best interests of the Company that Executive's services and counsel be retained and assured to the Company and that Executive be assured of the security of his employment so that he may devote his undivided attention to the affairs of the Company;

NOW, THEREFORE, in consideration of the premises and of the mutual promises herein contained, it is agreed by and between the Company and Executive as follows:

FIRST: The Company agrees to and does hereby employ Executive to perform such executive duties as may be from time to time assigned to him by either the Board or the Chief Executive Officer of the Company for the period beginning September 1, 1981 and ending February 28, 1987 (the "period of active service"). The period of active service may be continued after February 28, 1987, by the Board with the consent of Executive.

SECOND: Executive agrees to and does hereby accept such employment and further agrees that during the period of active service he will devote his entire working time and energy to the interests and business of the Company, that he will perform such reasonable duties as shall be assigned to him from time to time by either the Board or the Chief Executive Officer of the Company, and that, if he shall be elected by the Board to one or more corporate offices in the Company or its subsidiaries, he will accept and serve in such capacity or capacities without any additional compensation to that provided for in paragraph THIRD of this Agreement. In addition, Executive agrees that during the entire period of active service he will not, without the prior written consent of the Board, become associated with any other organization engaged in business either (a) as an employee, officer, director or independent contractor, or (b) in any other capacity calling for the rendition of personal services. The Company hereby acknowledges that the Board has given its prior written consent to all directorships in which Executive is serving at the date of this Agreement.

THIRD: The Company agrees to pay to Executive as Regular Compensation for services rendered to the Company by him during the period of active service the following:

(a) a stated salary at a minimum rate of \$220,000.00 per annum;

(b) for the fiscal year ending February 28, 1982, a bonus in an amount determined in accordance with the

Company's Corporate Staff Management Incentive Plan (the "Incentive Plan"); and

(c) for each subsequent fiscal year, a bonus in an amount determined by the Compensation and Benefits Committee of the Board (the Committee) using such criteria as it deems fair and equitable, but the amount of Regular Compensation for any such fiscal year shall be at least equal to the sum of \$220,000.00 plus an amount equal to the lesser of (i) the amount Executive would have received if his 1982 fiscal year bonus formula had been in effect for such subsequent year or (ii) the dollar amount of his 1982 fiscal year bonus.

The stated salary shall be payable in accordance with the Company's regular payroll practices for senior executive officers. The bonus for any fiscal year shall be payable as soon after the end of such year as it can be determined.

The rate of stated salary, which shall be reviewed at least annually, may be increased by the Committee in its sole discretion.

If the period of active service is continued after February 28, 1987, as hereinabove provided, Executive's compensation for each fiscal year during such extended period of active service shall be on a basis satisfactory to both Executive and the Committee.

FOURTH: If Executive shall at any time during the period of active service be unable to perform his duties under this Agreement for at least a six consecutive month period by reason of

any physical or mental disability, the Company shall pay to Executive the balance of his Regular Compensation under paragraph THIRD for the remainder of the then current fiscal year of the Company which would have been paid to Executive had he not become so disabled and had continued in active employment with the Company until the last day of such fiscal year, payable at the same time as provided in paragraph THIRD. Executive shall also be entitled to such other benefits as may be payable under any insurance company policy or policies, or similar self-insured program, maintained by the Company to provide disability income. If any issuing insurance company shall determine that Executive is not eligible to receive disability income payments under any such policy, the Company shall pay to Executive the disability income he would have received under such policy had he been eligible therefor, in the same amounts, at the same times and subject to the same terms and conditions as provided by said policy. All payments to Executive provided for under this paragraph FOURTH shall cease and terminate at his death.

FIFTH: The Company agrees that, should Executive die

(a) during his period of active service, it will pay to the person who, at the date of his death, is Executive's lawfully wedded wife ("Executive's wife"), if she survives him, (i) the balance of his Regular Compensation under paragraph THIRD for the remainder of the then current fiscal year of the Company which would have been paid to Executive had he survived until the last day of such fiscal year, and (ii) the sum of \$1,600.00 per month for

so long as she shall live, but in no event for more than ten years, the first of which monthly payments shall be made on the first day of March following Executive's death; or

(b) during his period of active service and if Executive's wife does not survive him, it will pay to Executive's estate an amount equal to the balance of his Regular Compensation under paragraph THIRD for the then current fiscal year, prorated through the date of his death.

SIXTH: If Executive shall refuse, for any reason other than his death or his disability, to serve in the manner provided for in this Agreement, this entire Agreement shall be automatically terminated instanter and the Company shall have no obligation to thereafter make any payments to Executive, or to Executive's wife, under any paragraph of this Agreement.

SEVENTH: The rights of Executive and of Executive's wife under this Agreement may not be sold, pledged or transferred by assignment or otherwise, nor shall they be subject in any manner to anticipation or to commutation, encumbrance or claims of their creditors. Notwithstanding the foregoing, Executive may, by written instrument executed by him, designate a beneficiary other than Executive's wife to receive the payments to which she may become entitled under paragraph FIFTH. Any such designation, or modification thereof, shall become effective when filed with the Secretary of the Company during Executive's lifetime.

EIGHTH: This Agreement shall be binding upon and inure to the benefit of Executive and Executive's wife, and the Company and

any successor organization which shall succeed to substantially all of its assets and business.

The rights of Executive and Executive's wife under the Company's Retirement Income Plan, or under any other pension or retirement plan or program of the Company, are governed solely by the terms of that Plan or other plan or program, and no provision of this Agreement is intended to restrict, or in any way affect, such rights. In addition, this Agreement is not intended to, and shall not, prejudice or adversely affect Executive's participation in any present or future bonus, incentive compensation, profit sharing, stock option, insurance or similar plan embracing executive and managerial personnel generally,

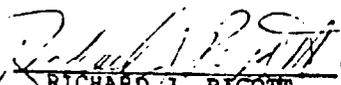
IN WITNESS WHEREOF, the Company has caused its corporate name to be hereunto subscribed by its Chief Executive Officer and its corporate seal to be hereunto affixed, and Executive has hereunto subscribed his name, all as of the day, month and year first above written.

BEATRICE FOODS CO.

By 

ATTEST:



 (SEAL)  
RICHARD J. PIGOTT

EMPLOYMENT AGREEMENT

AGREEMENT made as of this 19 day of May, 1982, between BEATRICE FOODS CO., a Delaware corporation ("Beatrice"), and T. P. Kemp ("Employee").

On November 6, 1981, Northwest Industries, Inc., a Delaware corporation, and Beatrice entered into a Stock Purchase Agreement ("Principal Agreement") which provides for the acquisition (the "Acquisition") by Beatrice of the outstanding capital shares of Coca-Cola Bottling Company of Los Angeles, a California corporation (the "Subsidiary"). Employee, as an executive of the Subsidiary, is conversant with the Subsidiary's affairs, operations, trade secrets, customers and other proprietary information and data. Beatrice and Employee desire by this Agreement to provide for the continued employment of Employee by Beatrice after the Acquisition and for the protection of the goodwill and other proprietary rights of the Subsidiary to be acquired by Beatrice as a result of the Acquisition.

Accordingly, Beatrice and Employee mutually covenant and agree as follows:

1. Duties. Beatrice agrees that Employee shall be employed by the Subsidiary during the Term of Employment in the same capacity with the Subsidiary as he is presently employed or in such other comparable executive capacity or capacities connected with the business of the Subsidiary or Beatrice as Beatrice shall determine. Employee agrees to be so employed and shall devote his best efforts and substantially all of his business time to advance the interests of the Subsidiary and Beatrice and to perform such reasonable duties as shall be assigned to him from time to time by Beatrice.

2. Term. The term of employment ("Term of Employment") shall be for the period commencing with the date upon which the Principal Agreement is closed ("Closing Date") and terminating on April 1, ~~1982~~ <sup>1987</sup>, or on such earlier date upon which the Term of Employment is terminated pursuant to paragraph 6, 7 or 8 hereof.

3. Compensation.

(a) During the Term of Employment in any capacity under this Agreement, Employee shall be paid as his entire compensation for services rendered hereunder the following:

(i) a stated salary at an annual rate of \$185,000 through February 28, 1982 and at a minimum annual rate of \$210,000 thereafter; plus

(ii) for the fiscal year of Beatrice ending February 28, 1983, and for each subsequent fiscal year of Beatrice ending with or within the Term of Employment, an opportunity to receive a bonus in an amount of up to 60% of his stated salary for such fiscal year by achieving such reasonable objectives as shall be agreed upon by Employee and the Senior Executive Officer of Beatrice to whom he reports.

The stated salary shall be payable in accordance with Beatrice's regular payroll practices for senior executive officers. The bonus for any fiscal year shall be payable as soon after the end of such year as it can be determined.

(b) Employee shall be reimbursed for any and all ordinary and necessary business expenses reasonably incurred by him on behalf of the Subsidiary or Beatrice.

4. Discoveries. Employee shall promptly disclose to Beatrice in writing each and every invention or improvement therein ("invention"), whether or not such invention is patentable or was made or conceived at the request of, or upon, the suggestion of, Beatrice or the Subsidiary, or otherwise, or in or about the premises of the Subsidiary, Beatrice or elsewhere, that is directly or indirectly related to the business of the Subsidiary, and is made or conceived by Employee, either alone or in conjunction with others, during the Term of Employment, or within one year thereafter if such invention directly or indirectly resulted from, or was suggested, in whole or in part, by the services to be rendered in accordance with the provisions of this Agreement by Employee. Employee shall not disclose any such invention to any person except Beatrice. Each and every such invention shall be the sole and exclusive property of, and is hereby assigned to, Beatrice. Employee shall assist and cooperate with Beatrice, and any and all other persons as may from time to time be designated by Beatrice, to obtain for Beatrice the grant of letters patent in the United States and/or such other country or countries as may from time to time be designated by Beatrice, covering any such invention, and, in connection therewith, will execute any and all such applications, statements, assignments or other documents and instruments, will furnish any and all such information and data, and will take any and all such other actions and do any and all such other things (including, without limitation, the giving of testimony) as Beatrice may from time to time reasonably request. Beatrice will pay, or reimburse Employee for, any and all expenses reasonably incurred by him in connection with the performance of his duties and obligations under this paragraph 4, whether or not incurred during the Term of Employment.

5. Competition. During the Term of Employment, Employee will not, without the prior written consent of Beatrice, directly or indirectly engage or participate (as an owner, partner, shareholder, director, officer, employee, joint venturer, agent, representative or independent contractor, or in any other capacity calling for the making of any investment or the rendition of any personal services or any acts of management, operation or control) in any other business which is engaged in the processing, sale, distribution or other marketing of bottled or purified water or soft drink beverages; provided, however, that Employee may own up to one percent (1%) of any class of securities of a corporation engaged in such a business if such securities are listed on a national securities exchange or registered under the Securities Exchange Act of 1934.

Employee acknowledges that his compliance with the provisions of this paragraph 5 is necessary to protect the goodwill and other proprietary rights of the Subsidiary acquired by Beatrice as a result of the Acquisition; that he is one of the principal executives of the Subsidiary and is conversant with its affairs, operations, trade secrets, customers and other proprietary information and data; and that his failure to comply with the provisions of this paragraph 5 will result in irreparable and continuing damage to the Subsidiary and Beatrice and to the business of the Subsidiary for which there will be no adequate remedy at law. In the event Employee shall fail to comply with the provisions of this paragraph 5, the Subsidiary and/or Beatrice and their respective successors and assigns, shall be entitled to injunctive relief and to such other and further relief as may be proper

and necessary to ensure Employee's compliance with the provisions of this paragraph 5.

6. Disability. If Employee is unable to fully perform his duties hereunder for 180 days or more in the aggregate in any twelve month period because of his illness or disability, Beatrice may terminate the Term of Employment upon at least fifteen days prior written notice to Employee, in which event Employee shall be paid his stated salary under paragraph 3 (a) (i) hereof through the end of the month during which his employment is so terminated plus a prorata share of the bonus under paragraph 3 (a) (ii) hereof which would have been paid to him for the current fiscal year had he continued in employment until the last day of such fiscal year.

7. Death. The Term of Employment shall terminate instantly upon Employee's death.

8. Termination. Beatrice may terminate the Term of Employment at any time for cause and thereby cancel all rights and obligations of the parties under this Agreement, except those obligations set forth in paragraphs 4 and 5 hereof. For purposes of this Agreement, "cause" shall mean actions by Employee involving material breach of the terms of this Agreement, dishonesty, moral turpitude, gross obstruction of business operations or illegal or disreputable conduct which impairs the reputation, goodwill or business position of the Subsidiary or involves the Subsidiary's funds or other assets.

9. Miscellaneous.

(a) This Agreement supersedes and is in lieu of any and all other employment and compensation contracts, agreements and arrangements between Employee and Subsidiary, and Employee and Beatrice, relating to services to be performed by Employee after the Closing Date.

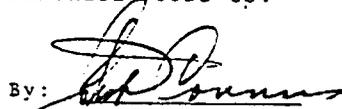
(b) Any amendment to this Agreement, including any extension or renewal of the Term of Employment, shall be made in writing and signed by the parties hereto.

10. Partial Invalidity. If any provision of this Agreement shall be invalid or unenforceable, in whole or in part, then such provision shall be deemed to be modified or restricted to the extent and in the manner necessary to render the same valid and enforceable, or shall be deemed excised from this Agreement, as the case may require, and this Agreement shall be construed and enforced to the maximum extent permitted by law, as if such provision had been originally incorporated herein as so modified or restricted, or as if such provision had not been originally incorporated herein as the case may be.

11. Assignment. This Agreement may be assigned by Beatrice, without the consent of Employee, to any corporation which either succeeds to the business of the Subsidiary or acquires a controlling interest in the Subsidiary.

IN WITNESS WHEREOF, this Agreement has been executed by Beatrice by a duly authorized officer and by Employee on the date first above written.

BEATRICE FOODS CO.

By: 

Its 

  
P. Kemp

BEATRICE FOODS CO. AND SUBSIDIARIES

EXHIBIT 11

COMPUTATION OF EARNINGS PER SHARE

Three Years Ended February 29, 1984  
(In millions, except per share data)

	Year Ended Last Day of February		
	1984	1983	1982
<i>Primary Earnings per Share</i>			
Net earnings	\$ 433(A)	\$ 43(B)	\$ 390(D)
Less dividends on preference stock	(16)	(17)	(17)
Net earnings applicable to common shares and common share equivalents	\$ 417(A)	\$ 26(B)	\$ 373(D)
Average common shares outstanding during the year	98	99	98
Common share equivalents—Stock options	1	—	—
Total average common shares and common share equivalents	99	99	98
Primary earnings per share	\$4.23(A)	\$ .27(B)	\$3.80(D)
<i>Fully Diluted Earnings per Share</i>			
Net earnings	433(A)	C)	390(D)
Add interest paid on convertible debentures—net of income taxes	1		2
Net earnings applicable to common shares, common share equivalents and other dilutive securities	434(A)		392(D)
Average common shares outstanding during the year	98		98
Common share equivalents and other dilutive securities:			
Stock options	1		—
Shares issuable upon conversion of debentures	2		2
Shares issuable upon conversion of preference stock	8		10
Total fully diluted shares	109		110
Fully diluted earnings per share	\$3.99(A)	\$ .27(C)	\$3.58(D)

(A) Net earnings for 1984 include the following special actions: gains on the sale of businesses of \$76 million (per share effect: \$.77 primary; \$.70 fully diluted); and a reduction of the business realignment reserve totaling \$23 million (per share effect: \$.23 primary; \$.21 fully diluted).

(B) Net earnings for 1983 include the following special actions: goodwill write-downs totaling \$188 million (per share effect: \$1.89 primary; \$1.69 fully diluted); and an additional provision for business realignment costs of \$90 million (per share effect: \$.90 primary; \$.82 fully diluted).

(C) Certain convertible securities have been eliminated from the calculation of fully diluted earnings per share because the assumed conversion is anti-dilutive. Therefore, the primary earnings per share computation is used for fully diluted earnings per share.

(D) Net earnings for 1982 include the following special items: a \$45 million gain from the sale of the Dazoon business (per share effect: \$.46 primary; \$.42 fully diluted) and \$32 million of income from the cumulative effect of change in accounting principle for investment tax credit (per share effect: \$.32 primary; \$.29 fully diluted).

## BEATRICE FOODS CO. AND SUBSIDIARIES

COMPUTATION OF RATIO OF EARNINGS  
BEFORE FIXED CHARGES TO FIXED CHARGES  
(Unaudited)  
(Dollars in millions)

	Year Ended Last Day of February				
	1984	1983	1982	1981	1980
Earnings before special items	\$433	\$ 43	\$113 C	\$304	\$290
Add (deduct):					
Provision for income taxes	360	216	299	302	286
Portion of rents representative of interest factor	19	18	18	17	15
Interest expense	113	114	90	96	91
Amortization of debt issuance costs	1	1	1	1	1
Minority interests	10	13	13	13	9
Undistributed earnings of affiliated companies	(12)	(3)	(1)	(3)	(6)
Earnings as adjusted	<u>\$924 (A)</u>	<u>\$402 (B)</u>	<u>\$733</u>	<u>\$730</u>	<u>\$686</u>
Fixed charges:					
Portion of rents representative of interest factor	\$ 19	\$ 18	\$ 18	\$ 17	\$ 15
Interest expense	113	114	90	96	91
Amortization of debt issuance costs	1	1	1	1	1
Capitalized interest	—	1	1	1	—
Total fixed charges	<u>\$133</u>	<u>\$134</u>	<u>\$110</u>	<u>\$115</u>	<u>\$107</u>
Ratio of earnings before fixed charges to fixed charges	<u>6.96 (A)</u>	<u>3.00 (B)</u>	<u>6.67</u>	<u>6.38</u>	<u>6.39</u>

(A) Earnings as adjusted for 1984 include pre-tax gains on the sale of businesses of \$125 million and a reduction of the business realignment reserve totaling \$35 million pre-tax. The ratio of earnings before fixed charges to fixed charges would be 5.73 had these items not been included in pre-tax earnings.

(B) Earnings as adjusted for 1983 are after pre-tax charges of \$345 million (\$188 million of goodwill write-downs and a provision of \$157 million for business realignment costs). The ratio of earnings before fixed charges to fixed charges would be 3.57 had these charges not been deducted from pre-tax earnings.

(C) Earnings for 1982 are before a \$45 million after-tax gain (\$68 million pre-tax) from the sale of the Dannon business and \$32 million of income from the cumulative effect of change in accounting principle for investment tax credit.

Fiscal Year Ended  
February 29, 1984

48  
**Beatrice**

**On the Cover** Our new corporate identity, the symbol of the new Beatrice, is featured on the cover. This identity represents our corporate character — powerful, aggressive, bold and forward looking. It symbolizes the Beatrice of today and the future, and will be the cornerstone of an identity system that will give us a unified presence, increase our visibility in the marketplace and support the marketing of our brands.

Recognizing this clear departure from the past, we are proposing a new name for the company. At our annual meeting in June, stockholders will be asked to change the name to Beatrice Companies, Inc. from Beatrice Foods Co. This change is appropriate given the company's evolution and present composition. It reflects Beatrice's wide range of separate and distinct businesses, many with operations totally unrelated to food processing, yet retains the company's goodwill and reputation for quality products and services.

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#### **The Business of Beatrice**

Beatrice is a worldwide marketer of a wide range of food and consumer products and services. The company employs more than 72,000 people, has facilities in more than 30 countries and markets products in over 100 countries.

Operations are balanced strategically among six groups, organized to meet the needs of specific markets. These groups are Refrigerated Foods & Services, Beverage, Grocery, Consumer & Commercial Products, Chemical and International Food.

Though varied in scope, each of Beatrice's operations has a common characteristic of offering quality and value. This commitment is carried out through the dedication and hard work of our employees. Their eagerness to respond to changing market conditions has led to an impressive and consistent performance record.

Beatrice is well-positioned to compete successfully throughout the world to achieve growth in sales and earnings, and increase stockholder wealth over time.

#### **Annual Meeting**

The 87th annual meeting of Beatrice stockholders will be held in the Regency Ballroom of the Hyatt Regency Tampa, Two Tampa City Center, Tampa, Florida on Tuesday, June 5, 1984 at 10:00 a.m. Eastern Time.

#### **Corporate Offices**

Two North LaSalle Street  
Chicago, IL 60602  
Telephone (312) 782-3820  
Cable Address: BEATRICO CHICAGO  
Telex: 264080

## Financial Highlights

**Beatrice Foods Co.**  
**86th Annual Report**  
**Year Ended**  
**February 29, 1984**

<b>For the Years Ended:</b> <small>(In Millions Except Per Share Data)</small>	<b>February 29, 1984</b>	<b>February 28, 1983</b>
Net sales	\$9,327	\$9,139
Net earnings	433	43
Earnings per share:		
Primary	4.23	.27
Fully diluted	3.99	.27
Working capital	693	816
Stockholders' equity	2,028	2,215
Dividends	175	166
Dividends paid per common share	1.60	1.50

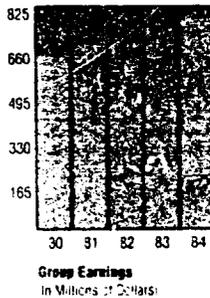
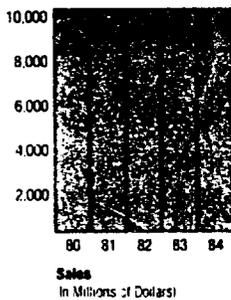
Net earnings include special actions, which are described below, in both 1984 and 1983:

<b>For the Years Ended:</b> <small>(In Millions Except Per Share Data)</small>	<b>February 29, 1984</b>			<b>February 28, 1983</b>		
	<b>Earnings Per Share</b>			<b>Earnings Per Share</b>		
	<b>Earnings</b>	<b>Primary</b>	<b>Fully Diluted</b>	<b>Earnings</b>	<b>Primary</b>	<b>Fully Diluted</b>
Earnings before special actions	\$334	\$3.23	\$3.08	\$321	\$3.06	\$2.91
Special actions*	99	1.00	.91	(278)	(2.79)	(2.64)
<b>Net earnings</b>	<b>\$433</b>	<b>\$4.23</b>	<b>\$3.99</b>	<b>\$ 43</b>	<b>\$ .27</b>	<b>\$ .27</b>

\*Included in 1984 special actions are gains on the sale of businesses of \$125 million pre-tax (\$76 million after-tax) and a reduction of the business realignment reserve totaling \$38 million pre-tax (\$23 million after-tax). Special actions in 1983 include charges of \$188 million for goodwill write-down and a provision of \$157 million pre-tax (\$70 million after-tax) for business realignment. See Discussion of Operations and Financial Condition for additional details.

### Contents

1	Financial Highlights
2	Letter to Stockholders
5	<b>Report on Operations</b>
6	Refrigerated Foods & Services
8	Beverage
10	Grocery
12	Consumer & Commercial Products
14	Chemical
16	International Food
18	Coupons
23	<b>Financial Review 1984</b>
45	Accountants' Report
45	Management Report on Financial Statements
46	Stockholder Information
47	Officers and Executives
48	Directors



**To The Owners of Beatrice:** I am pleased to report that in fiscal 1984 our company made considerable progress toward becoming the premier worldwide marketer of food and consumer products.

We completed the realignment of our operations into larger, stronger marketing units, moved far ahead of schedule on our program of divesting underperforming operations, reduced dramatically our number of advertising agencies, increased our advertising and promotion expenditures at the brand level, and made substantial progress in creating consumer awareness of the Beatrice name.

The result is a leaner, marketing-oriented Beatrice, with the potential to achieve greater earnings growth and higher returns than under our previous structure.

**Marketing Realignment** We realigned our company into 27 divisions organized in six groups. These new larger units have common markets and distribution channels, and are managed for a combination of real growth, cash flow and rate of return. We're now able to achieve synergies among our operations, make quicker decisions and build effective marketing strategies.

Four of our groups emphasize branded, value-added products — Beverage, Grocery, Consumer & Commercial Products and International Food — and have good real growth potential. Chemical provides products and services that add substantial value to consumer goods, yielding high returns. Refrigerated Foods & Services is managed primarily for cash flow, and provides products and services that require less marketing and capital investment than the other groups.

Our operating units are making substantially higher investments in advertising and promotion, spending \$288 million — a 27 percent increase over last year. We expect to increase our spending again in fiscal 1985, with major emphasis on our well known brands such as Tropicana, Swiss Miss, La Choy, Fisher, Eckrich and Samsonite.

We reduced the number of advertising agencies doing business with us from more than 100 firms to fewer than 10 worldwide firms. This consolidation was undertaken to provide greater efficiencies and to assure that even our smallest brands benefit from the best creative talent available.

To maximize the sales strength of our food operations, we are streamlining our food broker network. With fewer brokers moving a greater volume of our products, Beatrice becomes a more important customer. The result will be a strong network of skilled brokers who have a greater incentive to sell our products.

We've already sold more than half the companies slated for divestiture — primarily units in industrial businesses, underperforming units, and other companies that did not fit into our long-range plans.

We took several important steps toward our goal of making Beatrice a name that will be recognized instantly by consumers. We have begun a television and print media campaign, linking Beatrice to our most recognized brands, and we are backing this effort with the largest point-of-sale promotion program in our history.

A strong symbol of our new marketing direction is on the cover of this annual report — our new Beatrice identity. We will use this identity on our packaging, signage, trucks, brand advertising and promotions. We know that an attractive mark is not an end in itself, but a means to an end — to help all our businesses sell more products by tying each Beatrice brand to the parent name in a meaningful way. The Beatrice name should mean value, and should add value to all of our products.

**Fiscal 1984 Performance** Sales increased 2 percent to \$9.3 billion from \$9.1 billion last year. Earnings rose to \$433 million compared with \$43 million. Earnings in both years include special actions directly related to our new strategic direction. Excluding special actions, net earnings rose 4 percent to \$334 million from \$321 million. Primary and fully diluted earnings per share increased 6 percent to \$3.23 and \$3.08, respectively.

We completed a tender offer for 10 million shares, or approximately 10 percent of our common stock, at \$34 per share. This buy-back enabled us to balance our equity base and earnings stream in light of our divestitures and underscores our faith in Beatrice's long-term potential.

Our operating results were sparked by strong performances from our Beverage, Consumer & Commercial Products and Chemical Groups. Beverage was paced by Soft Drinks, where our Coca-Cola bottling units had record unit volume. Consumer & Commercial Products and Chemical benefited greatly from the economic recovery. Refrigerated Foods & Services, led by our warehouse operations, also reported gains. A significant increase in marketing expenditures, as well as divestitures, resulted in an earnings decline in the Grocery Group, while lower currency exchange rates held International Food earnings below the fiscal 1983 level.

**Management** To provide overall direction for our marketing thrust, we created an Office of the Chairman, headed by me and including Vice Chairman John Conners, Senior Vice President-Corporate Strategy Bill Reidy, and Senior Vice President-Organization and Management Resources Reuben Berry. We recently added to this office Tony Luiso, senior vice president, formerly group operating officer, International Food, to help coordinate the activities of the group operating officers.

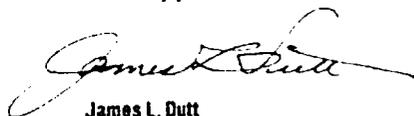
The role of the six group operating officers is to plan and execute group-wide business strategies. Each is a senior vice president of the company. They are Dick Chisholm, Refrigerated Foods & Services; Tom Kemp, Beverage; J. J. McRobbie, Grocery; Nolan Archibald, Consumer & Commercial Products; Harry Wechsler, Chemical; and Bill Mowry, International Food.

Fiscal 1984 also saw the retirement of Bill Granger, who gave Beatrice 38 years of loyal, dedicated service. Under Bill's leadership, our international operations grew dramatically in the late 1970s. Most recently, he helped spearhead our activities in the People's Republic of China and has been a trusted advisor to me.

**1985 Outlook** We are committed to our new focus on marketing and greater internally generated growth. To meet our objectives we have to successfully market and develop new brands, strengthen our distribution system, and upgrade our facilities to assure efficiency. Accelerating our investments in these areas will have a short-term unfavorable impact on earnings in some of our operating units next year.

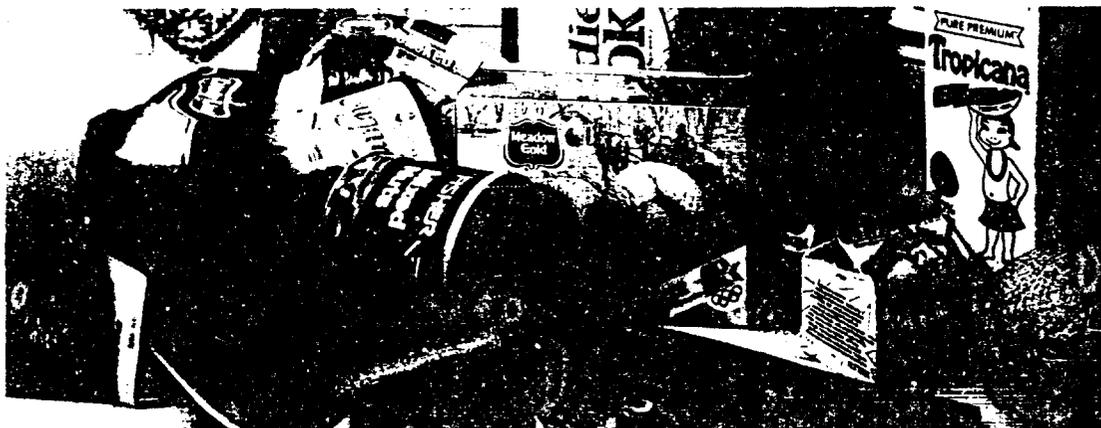
We have balanced these investments by streamlining our organization and increasing productivity through centralization of efforts in purchasing, production and marketing. While there is much still to be done, the bold steps taken in fiscal 1984 give us a strong base for the future. We thank our employees, customers and suppliers for their commitment to our new marketing direction, and our stockholders for showing their confidence in Beatrice. I am sure your confidence and support will be rewarded in the bright future that lies ahead.

Sincerely yours,



**James L. Dutt**  
Chairman of the Board  
Chief Executive Officer

April 30, 1984



The following pages review our operations during the past fiscal year, and discuss the outlook for the year ahead.

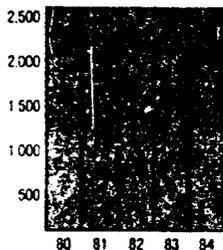
This has been an exciting year for us. We made many changes to focus our resources on meeting the competitive challenges of the marketplace.

Our realignment into six operating groups is one of the most apparent changes in our company today, compared with last year. These groups are organized according to the specific markets they serve, and their role in achieving our business strategies.

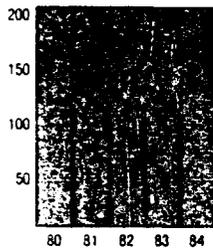
Consumer & Commercial Products, and Chemical are now separate groups, to better serve their particular markets.

Several operations are now in new groups. Beatrice Cheese is part of the Grocery Group along with our Swiss Miss brand cocoa products. Composition of the groups also was affected by divestitures during the year.

Each group is highlighted in the following section. A listing of the divisions in each group, as well as the key brands, products or services for those divisions, is included. Additional financial detail may be found in Discussion of Operations and Financial Condition starting on page 25.



**Sales**  
In Millions of Dollars



**Group Earnings**  
In Millions of Dollars

Beatrice sets the standard for quality with our nationwide network of warehouses and a full line of dairy and food ingredient products. Beatrice dairies produce milk, ice cream and cottage cheese under the Meadow Gold name and Viva brand low-fat dairy line. As the largest refrigerated warehouse company in the United States, we provide storage facilities vital to the grocery industry. We are also a major supplier of cheese sauces, snack coatings and other dehydrated ingredients through Food Producers International. We market animal feeds and supplements under the Vigortone name and supply leather through Lackawanna Leather and Pfister & Vogel.

## Refrigerated Foods & Services Group

The group reported earnings improvement of 18 percent, paced by the results of Public Refrigerated Services. Sales declined 2 percent due to the absence of divested operations.

Public Refrigerated Services, the largest cold storage warehouse system in the U.S., had good sales and earnings gains. The acquisition at the end of fiscal 1983 of Termicold, another major food warehouse company, had a positive effect on results. Our warehouses are well positioned geographically to cover all segments of the refrigerated warehousing industry.

Dairy positioned itself for future success by identifying key market segments and organizing its operations along geographic regions to meet customer needs. Improving productivity and efficiency is a key element in the division's strategy to become the low-cost producer in its markets. New marketing programs included the expansion of premium Louis Sherry ice cream to more affluent consumers in select areas across the country and the introduction of Swiss Miss Chocolate Milk, a cooperative project with the Grocery Group.

Fueled by the introduction of several new products, Food Service & Ingredients achieved strong gains in both sales and operating earnings. The division, which serves both food service and food manufacturing markets, introduced new flavors and coatings, freeze-dried vegetables, creaming agents and cheese sauces.

Leather results were bolstered by the acquisition of Lackawanna Leather, the leading supplier of leather to the upholstered furniture market. The division is emphasizing cost reduction to face a highly competitive marketplace due to increasing levels of imported goods.

Agri-Products experienced flat volume in a relatively poor year for farmers. Earnings improved due to productivity gains and cost reductions. Capitalizing on consolidation in the industry, we're developing new marketing strategies targeted at larger farms.

**Fiscal 1985 Outlook** The group expects improved earnings due to productivity gains and new marketing programs. In addition, the costs of organizational changes have been absorbed. Dairy expects volume growth from specialty products, while Food Service & Ingredients anticipates above-industry average sales increases. Increasing demand for quality leather furniture and expansion of warehouse space also should boost sales.

**Dairy Products**

Meadow Gold\* — Milk, ice cream, butter, yogurt, cottage cheese, dairy specialties  
Louis Sherry — ice cream, frozen desserts  
Viva\* — Lowfat milk, cottage cheese, dairy specialties  
Mountain High — yogurt

**Agri-Products**

Tindle Mills — Animal feeds  
Vigortone\* — Animal feeds, supplements, pre-mixes

**Food Service & Ingredients**

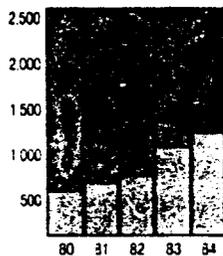
Food Producers International — Fruit fillings, concentrated drink bases, dessert toppings  
Special Products — Snack coatings, dry cheese powder, natural colors

**Public Refrigerated Services**

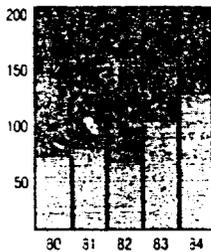
Major facilities  
Beatrice Cold Storage, Denver, Colo.  
Chicago Cold Storage  
Grand Trunk Warehouse & Cold Storage, Detroit, Mich.  
Inland Center, Kansas City, Kan.  
Lehigh Valley Refrigerated Services, Fogelsville, Pa.  
Quincy Cold Storage, Watertown, Mass.  
Tampa Cold Storage  
Termicold, Portland, Ore.  
Terminal Refrigerating, Los Angeles, Calif.

**Leather**

Lackawanna Leather — Tanned furniture leather  
Pflister & Vogel — Tanned shoe leather



**Sales**  
In Millions of Dollars



**Group Earnings**  
In Millions of Dollars

Beatrice provides thirst quenching products for a wide range of tastes. One of the Beverage Group's major brands is Tropicana, the leader in the ready-to-serve orange juice market. Through our soft drink operations, we are a major bottler and distributor of Coca-Cola, Diet Coke, Tab and Sprite. Led by Arrowhead, Great Bear and Ozarka bottled drinking water and drinking water systems, the group is the largest supplier of bottled water in the country. Beatrice also sells premier wines and spirits including Mouton-Cadet Wine and Cutty Sark Scotch Whisky.

## Beverage Group

The Beverage Group posted sales and earnings increases of 15 and 23 percent, respectively, in fiscal 1984. The increases resulted from strong volume growth experienced in Soft Drinks, Fruit Juices and Bottled Waters. These improvements more than offset flat earnings in Wine & Spirits, where Scotch sales were affected by competitive pressures and declining demand.

"Coke is it," especially in our Soft Drinks' nine-state marketing area, where the Coca-Cola family of products had their best volume gain in more than a decade. The successful introduction of diet Coke and caffeine-free products, warm summer weather and massive marketing support tied to the Olympics combined to help our bottling operations strengthen their market leadership in Southern California as well as in other markets.

Fruit Juices maintained its number one position in the rapidly growing market for ready-to-serve orange juice. Through successful new advertising and promotional programs for Tropicana's Pure Premium, the only major ready-to-serve orange juice not made from concentrate, Tropicana gained share in an increasingly competitive market. Increasing concerns with water quality spurred the retail sales of Bottled Waters. Packaged water products accounted for a growing percentage of sales for both Arrowhead and Great Bear. Arrowhead also successfully introduced a sparkling mountain spring water. In route delivery, emphasis was placed on strengthening the customer base and increasing distribution efficiencies.

Shifting consumer tastes to wines, white spirits and cordials are changing the sales mix for Wine & Spirits. Finlandia Vodka experienced a volume increase of 40 percent due to new marketing programs. Rothschild wines, particularly Mouton-Cadet, reported strong volume gains, while Cutty Sark experienced a modest decline.

**Fiscal 1985 Outlook** The Beverage Group should experience solid sales and earnings gains in fiscal 1985. Soft Drinks should benefit from continued growth of diet Coke and from aggressive marketing programs tied to the Olympic Games in Los Angeles. Fruit Juices should match industry growth rates, which are being slowed by sharply higher fruit costs due to last winter's freeze in Florida. Bottled Waters will continue to emphasize packaged sales and building its customer base for homes and offices. Increasing consumer preference for wines, white spirits and cordials should boost sales for Wine & Spirits; however, earnings probably will be affected by declining Scotch consumption in the U.S.



**Soft Drinks**

Coca-Cola, diet Coke, Tab, Sprite — Regional bottlers and distributors of soft drinks in Southern and Central California, Hawaii, Southern Nevada, Missouri, Iowa, Kansas, Illinois, Wisconsin and Nebraska

**Fruit Juices**

Tropicana — Orange juice, grapefruit juice, apple juice and aseptically-packaged fruit drinks

**Bottled Waters**

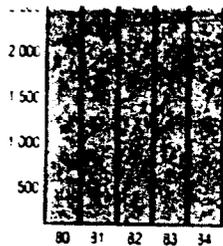
Arrowhead — Distributors of bottled drinking water, drinking water systems and sparkling water in Southern California

Great Bear — Distributors of bottled drinking water and drinking water systems in the Northeastern United States

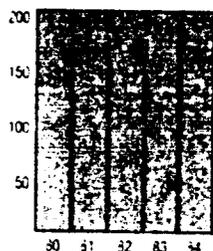
Ozarka — Distributors of bottled drinking water and drinking water systems in the Southwestern United States

**Wine & Spirits**

Buckingham Corporation — Exclusive U.S. importers of Cutty Sark and Cutty 12 Scotch Whisky, Finlandia Vodka, Waterford Cream Liqueur, 43 Armagnac de Montal, Henrot Champagne, Marquisat Wine, and Rothschild wines including Mouton-Cadet



Sales  
in Millions of Dollars



Group Earnings  
in Millions of Dollars

Beatrice meets the consumer's demand for products that taste good and are good for you. Rosarita Mexican sauces and La Choy egg rolls offer convenience and quality in the fast growing ethnic food category. Addressing consumer concerns about diet and nutrition, Beatrice introduced Swiss Miss Sugar Free and Fisher reduced sodium soups. Eckrich frankfurters provide quality and value and are popular at home and at play. Beatrice Cheese features County Line natural cheeses and cheese spreads. Murray cookies offer good home made taste.

#### Grocery Group

Group sales increased 1 percent while earnings declined 10 percent due to significantly higher marketing and advertising expenditures. The divestiture of our domestic candy operations also affected results. Volume gains from continuing operations were about 4 percent as new products with effective advertising made the difference. Grocery Products started two new market niches with Swiss Miss Sugar Free Hot Cocoa Mix and Chocolate Milk Maker. Both products allow calorie-conscious consumers to enjoy rich cocoa taste. Swiss Miss Pudding Bars achieved significant distribution levels in the rapidly growing market for frozen novelties. Fisher capitalized on its growing position in the snack nut market, gaining additional distribution during the year. We also introduced a new and rapidly expanding segment of the pet food industry—cat treats—where Bonkers captured a 30 percent market share.

Prepared Foods increased sales and expanded its presence in fast-growing segments of the ethnic foods industry. To leverage our strength we consolidated all our Mexican food lines under the Rosarita brand. New products included a new line of salsas and sauces. La Choy continued marketing aggressively to maintain its leading share in the Oriental food category, while showing good volume growth. Specialty Meats experienced relatively flat sales and earnings as unit volume increases were offset by lower selling prices and higher marketing costs. Eckrich, a key brand, expanded distribution and introduced many new products backed by an extensive advertising program. Demand for veal was excellent and a new plant was added to support future growth.

The U.S. Government surplus distribution program affected results for the Cheese division. New products, including shredded natural cheeses and flavored cream cheese, are being introduced under the County Line brand with aggressive marketing support.

Bakery Products experienced lower sales volume and earnings compared with an exceptionally strong prior year.

**Fiscal 1985 Outlook** The Grocery Group will continue aggressive marketing programs for its major brands to increase sales volume and expand market share. The increased marketing expenditures, coupled with the absence of businesses sold, will result in a decline in earnings for the year. We plan to back Swiss Miss and Fisher with extensive media campaigns and build on their distribution networks. Other key brands will follow similar strategies of market expansion and heavy media support.

**Grocery Products**

Aunt Nellie's — Vegetables, starchy vegetable sauce, spaghetti sauce

Bonkers — Cat treats

Fisher — Salted nuts, reduced-sodium nuts, salt-free nuts and nut oil, wild seeds

Martha White — Flour, corn meal, convenience baking and dinner mixes

Swiss Miss — Hot cocoa mixes, refrigerated puddings, frozen pudding bars, chocolate milk maker

Lowrey's — Meat snacks

Rudolph's — Pork hinds

**Specialty Meats**

Edenport — Smoked sausage, hot dogs, luncheon meats, bacon

Kneip — Corned beef

Plume de Veau — Veal products

**Prepared Foods**

La Choy — Canned and frozen Oriental vegetables, entrees and dinners, soy sauce, egg rolls

Ru-Santa — Canned and frozen Mexican foods, dips and entrees, sauces, tortillas, refried beans

**Cheese**

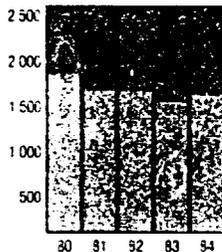
County Line — Natural cheeses, cheese spread, cream cheese

**Bakery Products**

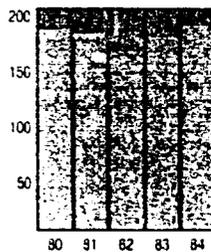
Butterkist — Bread

Manetta's — Cookies

Murray — Cookies



Sales  
In Millions of Dollars



Group Earnings  
In Millions of Dollars

Beatrice offers fashion and value with quality products for home and business. Samsonite is the worldwide market leader in fashion luggage. Beatrice markets several leading home products, including Stuffed lamps and Del Mar window coverings. Culligan, the most recognized name in water treatment around the world, serves residential, industrial and commercial customers in 90 countries. We also supply quality commercial refrigeration and food preparation equipment, such as Taylor soft serve ice cream machines. Day-Timers planners help busy executives to better manage their time, while Swingstar jackets meet today's active lifestyle.

## Consumer & Commercial Products Group

The Consumer & Commercial Products Group posted an earnings increase of 6 percent on a sales gain of 4 percent in fiscal 1984. Sales and earnings from continuing operations increased 10 percent and 7 percent, respectively.

Luggage experienced sales and earnings results at about the level of a year ago due to a changing sales mix and lower currency exchange rates. Samsonite introduced several new products including Odyssey, a new, stylish hardside line with complementary softside pieces.

Water Treatment achieved record results while placing considerable attention on realigning and broadening Culligan's base. Residential and commercial demand for Culligan products and services were strong. Substantial increases in product development and marketing slowed earnings growth but provided impetus for future success.

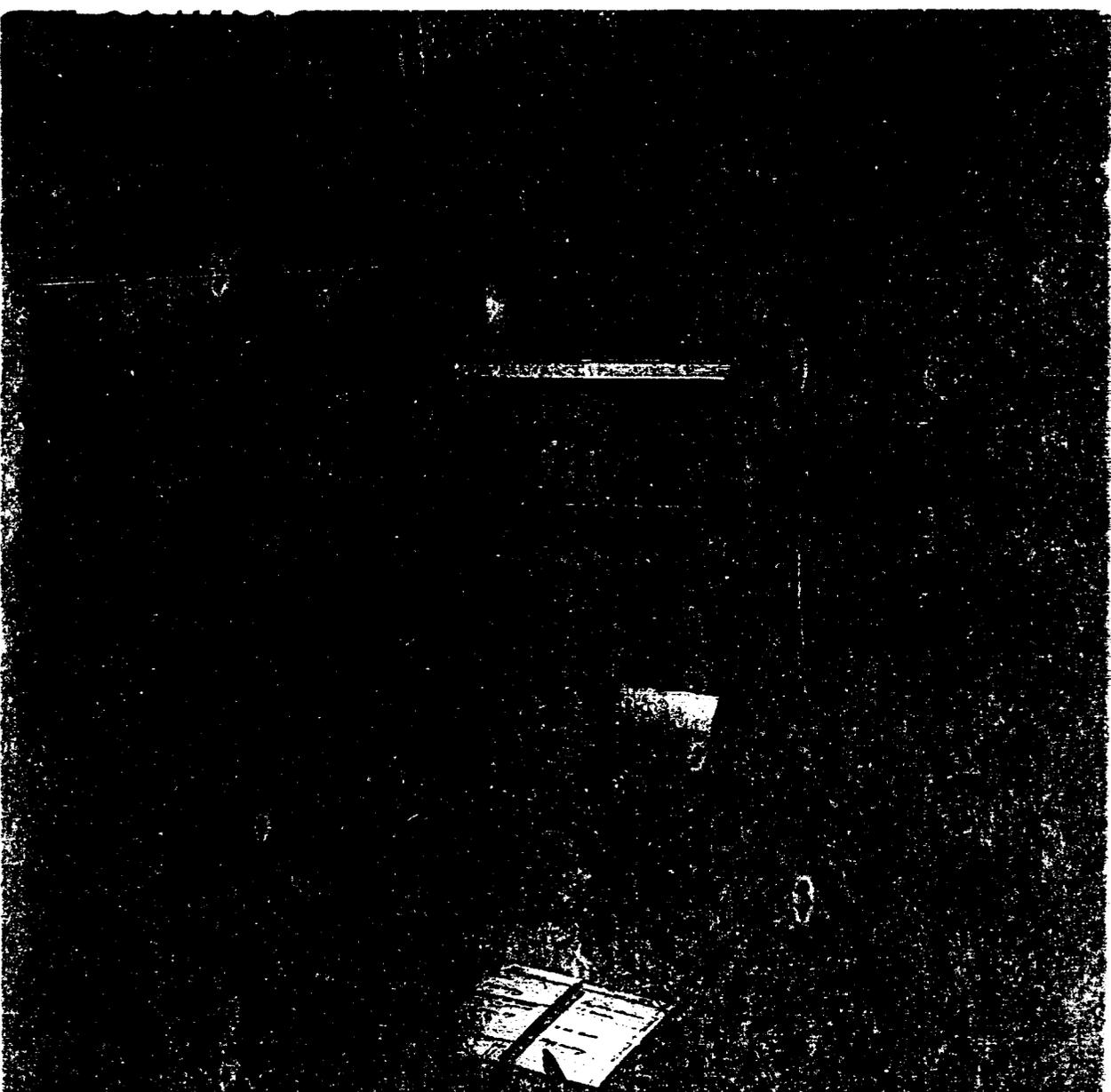
Home Products showed record sales and earnings, and improved market share through coordinated marketing of a full line of products. LouverDrape and Del Mar window coverings, Samsonite furniture, Aristokraft cabinets and Waterloo tool chests all capitalized on the growing home improvement market. Stiffel added diversity with more contemporary lamps and varied price levels appealing to a broader customer base. Chicago Specialty will be introducing a line of products to serve the home improvement market.

Commercial Products targets marketing efforts for its wide range of food service equipment to the top restaurant chains, working to develop specific product applications for their needs. Research and development activities increased significantly.

Printing & Graphics enjoyed record sales and earnings due to increased demand for commercial printing and graphic arts services.

Specialty Apparel experienced lower sales volume. The division has reorganized to better target its efforts in specific markets.

**Fiscal 1985 Outlook** The Consumer & Commercial Products Group should experience strong sales and earnings gains in fiscal 1985. Stepped-up marketing and new product development will bolster group results, particularly in Home Products, Commercial Products and Luggage. Stronger marketing programs, coupled with improved market penetration, should enable Water Treatment to grow substantially. Printing & Graphics plans to expand geographically and increase efficiency.



**Luggage**

Samsontite® — Fashion luggage, attache cases

**Water Treatment**

Culligan® — Residential, industrial and commercial water treatment services

**Home Products**

Aristokrat® — Kitchen cabinets, bathroom vanities

Chicago Specialty — Plumbing specialties, faucet aerators, showerheads

Del Mar® — Softlight shades, woven wood and aluminum horizontal window coverings

LouverDrape® — Fabric and aluminum vertical window coverings

Samsontite® Furniture — Folding tables and chairs, patio furniture, commercial furniture

Stiffel® — Contemporary and traditional brass floor and table lamps, lamp shades

Waterloo — Tool chests, boxes and cabinets

**Printing & Graphics**

Day-Timers® — Calendars, planning diaries

Webcraft — Specialty printing and paper converting, bind-in envelopes, inserts

Techtron — Photograving, color separations, pre-press printing services

**Commercial Products**

Taylor® — Ice cream freezers, commercial refrigeration

Bloomfield — Commercial coffee systems, serving equipment

Market Forge, Wells — Commercial cooking equipment

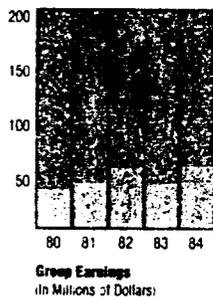
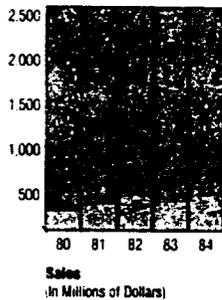
Technology Products — Industrial gas and specialty medical equipment

**Specialty Apparel**

Atison — Knit shirts, warm-ups, sleepwear

Swingster — Activewear, jackets, shirts, caps

Veiva Sheen — Printed T-shirts, jackets



Bealco's chemical products and related services add demonstrable value to customer products. Dri-Print decorative foils and Converters' flexographic inks cater to performance-oriented and high technology applications worldwide. Stahl leather finishes and Permuthane polyurethanes are leaders in the domestic and international fashion markets. Molub-Alloy high performance lubricants assist customers in increasing productivity and prolonging capital equipment life. Thoro products for water-proofing, Fiberite composites and molding compounds and LNP engineering plastic compounds all are market leaders serving a wide spectrum of technical applications.

## Chemical Group

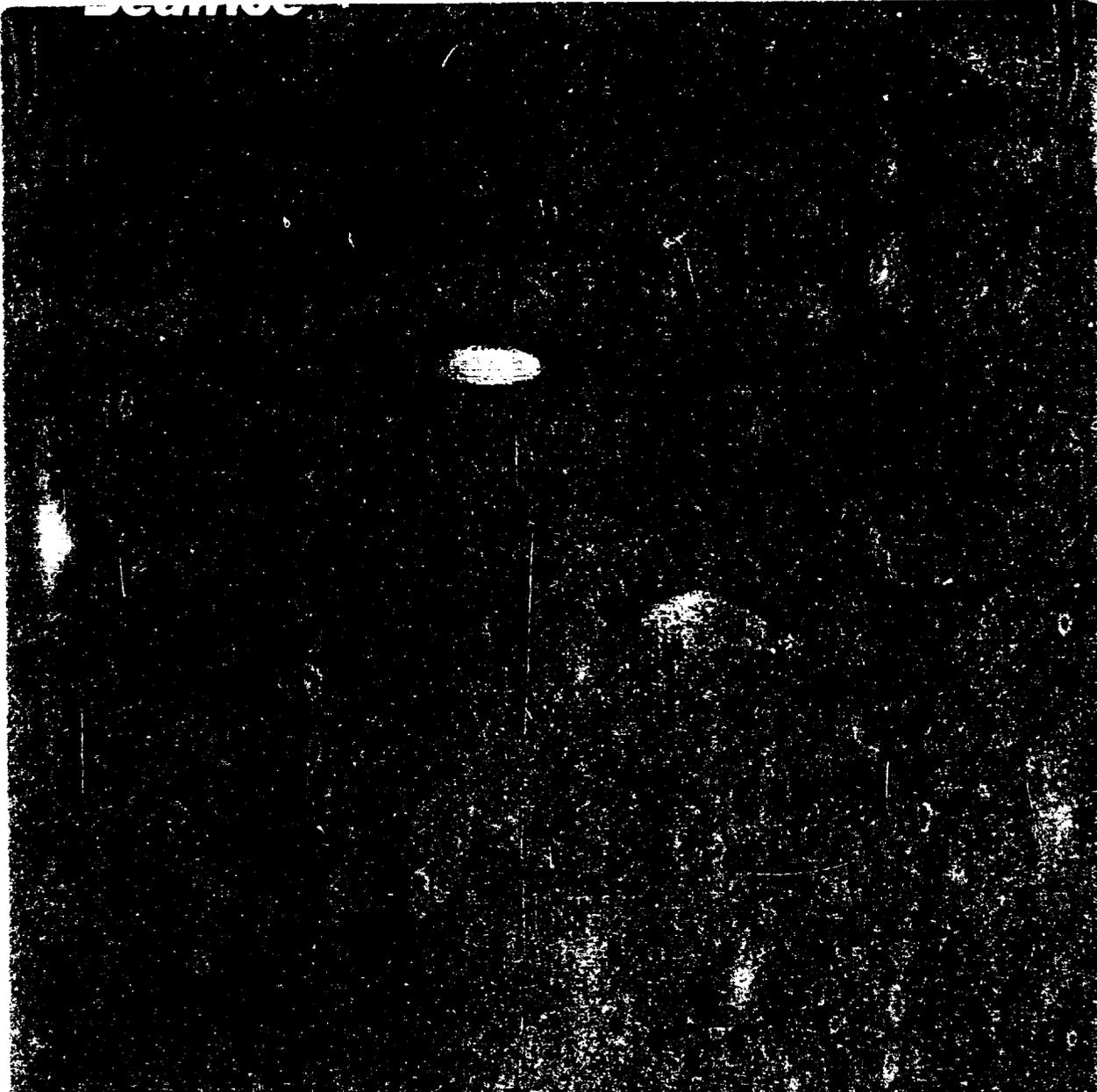
The Chemical Group achieved record sales and earnings for the year. Sales increased 11 percent and earnings rose 32 percent as a result of excellent growth spurred by new product introductions and productivity improvements.

Reflecting the improved economy and increasing demand from key markets, Plastics & Coatings achieved excellent sales and earnings growth. Fiberite, the market leader in composite materials, experienced strong demand from the aerospace industry, particularly from the space shuttle program and manufacturers of fuel-efficient aircraft. Growth in the electronic, business machine, automotive and appliance markets translated into increased demand for Fiberite and LNP molding compounds, which are used in manufacturing performance-oriented plastic components. The growth in the automotive industry also increased demand for Dri-Print decorative foils. Backed by extensive advertising, Thoro, a well-known brand of commercial waterproofing materials, successfully launched a new, premier-grade waterproofing system in the do-it-yourself market.

Performance Chemicals also had expanded sales and earnings growth as its wide variety of products experienced record demand. Stahl leather and Paule shoe finishes enhance the beauty and serviceability of leather. Permuthane polymers protect and decorate leather and a variety of synthetic substrates. These products benefited from a strong international fashion market. As a result of the industrial economic recovery, earnings grew strongly for Polyvinyl polymers and Molub-Alloy industrial lubricants. The polymers are used in xerographic toners and for formulating paints and finishes. The lubricants are engineered to serve the most demanding industrial applications. Converters Ink, a leading supplier of flexographic inks to the packaging industry, also benefited from increasing demand.

**Fiscal 1985 Outlook** Continued sales and earnings growth is expected next year, but at more moderate levels. Our broad spectrum of customers, expanded international marketing through new distribution facilities in the U.S. as well as in Europe, and a joint venture with Mitsubishi Chemical in Japan should enhance growth. Research and development activities will continue to provide technological advances to capitalize on new opportunities.

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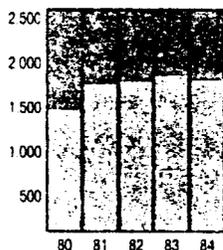


**Performance Chemicals**

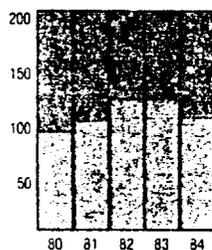
Converters Ink — Printing inks  
Craig Adhesives — Adhesives  
Molub-Alloy\* — High performance lubricants  
Paule — Shoe finishes  
Permutane\* — Specialty coatings  
Stani — Leather finishes  
Farbow\* — Marine coatings

**Plastics & Coatings**

Dri-Print Foils\* — Hot stamping foils  
Fiberite\* — Graphite composites and molding compounds  
LNP\* — Engineering plastics  
Thoro\* — Waterproofing materials



**Sales**  
In Millions of Dollars



**Group Earnings**  
In Millions of Dollars

Consumers around the world enjoy the good taste and quality that come from Beatrice products. Beatrice sells a wide variety of hard tores at candies and dessert treats in many countries, including Rolanda ice cream and Savoy chocolates. Callard & Bowser wrapped candies and Red Tull chocolate assortments. Snacks are another favorite in many markets, where our brands include Tayto's and Jack's Snacks. Canadian consumers enjoy the winning combination of Colonial cookies and Beatrice milk. State fruit juices, nectars and jams, and Campagna specialty meats are sure to please in European markets. Through Franprix, Beatrice is also a major food wholesaler and retailer in France.

## International Food Group

International Food reported a sales decline of 3 percent and an earnings decline of 13 percent because of lower foreign currency exchange rates, despite overall gains in local currencies. The group's five geographic divisions have been structured along product lines to bring greater strength to the marketplace through improved distribution, manufacturing efficiencies and marketing effectiveness.

The benefits of this new organization can be seen in Europe, our largest international division. We market snacks and confections, processed meats, soft drinks and fruit juices, and ice cream and dairy products. Beatrice also is a major food distributor in France. The division was strengthened by the acquisition of Minimarche food distribution in France and Stute fruit juices and jams in West Germany.

Canada showed continued sales and earnings growth in its two principal categories, dairy and cookies. Aggressive marketing programs resulted in increased volume for all dairy products, with especially good growth in ice cream, yogurt and cheese.

Latin America, in particular, was hurt by currency translations and troubled economies in Brazil and Venezuela. However, population growth, coupled with consumer demand for a wider range of products, provide an encouraging future for snacks, confections, ice cream and beverages.

Sales and earnings also were down in Australasia due to flat volume and currency translations. Principal operations are in the highly competitive and heavily promoted Australian confections market. To bolster our performance, we are introducing new products such as a lower-priced chocolate assortment and a nutritious confectionery bar with sesame seeds, nuts and dried fruits.

Our Far East division offers promising growth potential. Through aggressive marketing, Doll-brand quality Oriental foods have established a strong market presence in Hong Kong. Our joint venture project in China, Guangmei Foods, began exporting snacks to Hong Kong and is working toward the distribution of beverages within China.

**Fiscal 1985 Outlook** The group expects stronger earnings as foreign currencies stabilize against the dollar. Fruit drinks and food distribution will be growth areas in Europe. Expanded distribution of existing products to the Western provinces is expected in Canada. A similar geographic growth strategy should broaden our base in Latin America. In Australasia we will continue to target additional segments of the confections market. Far East will continue to broaden its geographic reach.



**Europe**

Migros — Food distribution  
Record — Food distribution  
Campofrio™ — Sausage, luncheon meats, hot dogs  
Smith-London\* — Confections  
Callan & Bowser — Confections  
Stute — Juices, preserves  
Sanson — Ice cream

**Latin America**

Savoy — Confections  
Jack's Snacks — Snack foods  
Holanda — Ice cream

**Canada**

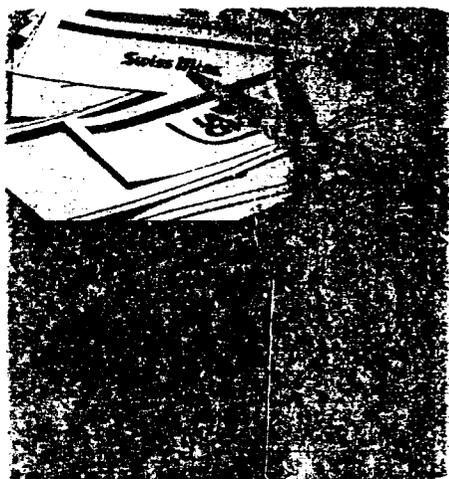
Beatrice\* — Dairy products  
Colonial — Cookies

**Australia**

Red Tulip\* — Confections  
Patra — Juices

**Far East**

Doll — Oriental foods  
Meadow Gold — Dairy products



25c Off

25c Off

Tropicana



Free

Free



35c Off

35c Off

FISHER

75c Off

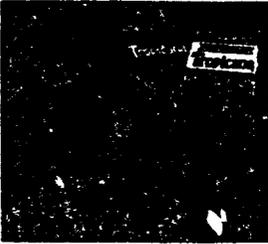
75c Off

Swiss Miss  
Sugar Free

68

25c Off

25c Off



**25¢ Off any Tropicana Orange Juice Product**

**Retailer:** We will reimburse you for the face amount of the coupon plus 8¢ per coupon for handling provided you and the consumer have complied with the terms of this offer. Presentation for redemption without such compliance constitutes fraud. Invoices proving purchase of sufficient stock of our brands to cover coupons presented for redemption must be shown upon request. Consumer must pay any sales tax. Coupon may not be transferred or assigned and is void where its use is prohibited, taxed or otherwise restricted. Cash value 1/20¢. This offer is limited to one coupon per purchase. Redeem by mailing to Tropicana Products Sales, Inc., P.O. Box 1497, Clinton, Iowa 52734. Coupon must be forwarded to clearinghouse within 60 days of expiration date.  
**Offer expires: May 1, 1985.**

48500 114722

Free

Free



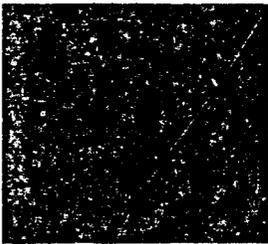
**Free 10 oz. La Choy Soy Sauce**

**Retailer:** You are authorized as our agent to provide the bearer of this coupon with a 10 oz. bottle of La Choy Soy Sauce upon surrender of this coupon to you. We will reimburse you up to a maximum of \$1.25 plus 8¢ handling provided you and the customer have complied with the terms of this offer. Presentation for redemption without such compliance constitutes fraud. Invoices proving purchase of sufficient stocks of the La Choy item specified must be shown upon request. Cash value 1/20¢. Customer must pay any sales tax. Coupon good only in U.S.A. and void where prohibited, taxed or restricted. Mail coupons for payment to La Choy Food Products, Box 1563, Clinton Iowa 52734.  
**Offer expires: May 1, 1985.**

44300 100631

35c Off

35c Off



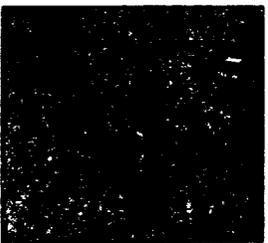
**35¢ Off any jar or tin of Fisher Nuts**

**Retailer:** We will redeem this coupon plus 8¢ handling when terms of this offer have been complied with by you and the consumer. For payment, mail coupon to Fisher Nut Co., P.O. Box 1751, Clinton, Iowa 52734. Coupon will be honored only if submitted by a retailer of our merchandise or a clearinghouse approved by us and acting for and at the risk of such a retailer. Invoices proving purchase of sufficient stock to cover coupons presented for redemption must be shown upon request. Any sales tax must be paid by the consumer. Only one coupon redemption per package. Offer good only in the United States and void where prohibited, licensed, taxed or restricted by law. Cash value 1/20 of 1¢. Coupon subject to confiscation when terms of offer have not been complied with.  
**Offer expires: May 1, 1985.**

99993-101684

75c Off

75c Off



**Save 75¢ on either size Swiss Miss Sugar Free Chocolate Milk Maker**

**Retailer:** We redeem this non-transferable coupon for 75¢ plus 8¢ handling on any size Swiss Miss Sugar Free Chocolate Milk Maker except single envelopes provided you and consumer have complied with the terms of this offer. Any other application constitutes fraud. Failure on request to submit proof you bought stock to cover coupons submitted may void them all. Void if prohibited, taxed or restricted. The consumer must pay any sales tax. Cash value 1/200¢. Redeemable only by retailers. Mail coupons to Sarna Division Coupon Redemption Program, P.O. Box 1689, Elm City, N.C. 27838.  
**Offer Expires: May 31, 1985**

63

000-551

**BONKERS**

Save up to \$200

Save up to \$200

 **Samsonite**

\$30 Off

\$30 Off

*Culligan*



\$10 Off

\$10 Off

 **del mar.**  
window coverings

Free



### Go Bonkers for a free package of new Bonkers™ Cat Treats

**To the Dealer:** You are authorized to act as agent for the redemption of this coupon. We will reimburse you up to a maximum of 39¢ plus 2¢ handling provided you and the customer have complied with the terms of this offer. Void where prohibited, taxed or restricted by law. Cash redemption value 1/20 of 1¢. This coupon is non-assignable. Invoices proving purchase of sufficient stock of our brands to cover coupons presented must be shown upon request. Mail coupons to Lee's Marketing Service, P.O. Box 7748, Mt. Prospect, Illinois 60056-7748. Reimbursement will be made only to a retail distributor of our merchandise. Any other use constitutes fraud. Limit one coupon per package purchased. Not to be combined with any other offer. Offer expires: May 1, 1985.

133

Save up to \$200



### Save up to \$200.00 on Samsonite's new Odyssey™ luggage

Odyssey™ luggage is elegant, clean and Samsonite's premier luggage line. Each piece has leather handles and accents that give a distinctive look and feel. This three piece set is perfect for long or short trips. Offer expires: May 31, 1985.

Odyssey	Suggested List Price	Your Cost*	Quantity	Total
Carment Bag, black	\$175.00	\$110.00		
Carry-On, black	\$150.00	\$ 85.00		
26 Super Roll Wheels, silver	\$175.00	\$120.00		
3 Piece Set includes all of the above	\$500.00	\$300.00		

\*Cost includes shipping and handling. This offer good only in the Continental United States. Allow four weeks to deliver.

Odyssey: Carment Bag and Carry-On in Black, 26 Super Roll Wheels in Silver

**Total Cost** \_\_\_\_\_  
 Mail this coupon and a check or money order to:  
 Samsonite Corporation  
 Code 123  
 11200 E. 45th Avenue  
 Denver, CO 80231

Name \_\_\_\_\_  
 Address \_\_\_\_\_  
 City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_

\$30 Off

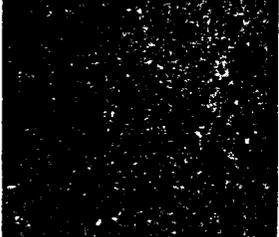


### \$30 Off with purchase or free first month rental on a Culligan Drinking Water System!

Customer Name \_\_\_\_\_  
 Address \_\_\_\_\_  
 City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_  
 Dealer Location \_\_\_\_\_

To receive your rebate, complete this form and take it to your local Culligan dealer. New customers only — 12 month contract on rental. Offer good through May 31, 1985. Void where prohibited, taxed or otherwise restricted. Allow 6-8 weeks for rebate. One coupon per customer order.

\$10 Off



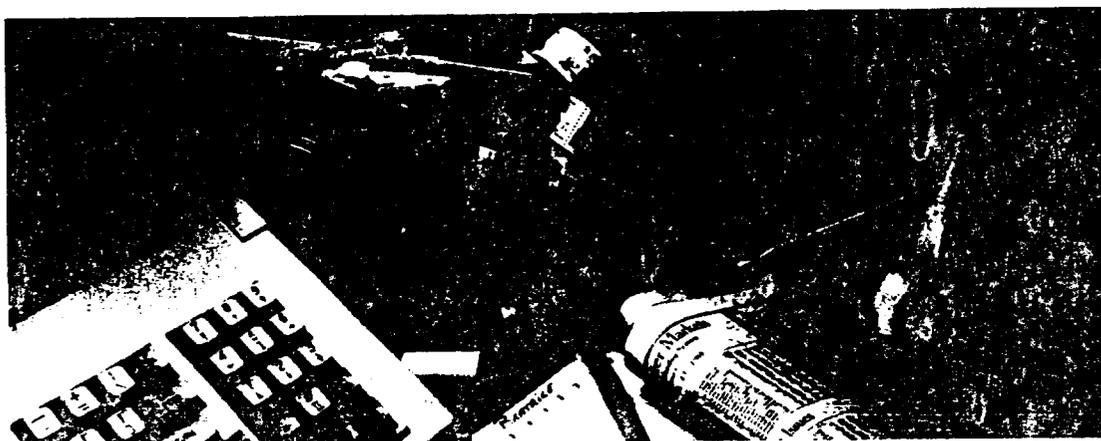
### \$10.00 Off Del Mar Softlight™ Shades

Softlight Shades are pleated fabric shades with the fashionable look of horizontal blinds. Simply present this coupon to your retailer and receive \$10.00 off your order of Softlight Shades!

**Retailer:** Attach this certificate to this order of Del Mar Softlight Shades and receive \$10.00 off your invoice. **Must be redeemed by May 31, 1985.**

Limit one per family

Customer Name \_\_\_\_\_  
 Address \_\_\_\_\_  
 City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_



Several changes in Beatrice's organization during fiscal 1984 are reflected in the following financial statements. These include: the realignment of the company into six operating groups; the divestiture of a number of companies; and a reduction of the business realignment reserve established in February 1983 (see Note 2). In addition, we reduced our equity base through the purchase of 10 million shares of Beatrice common stock in the fourth quarter.

**Contents**

Net Sales and Earnings by Business Group	24
Discussion of Operations and Financial Condition	25
Eleven Year Review	28

**Consolidated Financial Statements**

Consolidated Balance Sheet	30
Statement of Consolidated Earnings	31
Statement of Consolidated Stockholders' Equity	32
Statement of Consolidated Changes in Financial Position	33
Notes to Consolidated Financial Statements	34
Accountants' Report	45
Management Report on Financial Statements	45
Stockholder Information	46



(In Millions)

### Total Operations\*

Years Ended Last Day of February	1984		1983		1982		1981		1980		1979	
	Sales	Earnings	Sales	Earnings	Sales	Earnings	Sales	Earnings	Sales	Earnings	Sales	Earnings
Refrigerated Foods & Services	\$1,964	\$135	\$2,010	\$115	\$2,125	\$121	\$2,167	\$132	\$2,063	\$124	\$1,858	\$109
Beverage	1,220	132	1,059	108	755	69	671	82	595	75	383	43
Grocery	2,332	166	2,307	185	2,296	169	2,158	160	2,042	140	1,884	138
Consumer & Commercial Products	1,570	197	1,515	186	1,626	173	1,641	191	1,838	195	1,766	200
Chemical	453	66	408	50	446	63	387	50	309	45	263	37
International Food	1,788	112	1,840	129	1,773	129	1,749	108	1,444	99	1,325	90
Total Groups	<u>\$9,327</u>	<u>\$608</u>	<u>\$9,139</u>	<u>773</u>	<u>\$9,021</u>	<u>724</u>	<u>\$8,773</u>	<u>723</u>	<u>\$8,291</u>	<u>678</u>	<u>\$7,479</u>	<u>617</u>
Unallocated operating expense		(106)		(79)		(74)		(49)		(42)		(45)
Gross operating margin		\$703		\$694		\$650		\$674		\$636		\$572

### Operations Excluding Divestitures\*

The following table presents the net sales and earnings of operations on hand at the end of fiscal 1984. All operations sold through February 29, 1984 have been excluded.

	1984		1983		1982		1981		1980		1979	
	Sales	Earnings										
Refrigerated Foods & Services	\$1,529	\$127	\$1,386	\$103	\$1,403	\$103	\$1,366	\$106	\$1,254	\$ 95	\$1,101	\$ 81
Beverage	1,220	132	1,034	108	480	46	422	63	380	54	192	27
Grocery	1,963	139	1,959	162	1,877	141	1,779	133	1,649	118	1,471	109
Consumer & Commercial Products	1,503	198	1,362	185	1,324	162	1,251	178	1,256	186	1,124	161
Chemical	453	66	408	50	446	63	387	50	309	45	263	37
International Food	1,784	112	1,826	129	1,759	129	1,713	107	1,412	97	1,195	86
Total Groups	<u>\$8,452</u>	<u>\$774</u>	<u>\$7,975</u>	<u>\$737</u>	<u>\$7,289</u>	<u>\$644</u>	<u>\$6,918</u>	<u>\$637</u>	<u>\$6,260</u>	<u>\$595</u>	<u>\$5,346</u>	<u>\$501</u>

\*Years prior to 1982 have not been restated to reflect the change to the last-in, first-out (LIFO) cost basis for substantially all inventories in the United States.

**Business Objectives**

Beatrice is a premier worldwide marketer focusing on food and consumer products that looks primarily toward internal development rather than acquisitions to drive future growth. The company's fundamental financial goals are: to achieve real internal growth in the range of 4 to 5 percent and to provide an above-average return to our shareholders. Beatrice's return on equity goal is 18 percent.

**Business Realignment**

Several actions taken in fiscal 1984 resulted from Beatrice's new marketing focus. These are highlighted below:

- A number of businesses with low returns or that were poor strategic fits were divested.
- More than 400 profit centers worldwide were consolidated along marketing lines into 27 larger, free-standing units.
- Beatrice's management structure was reorganized, with the formation of an Office of the Chairman and six operating groups.
- A new corporate strategy for identity and advertising was developed.
- Major purchasing functions were combined.
- A new strategic planning system was instituted.

More information on these actions is available later in this section, in the Letter to Stockholders and in the Notes to Consolidated Financial Statements.

**Fiscal 1984 Compared to 1983**

Net sales rose 2 percent to \$9.3 billion. Group earnings reached \$808 million, an increase of 5 percent. Both sales and group earnings were reduced by a number of divestitures during the year. Net sales and group earnings, excluding these divestitures in both years, increased 6 percent and 5 percent, respectively. The divestitures, along with a reduction in the business realignment reserve, resulted in special net gains totaling \$99 million. With these special actions, net earnings reached \$433 million in fiscal 1984 compared to \$43 million in fiscal 1983, which included special charges of \$278 million. Excluding special actions in both years, net earnings rose to \$334 million in fiscal 1984 from \$321 million in fiscal 1983.

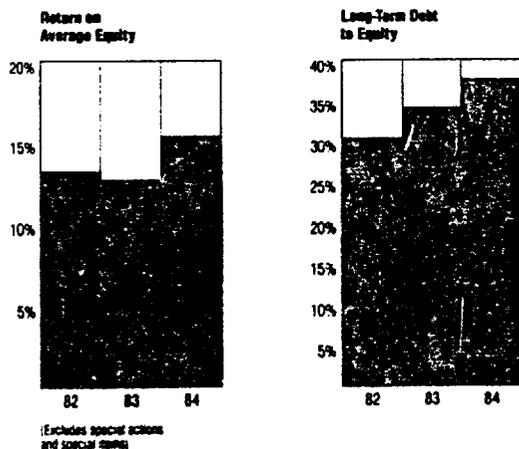
**GROUP RESULTS** Refrigerated Foods & Services net sales were \$2.0 billion, a decline of 2 percent. Group earnings rose 18 percent to \$135 million. The decline in sales was due to the divestiture of John Sexton & Co., which took place early in the fourth quarter. The acquisition of Termicold Corporation and Lackawanna Leather, combined with some unit volume gains and selling price increases, were responsible for the earnings improvement, and more than offset the absence of earnings from the divestiture. Dairy earnings declined due to weak industry conditions as a result of a surplus of raw milk.

Beverage net sales increased 15 percent to \$1.2 billion and group earnings rose 23 percent to \$132 million. The increase in net sales was due to unit volume gains, particularly for Fruit Juices, and new product introductions and acquisitions of new Coca-Cola franchise territories in Soft Drinks. Selling price increases also had a favorable impact on sales. Beverage earnings were influenced by these same factors and also increased due to a decline in goodwill amortization related to Fruit Juices.

Grocery net sales increased 1 percent to \$2.3 billion while group earnings declined 10 percent to \$166 million. Both sales and earnings were reduced by the divestiture of the domestic candy operations. In addition, heightened competition in Specialty Meats, Cheese and Bakery Products resulted in lower selling prices which were not offset by volume gains. Earnings also declined due to significantly higher selling and marketing expenses to increase brand awareness, fund new products and broaden distribution.

Consumer & Commercial Products net sales increased 4 percent to \$1.6 billion, while group earnings increased 6 percent to \$197 million. Unit volume gains in most areas favorably influenced results, more than offsetting the effects of lower currency exchange rates and divestitures. Significant sales and earnings gains were recorded in Home Products and Printing & Graphics as a result of strong consumer demand, while earnings of Specialty Apparel declined due to unit volume decreases.

Chemical net sales increased 11 percent to \$453 million while group earnings increased 32 percent to \$66 million. The general



improvement in the domestic economy led to higher selling prices and strong unit volume growth. These factors were also responsible for improved earnings and higher margins.

International Food reported a 3 percent decline in net sales to \$1.8 billion and a 13 percent decline in earnings to \$112 million. The strength of the U.S. dollar against most other currencies was responsible for the sales and earnings declines and substantially exceeded increases in volume and selling prices. In addition, a deterioration of economic conditions in Latin America affected results. Despite the adverse currency translation effects, Europe posted a modest increase in earnings due to the acquisition of Stute, a producer of fruit juice and preserves in West Germany. Latin America experienced a significant decline in earnings and was most affected by the stronger U.S. dollar.

**OTHER RESULTS** Unallocated operating expenses increased \$26 million. Of the increase, \$7 million resulted from point-of-sale promotions and discount coupons related to the campaign to establish Beatrice's new corporate identity during the Winter Olympics. Another \$4 million of the increase was due to an increase in the corporate self-insurance reserve. The balance of the increase is attributable to costs associated with new corporate functions supporting Beatrice's new marketing focus. These costs include personnel, market research, and operating support systems.

Interest income declined as a result of a reduction in marketable securities and notes receivable. Interest expense remained approximately the same as the previous year because interest rates and the average level of borrowings remained relatively stable during the year. Business realignment income comprises \$125 million of gains on the sale of businesses and a reduction of the business realignment

reserve of \$38 million. Other income, net, increased primarily as a result of investments in tax leases by Beatrice's unconsolidated leasing company. The provision for income taxes was affected significantly by capital gains rates on divestiture gains. The income tax note included in the Notes to Consolidated Financial Statements provides additional information on income taxes.

**ADVERTISING AND SALES PROMOTION:** In fiscal 1984 advertising and sales promotion expense increased 27 percent to \$288 million compared to \$226 million in fiscal 1983.

Certain sales promotion activities in the past were classified as expenses and are now reflected as a reduction of sales. Sales and advertising and sales promotion expenses prior to fiscal 1984 have been restated to reflect this change.

#### Fiscal 1983 Compared to 1982

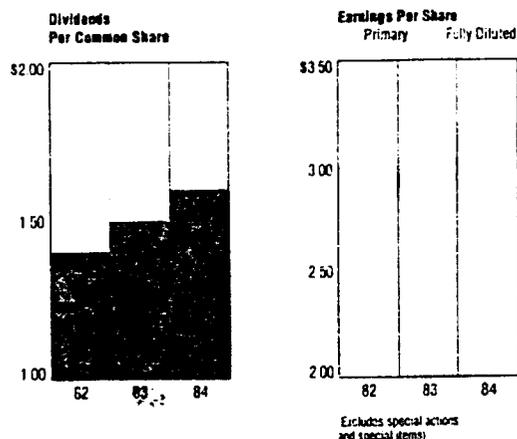
Net sales rose 1 percent to \$9.1 billion. Group earnings reached \$773 million, an increase of 7 percent, in part due to the acquisition of beverage operations in the fourth quarter of fiscal 1982. Net earnings decreased from \$390 million to \$43 million as a result of special charges of \$278 million in fiscal 1983 and gains of \$77 million for special items in fiscal 1982.

**GROUP RESULTS** Refrigerated Foods & Services net sales declined 5 percent to \$2.0 billion and group earnings declined 6 percent to \$115 million due primarily to the effect of the U.S. recessionary economy on Agri-Products and the absence of the Dannon business, which was divested in the second quarter of fiscal 1982.

Beverage net sales rose 40 percent to \$1.1 billion and group earnings increased 56 percent to \$108 million, largely due to acquisitions whose combined sales and earnings exceeded the prior year sales and earnings of divested bottling operations. Beverage Group earnings were also favorably affected by higher margins from acquired companies.

Grocery net sales were \$2.3 billion, an increase of less than 1 percent, while group earnings grew 10 percent to \$185 million. The improved margins resulted primarily from changes in product mix at Prepared Foods, higher selling prices for Specialty Meats and generally lower costs of commodities.

Consumer & Commercial Products net sales were \$1.5 billion, 7 percent lower than the prior year, while group earnings increased 8 percent to \$186 million. Lower currency translation rates affected both sales and earnings. The absence of sales from divested operations more than offset increases in net sales of continuing operations. Earnings increased in all major areas of operations, with the exception of lower earnings for Commercial Products due to unit volume decreases.



Chemical net sales declined 8 percent to \$408 million while group earnings declined 20 percent to \$50 million. Unit volume decreases and lower currency translation rates affected both net sales and group earnings. Reduced operating margins also affected group earnings.

The International Food Group, which was adversely affected by the continued strengthening of the U.S. dollar compared to most other currencies, reported a 4 percent net sales increase to \$1.8 billion and group earnings of \$129 million, an increase of less than 1 percent. In local currencies, net sales increased 17 percent and group earnings 11 percent over the prior year. These gains resulted primarily from unit volume and selling price increases in Europe, Canada and Latin America as well as acquisitions in Europe and Latin America.

**OTHER RESULTS** Interest income declined 41 percent and interest expense increased 27 percent. Both of these changes were associated with the use of cash for acquisitions, primarily in the Beverage Group.

During the year, Beatrice incurred divestiture losses totaling \$13 million (\$9 million after-tax). In addition, special actions announced in the fourth quarter of fiscal 1983 resulted in pre-tax charges of \$345 million (\$278 million after-tax). These actions included a \$188 million goodwill write-down and a \$157 million pre-tax provision for business realignment, which comprised a \$127 million addition to the business realignment reserve for losses on divestitures and other reorganization costs and a \$30 million provision for a voluntary early retirement program for certain domestic employees.

In fiscal 1983, Beatrice adopted FASB 52 for foreign currency translation. This change reduced net foreign currency translation losses and other expenses included in fiscal 1983 net earnings by \$11 million. After giving effect to FASB 52, translation losses were \$13 million in fiscal 1983 compared to \$2 million recorded under FASB 8 in the prior year.

The effective tax rate increased to 79.5 percent from 47.7 percent due to the goodwill write-down which had no tax benefits associated with it. Excluding the \$188 million goodwill write-down, the effective tax rate would have been 47.1 percent.

#### **Financial Condition and Inflation**

**INTERNAL FUNDS:** Funds are derived primarily from operations; however, from time to time additional debt and/or equity is required. Cash provided by operations was \$725 million in 1984 compared to \$639 million in 1983 and \$632 million in 1982.

During 1984, 1983 and 1982, the other primary sources of funds were the proceeds from the sale of divested operations and the issuance of long-term debt and short-term debt. During the three-year period significant funds were used for the purchase of treasury stock in 1984, the acquisition of companies in 1983 and 1982 and capital

expenditures and dividends in all three years. Operations are expected to be the primary source of cash in 1985 with divestitures contributing additional amounts. Anticipated major uses of cash in 1985 will be for capital expenditures, acquisitions of companies, increased advertising and marketing expenses and dividends.

**WORKING CAPITAL:** At February 29, 1984, current assets exceeded current liabilities by \$693 million, a decline of \$123 million from the prior fiscal year-end. This decrease is primarily attributable to less cash and short-term investments on hand due to investments in treasury stock and other noncurrent assets.

**LEVERAGE AND CREDIT AVAILABILITY:** The total debt to equity ratio at fiscal 1984 year-end increased to 49 percent from 47 percent at the end of 1983. The change is principally due to the large acquisition of treasury stock in 1984 and the increase in the cumulative foreign currency translation adjustment to stockholders' equity.

At February 29, 1984, informal lines of bank credit and committed lines of credit under revolving credit agreements of approximately \$566 million were available if needed for funding normal business needs. These lines totaled approximately \$523 million at February 28, 1983.

Also in February 1984, Beatrice arranged with a group of banks for irrevocable lines of credit aggregating \$2.5 billion. Such credit is available to Beatrice in the form of six-month loans to be made at any time through August 31, 1984. In the event the lines of credit are drawn down, Beatrice and the banks have agreed to use their best efforts to negotiate definitive credit agreements which would extend the maturity of the loans for three to four years. These borrowings may be used to acquire the securities of any corporation, provided that not more than \$1.5 billion may be used to purchase Beatrice common stock.

**CAPITAL EXPENDITURES:** The business realignment slowed the pace of capital expenditures during fiscal 1984. Net expenditures for property, plant and equipment totaled \$208 million, a decrease from the \$211 million spent in fiscal 1983 and \$216 million spent in fiscal 1982. Capital expenditures are expected to increase in fiscal 1985.

**INFLATION:** Management recognizes the effects of inflation on its businesses and has taken steps, such as the adoption of the LIFO inventory method in 1982 and the implementation of various productivity programs, to counteract these effects.

	1984	1983	1982	1981
<b>In Millions</b>				
Net Sales	\$9,327	\$9,139	\$9,021	\$8,773
Operating Expenses:				
Cost of Sales	6,664	6,597	6,682	6,511
Selling and Administrative	1,766	1,666	1,526	1,432
Depreciation	194	182	163	156
Total Operating Expenses	8,624	8,445	8,371	8,099
Gross Operating Margin	703	694	650	674
Interest Expense	(113)	(114)	(90)	(96)
Interest Income and Other Income (Expense)	213	(308)	65	41
Pre-tax Earnings	803	272	625	619
Income Taxes	360	216	299	302
Earnings Before Minority Interests and Special Items	443	56	326	317
Minority Interests	(10)	(13)	(13)	(13)
Special Items	—	—	77**	—
Net Earnings	\$ 433	\$ 43	\$ 390	\$ 304
Total Assets	\$4,464	\$4,732	\$4,744	\$4,237
Long-term Debt	\$ 778	\$ 772	\$ 759	\$ 691

<b>Per Common Share</b>	Earnings:				
	Primary	\$ 4.23	\$ .27	\$ 3.02**	\$ 2.94
	Fully Diluted	\$ 3.99	\$ .27	\$ 2.87**	\$ 2.79
	Dividends	\$ 1.60	\$ 1.50	\$ 1.40	\$ 1.30
	Book Value	\$20.06	\$19.77	\$21.95	\$19.63
	Market Price:				
	High	\$36.00	\$25.13	\$23.50	\$24.50
	Low	\$24.13	\$18.00	\$16.75	\$16.25

<b>Ratios/Percentages</b>	Current Assets to Current Liabilities	1.55:1	1.60:1	1.73:1	2.13:1
	Pre-tax Return on Sales	8.6%	3.0%	6.9%**	7.1%
	After-tax Return on Sales	4.6%	.5%	3.5%**	3.5%
	Effective Tax Rate	44.9%	79.5%	47.7%**	48.7%
	Dividend Payout Rate	37.8%	555.6%	46.4%**	44.2%
	Return on Average Equity	20.4%	1.9%	13.6%**	14.5%
	Long-term Debt to Equity	38.4%	34.9%	31.3%	31.7%

<b>Supplemental Data Excluding Special Actions***</b>	Earnings per Common Share:		
	Primary	\$ 3.23	\$ 3.06
	Fully Diluted	\$ 3.08	\$ 2.91
	Pre-tax Return on Sales	8.9%	6.8%
	After-tax Return on Sales	3.6%	3.5%
	Effective Tax Rate	48.2%	46.0%
	Dividend Payout Rate	48.5%	49.0%
	Return on Average Equity	15.8%	13.1%

1980	1979	1978	1977	1976	1975	1974
\$8,291	\$7,479	\$6,522	\$5,745	\$5,174	\$4,785	\$4,151
6,153	5,530	4,842	4,246	3,850	3,598	3,096
1,360	1,255	1,087	1,003	896	796	713
142	122	106	71	66	62	58
7,655	6,907	6,035	5,320	4,812	4,456	3,867
636	572	487	425	362	329	284
(91)	(73)	(58)	(34)	(37)	(35)	(24)
40	22	26	20	21	16	19
585	521	455	411	346	310	279
286	251	221	198	166	147	129
299	270	234	213	180	163	150
(9)	(8)	(7)	(7)	(5)	(4)	(4)
—	—	—	—	—	—	—
\$ 290	\$ 262	\$ 227	\$ 206	\$ 175	\$ 159	\$ 146
\$3,980	\$3,674	\$2,857	\$2,371	\$2,076	\$1,934	\$1,692
\$ 659	\$ 679	\$ 486	\$ 294	\$ 299	\$ 315	\$ 244
\$ 2.81	\$ 2.60	\$ 2.35	\$ 2.15	\$ 1.84	\$ 1.68	\$ 1.53
\$ 2.67	\$ 2.51	\$ 2.30	\$ 2.09	\$ 1.79	\$ 1.63	\$ 1.49
\$ 1.20	\$ 1.08	\$ .96	\$ .82	\$ .74	\$ .68½	\$ .62¾
\$17.95	\$16.32	\$14.70	\$13.24	\$11.70	\$10.48	\$ 9.37
\$24.25	\$28.25	\$26.13	\$28.50	\$25.88	\$22.63	\$28.50
\$18.50	\$21.50	\$22.00	\$21.50	\$18.00	\$12.13	\$16.63
1.96:1	2.00:1	2.12:1	2.22:1	2.39:1	2.38:1	2.27:1
7.1%	7.0%	7.0%	7.2%	6.7%	6.5%	6.7%
3.5%	3.5%	3.5%	3.6%	3.4%	3.3%	3.5%
48.8%	48.1%	48.6%	48.3%	48.0%	47.4%	46.1%
42.7%	41.5%	39.8%	38.5%	39.8%	40.4%	40.6%
15.1%	16.1%	16.9%	17.2%	16.4%	16.6%	17.0%
32.9%	36.9%	34.3%	23.1%	26.7%	31.2%	26.8%

\*Amounts have not been restated for capitalization of leases prior to 1978, change to LIFO method for valuing inventories prior to 1982 and change in foreign currency translation method (FASB 52) prior to 1983.

\*\*Special items in 1982 include gain on the sale of the Damon business and cumulative effect of accounting change for investment tax credit. Per share data and percentages are computed before these special items.

\*\*\*For information purposes, these statistics are presented excluding certain gains from the business realignment program totaling \$163 million pre-tax (\$99 million after-tax) for 1984; and excluding special charges totaling \$345 million pre-tax (\$278 million after-tax) for 1983. See Discussion of Operations and Financial Condition for additional information.

<b>Assets</b> As of Last Day of February 1984 and 1983	1984	1983
<b>Current assets:</b>		
Cash	\$ 67	\$ 134
Short-term investments, at cost which approximates market	65	131
Receivables, less allowance for doubtful accounts of \$30 (1983—\$27)	906	892
Inventories	819	881
Other current assets	101	129
<b>Total current assets</b>	<b>1,958</b>	<b>2,167</b>
Investments in unconsolidated affiliated companies	75	47
Net property, plant and equipment	1,559	1,664
Intangible assets, principally goodwill	741	726
Noncurrent receivables	57	89
Other noncurrent assets	74	39
	<b>\$4,484</b>	<b>\$4,732</b>

#### **Liabilities and Stockholders' Equity**

<b>Current liabilities:</b>		
Short-term debt	\$ 145	\$ 209
Accounts payable	583	583
Accrued expenses	470	456
Current portion of long-term debt	67	63
<b>Total current liabilities</b>	<b>1,265</b>	<b>1,351</b>
Long-term debt	779	772
Other noncurrent liabilities	150	223
Deferred income taxes	159	85
Deferred credits	26	23
Minority interests	57	63
<b>Stockholders' equity:</b>		
Preference stock (without par value):		
Authorized 20,000,000 shares		
Issued and outstanding 3,727,884 shares (1983—4,896,656 shares) at stated values	184	254
Common stock (without par value):		
Authorized 200,000,000 shares		
Issued 102,258,796 shares (1983—101,635,032 shares) at \$1.85 stated value	189	188
Additional capital	178	161
Retained earnings	2,056	1,751
Treasury stock (at cost) 10,818,525 shares (1983—2,551,490 shares)	(353)	(50)
Cumulative foreign currency translation adjustment	(185)	(89)
<b>Total stockholders' equity</b>	<b>2,028</b>	<b>2,215</b>
	<b>\$4,484</b>	<b>\$4,732</b>

Years Ended Last Day of February 1984, 1983 and 1982	1984	1983	1982
Net sales	\$9,327	\$9,139	\$9,021
Operating expenses:			
Cost of sales, excluding depreciation	6,664	6,597	6,682
Selling and administrative expenses, excluding depreciation	1,766	1,666	1,526
Depreciation	194	182	163
Total operating expenses	8,624	8,445	8,371
Gross operating margin	703	694	650
Other income (expense):			
Interest income	39	46	78
Interest expense	(113)	(114)	(90)
Business realignment	163	(170)	(13)
Goodwill write-down	—	(188)	(10)
Other, net	11	4	10
Total other income (expense)	100	(422)	(25)
Earnings before income taxes, minority interests and special items:	603	272	625
Provision for income taxes	350	216	299
Earnings before minority interests and special items	443	56	326
Minority interests	(10)	(13)	(13)
Earnings before special items	433	43	313
Special items*	—	—	77
Net earnings	\$ 433	\$ 43	\$ 390
Primary earnings per share:			
Before special items	\$ 4.23	\$ .27	\$ 3.02
Special items*	—	—	.78
Primary earnings per share	\$ 4.23	\$ .27	\$ 3.80
Fully diluted earnings per share:			
Before special items	\$ 3.99	\$ .27	\$ 2.87
Special items*	—	—	.71
Fully diluted earnings per share	\$ 3.99	\$ .27	\$ 3.58

\*Special items include \$46 million gain (net of \$23 million in taxes) from the sale of the Dancon business (per share effect of \$.46 primary, \$.42 fully diluted) and \$32 million cumulative effect of the change in accounting principles for investment tax credit (per share effect of \$.32 primary, \$.29 fully diluted).

Years Ended Last Day of February 1984, 1983 and 1982	Number of Shares (in Thousands)			Stockholders' Equity (in Millions)					
	Preference Stock	Issued Common Stock	Treasury Stock	Preference Stock	Issued Common Stock	Additional Capital	Retained Earnings	Treasury Stock	Cumulative Foreign Currency Translation Adjustment
Balance, February 28, 1981	5,010	97,838	81	\$260	\$181	\$107	\$1,634	\$ —	\$ —
Net earnings	—	—	—	—	—	—	390	—	—
Conversion of preference stock	(9)	24	(17)	—	—	—	—	—	—
Conversion of debentures	—	26	(56)	—	—	1	—	1	—
Exercise of stock options	—	6	(8)	—	—	—	—	—	—
Forfeitures of stock previously contributed to employee stock benefit plans	—	—	5	—	—	—	—	—	—
Purchase of treasury stock	—	—	100	—	—	—	—	(2)	—
Dividends paid on:	—	—	—	—	—	—	(137)	—	—
Common stock	—	—	—	—	—	—	(137)	—	—
Preference stock	—	—	—	—	—	—	(17)	—	—
Sundry	—	650	—	(1)	1	(1)	4	—	—
Balance, February 28, 1982	5,001	98,544	105	259	182	107	1,874	(1)	—
Net earnings	—	—	—	—	—	—	43	—	—
Conversion of preference stock	(104)	—	(205)	(5)	—	3	—	2	—
Conversion of debentures	—	—	(106)	—	—	—	—	3	—
Stock contributed to employee stock benefit plans (forfeitures shown as treasury stock)	—	57	11	—	—	1	—	—	—
Purchase of treasury stock	—	—	2,746	—	—	—	—	(54)	—
Stock issued for assets of purchased companies	—	3,034	—	—	6	50	—	—	—
Dividends paid on:	—	—	—	—	—	—	(149)	—	—
Common stock	—	—	—	—	—	—	(149)	—	—
Preference stock	—	—	—	—	—	—	(17)	—	—
Foreign currency translation adjustment	—	—	—	—	—	—	—	—	(89)
Balance, February 28, 1983	4,897	101,635	2,551	254	188	161	1,751	(50)	(89)
Net earnings	—	—	—	—	—	—	433	—	—
Conversion of preference stock	(1,164)	—	(2,239)	(60)	—	5	—	55	—
Conversion of debentures	—	—	(811)	—	—	(1)	(1)	21	—
Exercise of stock options	—	—	(757)	—	—	(3)	(3)	21	—
Stock contributed to employee stock benefit plans (forfeitures shown as treasury stock)	—	6	(94)	—	—	—	—	3	—
Purchase of treasury stock	—	—	12,169	—	—	—	—	(403)	—
Stock issued for assets of purchased companies	—	618	—	—	1	16	—	—	—
Dividends paid on:	—	—	—	—	—	—	(159)	—	—
Common stock	—	—	—	—	—	—	(159)	—	—
Preference stock	—	—	—	—	—	—	(16)	—	—
Foreign currency translation adjustment	—	—	—	—	—	—	—	—	(96)
Redemption of preference stock	(5)	—	—	—	—	—	—	—	—
Balance, February 29, 1984	3,728	102,259	10,819	\$194	\$189	\$178	\$2,005	\$(353)	\$(185)

## Statement of Consolidated Changes in Financial Position

(in Millions)

Years Ended Last Day of February 1984, 1983 and 1982	1984	1983	1982
<b>Cash provided (used) by operations:</b>			
Earnings before special items*	\$ 433	\$ 43	\$ 313
Items which did not currently use cash:			
Depreciation and amortization of goodwill and zero coupon notes discount	237	220	183
Goodwill write-down	—	188	10
Increase (decrease) in business realignment reserve charged (credited) to earnings	(38)	139	53
Deferred taxes and other items	62	28	41
<b>Cash provided by earnings before special items*</b>	<b>694</b>	<b>618</b>	<b>600</b>
<b>Cash provided (used) by changes in working capital:</b>			
Receivables	(49)	(39)	(40)
Inventories	14	60	7
Other current assets	21	(17)	(52)
Accounts payable and other current liabilities	45	13	117
<b>Cash provided by operations</b>	<b>725</b>	<b>635</b>	<b>632</b>
<b>Cash provided (used) by investment activities:</b>			
Net expenditures for property, plant and equipment	(266)	(211)	(216)
Property, plant and equipment acquired through purchase of other companies	(62)	(213)	(226)
Intangible assets acquired	(46)	(113)	(435)
Investments in unconsolidated affiliated companies	(22)	(4)	(1)
Change in noncurrent receivables	23	(4)	7
Divested operations' net property, plant and equipment less business realignment reserve reduction associated with these operations	79	14	50
Change in cash due to changes in foreign currency exchange rates	(38)	1	—
Sale of the Dannon business	—	—	55
Other items	(24)	1	(4)
<b>Cash used by investment activities</b>	<b>(381)</b>	<b>(529)</b>	<b>(770)</b>
<b>Cash provided (used) by financing activities:</b>			
Increases in long-term debt, including current portion	168	186	133
Fair value of common stock issued for assets of purchased companies	17	56	—
Issuance of common stock upon conversion of preference stock and debentures	79	8	2
Preference stock and debentures (net) retired upon conversion into common stock	(79)	(8)	(2)
Purchase of treasury stock	(433)	(54)	(2)
Reductions in long-term debt, including current portion	(92)	(166)	(53)
Change in short-term debt	(44)	80	16
Treasury stock used for stock option plans	15	—	—
Other items	17	(2)	5
<b>Cash provided (used) by financing activities</b>	<b>(382)</b>	<b>100</b>	<b>99</b>
<b>Cash provided (used) before dividend payments</b>	<b>42</b>	<b>206</b>	<b>(39)</b>
<b>Cash dividends paid</b>	<b>(175)</b>	<b>(166)</b>	<b>(154)</b>
<b>Increase (decrease) in cash and short-term investments</b>	<b>(133)</b>	<b>40</b>	<b>(193)</b>
<b>Cash and short-term investments at beginning of year</b>	<b>265</b>	<b>225</b>	<b>418</b>
<b>Cash and short-term investments at end of year</b>	<b>\$ 132</b>	<b>\$ 265</b>	<b>\$ 225</b>

\*Special items in 1982 include \$45 million gain (net of \$23 million in taxes) from the sale of the Dannon business and \$32 million cumulative effect of the change in accounting principle for investment tax credit.

See Notes to Consolidated Financial Statements.

33

## Notes to Consolidated Financial Statements

### **1** Summary of Significant Accounting Policies

**PRINCIPLES OF CONSOLIDATION** The consolidated financial statements include all significant majority-owned subsidiaries. Intercompany transactions and balances have been eliminated in consolidation. Investments in most unconsolidated affiliated companies (20 percent to 50 percent owned companies and joint ventures and a wholly-owned leasing company) are carried on the equity method. Subsidiaries operating outside the United States are included on the basis of fiscal years generally ending on December 31.

**INVENTORIES** Inventories are valued at the lower of cost or market. Prior to 1982, inventories were stated principally on the first-in, first-out (FIFO) cost basis. Beginning in 1982, substantially all inventories located in the United States are stated on the last-in, first-out (LIFO) cost basis. The FIFO cost basis is generally used for all other inventories. The FIFO amount of inventories exceeds that of the LIFO inventories by approximately \$52 million and \$55 million as of the last day of February 1984 and 1983, respectively.

**NET PROPERTY, PLANT AND EQUIPMENT** Property, plant and equipment are stated at cost. The lease rights of capitalized leases and capitalized interest costs are recorded in the balance sheet as property, plant and equipment. The related lease obligations of the capitalized leases are accounted for as liabilities.

Depreciation is provided principally on the straight-line method for financial reporting purposes and on accelerated methods for income tax purposes where possible. Amortization of capitalized leases and capitalized interest costs is included with depreciation expense. The amount of interest capitalized was not material in any year.

**INTANGIBLE ASSETS** Intangible assets (principally goodwill) are amortized using the straight-line method over periods not in excess of 40 years. Amortized amounts are not accumulated but are deducted directly from the related asset.

Goodwill is written down when there is evidence of a permanent loss in its value. Such write-downs in 1983 included \$170 million associated with Tropicana Products, Inc.

**INCOME TAXES** Income taxes include deferred income taxes which result from certain items of income and expense (principally depreciation, provision for business realignment costs, installment sales, self-insurance and deferred compensation) that are reported differently for income tax purposes than for financial reporting purposes. Investment tax credit is recognized on the flow-through method.

**CALCULATION OF EARNINGS PER SHARE** Primary earnings per share is computed by adjusting net earnings for preference stock dividends and the after-tax interest expense on the 4% debentures, and dividing that amount by the weighted average number of shares of common stock and common stock equivalents (stock options and 4% debentures) outstanding during the period. Fully diluted earnings per share is computed by adjusting net earnings for the after-tax interest expense on all convertible debentures and dividing that amount by the sum of the weighted average number of shares of common stock and shares issuable for stock options and for the assumed full conversion of preference stock and convertible debentures. If the effect of the assumed conversion of any security is anti-dilutive, then the primary earnings per share calculation is used for that security in the determination of fully diluted earnings per share.

**PENSION PLANS** Beatrice has pension plans which cover salaried employees and certain hourly-paid employees. In general, it is Beatrice's policy to fund pension costs currently. Approximately 80 percent of Beatrice's prior service costs are amortized to expense over periods not exceeding 30 years. The remaining prior service costs are being amortized over a 40 year period. Beatrice contributes to other plans jointly administered by industry and union representatives.

**ACCOUNTING CHANGES** During 1983, Beatrice adopted the provisions of Statement of Financial Accounting Standards No. 52 (FASB 52) for foreign currency translation. This change reduced net foreign currency translation losses and other expenses included in fiscal 1983 net earnings by \$11 million or an effect of \$.11 on earnings per share. Prior years' financial statements, which were prepared under the provisions of Statement of Financial Accounting Standards No. 8, have not been restated, since the effect would not be material.

During 1982, Beatrice made two significant accounting changes. The last-in, first-out (LIFO) cost basis was adopted for substantially all inventories located in the United States, resulting in decreased net earnings in 1982 of \$19 million (per share effect: \$.19 primary; \$.17 fully diluted). Pro forma effects of retroactive application of LIFO to years prior to 1982 are not determinable, and thus there is no cumulative effect on retained earnings at the beginning of that year. Also in 1982, Beatrice changed from the deferred method to the flow-through method of accounting for investment tax credit. The cumulative effect of the change was an increase in net income of \$32 million (per share effect: \$.32 primary; \$.29 fully diluted).

**RECLASSIFICATION** Certain amounts for previous years in the consolidated financial statements have been reclassified to conform to the presentation used for 1984.

## **2 Business Realignment**

Beatrice has undertaken a long-term program to realign its businesses along marketing lines. This program has resulted in a major corporate restructuring, including investments in new companies, divestitures of businesses that did not fit the strategic direction of the company, a new corporate identity program and a reorganization of Beatrice's management structure.

**ACQUISITIONS** During 1982, a number of companies were acquired for \$643 million. The two largest of these were the Beverages Segment of Northwest Industries, Inc. (which included the Coca-Cola Bottling Company of Los Angeles, The Buckingham Corporation and their respective affiliates) for \$580 million, and LouverDrape, Inc., for \$41 million.

During 1983, several companies were acquired in purchase transactions for \$226 million in cash and three million shares of common stock. The two largest acquisitions in 1983 were Coca-Cola Bottling Company of San Diego for three million shares of common stock and \$24 million, and Temicold Corporation for \$115 million.

In 1984, Beatrice acquired various companies for \$78 million in cash and less than one million shares of common stock. None of these acquisitions is material to Beatrice's financial statements.

The results of operations of companies acquired in purchase transactions in 1982, 1983 and 1984 are included in Beatrice's results of operations subsequent to their respective acquisition dates.

**DIVESTITURES** In 1982, Beatrice sold its Dannon yogurt business for a pre-tax gain of \$68 million (\$45 million after-tax) and its Royal Crown bottling operations for a pre-tax gain of \$48 million (\$32 million after-tax). In addition, Beatrice incurred losses, net of gains, of \$14 million pre-tax (\$7 million after-tax) on other divested operations. Beatrice also provided in the business realignment reserve for losses on planned divestitures in the amount of \$47 million pre-tax (\$32 million after-tax).

During 1983, Beatrice provided an additional \$127 million pre-tax (\$75 million after-tax) in the reserve for losses on planned divestitures and other costs associated with the business realignment program. Beatrice also incurred losses of \$13 million pre-tax (\$9 million after-tax) from divestitures in 1983.

In connection with the business realignment program in 1984, Beatrice sold 31 businesses, primarily for cash. Certain of these divestitures resulted in gains of \$125 million pre-tax (\$76 million after-tax). The largest of these were the domestic candy operations, John Sexton & Co. and the Shedd's margarine business.

Losses incurred in 1984 from other sales of businesses totaling \$56 million pre-tax (\$30 million after-tax) were recorded as a reduction of the business realignment reserve. The reserve was further reduced due to better than anticipated results from the realignment program, resulting in an increase in earnings of \$38 million pre-tax (\$23 million after-tax) in the third quarter of 1984.

A table presenting sales and group earnings of operations on hand, excluding all operations divested through the end of fiscal 1984, is included in the business group data presented on page 24 of this report.

The business realignment program is continuing. Subsequent to February 29, 1984, Beatrice has sold or has agreements to sell six companies with revenues and identifiable assets in 1984 of \$125 million and \$65 million, respectively. Beatrice anticipates it will also sell additional companies with revenues and identifiable assets in 1984 of approximately \$500 million and \$100 million, respectively.

**OTHER REALIGNMENT ACTIVITIES** In the fourth quarter of 1983, Beatrice provided a \$30 million pre-tax charge to earnings (\$15 million after-tax) for the cost of a voluntary early retirement program which was offered to domestic personnel meeting certain age and service criteria.

During 1984, Beatrice reorganized its businesses into six groups, comprising 27 operating units, according to the markets served by the businesses. In addition, steps are being taken to more efficiently allocate resources and improve marketing efforts. Costs associated with these efforts in 1984, totaling \$7 million pre-tax (\$4 million after-tax), have been charged against the business realignment reserve. Costs of television and print campaigns directly associated with establishing the new corporate identity totaling \$11 million pre-tax (\$6 million after-tax) also have been charged against the business realignment reserve.

### 3 Balance Sheet Components

The components of certain balance sheet accounts as of the last day of February 1984 and 1983 are:

(In Millions)	1984	1983
<b>Inventories</b>		
Raw materials and supplies	\$ 303	\$ 289
Work in process	116	155
Finished goods	400	437
<b>Total</b>	<b>\$ 819</b>	<b>\$ 881</b>

#### Other Current Assets

Deferred income tax charges	\$ 58	\$ 77
Other	43	52
<b>Total</b>	<b>\$ 101</b>	<b>\$ 129</b>

#### Investments in Unconsolidated Affiliated Companies

Investments in and advances to unconsolidated affiliates	\$ 121	\$ 47
Due to unconsolidated leasing company	(46)	—
<b>Net</b>	<b>\$ 75</b>	<b>\$ 47</b>

#### Net Property, Plant and Equipment

Land	\$ 128	\$ 130
Buildings	847	920
Machinery and equipment	1,422	1,468
	2,397	2,518
Less accumulated depreciation	838	852
<b>Net</b>	<b>\$1,559</b>	<b>\$1,664</b>

#### Accrued Expenses

Employee compensation and benefits	\$ 168	\$ 159
Business reassignment reserve — current portion	55	87
Taxes, other than income taxes	30	40
Income taxes	88	118
Other accruals	129	92
<b>Total</b>	<b>\$ 470</b>	<b>\$ 496</b>

#### Other Noncurrent Liabilities

Deferred compensation and pensions	\$ 95	\$ 89
Business reassignment reserve — noncurrent portion	—	80
Other	55	54
<b>Total</b>	<b>\$ 150</b>	<b>\$ 223</b>

### Leases

Leased property is included in net property, plant and equipment as follows:

(In Millions)	1984	1983
Real property	\$ 115	\$ 144
Machinery and equipment	38	55
	153	199
Less accumulated amortization	52	61
<b>Net</b>	<b>\$ 101</b>	<b>\$ 138</b>

Future minimum rentals under capital subleases as of February 29, 1984 are \$6 million. Contingent rent under capital leases was immaterial in 1984, 1983 and 1982.

Future minimum payments under non-cancellable leases as of February 29, 1984 are:

(In Millions)	Capital Leases	Operating Leases
1985	\$ 20	\$ 21
1986	16	17
1987	13	13
1988	11	9
1989	9	7
Later years	98	18
<b>Total minimum lease payments</b>	<b>167</b>	<b>\$ 85</b>
Less estimated executory costs	1	—
<b>Net minimum lease payments</b>	<b>166</b>	
Less amount representing interest	72	—
<b>Present value of net minimum lease payments</b>	<b>\$ 94</b>	

Future minimum rental receipts under non-cancellable operating subleases as of February 29, 1984 are \$3 million.

Rent expense for operating leases for 1984, 1983 and 1982 was:

(In Millions)	1984	1983	1982
Minimum rent	\$ 55	\$ 53	\$ 50
Contingent rent	4	4	6
	59	57	56
Less sublease rentals	2	1	2
<b>Net</b>	<b>\$ 57</b>	<b>\$ 56</b>	<b>\$ 54</b>

## 5 Short-Term Debt and Compensating Cash Balances

The components of Beatrice's short-term debt and related interest rates for each of the last three fiscal years are:

(Dollar in Millions)	1984	1983	1982
Domestic borrowings, principally demand notes—1984; commercial paper—1983 and 1982	\$ 57	\$ 122	\$ 44
Non-U.S. borrowings, principally bank debt	88	87	94
<b>Total short-term debt at year-end</b>	<b>\$ 145</b>	<b>\$ 209</b>	<b>\$ 138</b>
Weighted average interest rate at year-end	11.0%	10.9%	15.1%
Maximum amount outstanding during the year	\$ 304	\$ 261	\$ 316
Average amount outstanding during the year	\$ 212	\$ 192	\$ 133
Weighted average interest rate during the year	11.6%	14.2%	16.6%

The average amounts of short-term debt outstanding during each of the years are calculated by averaging all month-end balances for each year. The associated weighted average interest rates are exclusive of the cost of maintaining certain compensating balances. These average rates represent total short-term interest expense divided by the average balances outstanding.

Beatrice's credit lines are adjusted as needs change. As of February 29, 1984, Beatrice has \$280 million committed lines of credit under revolving credit agreements, and \$286 million informal lines of credit, with both foreign and domestic banks. Commitment fees for these credit lines range between  $\frac{1}{4}$  and  $\frac{3}{8}$  of 1 percent of the unused credit. Alternatively, in some cases Beatrice has informally agreed to maintain compensating balances ranging between 3 percent and 10 percent of the unused credit. Such compensating balance requirements were approximately \$1 million as of the last day of February, 1984 and 1983. There are no legal restrictions on the use of such compensating balances. Borrowings under the above-mentioned lines of credit are at prime interest rates or, at Beatrice's option, borrowings under the revolving credit agreements may instead be priced at rates based upon U.S. dollar bank certificate of deposit rates or provided in Eurodollars or other convertible currencies at rates based upon the London interbank rate. At February 29, 1984, these revolving credit agreements are available to Beatrice for periods of three and four years.

Beatrice's informal lines of credit as of the last day of February 1984 and 1983 are:

(In Millions)	1984	1983
Maximum lines of credit:		
Domestic	\$ 146	\$ 161
Foreign	140	112
Borrowings under lines of credit:		
Foreign	\$ 55	\$ 32

In February 1984 Beatrice arranged with a group of banks for irrevocable lines of credit aggregating \$2.5 billion. Such credit is available to Beatrice in the form of six-month loans to be made at any time through August 31, 1984 and carries commitment fees of  $\frac{1}{4}$  of 1 percent per annum of the unused credit. In the event the lines of credit are drawn down, Beatrice and the banks have agreed to use their best efforts to negotiate definitive credit agreements which would extend the maturity of the loans for three to four years. Borrowings under these lines of credit will bear interest, at Beatrice's option, at prime rates, reserve adjusted certificate of deposit rates or reserve adjustment LIBOR rates. These borrowings may be used to acquire Beatrice common stock or the securities of any other corporation, provided that not more than \$1.5 billion may be used to purchase Beatrice common stock.

## 6

**Long-Term Debt**

The balance of long-term debt is composed of:

(In Millions)	1984	1983
<b>Sinking fund debentures:</b>		
9% due 1984 to 1985	\$ 1	\$ 2
7½% due 1984 to 1994	21	22
8½% due 1989 to 2008	55	55
10½% due 1991 to 2010	150	150
<b>Convertible subordinated debentures:</b>		
7¼% due 1984 to 1990	2	3
6¼% due 1984 to 1991	5	19
4½% due 1984 to 1992	20	22
4¾% due 1993	1	4
<b>Other debt:</b>		
9¼% notes due 1984	5	9
8½% notes due 1984	8	12
8.9% notes due 1984 to 1986	15	20
8¼% notes due 1984 to 1987	8	11
9¾% notes due 1984 to 1995	44	48
7¾% notes due 1994	50	—
<b>Zero coupon notes, payments due:</b>		
May 1984 — \$114		
Feb. 1992 — \$250		
May 2014 — \$114	200	177
Industrial revenue bonds, due various dates through 2014 (9.1% weighted average effective rate)	60	56
Miscellaneous, due various dates through 2000 (10.6% weighted average effective rate)	107	90
Capitalized lease obligations (8.8% weighted average effective rate)	94	135
	846	835
Less current portion (including capitalized lease obligations of \$13 and \$16 for 1984 and 1983, respectively)	67	63
<b>Total long-term debt</b>	<b>\$ 779</b>	<b>\$ 772</b>

The 7¼%, 6¼%, 4½% and 4¾% convertible subordinated debentures are convertible into common stock at rates of 57.142, 43.716, 35.714 and 43.956 shares of common stock, respectively, for each \$1,000.00 principal amount.

The aggregate annual maturities and sinking fund requirements of long-term debt, including obligations of capitalized leases, for the years ended the last day of February 1986 through 1989 are \$45 million, \$36 million, \$24 million and \$20 million, respectively. The zero coupon note payment due in May 1984 has been classified as long-term since it is Beatrice's intention to refinance the obligation on a long-term basis.

57.

## 7

**Stockholders' Equity**

**PREFERENCE STOCK** The components of outstanding preference stock are:

(Dollars in Millions)	1984	1983
Series A Cumulative Convertible, 3,727,884 shares in 1984 and 4,868,117 shares in 1983	\$ 194	\$ 253
Other convertible preference stock, 28,539 shares in 1983	—	1
<b>Total</b>	<b>\$ 194</b>	<b>\$ 254</b>

Outstanding shares of Series A preference stock are convertible into common stock at a conversion price of \$27.957 based upon the stated value of \$52.00. The reduction of outstanding shares of each series of preference stock during fiscal 1984 was primarily due to conversions into common stock.

The Series A preference stock may be redeemable, at Beatrice's option, at \$55.00 per share through August 7, 1984, declining one dollar each year thereafter to \$52.00 beginning August 8, 1986. The stock can be redeemed prior to August 8, 1986 only if the dividends paid on the underlying common stock during the 12 months preceding the redemption total at least 105 percent of the dividends paid on the Series A stock.

The preference stock is preferred as to assets over common stock in the event of voluntary liquidation by an amount per share equal to the then current redemption price. The preference stock has preference upon involuntary liquidation in an amount equal to the stated value of such stock.

**COMMON STOCK** As of the last day of February 1984 and 1983, shares of Beatrice common stock were reserved for issuance for:

	Shares of Beatrice Common Stock	
	1984	1983
Exercise of stock options	1,242,909	2,000,000
Conversion of preference stock	6,933,861	9,195,089
Conversion of debentures	1,132,175	1,975,263
Incentive deferred compensation plans	550,497	1,060,950
<b>Total</b>	<b>9,859,442</b>	<b>14,231,332</b>

In 1983, Beatrice's shareholders approved the 'Beatrice Foods Co. Performance Unit Plan.' This plan is directly related to Beatrice's financial performance and permits payment in cash or Beatrice common stock at the end of the performance period. The maximum number of shares of Beatrice common stock available for payment under the

performance unit plan will not exceed 200,000. During 1983, shareholders also approved the "1982 Stock Option Plans" (individually the "1982 Incentive Stock Option Plan" and the "1982 Non-Qualified Stock Option Plan"). These plans permit purchase of Beatrice's common stock at prices not less than 100 percent of market value at the date of grant. The number of shares of common stock which may be issued under the 1982 stock option plans, in the aggregate, may not exceed two million. Options granted under these plans may not be exercised during the first 12 months after the date of grant and expire not later than ten years thereafter. Options may not be granted under the 1982 plans after February 29, 1992. All other stock option plans had ended by February 28, 1983.

The shares under option at the beginning and end of the year, and changes during the year, are:

	1984	1983
Beginning of year	1,519,350	20,337
Options granted	96,250	1,568,500
Options exercised	(757,091)	—
Options cancelled	(45,200)	(69,487)
End of year	813,309	1,519,350

The total option price of options exercised during 1984 was \$15 million. The total option price of options outstanding as of the last day of February 1984 and 1983 was \$16 million and \$29 million, respectively. As of February 29, 1984, 723,259 stock options were currently exercisable at a total option price of \$14 million.

**TREASURY STOCK** During 1984, Beatrice made a cash tender offer for approximately 10 percent of its common stock at \$34.00 per share. As a result of this offer, 10,105,531 shares of treasury stock were acquired in the fourth quarter at a total cost of \$345 million (including related fees and expenses of the offer). An additional 2,063,268 shares were acquired in 1984 at a cost of \$58 million for purposes of conversions, exercises of stock options and issuances under the incentive deferred compensation plans. A total of four million shares were re-issued in 1984 for these purposes.

**RETAINED EARNINGS** Retained earnings include approximately \$35 million and \$24 million as of the last day of February 1984 and 1983, respectively, representing undistributed earnings of unconsolidated affiliated companies.

There are currency controls over the remittance of dividends from certain non-U.S. operations. The effect of these restrictions on the payment of dividends is not significant to Beatrice's consolidated operations.

There are no material restrictions on retained earnings.

#### Operations Outside the United States

Selected financial information relating to Beatrice's operations outside the United States is as follows:

(In Millions)	1984	1983
Current assets	\$ 615	\$ 692
Net property, plant and equipment	326	306
Investments in unconsolidated affiliated companies	32	30
Intangibles (principally goodwill) and other assets	135	79
	1,108	1,107
Less:		
Current liabilities	413	425
Other liabilities	101	97
Minority interests	57	60
	571	582
Beatrice's equity in net assets	\$ 537	\$ 525

Beatrice's equity in net earnings was \$71 million, \$63 million and \$64 million for the years ended 1984, 1983 and 1982, respectively (after goodwill amortization and write-downs of \$4 million, \$21 million and \$12 million for those years, respectively). Foreign currency translation adjustments, after the effect of hedging transactions, resulted in net losses of \$9 million for 1984, \$13 million for 1983 and \$2 million for 1982.

The above information excludes certain financing subsidiaries which are located outside the United States whose purpose is to help obtain funds from outside the United States.

The foreign currency translation adjustment that is included in stockholders' equity as of the last day of February 1984 and 1983 comprises the following:

(In Millions)	1984	1983
Beginning of year	\$ 89	\$ —
Cumulative adjustment as of March 1, 1982	—	55
Translation adjustments	102	42
Hedge transactions, net of applicable income taxes of \$3 in 1984 and 1983	(6)	(6)
End of year	\$ 185	\$ 89

#### Contingent Liabilities

In the opinion of management, there are no claims or litigation pending at February 29, 1984 to which Beatrice is a party which could have a material adverse effect on Beatrice's consolidated financial condition.

## 10 Income Taxes

The provision for income taxes for the years ended the last day of February 1984, 1983 and 1982 comprises:

(In Millions)	1984	1983	1982
<b>Current taxes:</b>			
Domestic federal	\$ 188	\$ 155	\$ 211
Foreign	64	74	78
Domestic state and local	25	21	34
	277	250	323
<b>Deferred taxes:</b>			
Domestic federal:			
Accelerated tax depreciation	17	14	13
Business reorganization reserve	45	(42)	(12)
Voluntary early retirement program	—	(14)	—
Other	2	15	(18)
Foreign	3	(1)	(4)
Domestic state and local	16	(6)	(3)
	83	(34)	(24)
<b>Total</b>	<b>\$ 360</b>	<b>\$ 216</b>	<b>\$ 299</b>

Earnings before income taxes, minority interests and special items are:

(In Millions)	1984	1983	1982
Domestic	\$ 656	\$ 127	\$ 477
Foreign	147	145	148
<b>Total</b>	<b>\$ 803</b>	<b>\$ 272</b>	<b>\$ 625</b>

Following is a reconciliation of the difference between the U.S. statutory rate and the effective tax rate:

	1984	1983	1982
U.S. statutory rate	46.0%	46.0%	46.0%
Amortization and write-down of goodwill and non-deductible depreciation	1.3	36.7	2.2
Domestic state and local income taxes, net of federal income tax benefit	2.7	3.1	2.7
Rate difference on net capital gains and losses	(2.4)	3.5	(.5)
Difference between U.S. and foreign tax rates	(1.5)	(5.2)	(2.0)
Investment tax credit	(1.0)	(4.9)	(1.5)
Other, net	(.2)	.3	.8
<b>Effective tax rate</b>	<b>44.9%</b>	<b>79.5%</b>	<b>47.7%</b>

In fiscal 1982, \$23 million in taxes was provided on the gain on the sale of the Dannon business. This differs from the U.S. statutory rate due to federal tax at the capital gains rate and state income taxes.

Beatrice has provided for deferred taxes on that portion of the undistributed earnings of its non-U.S. subsidiaries which is not considered to be permanently invested. The accumulated earnings that are considered permanently invested in these operations aggregated approximately \$430 million at February 29, 1984. In the event such earnings were distributed, Beatrice would have available tax credits which would substantially reduce any federal income tax due.

## 11 Pension Plans

The amounts charged to earnings for Beatrice's domestic and non-U.S. pension plans, including plans jointly administered by industry and union representatives, totaled \$41 million, \$42 million and \$49 million for the years ended 1984, 1983 and 1982, respectively. Accumulated plan benefit information, as estimated by consulting actuaries, and plan net assets for Beatrice's domestic defined benefit plans as of the most recent valuation date, which for most plans is March 1, are:

	March 1	
(In Millions)	1983	1982
<b>Actuarial present value of accumulated plan benefits:</b>		
Vested	\$255	\$236
Nonvested	20	20
	\$275	\$256
<b>Net assets available for benefits</b>	<b>\$394</b>	<b>\$329</b>

The weighted average assumed rate of return used in determining the actuarial present value of accumulated plan benefits was 8.3 percent and 8.2 percent as of March 1, 1983 and 1982, respectively, except the rate used in both years to value the benefits of a certain group of retirees was 12.26 percent, which is the rate of return of a dedicated bond portfolio established to fund such benefits.

The information in the table above excludes amounts for plans jointly administered by industry and union representatives because the information is not readily available from the plans' trustees. Beatrice does not determine the actuarial present value of accumulated plan benefits or net assets available for benefits for its non-U.S. pension plans.

**12 Information by Business Group and Geographic Location**  
 During 1984, Beatrice realigned its operations into six groups.  
 See Note 2 for further details.

Net sales and earnings by business group are shown on page 24 of this annual report and information with respect to the years ended the last day of February 1984, 1983 and 1982 contained therein is considered an integral part of this note.

Intergroup and intergeographic sales to affiliates are not significant to the total sales of any business group or geographic location. There were no material sales to any single customer. Export sales to unaffiliated customers are an immaterial percentage of net sales.

Earnings by geographic location and business group represent gross operating margin excluding net unallocated corporate operating expenses.

Identifiable group assets are those assets used in the operations of the group. Corporate assets are cash, short-term investments, investments in unconsolidated affiliated companies, certain corporate receivables and certain other assets.

**Geographic Location**

(in Millions)	Net Sales	Group Earnings	Identifiable Assets		
			Group	Corporate	Total
<b>United States</b>					
1984	\$7,270	\$655	\$3,082	\$274	\$3,356
1983	7,027	607	3,279	348	3,625
1982	6,936	590	3,300	250	3,580
<b>Europe</b>					
1984	1,243	83	589	81	670
1983	1,207	79	507	83	590
1982	1,213	73	561	96	657
<b>Canada</b>					
1984	360	29	122	22	144
1983	363	26	120	13	133
1982	359	25	127	12	139
<b>Latin America</b>					
1984	204	28	123	38	161
1983	325	47	147	98	245
1982	291	49	159	78	237
<b>Australia/ Far East</b>					
1984	220	13	121	12	133
1983	217	14	129	10	139
1982	222	17	125	6	131
<b>Consolidated</b>					
1984	\$9,327	\$808	\$4,037	\$427	\$4,464
1983	9,139	773	4,182	550	4,732
1982	9,021	724	4,302	442	4,744

Additional group information for the years ended the last day of February 1984, 1983 and 1982 is:

**Business Group**

(in Millions)	Identifiable Assets			Net Property, Plant and Equipment Additions			Depreciation and Goodwill Amortization Expense		
	1984	1983	1982	1984	1983	1982	1984	1983	1982
Refrigerated Foods & Services	\$ 565	\$ 670	\$ 509	\$ (17)	\$193	\$ 15	\$ 39	\$ 32	\$ 30
Beverage	1,128	1,155	1,226	42	57	194	60	60	34
Grocery	487	542	563	(16)	29	25	29	29	29
Consumer & Commercial Products	796	839	963	6	13	40	35	36	39
Chemical	246	222	243	10	12	15	8	8	6
International Food	815	754	798	110	72	73	39	38	42
Corporate	427	550	442	6	13	5	1	4	3
<b>Total</b>	<b>\$4,464</b>	<b>\$4,732</b>	<b>\$4,744</b>	<b>\$141</b>	<b>\$389</b>	<b>\$367</b>	<b>\$211</b>	<b>\$207</b>	<b>\$183</b>

50

90

41.



### Inflation Accounting (Unaudited)

**INTRODUCTION** Financial statements prepared in accordance with generally accepted accounting principles present historical costs stated in dollars of varying purchasing power, which may not adequately measure the impact of inflation. The following supplemental schedules, prepared in accordance with the Financial Accounting Standards Board requirements, attempt to reflect the effects of changing prices on Beatrice's operations.

The objective of reporting inflation-adjusted data is to reflect the current costs of the resources actually used in the operations, rather than the historical costs expended to acquire them. Because the development of inflation-adjusted data requires the use of estimation techniques and assumptions, which may also vary among companies, caution should be exercised when using the inflation-adjusted financial data presented herein. The inflation-adjusted data reflect the estimated current costs of fixed assets in their present condition, and do not indicate actual amounts for which those assets could be sold nor reflect how Beatrice would actually replace existing assets. Technological changes, which significantly influence decisions regarding fixed asset replacement, are not considered in calculating the current cost of fixed assets. Also, financial information adjusted for general inflation in the United States based on the U.S. Consumer Price Index for all Urban Consumers (CPI-U) can result in distortion of data for a company such as Beatrice with operations in foreign countries which may have different rates of inflation.

In preparing these schedules, historical amounts were translated into U.S. dollars and then restated to reflect changes in specific prices during the periods being measured. Under the current cost method, property, plant and equipment, depreciation expense, inventories and cost of sales are required to be adjusted for specific price changes. The effect of general inflation on the resulting current cost and net monetary liabilities is based on the CPI-U. Other revenues and expenses are assumed to have occurred proportionately throughout the year in relation to changing prices and are considered to be stated in average 1984 dollars.

Current cost disclosures in this note for property, plant and equipment, depreciation expense, inventories and cost of sales were derived as follows:

**Property, plant and equipment and depreciation expense**—The current costs of property, plant and equipment were determined by the use of indices issued by the United States and foreign governments for the class of assets being measured. The adjusted values of plant and equipment were then used to compute the related depreciation expense.

**Inventories and cost of sales**—The current cost of inventories was determined by valuing year-end inventories on a first-in, first-out (FIFO) basis and applying specific indices to these amounts on the basis of inventory turnover. Because substantially all domestic inventories are valued on a last-in, first-out (LIFO) basis on the historical balance sheet, most of the increase from historical to current cost relates to domestic inventories. Under the LIFO method, the effects of current cost changes are already reflected in cost of sales on the historical statement of earnings. Therefore, current cost adjustments to historical cost of sales result primarily from adjusting the inventories of international operations.

At February 29, 1984, the current cost values of net property, plant and equipment and inventories were \$2.1 billion and \$878 million, respectively.

**1984 HISTORICAL AND CURRENT COST STATEMENT OF CONSOLIDATED EARNINGS** Following is a comparison of the historical and current cost 1984 Statement of Consolidated Earnings. Current cost amounts represent historical values after current cost adjustments have been applied to cost of sales and depreciation expense. Since the provision for income taxes is not adjusted for current cost, the effective tax rate is increased from the historical financial statements.

(Dollars in Millions Except Per Share Data)	Historical	Current Cost
Net sales	\$9,327	\$9,327
Operating expenses:		
Cost of sales, excluding depreciation	6,664	6,670
Selling and administrative expenses, excluding depreciation	1,766	1,768
Depreciation	194	293
Total operating expenses	8,624	8,729
Gross operating margin	703	598
Other income, net	100	100
Earnings before income taxes and minority interests	803	698
Provision for income taxes	360	360
Earnings before minority interests	443	338
Minority interests	(10)	(10)
Net earnings	\$ 433	\$ 328
Primary earnings per share	\$ 4.23	\$ 3.17

**COMPARISON OF SELECTED SUPPLEMENTARY FINANCIAL DATA ADJUSTED FOR EFFECTS OF CHANGING PRICES** In the following chart, the current cost information is presented in the current costs of each year adjusted to average fiscal 1984 dollars for comparability, measured by the CPI-U. Explanations of selected captions are as follows:

**Net assets at year-end (stockholders' equity)**—The value of net assets (stockholders' equity) stated at current cost was determined by adding to historical stockholders' equity the difference between historical and inflation-adjusted values for inventories, net property, plant and equipment and net monetary liabilities.

**Increase in specific prices over (under) the increase in the general price level**—This compares the change in specific prices of inventories and property to the change in general price levels. The effects of foreign currency translation are included for years prior to fiscal 1983.

**Foreign currency translation adjustment**—This reflects the effect of exchange rate changes on net assets, adjusted to current cost. Translation adjustment amounts prior to 1983 have not been separately disclosed.

**Unrealized gain from decline in purchasing power of net amounts owed**—This represents the unrealized gain in purchasing power that holders of monetary liabilities derive in periods of inflation because liabilities are repaid in dollars of diminished purchasing power.

(Dollars in Millions Except Per Share Data)	1984	1983	1982	1981	1980
Net sales	\$ 9,327	\$ 9,445	\$ 9,826	\$10,492	\$11,215
Historical cost information adjusted to estimated current costs:					
Net earnings	\$ 328	\$ (55)	\$ 247*	\$ 258	\$ 266
Primary earnings per share	\$ 3.17	\$ (.73)	\$ 2.35*	\$ 2.46	\$ 2.54
Net assets at year-end (stockholders' equity)	\$ 2,598	\$ 3,017	\$ 3,373	\$ 3,324	\$ 3,513
Increase in specific prices over (under) increase in general price level	\$ (1)	\$ 173	\$ (17)	\$ (205)	\$ (230)
Foreign currency translation adjustment	\$ (127)	\$ (61)	\$ —	\$ —	\$ —
Unrealized gain from decline in purchasing power of net amounts owed	\$ 49	\$ 34	\$ 55	\$ 85	\$ 125
Cash dividends declared per common share	\$ 1.60	\$ 1.55	\$ 1.53	\$ 1.56	\$ 1.62
Market price per common share at year-end	\$ 33.75	\$ 24.68	\$ 20.02	\$ 21.67	\$ 25.69
Average consumer price index	300.5	290.8	275.9	251.3	222.2

\* Before the effect of special items which include the net gain on the sale of the Cannon business and the cumulative effect of change in accounting principle for investment tax credit.

2

**Quarterly Results of Operations (Unaudited)**

The following is a summary of the unaudited quarterly results of operations for the years ended the last day of February 1984 and 1983:

(In Millions Except Per Share Data)

1984*	May 31	Aug. 31	Nov. 30	Feb. 29
Net sales	\$2,296	\$2,344	\$2,456	\$2,231
Cost of sales	1,652	1,676	1,748	1,588
Net earnings	76	87	137	133
Earnings per share:				
Primary	.72	.83	1.33	1.35
Fully diluted	.69	.78	1.25	1.27

1983**	May 31	Aug. 31	Nov. 30	Feb. 28
Net sales	\$2,264	\$2,313	\$2,297	\$2,265
Cost of sales	1,653	1,680	1,654	1,610
Net earnings	72	84	85	(198)
Earnings per share:				
Primary	.68	.81	.81	(2.03)
Fully diluted***	.65	.76	.77	(2.03)

\*In the third quarter of 1984, net earnings included gains from the sale of businesses of \$21 million (per share effect: \$.21 primary, \$.19 fully diluted) and from a reduction of the business realignment reserve of \$4.3 million (per share effect: \$.23 primary, \$.21 fully diluted). Fourth quarter net earnings included additional gains from the sale of businesses of \$55 million (per share effect: \$.56 primary, \$.51 fully diluted).

\*\*In the fourth quarter of 1983, Beatrice charged net earnings for the following special actions: goodwill write-downs totaling \$188 million (per share effect: \$1.89 primary, \$1.69 fully diluted); and an additional provision for business realignment costs of \$90 million (per share effect: \$.90 primary, \$.82 fully diluted).

\*\*\*The sum of the quarterly fully diluted earnings per share amounts is less than the amount shown for the full year on the Statement of Consolidated Earnings because the assumed conversion of certain convertible securities is dilutive in the first three quarters but is anti-dilutive in the fourth quarter and for the full year. This anti-dilutive effect results from the special actions taken in the fourth quarter of 1983, as described above.

## Accountants' Report

### The Board of Directors and Stockholders Beatrice Foods Co.:

We have examined the consolidated balance sheet of Beatrice Foods Co. and subsidiaries as of February 29, 1984 and February 28, 1983 and the related statements of consolidated earnings, stockholders' equity and changes in financial position for each of the years in the three-year period ended February 29, 1984. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the aforementioned consolidated financial statements present fairly the financial position of Beatrice Foods Co. and subsidiaries at February 29, 1984 and February 28, 1983 and the results of their operations and changes in their financial position for each of the years in the three-year period ended February 29, 1984, in conformity with generally accepted accounting principles which, except for the changes, with which we concur, in 1983 in the method of accounting for foreign currency translation and in 1982 in the methods of accounting for investment tax credit and inventory costing, as described in Note 1 to the consolidated financial statements, have been applied on a consistent basis.

*Peat, Marwick, Mitchell & Co.*  
*Peat, Marwick, Mitchell & Co.*

Peat, Marwick, Mitchell & Co.  
303 East Wacker Drive  
Chicago, Illinois 60601

April 16, 1984

## Management Report on Financial Statements

The integrity of the information contained in the consolidated financial statements and elsewhere in the annual report is the responsibility of management. The financial statements were prepared by Beatrice in conformity with generally accepted accounting principles considered appropriate in the circumstances and accordingly are based on certain judgments and estimates.

Management believes that Beatrice's systems of internal accounting controls provide reasonable assurance that, in all material respects, transactions are executed in accordance with management's policies, assets are safeguarded, and the financial statements are reliable. The concept of reasonable assurance is based on the recognition that the cost of such systems should not exceed the expected benefits. These systems include written policies and procedures, a comprehensive program of internal audit and the careful selection and training of financial staff.

The maintenance and monitoring of internal accounting controls is a responsibility of all levels of management. Internal accounting controls are also monitored and tested by a program of internal and external audits. The activities of the internal auditors and independent public accountants are coordinated to obtain reasonable audit coverage with a minimum of duplicate effort and cost. Audit findings are reported to management.

Beatrice's independent public accountants, Peat, Marwick, Mitchell & Co., have been engaged to render an opinion on the fairness of the financial statements. They review and make appropriate tests of the systems of internal accounting control and of the financial data included in the financial statements to the extent they consider necessary to render an opinion.

The Audit Committee of the Board of Directors, composed of four outside directors, meets at least four times each year with management, the internal auditors and the independent public accountants to review their activities, to discuss various auditing, internal accounting control and financial reporting matters, and to recommend appointment of the independent public accountants. Both the independent public accountants and the director of internal audit periodically meet privately with and have free access to the Audit Committee.

134

## Stockholder Information

### Stockholder Publications

The following information can be obtained without charge by writing to Barbara L. Bowles, Assistant Vice President, Director, Investor Relations, Beatrice Foods Co., Two North LaSalle Street, Chicago, IL 60602.

FORM 10-K ANNUAL REPORT to the Securities and Exchange Commission provides further details on Beatrice's business (after May 31).

FORM 10-Q QUARTERLY REPORT to the Securities and Exchange Commission is available in July, October and January.

### Capital Stock Listing

COMMON: New York Stock Exchange, Midwest Stock Exchange, Basel, Geneva, Lausanne and Zurich, Switzerland, and Frankfurt and Dusseldorf, Republic of West Germany, Stock Exchanges.  
Stock Exchange Symbol — **BFY**

SERIES A PREFERENCE: New York Stock Exchange.  
Stock Exchange Symbol — **BFY PrA**

### Dividend Reinvestment Service Available to Stockholders

Beatrice Foods Co. makes available at no cost to holders of its common stock an automatic dividend reinvestment service. Those interested in participating in this service are invited to write for details and an authorization form to:

Continental Illinois National Bank and Trust Company of Chicago  
Shareholder Service Division  
30 North LaSalle Street  
Chicago, Illinois 60693

Continental Illinois National Bank and Trust Company of Chicago is also the company's Stock Transfer Agent, Dividend Disbursing Agent and Registrar.

Stock Data	Fiscal 1984		Fiscal 1983	
	Cash Dividends Paid	Market Price Range	Cash Dividends Paid	Market Price Range
<b>Common*</b>				
First Quarter (May 31)	.40	\$28½-24½	\$.37½	\$20¼-18
Second Quarter (August 31)	.40	28½-25	.37½	22½-18
Third Quarter (November 30)	.40	33 -26½	.37½	25½-20½
Fourth Quarter (February 29/28)	.40	36 -30	.37½	25 -21½
<b>Series A Preference**</b>				
First Quarter (May 31)	\$.84½	\$52¼-45½	\$.84½	\$38¼-34¼
Second Quarter (August 31)	.84½	53¼-47	.84½	41 -35
Third Quarter (November 30)	.84½	60¼-50	.84½	47 -39½
Fourth Quarter (February 29/28)	.84½	65½-56	.84½	46¼-41½

\*High and low market prices based upon composite sales prices, which include trades on the New York Stock Exchange and the Midwest Stock Exchange and transactions reported by the National Association of Securities and Institute.

\*\*High and low market prices based upon trades on the New York Stock Exchange.

As of April 6, 1984, Beatrice had approximately 50,180 stockholders, of which approximately 48,250 were record holders of common stock.

(3)

**Office of the Chairman**

**James L. Dutt**  
Chairman of the Board  
Chief Executive Officer

**John D. Conners**  
Vice Chairman

**Reuben W. Berry**  
Senior Vice President  
Organization and Management  
Resources

**Anthony Luiso**  
Senior Vice President

**William E. Reidy**  
Senior Vice President  
Director, Corporate Strategy

**Administration**

**Richard J. Pigott**  
Executive Vice President  
Chief Administrative Officer

**James A. Johnson**  
Senior Vice President  
Chief Financial Officer  
Treasurer

**Richard F. Vitkus**  
Senior Vice President  
General Counsel

**Mary D. Allen**  
Vice President  
Assistant General Counsel

**Michael Fung**  
Vice President  
Director, Operations Analysis

**Anthony Girone**  
Vice President  
Director, Operations Administration

**Harold J. Handley**  
Vice President  
Director, Corporate Marketing

**William R. Jenkins**  
Vice President  
Director, Corporate Relations

**Jay I. Johnson**  
Vice President  
Director, National Account Sales

**Barbara M. Kruckles**  
Vice President  
Director, Marketing Research

**Daniel M. Lechin**  
Vice President  
Director, Corporate Development

**Thomas Mitchell**  
Vice President  
Planning and Information Systems

**Lee F. Reiser, Jr.**  
Vice President  
Director, Marketing Development

**Douglas J. Stanard**  
Vice President  
Secretary

**John A. Stevens**  
Vice President  
Controller

**A. Jerome Becker**  
Assistant Vice President  
International Financial Services

**Barbara L. Bowles**  
Assistant Vice President  
Director, Investor Relations

**John E. Cooper**  
Assistant Vice President  
Director, Taxes

**Calvin J. Dandley**  
Assistant Vice President  
Director, Labor Relations

**Raymond C. Howick**  
Assistant Vice President  
Director, Purchasing

**Donald H. Klein**  
Assistant Vice President  
Director, Security

**Ted E. Olson**  
Assistant Vice President  
Director, Operating Services

**Arthur K. Przybyl**  
Assistant Vice President  
Director, MIS Operating Services

**Eric W. Volkman**  
Assistant Vice President  
Director, Engineering

**Robert W. Webb**  
Assistant Vice President  
Law

**Charles E. Harrison**  
Assistant Secretary  
Law

**M. Patricia Kahoe**  
Assistant Secretary

**Group Operating Officers**

**Nolan D. Archibald**  
Senior Vice President  
Consumer & Commercial Products

**Richard L. Chisholm**  
Senior Vice President  
Refrigerated Foods & Services

**Thomas P. Kemp**  
Senior Vice President  
Beverage

**John J. McRobbie**  
Senior Vice President  
Grocery

**William S. Mowry, Jr.**  
Senior Vice President  
International Food

**Harry C. Wechsler**  
Senior Vice President  
Chemical

**Division Presidents**

**John R. Atwood**  
Beatrice Soft Drinks  
Beverage

**Roland M. Binnington**  
Vice President  
Beatrice Canada  
International Food

**Richard F. Bucher**  
Beatrice Plastics & Coatings  
Chemical

**Robert H. Burns**  
Beatrice Cheese  
Grocery

**Malcolm Candlish**  
Beatrice Luggage  
Consumer & Commercial Products

**Robert V. Dale**  
Vice President  
Beatrice Grocery Products  
Grocery

**Vernon A. Davidson**  
Vice President  
Beatrice Specialty Apparel  
Consumer & Commercial Products

**Jan Drouby**  
Beatrice Performance Chemicals  
Chemical

**Robert T. Drape**  
Vice President  
Beatrice Europe  
International Food

**William E. Dotterweich**  
Beatrice Commercial Products  
Consumer & Commercial Products

**Bruce Gescheider**  
Beatrice Specialty Meats  
Grocery

**John F. Hazelton, Jr.**  
Vice President  
Beatrice Australasia  
International Food

**James T. Hill**  
Beatrice Dairy Products  
Refrigerated Foods & Services

**Paul W. Hybert**  
Beatrice Water Treatment  
Consumer & Commercial Products

**André J. Job**  
Vice President  
Beatrice Latin America  
International Food

**Richard R. Krieter**  
Beatrice Food Service & Ingredients  
Refrigerated Foods & Services

**G. Warren Lewis**  
Beatrice Public Refrigerated  
Services  
Refrigerated Foods & Services

**William P. Mahoney**  
Beatrice Prepared Foods  
Grocery

**Robert S. Milne**  
Beatrice Far East  
International Food

**Richard J. Newman**  
Beatrice Wine & Spirits  
Beverage

**Arthur J. Peeper**  
Beatrice Bottled Waters  
Beverage

**I. Donald Rosuck**  
Beatrice Home Products  
Consumer & Commercial Products

**Donald G. Stephens**  
Beatrice Leather  
Refrigerated Foods & Services

**C. Richard Swarzentruer**  
Beatrice Agri-Products  
Refrigerated Foods & Services

**Richard Walrack**  
Vice President  
Beatrice Fruit Juices  
Beverage

**James F. Yowell**  
Beatrice Bakery Products  
Grocery

96

## Directors

**Angelo R. Arena** (1, 4)  
Chairman  
Chief Executive Officer  
Hutzel Brothers Company  
Baltimore, MD

**Alexander Brody**  
President  
Chief Executive Officer  
DVR  
New York, NY

**John D. Conners**  
Vice Chairman

**G. A. Costanzo** (2, 3\*, 4)  
Retired Vice Chairman  
Citicorp and Citibank, N.A.  
New York, NY

**James W. Cozad**  
Vice Chairman  
Standard Oil Company (Indiana)  
Chicago, IL

**James L. Duff** (1\*, 4)  
Chairman of the Board  
Chief Executive Officer

**William W. Granger, Jr.**\*\* (1, 5)  
Retired Vice Chairman

**Walter J. Leonard** (1, 5)  
Distinguished Fellow  
Institute for the Study  
of Educational Policy  
Howard University  
Washington, D.C.

**Bernard A. Monaghan** (2, 5)  
Of Counsel  
Bradley, Arant, Rose & White  
Birmingham, AL

**Richard J. Pigott**  
Executive Vice President  
Chief Administrative Officer

**Cedric E. Ritchie** (3, 4)  
Chairman of the Board  
Chief Executive Officer  
The Bank of Nova Scotia  
Toronto, Ontario, Canada

**Goff Smith** (1, 2\*, 3)  
Retired Chairman  
Chief Executive Officer  
Amsted Industries  
Incorporated  
Chicago, IL

**Jayne B. Spain** (3, 5)  
Distinguished Visiting Professor  
and Executive in Residence  
George Washington University  
Washington, D.C.

**Omer G. Voss** (1, 5\*)  
Retired Vice Chairman  
International Harvester Company  
Chicago, IL

**Russell L. Wagner** (1, 3, 4\*)  
Retired Chairman  
Chief Executive Officer  
MLT Corporation  
Vero Beach, FL

**Murray L. Weidenbaum** (2, 4)  
Mallicrodt Distinguished  
University Professor  
Director of the Center for the  
Study of American Business  
Washington University  
St. Louis, MO

### Committees of the Board

- (1) Executive Committee
- (2) Audit Committee
- (3) Compensation and Benefits Committee
- (4) Nominating Committee
- (5) Public Policy Committee

(\* ) Committee Chairman

\*\* Retires as a director on  
June 5, 1984

Corporate Offices  
Two North LaSalle Street  
Chicago, Illinois 60602

EXHIBIT 22

SUBSIDIARIES OF BEATRICE FOODS CO.

The following are subsidiaries of Beatrice Foods Co. which are consolidated with Beatrice Foods Co. and which are included in the consolidated financial statements of Beatrice Foods Co. and subsidiaries for the fiscal year ended February 29, 1984.

<u>Name of Subsidiary</u>	<u>Place of Incorporation</u>
DOMESTIC	
Allison Manufacturing Co.	Delaware
Arrowhead Drinking Water Co.	California
Aunt Nellie's Foods, Inc.	Wisconsin
Beatrice Bakery, Inc.	Delaware
Beatrice Beverage Holding Co.	Delaware
Beatrice Cheese, Inc.	Delaware
Beatrice DISC, Inc.	Delaware
Beatrice Grocery Products, Inc.	Delaware
Beatrice Specialty Apparel, Inc.	Delaware
Beatrice Worldwide, Inc.	Delaware
Berliner & Marx, Inc.	New York
Bloomfield Industries, Inc.	Delaware
Brillion Iron Works, Inc.	Massachusetts
Cal-Compac Foods, Inc.	Delaware
Certified Transportation Co., Inc.	California
Coca-Cola Bottling Company of Honolulu, Inc.	Delaware
Coca-Cola Bottling Company of Los Angeles	Delaware
County Line Cheese Company, Inc.	Delaware
Culligan DISC Company	Illinois
Culligan International Company(1)	Delaware
CWC Finance Corp.	Illinois
Dahlgren & Company	Delaware
Day-Timers, Inc.	Delaware
Edgar Packing Company, Inc.	Wisconsin
E. R. Moore Company	Delaware
Everpure, Inc.	Nevada
E. W. Kneip, Inc.	Delaware
Fiberite Corporation	Delaware
Fiberite West Coast Corporation	Delaware
Fiberite West Coast Leasing Corp.	Delaware
Fisher Nut Company	Delaware
Great Bear Spring Company	New Jersey
La Choy Food Products Company	Delaware
Lackawanna International, Inc.	North Carolina
LouverDrape, Inc.	California
LouverDrape International, Inc.	California
Mantecados Payco, Inc.	Delaware
Market Forge Co.	Delaware
Martha White Foods, Inc.	Tennessee
Melamine Plasti: Corporation	Minnesota
Minnesota Valley Engineering Inc.	Delaware
Mother's Cookie Company	Delaware
North East Cold Storage Corporation	Massachusetts

EXHIBIT 22

<u>Name of Subsidiary</u>	<u>Place of Incorporation</u>
Peter Eckrich and Sons, Inc.	Delaware
Quincy Market Cold Storage and Warehouse Co.	Massachusetts
Salem International Sales, Inc.	Delaware
Samsonite Corporation(2)	Colorado
Samsonite Domestic International Sales Corporation	Colorado
Samsonite Furniture Co.	Delaware
Samsonite International Sales Corp.	Colorado
Sanna, Inc.	Delaware
Schwarz Leather International Sales Corp.	New Jersey
Taylor Freezer Company	Delaware
Termicold Corporation	Oregon
The Buckingham Corporation	Delaware
The Coca-Cola Bottling Company of Mid-America, Inc.	Delaware
The Lackawanna Leather Company, Inc.	New Jersey
Tindle Mills, Inc.	Missouri
Tropicana International, Inc.	Delaware
Tropicana Products, Inc.(3)	Florida
Waterloo Industries, Inc.	Iowa

INTERNATIONAL

Acabados Newark Stahl S.A. de C.V.	Mexico
Ailiram Productos Alimenticios S.A.	Brazil
Alimentos del Istmo, S.A.	Panama
Aliments Beatrice Quebec, Inc.	Canada
Anchor Japan Co., Ltd.	Japan
Artic France S.A.R.L.	France
Artic S.A.	Belgium
Artigel GmbH	West Germany
Atlantik GmbH	West Germany
BC Quimica Ltda.	Brazil
B.F.C. Industria e Comercio Ltda.	Brazil
B.F.C. Investments (Belgium) N.V.	Belgium
B.F. Finanziaria S.p.A.	Italy
Beatrice Australia Ltd.	Australia
Beatrice Chemical Pte. Ltd.	Singapore
Beatrice Deutschland GmbH	West Germany
Beatrice Distribution Services (QLD) Pty. Ltd.	Australia
Beatrice Finance N.V.	Neth. Antilles
Beatrice Foods Canada Ltd.	Canada
Beatrice Foods Co. (Hong Kong) Ltd.	Hong Kong
Beatrice Foods Co. & Dr. Suwelack GmbH	West Germany
Beatrice Foods Co. (Middle East) Limited	Jersey, Channel Is.
Beatrice Foods (Ontario) Ltd.	Canada
Beatrice Foods (U.K.) Limited	United Kingdom
Beatrice Foods Finance (Europe) B.V.	Netherlands
Beatrice Foods Overseas Finance N.V.	Neth. Antilles
Beatrice International (Canada) Ltd.	Canada
Beatrice Foods New Zealand Limited	New Zealand
Bloomfield Industries Canada Ltd.	Canada

## EXHIBIT 22

<u>Name of Subsidiary</u>	<u>Place of Incorporation</u>
Boquitas Fiestas, S.A. de C.V.	Honduras
Bronwater Import Kantoor Eindhoven B.V.	Netherlands
Cafeteria de Molsheim	France
Callard & Bowser Ltd.	United Kingdom
Callard & Bowser Nuttall Ltd.	United Kingdom
Caramelos Royal S.A.	Venezuela
Caron B.V.	Netherlands
Cerealista Cristal-Comercial e Exportada Ltda.	Brazil
Chicago Specialty Mfg. of Canada Ltd.	Canada
Chitos International Y Cia Ltd.	Guatemala
Choky S.A.	France
Cremo Ltd.	Jamaica
Cremo Sales Ltd.	Jamaica
Culligan Italiana S.p.A.	Italy
Dairyworld S.A.	Switzerland
Day-Timers of Canada Ltd.	Canada
De Forenede Isvaerker A/S	Denmark
Delite Foods Company Limited	Thailand
Distribuidora Marsanita, C.A.	Venezuela
Dwan Export, Ltd.	Ireland
Dwan Manufacturing Ltd.	Ireland
Elnagh S.p.A.	Italy
Etablissements Baud S.A.	France
Etablissements Boizet	France
Euroma Van Olphen B.V.	Netherlands
Europe Strength Food Co. Pty. Ltd.	Australia
Eurosmax International Ltd.	Ireland
Everpure Ltd.	Ireland
Exthene Pty. Ltd.	Australia
Finance Corporation of Jamaica Ltd.	Jamaica
Food Producers Canada Ltd.	Canada
Foods and Services S.A.	Switzerland
Frisdranken Industrie Winters B.V.	Netherlands
Gecoma S.C.S.	France
Gelati Sanson S.p.A.	Italy
Granos de Oriente, C.A.	Venezuela
Handelsmaatschappij Winters B.V.	Netherlands
Harman Automotive GmbH	West Germany
Helados Canarios S.A.	Spain
Holanda S.A. de C.V.	Mexico
Idala S.A.	Uruguay
Industrias Anita C.A.	Venezuela
Industrias Benco C.A.	Venezuela
Industrias Gran Colombia S.A.	Colombia
Industrias Savoy C.A.	Venezuela
Interglas S.A.	Spain
Jack's Amazonia Industria de Alimentos Ltda.	Brazil
King Foods Export Ltd.	Ireland
King Foods Ltd.	Ireland

EXHIBIT 23

<u>Name of Subsidiary</u>	<u>Place of Incorporation</u>
King Kandy Limited	Ireland
LNP Plastics Nederland B.V.	Netherlands
Les Fromages Crescent Ltd.	Canada
LouverDrape of Canada Limited	Canada
Manassen Lucchitti Co. Pty. Ltd.	Australia
Marion C.A.	Venezuela
Metallic Lubricants Limited	Canada
Metallic Lubricants Limited	Taiwan
Minimarche Paris S.A.R.L.	France
Minimarche Seine et Marne S.A.R.L.	France
Minimarche Seine St. Denis S.A.R.L.	France
Modern Dairies Limited	Canada
Modernas Aplicaciones de la Refrigeracion Industrial S.A.	Spain
Nergico—Belgique S.A.	Belgium
Nergico S.A.	France
North Shore Dairies Ltd.	Jamaica
Novibras Comercio e Importacao Ltda.	Brazil
Polyvinyl Chemie Holland N.V.	Netherlands
Potato Distributors Ltd.	Ireland
Premier IS A/S	Denmark
Primalp S.A.	Switzerland
Productos Alimenticios Rene. S.A.	Guatemala
Productos Chipy S.A.	Peru
Quan S.A. de C.V.	Mexico
Quimica Stahl Centroamericana (Nicaragua), S.A.	Nicaragua
Red Tulip Chocolates Pty. Ltd.	Australia
S.A. Choky	Belgium
Samsonite Industrial e Commercial Ltda.	Brazil
Sandt Printing Company Limited	Canada
Sedipro S.A.	France
Smith Kendon Ltd.	United Kingdom
Societe Corr. de Prod. Alimentario Socalim S.A.	France
Societe Europeenne de Supermarches S.A.	France
Societe Moulin de Chennevieres S.A.R.L.	France
Societe Pour la Rationalisation Industrielle Imperial S.A.R.L.	France
Sodeca S.A.R.L.	France
Stahl Armstrong Pty. Ltd.	Australia
Stahl-Asia Trading Private Ltd.	Singapore
Stahl Chemical Asia Pte. Ltd.	Singapore
Stahl Chemicals (G.B.) Ltd.	United Kingdom
Stahl Chemical Industries N.V.	Netherlands
Stahl Chemische Industrien B.V. GmbH	Austria
Stahl Iberica, S.A.	Spain
Stahl Italia S.R.L.	Italy
Stahl Polyvinyl Chemie GmbH	Germany
Stahl Polyvinyl International B.V.	Netherlands
Stute Nahrungsmittelwerke GmbH & Co. K.G.	Germany
Sunco, N.V.	Belgium
Suprette Paris S.A.R.L.	France

EXHIBIT 22

<u>Name of Subsidiary</u>	<u>Place of Incorporation</u>
Tayto Ltd.	Ireland
Ten Doesschate B.V.	Netherlands
Tendo Haco Farmacia B.V.	Netherlands
The Baron's Table Specialty Meats Pty. Ltd.	Australia
The Baron's Table (QLD) Pty. Ltd.	Australia
Thoro N.V.	Belgium
Unicorp Pty. Ltd.	Australia
Van Camp Chocolates Ltd.	New Zealand
Water Conditioning Finance Limited	Canada
Winner Food Products Ltd.	Hong Kong
W. J. Dwan & Sons Ltd.	Ireland
W. J. Dwan & Sons (Athlone) Ltd.	Ireland
World Dryer Co. Ltd.	Canada
Yomix Pty. Ltd.	Australia

NOTES:

- (1) Culligan International Company includes 26 domestic and 6 international wholly-owned subsidiaries which are engaged in the manufacture, sale and service of water treatment equipment.
- (2) Samsonite Corporation includes 5 international wholly-owned subsidiaries which are engaged in the manufacture and sale of luggage and furniture.
- (3) Tropicana Products, Inc. includes 14 domestic and 1 international wholly-owned subsidiaries which are engaged in the manufacture, sale and distribution of citrus products.

The names of 79 domestic and 89 international subsidiaries have been omitted. All such unnamed subsidiaries considered in the aggregate as a single subsidiary would not constitute a significant subsidiary of Beatrice Foods Co.

# EXHIBIT 25

## POWER OF ATTORNEY

WHEREAS, BEATRICE FOODS CO., a Delaware corporation ("Beatrice"), has from time to time filed with the Securities and Exchange Commission (the "Commission") under the provisions of the Securities Act of 1933, as amended (the "Act"), and the rules and regulations promulgated thereunder, Registration Statements and Amendments and Post-Effective Amendments to Registration Statements relating to the offering for sale, sale, issuance and/or delivery of shares of common stock, without par value, of Beatrice ("Beatrice Common Stock") and of debt securities of Beatrice and its subsidiaries; and

WHEREAS, Beatrice may from time to time file with the Commission under the provisions of the Act and the rules and regulations promulgated thereunder, additional Registration Statements and Amendments and Post-Effective Amendments thereto relating to the offering for sale, sale, issuance and/or delivery of shares of Beatrice Common Stock and of debt securities of Beatrice or any of its subsidiaries; and

WHEREAS, Beatrice intends to file with the Commission under the provisions of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the rules and regulations promulgated thereunder, its Annual Report on Form 10-K for the fiscal year ended on February 29, 1984.

NOW, THEREFORE, the undersigned hereby:

(1) designate, constitute and appoint JAMES L. DUTT, JOHN D. CONNERS, RICHARD J. PIGOTT, JAMES A. JOHNSON, and JOHN A. STEVENS and each of them individually, true and lawful attorneys for the undersigned, with full power to act for and on behalf of the undersigned in connection with, and to sign the name of the undersigned in the capacity or capacities set forth below to,

(i) any and all Registration Statements and Amendments and Post-Effective Amendments thereto relating to the offering for sale, sale, issuance and/or delivery of shares of Beatrice Common Stock and of debt securities of Beatrice or any of its subsidiaries which Beatrice may hereafter file with the Commission under the provisions of the Act and the rules and regulations promulgated thereunder;

(ii) the Beatrice Annual Report on Form 10-K for the fiscal year ended on February 29, 1984, to be filed with the Commission under the provisions of Section 13 or 15(d) of the Exchange Act and the rules and regulations promulgated thereunder; and

(2) ratify, confirm and approve any and all acts and things which JAMES L. DUTT, JOHN D. CONNERS, RICHARD J. PIGOTT, JAMES A. JOHNSON, and JOHN A. STEVENS, and each of them individually, may lawfully take or do, or cause to be taken or done, by virtue of the powers hereby granted to such persons.

IN WITNESS WHEREOF, the undersigned have hereunto set their hands this \_\_\_\_\_ day of \_\_\_\_\_, 1984.

<u>Name</u>	<u>Title</u>
 JAMES L. DUTT	Chairman of the Board, Chief Executive Officer and Director
_____ ANGELO R. ARENA	Director
_____ ALEXANDER BRODY	Director
_____ JOHN D. CONNERS	Vice Chairman and Director
_____ G. A. COSTANZO	Director
_____ JAMES W. COZAD	Director
_____ WILLIAM W. GRANGER, JR.	Vice Chairman and Director
_____ WALTER J. LEONARD	Director
_____ BERNARD A. MONAGHAN	Director

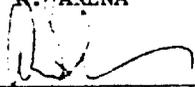
(2) ratify, confirm and approve any and all acts and things which JAMES L. DUTT, JOHN D. CONNERS, RICHARD J. FIGOTT, JAMES A. JOHNSON, and JOHN A. STEVENS, and each of them individually, may lawfully take or do, or cause to be taken or done, by virtue of the powers hereby granted to such persons.

IN WITNESS WHEREOF, the undersigned have hereunto set their hands this 24<sup>th</sup> day of April, 1984.

<u>Name</u>	<u>Title</u>
_____ JAMES L. DUTT	Chairman of the Board, Chief Executive Officer and Director
_____ <i>Angelo R Arena</i> ANGELO R. ARENA	Director
_____ ALEXANDER BRODY	Director
_____ JOHN D. CONNERS	Vice Chairman and Director
_____ G. A. COSTANZO	Director
_____ JAMES W. COZAD	Director
_____ WILLIAM W. GRANGER, JR.	Vice Chairman and Director
_____ WALTER J. LEONARD	Director
_____ BERNARD A. MONAGHAN	Director

(2) ratify, confirm and approve any and all acts and things which JAMES L. DUTT, JOHN D. CONNERS, RICHARD J. PIGOTT, JAMES A. JOHNSON, and JOHN A. STEVENS, and each of them individually, may lawfully take or do, or cause to be taken or done, by virtue of the powers hereby granted to such persons.

IN WITNESS WHEREOF, the undersigned have hereunto set their hands this 24<sup>th</sup> day of April, 1984.

<u>Name</u>	<u>Title</u>
_____ JAMES L. DUTT	Chairman of the Board, Chief Executive Officer and Director
_____ ANGELO R. ARENA	Director
_____  ALEXANDER BRODY	Director
_____ JOHN D. CONNERS	Vice Chairman and Director
_____ G. A. COSTANZO	Director
_____ JAMES W. COZAD	Director
_____ WILLIAM W. GRANGER, JR.	Vice Chairman and Director
_____ WALTER J. LEONARD	Director
_____ BERNARD A. MONAGHAN	Director

(2) ratify, confirm and approve any and all acts and things which JAMES L. DUTT, JOHN D. CONNERS, RICHARD J. PIGOTT, JAMES A. JOHNSON, and JOHN A. STEVENS, and each of them individually, may lawfully take or do, or cause to be taken or done, by virtue of the powers hereby granted to such persons.

IN WITNESS WHEREOF, the undersigned have hereunto set their hands this 21st day of April, 1984.

<u>Name</u>	<u>Title</u>
_____ JAMES L. DUTT	Chairman of the Board, Chief Executive Officer and Director
_____ ANGELO R. ARENA	Director
_____ ALEXANDER BRODY	Director
 _____ JOHN D. CONNERS	Vice Chairman and Director
_____ G. A. COSTANZO	Director
_____ JAMES W. COZAD	Director
_____ WILLIAM W. GRANGER, JR.	Vice Chairman and Director
_____ WALTER J. LEONARD	Director
_____ BERNARD A. MONAGHAN	Director

(2) ratify, confirm and approve any and all acts and things which JAMES L. DUTT, JOHN D. CONNERS, RICHARD J. PIGOTT, JAMES A. JOHNSON, and JOHN A. STEVENS, and each of them individually, may lawfully take or do, or cause to be taken or done, by virtue of the powers hereby granted to such persons.

IN WITNESS WHEREOF, the undersigned have hereunto set their hands this 20<sup>th</sup> day of April, 1984.

<u>Name</u>	<u>Title</u>
<u>JAMES L. DUTT</u>	Chairman of the Board, Chief Executive Officer and Director
<u>ANGELO R. ARENA</u>	Director
<u>ALEXANDER BRODY</u>	Director
<u>JOHN D. CONNERS</u>	Vice Chairman and Director
<u>G. A. COSTANZO</u>	Director
<u>JAMES W. COZAD</u>	Director
<u>WILLIAM W. GRANGER, JR.</u>	Vice Chairman and Director
<u>WALTER J. LEONARD</u>	Director
<u>BERNARD A. MONAGHAN</u>	Director

1.9

(2) ratify, confirm and approve any and all acts and things which JAMES L. DUTT, JOHN D. CONNERS, RICHARD J. PIGOTT, JAMES A. JOHNSON, and JOHN A. STEVENS, and each of them individually, may lawfully take or do, or cause to be taken or done, by virtue of the powers hereby granted to such persons.

IN WITNESS WHEREOF, the undersigned have hereunto set their hands this 21<sup>st</sup> day of April, 1984.

<u>Name</u>	<u>Title</u>
<u>JAMES L. DUTT</u>	Chairman of the Board, Chief Executive Officer and Director
<u>ANGELO R. ARENA</u>	Director
<u>ALEXANDER BRODY</u>	Director
<u>JOHN D. CONNERS</u>	Vice Chairman and Director
<u>G. A. COSTANZO</u>	Director
<u>JAMES W. COZAD</u>	Director
<u>WILLIAM W. GRANGER, JR.</u>	Vice Chairman and Director
<u>WALTER J. LEONARD</u>	Director
<u>BERNARD A. MONAGHAN</u>	Director

10

(2) ratify, confirm and approve any and all acts and things which JAMES L. DUTT, JOHN D. CONNERS, RICHARD J. PIGOTT, JAMES A. JOHNSON, and JOHN A. STEVENS, and each of them individually, may lawfully take or do, or cause to be taken or done, by virtue of the powers hereby granted to such persons.

IN WITNESS WHEREOF, the undersigned have hereunto set their hands this 24th day of April, 1984.

<u>Name</u>	<u>Title</u>
<u>JAMES L. DUTT</u>	Chairman of the Board, Chief Executive Officer and Director
<u>ANGELO R. ARENA</u>	Director
<u>ALEXANDER BRODY</u>	Director
<u>JOHN D. CONNERS</u>	Vice Chairman and Director
<u>G. A. COSTANZO</u>	Director
<u>JAMES W. COZAD</u>	Director
<u>William W. Grangep, Jr.</u> WILLIAM W. GRANGEP, JR.	Vice Chairman and Director
<u>WALTER J. LEONARD</u>	Director
<u>BERNARD A. MONAGHAN</u>	Director

1:1

(2) ratify, confirm and approve any and all acts and things which JAMES L. DUTT, JOHN D. CONNERS, RICHARD J. PIGOTT, JAMES A. JOHNSON, and JOHN A. STEVENS, and each of them individually, may lawfully take or do, or cause to be taken or done, by virtue of the powers hereby granted to such persons.

IN WITNESS WHEREOF, the undersigned have hereunto set their hands this 24th day of April, 1984.

<u>Name</u>	<u>Title</u>
<u>JAMES L. DUTT</u>	Chairman of the Board, Chief Executive Officer and Director
<u>ANGELO R. ARENA</u>	Director
<u>ALEXANDER BRODY</u>	Director
<u>JOHN D. CONNERS</u>	Vice Chairman and Director
<u>G. A. COSTANZO</u>	Director
<u>JAMES W. COZAD</u>	Director
<u>WILLIAM W. GRANGER, JR.</u>	Vice Chairman and Director
 <u>WALTER J. LEONARD</u>	Director
<u>BERNARD A. MONAGHAN</u>	Director

122

(2) ratify, confirm and approve any and all acts and things which JAMES L. DUTT, JOHN D. CONNERS, RICHARD J. PIGOTT, JAMES A. JOHNSON, and JOHN A. STEVENS, and each of them individually, may lawfully take or do, or cause to be taken or done, by virtue of the powers hereby granted to such persons.

IN WITNESS WHEREOF, the undersigned have hereunto set their hands this 24<sup>th</sup> day of April, 1984.

<u>Name</u>	<u>Title</u>
<u>JAMES L. DUTT</u>	Chairman of the Board, Chief Executive Officer and Director
<u>ANGELO R. ARENA</u>	Director
<u>ALEXANDER BRODY</u>	Director
<u>JOHN D. CONNERS</u>	Vice Chairman and Director
<u>G. A. COSTANZO</u>	Director
<u>JAMES W. COZAD</u>	Director
<u>WILLIAM W. GRANGER, JR.</u>	Vice Chairman and Director
<u>WALTER J. LEONARD</u>	Director
<u>Bernard A. Monaghan</u> BERNARD A. MONAGHAN	Director

123

  
RICHARD J. PIGOTT

Executive Vice President, Chief  
Administrative Officer and Director

\_\_\_\_\_  
CEDRIC E. RITCHIE

Director

\_\_\_\_\_  
GOFF SMITH

Director

\_\_\_\_\_  
JAYNE B. SPAIN

Director

\_\_\_\_\_  
OMER G. VOSS

Director

\_\_\_\_\_  
RUSSELL L. WAGNER

Director

\_\_\_\_\_  
MURRAY L. WEIDENBAUM

Director

\_\_\_\_\_  
JAMES A. JOHNSON

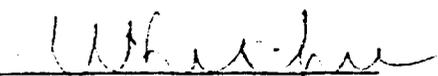
Senior Vice President, Chief  
Financial Officer and Treasurer

\_\_\_\_\_  
JOHN A. STEVENS

Vice President, Controller and  
Chief Accounting Officer

RICHARD J. PIGOTT

Executive Vice President, Chief  
Administrative Officer and Director

  
CEDRIC E. RITCHIE

Director

GOFF SMITH

Director

JAYNE B. SPAIN

Director

OMER G. VOSS

Director

RUSSELL L. WAGNER

Director

MURRAY L. WEIDENBAUM

Director

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Senior Vice President, Chief  
Financial Officer and Treasurer

JOHN A. STEVENS

Vice President, Controller and  
Chief Accounting Officer

RICHARD J. PIGOTT

Executive Vice President, Chief  
Administrative Officer and Director

CEDRIC E. RITCHIE

Director

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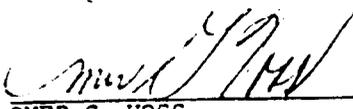
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*R S Wagner*  
RUSSELL L. WAGNER

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MURRAY L. WEIDENBAUM

Director

*James A. Johnson*  
JAMES A. JOHNSON

Senior Vice President, Chief  
Financial Officer and Treasurer

*John A. Stevens*  
JOHN A. STEVENS

Vice President, Controller and  
Chief Accounting Officer

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SECURITIES AND EXCHANGE COMMISSION  
Washington, D. C. 20549

**Form 10-K**

Annual Report Pursuant to Section 13 or 15(d)  
of the Securities Exchange Act of 1934

For the fiscal year ended February 28, 1985

Commission file number: 1-831

**Beatrice Companies, Inc.**

Delaware  
(State of Incorporation)

36-078-3330  
(I.R.S. Employer Id. No.)

Two North LaSalle Street, Chicago, Illinois  
(Address of Principal Executive Offices)

60602  
(Zip Code)

Registrant's telephone number, including area code: (312) 782-3820

Securities registered pursuant to Section 12(b) of the Securities Exchange Act of 1934:

<u>Title Of Class</u>	<u>Name of Each Exchange on Which Registered</u>
7 $\frac{7}{8}$ % Sinking Fund Debentures Due 1994	New York Stock Exchange
8 $\frac{1}{2}$ % Sinking Fund Debentures Due 2008	New York Stock Exchange
10 $\frac{7}{8}$ % Sinking Fund Debentures Due 2010	New York Stock Exchange
Series A Cumulative Convertible Preference Stock	New York Stock Exchange
Common Stock	New York Stock Exchange Midwest Stock Exchange

No securities are registered pursuant to Section 12(g) of the Securities Exchange Act of 1934.

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

The aggregate market value of all voting stock held by non-affiliates of the Registrant computed by reference to the last reported price at which stock was sold on April 26, 1985 was approximately \$3,115 million.

As of April 26, 1985 a total of 91,806,480 shares of Common Stock were outstanding.

**DOCUMENTS INCORPORATED BY REFERENCE**

Parts I, II and IV incorporate by reference portions of Beatrice Companies, Inc. Annual Report to Stockholders for the fiscal year ended February 1985 ("Beatrice's 1985 Annual Report"). Part III incorporates by reference portions of Beatrice Companies, Inc. Proxy Statement for the Annual Meeting of Stockholders dated April 30, 1985 ("Beatrice's Proxy Statement dated April 30, 1985").

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# Form 10-K Annual Report

For the Fiscal Year Ended February 28, 1985

In this report, the term "Beatrice" is used to refer to Beatrice Companies, Inc., and, unless indicated otherwise or the context suggests otherwise, its subsidiaries.

## PART I

### ITEM 1. BUSINESS.

Beatrice is a worldwide marketer of food and consumer products. Beatrice has operations in more than 30 countries and markets products and services in more than 100 countries. Beatrice produces and distributes food and food-related products as well as a broad range of non-food products for use in various consumer, commercial and industrial markets.

In June 1984, Beatrice acquired Esmark, Inc. ("Esmark"). The Esmark acquisition was part of the company's strategy to focus Beatrice's assets in food and consumer products businesses. Because of Esmark's national brands, direct sales force, distribution network and research and development capabilities, its acquisition is expected to accelerate the attainment of Beatrice's marketing goals.

Beatrice now has operations that are organized into four business segments along marketing and distribution capabilities: U.S. Food, Consumer Products, International Food and Avis/Other Operations.

For information with respect to the net sales, earnings, identifiable assets, net property, plant and equipment additions and depreciation and goodwill amortization expense for the three-year period ended February 1985 of Beatrice's business segments and for information regarding Beatrice's operations in various geographic locations, see the section entitled "Net Sales and Earnings by Business Segment" and Note 14 of "Notes to Consolidated Financial Statements" appearing on page 30 and pages 47 to 48, respectively, of Beatrice's 1985 Annual Report, which are incorporated herein by reference.

#### U.S. Food

U.S. Food is the largest segment of Beatrice's operations, with major operations in grocery products, soft drinks, bottled waters, refrigerated food, warehousing, dairy, meats, cheese and fruit juices. The segment consists of three major groups, organized along product and distribution lines: Grocery, Refrigerated Food and Beverage. Each of these groups contains strong nationally-known brands. The segment's business is highly competitive and competition is based primarily on price, product quality, availability and brand identification.

##### *Grocery*

The Grocery Group produces, processes and distributes packaged grocery products ranging from basic recipe ingredients, such as tomato sauce and paste, to prepared convenience foods such as Oriental-style meals and snacks. Distribution is generally on a national or regional basis through Beatrice's own direct sales force or through various local food brokers, as needs dictate. Ingredients are generally available from a variety of independent suppliers.

Beatrice is a leading producer and marketer of tomato-based food products, including Hunt's tomato sauces, pastes and barbecue sauces. Beatrice also produces and sells La Choy Oriental food products nationally and Rosarita Mexican food products distributed primarily in the Southwestern United States.

Other major brands include Wesson vegetable, corn and sunflower oils for salads and cooking, Peter Pan peanut butter, Swiss Miss cocoa mixes and puddings, Soup Starter and Stew Starter ingredients, Manwich sloppy joe sauce, Orville Redenbacher's gourmet popping corn and popping oil, Fisher nuts, and Martha White baking mixes.

### *Refrigerated Food*

The Refrigerated Food Group comprises products with common avenues of distribution. These products are commonly found in the dairy, refrigerated meat and delicatessen cases in supermarkets across the country.

Beatrice produces Tropicana chilled and frozen orange juice. Other Tropicana products include grapefruit and apple juices made from concentrate. Tropicana products are distributed in most of the East, Southeast, portions of the Midwest, California, Texas and Arizona.

The group's meat operations include Swift's nationally distributed Butterball turkeys, Brown 'N Serve breakfast sausages and Sizzlean breakfast strips. Eckrich smoked sausage, frankfurters and luncheon meats are primarily sold regionally. In fiscal 1985 Eckrich's Lean Supreme line of low-fat cold cuts was introduced.

Beatrice Cheese produces and distributes natural cheese, cream cheese and other products to food manufacturing, foodservice and retail markets. Two well-known retail brands are County Line cheese and Treasure Cave blue cheese. The Pauly brand is primarily marketed to the foodservice industry, while Swissrose International imports a variety of cheeses from European and other countries for retail sale.

### *Beverage*

Beatrice Soft Drinks is one of the largest bottlers and distributors of Coca-Cola, diet Coke, Tab, Sprite, Dr. Pepper, Crush, Hire's Root Beer and Sunkist Orange soft drinks. All soft drinks are bottled under franchise agreements in Southern California, Hawaii and parts of the Midwest.

Beatrice is a major supplier of bottled water in the United States with its Arrowhead, Ozarka and Great Bear brands. These products are marketed in Texas, California, Arizona and 11 Eastern states. The water is primarily distributed either directly to customers or through retail outlets.

Beatrice dairy products include Meadow Gold milk, cream, ice cream and cultured products; Viva low-fat products; Louis Sherry ice cream; and Mountain High yogurt.

Beatrice's nationwide network of refrigerated storage facilities, with a capacity of 191 million cubic feet, is the largest refrigerated warehouse network in the U.S. Customers include meat and fish packers, food processors and retail stores. As of February 1985, warehousing operations were being conducted through 42 warehouses in 16 states.

### *Consumer Products*

Beatrice produces a broad range of products for consumer use, and its two major groups—Personal Products and Consumer Durables—have major operations in home products, water treatment, luggage, intimate apparel, family products, cosmetics and fragrances.

#### *Personal Products*

International Playtex serves a number of consumer markets around the world. Playtex is one of the most widely recognized names in intimate apparel, with well-established products such as Cross-Your-Heart, 18-Hour and Support-Can-Be-Beautiful bras. Newer brands such as Thank-Goodness-It-Fits and the WOW (With-out-Wire) bras are targeted to younger market segments.

Playtex also markets a line of personal products ranging from baby nursers to rubber gloves. Its Round-the-Clock and Givenchy brand hosiery are leading brands of hosiery sold primarily in department stores. Other Playtex brands include Jhirmack hair care products, Almay hypo-allergenic cosmetics, Max Factor cosmetics and Halston/Orlane fragrances and skin care products.

#### *Consumer Durables*

Consumer Durables includes consumer brands that are well-known worldwide. Samsonite fashion luggage and attache cases are marketed under the Samsonite and Lark brand names. Culligan water treatment systems serve residential, industrial and commercial customers in 90 countries. Other products for

the home include Stiffel lamps; LouverDrape and Del Mar fashion window coverings; Samsonite furniture for a variety of leisure settings; Aristokraft kitchen and bathroom cabinets; and Waterloo tool boxes.

These products are sold through a combination of direct sales force, manufacturers' representatives and distributors to home furnishing, department and hardware stores. Day-Timers diary planners and time management aids are marketed primarily through direct mail advertising and catalogs.

### **International Food**

International Food has operations in more than 30 countries and has a broad worldwide presence. Businesses include six primary categories of products and services: dairy, processed meats, snacks and confectionery/baked goods, beverage and fruit juices, food distribution and grocery products. With operations in five geographic areas—Europe, Latin America, Canada, Australia and the Far East—International Food represents approximately 70 percent of Beatrice's international volume.

European operations are the largest of the segment and include food distribution, processed meats, ice cream and yogurt, beverages and snacks and confectionery products. Retail and wholesale food distribution account for more than 50 percent of the segment's European operations. Brand names include Campofrio sausage and specialty meats, Smith Kendon and Callard & Bowser confections and Stute jams and fruit juices.

Latin American businesses include snacks, confectionery and baked goods and dairy, ice cream and beverages. These operations have a strong base in confectionery and snack products including Savoy confections and Jack's Snacks. Other Beatrice grocery products include Wilson specialty meats, Beatrice dairy products and Holanda ice cream.

Beatrice's Canadian operations consist primarily of Beatrice milk, yogurt, ice cream and cheese products. The group also produces and markets baked goods, beverages and specialty products/ flavorings.

Australian operations cover Australia and New Zealand and include confectionery, beverages, specialty meats and food distribution. Brands include Red Tulip confectioneries, Europe Strength fruit juice drinks and Baron's Table specialty meats and frozen entrees.

Operations in the Far East include dairy and ice cream, Oriental food specialties, snacks and confectionery products and beverages. In fiscal 1985, Beatrice opened its Guangmei joint venture operation in the People's Republic of China and also signed an agreement with the China International Trust and Investment Corporation to form a new joint venture company that will allow Beatrice to participate in a wide range of new business ventures within the People's Republic.

Beatrice International Food operations generally are managed by a resident of the country where the operation is located. Beatrice also introduces major U.S. Food brands and products where international opportunities exist and local conditions permit. The supply of raw materials and competitive conditions and risks with respect to each of the operations vary according to local conditions.

### **Avis/Other Operations**

The largest business in this segment is Avis, which is the second largest car rental company domestically and the leading car rental company outside the U.S. Avis operates in more than 100 countries with 3,500 owned or franchised locations including 1,000 airports. Avis features a rapid rental and return automated check-in service under the brand name "Wizard."

### **Advertising/Marketing Expenditures**

As a result of Beatrice's marketing thrust, advertising and marketing expenditures have risen significantly over the past two years. These expenditures are anticipated to stay at high levels for at least the next several years. Advertising/marketing expenditures for fiscal 1985 were approximately \$680 million, compared with \$288 million spent during fiscal 1984. Much of this increase is due to the inclusion for the first time of Esmark's advertising and sales promotion expenses.

## Management and Employees

As of February 1985, Beatrice had just over 100,000 employees. There have been no significant interruptions or curtailments of Beatrice's operations due to labor disputes and Beatrice considers its labor relations to be satisfactory.

In general, operating decisions are made at the operating management level. The decisions typically include product mix, product pricing and market selection. A significant portion of the total compensation of operating executives typically is based upon profit contributions of the activities under their supervision.

## Business Realignment

Beatrice is undergoing a long-term Business Realignment program to organize its operations along marketing lines. This program includes acquisitions of new companies, divestitures of businesses that do not fit the strategic direction of Beatrice, a corporate identity marketing program and reorganizations of management and corporate structures. For further information on the Business Realignment program, see Note 4 of "Notes to Consolidated Financial Statements" and "Discussion of Operations and Financial Condition" appearing on pages 41 to 42 and pages 30 to 33, respectively, of Beatrice's 1985 Annual Report, which is incorporated herein by reference.

## Executive Officers of the Registrant

The following table sets forth (i) the names and ages of the executive officers of Beatrice; (ii) the principal offices and positions with Beatrice held by each such person since 1980; and (iii) the principal occupations and employments of each such person since 1980. The officers of Beatrice are elected by the Board of Directors. Each officer serves until his or her successor is elected and qualified or until his or her death, resignation or removal.

<u>Name</u>	<u>Age</u>	<u>Offices and Positions with Beatrice and Other Information</u>
Fred M. Adamany .....	52	Senior Vice President and President, Beatrice Refrigerated Food Group since 1984. Previously, President and Chief Executive Officer of Royal Crown Cola Co.
Nolan D. Archibald .....	41	Senior Vice President and President, Consumer Durables Group since 1984. President, Consumer & Commercial Products Group from 1983 to 1984. President of Home Products division from 1981 to 1983. Previously, President of the Liken division.
John R. Attwood .....	55	Senior Vice President and President, Beatrice Beverage Group since 1984. President of Soft Drink division from 1983 to 1984. Previously, President and Chief Operating Officer of Coca-Cola Bottling Company of Los Angeles.
Chance Bahadur .....	42	Vice President and Treasurer since 1984. Treasurer of Esmark, Inc. from 1982 to 1984. Previously, Assistant Treasurer of Esmark, Inc.
Reuben W. Berry .....	58	Senior Vice President (Organization and Management Resources) since 1983. Senior Vice President and Director (Human Resources) from 1981 to 1983. Previously, Vice President (Personnel and Labor Relations) with Montgomery Ward & Co.
James L. Dutt .....	60	Chairman of the Board and Chief Executive Officer. President from 1982 to 1983.
Frank E. Grzelecki .....	47	Executive Vice President and President, Beatrice Consumer Products, Inc. since 1984. Previously, President and Chief Operating Officer of Lenox, Inc.

<u>Name</u>	<u>Age</u>	<u>Offices and Positions with Beatrice and Other Information</u>
M. Patricia Kehoe .....	30	Secretary since 1984. Assistant Secretary from 1982 to 1984. Previously, assistant to the corporate secretary.
Thomas P. Kemp .....	54	Senior Vice President and President, Beatrice Grocery Group, Beatrice U.S. Food Corp. since 1984. Senior Vice President (Beverage Group) from 1983 to 1984. Vice President from March 1983 to June 1983. President of Soft Drink and Bottled Water division from 1982 to June 1983. Previously, President of the Coca-Cola Bottling Company of Los Angeles.
David E. Lipson .....	46	Executive Vice President and Chief Financial Officer since April 22, 1985. Previously, managing partner-international service for Arthur Andersen & Co. and a member of its Board of Partners.
Anthony Luiso .....	41	Executive Vice President and President, Beatrice U.S. Food Corp. since August 1984. Senior Vice President (Office of the Chairman) from March 1984 to August 1984. Senior Vice President (International Food Group) from 1983 to 1984. Vice President from 1980 to 1983. President of International division from 1982 to 1983. Previously, Executive Vice President of the International Food division.
William S. Mowry, Jr. ....	45	Executive Vice President and President, Beatrice International Food Segment since August 1984. Senior Vice President (International Food Group) from April 1984 to August 1984. Vice President from March 1984 to April 1984. Director, Administration/Organization (Grocery Group) from November 1983 to March 1984. President of Institutional Food division from June 1983 to November 1983. Director of Operations for Dairy, Agri-Products, Warehouse, Soft Drink & Bottled Water and Wine & Spirits divisions from 1982 to 1983. Previously, President of Soft Drink division.
Richard J. Pigott.....	44	Executive Vice President and Chief Administrative Officer.
William E. Reidy .....	53	Senior Vice President (Corporate Strategy) since 1983. From 1980 to 1982, Senior Vice President, Corporate Strategy and Development, Dart & Kraft, Inc.
John A. Stevens.....	39	Vice President since 1982 and Controller since 1980.
Hercules P. Sotos .....	52	Senior Vice President. President, International Playtex, Inc. since February 1985. Previously, Chief Financial Officer of Beatrice Consumer Products segment. Executive Vice President (Finance and Administration) of International Playtex, Inc. since 1980.
Richard F. Vitkus .....	45	Senior Vice President and General Counsel since 1981. Previously, Vice President (Counsel-International).

<u>Name</u>	<u>Age</u>	<u>Offices and Positions with Beatrice and Other Information</u>
Richard S. Williamson .....	35	Senior Vice the President (Corporate and International Relations) since January 1985. From May 1983 to 1985, United States permanent representative to the United Nations in Vienna, Austria and United States resident representative to the International Atomic Agency. From 1981 to 1983, White House Senior Staff assistant to President Reagan for intergovernmental affairs. Previously, partner in the law firm of Winston & Strawn.

**ITEM 2. PROPERTIES.**

Beatrice uses various owned and leased plants, warehouses, distribution centers and other facilities in its businesses and operations. The following table sets forth information with respect to the approximate number and location of facilities operated by Beatrice by business segment as of February 1985.

	<u>Approximate Number of Facilities</u>				
	<u>United States</u>		<u>Outside United States</u>		<u>Total</u>
	<u>Owned</u>	<u>Leased</u>	<u>Owned</u>	<u>Leased</u>	
U.S. Food .....	380	280	30	30	720
International Food .....	—	—	200	310	510
Consumer Products .....	80	120	30	50	280
Avis/Other Operations .....	<u>50</u>	<u>1,160</u>	<u>10</u>	<u>630</u>	<u>1,850</u>
	<u>510</u>	<u>1,560</u>	<u>270</u>	<u>1,020</u>	<u>3,360</u>

**ITEM 3. LEGAL PROCEEDINGS.**

In the opinion of management, there are no claims or litigation pending to which Beatrice is a party which could have a material adverse effect on Beatrice's consolidated financial condition.

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

The Item is not applicable.

**PART II**

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

The information under the caption "Investor Information" on page 54 in Beatrice's 1985 Annual Report is incorporated herein by reference.

**ITEM 6. SELECTED FINANCIAL DATA.**

The information for each of the five years ended February 1985, excluding ratios and percentages, under the caption "Eleven Year Review" on pages 34 and 35 in Beatrice's 1985 Annual Report is incorporated herein by reference.

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

The information under the caption "Discussion of Operations and Financial Condition" on pages 30 to 33 in Beatrice's 1985 Annual Report is incorporated herein by reference.

**ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.**

The following consolidated financial statements of Beatrice and the Accountants' Report on pages 36 through 50 and page 50, respectively, in Beatrice's 1985 Annual Report are incorporated herein by reference:

Consolidated Balance Sheet—As of February 1985 and 1984

Statement of Consolidated Earnings—Years ended February 1985, 1984 and 1983

Statement of Consolidated Stockholders' Equity—Years ended February 1985, 1984 and 1983

Statement of Consolidated Changes in Financial Position—Years ended February 1985, 1984 and 1983

Notes to Consolidated Financial Statements

Accountants' Report

**ITEM 9. DISAGREEMENTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.**

The Item is not applicable.

**PART III**

**ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT.**

Information under the caption "Election of Directors" on pages 1 through 6 in Beatrice's Proxy Statement dated April 30, 1985 is incorporated herein by reference. Also, see Part I of this Report, under the caption "Executive Officers of the Registrant", for information relating to Beatrice's executive officers.

**ITEM 11. EXECUTIVE COMPENSATION.**

The information under the captions "Committees of the Board of Directors" and "Executive Compensation" on pages 6 through 8 of Beatrice's Proxy Statement dated April 30, 1985 is incorporated herein by reference.

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

The information under the captions "Election of Directors" and "Principal Stockholders" on pages 1 through 6 and page 18, respectively, in Beatrice's Proxy Statement dated April 30, 1985 is incorporated herein by reference.

**ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.**

The information under the caption "Certain Transactions" on page 9 in Beatrice's Proxy Statement dated April 30, 1985 is incorporated herein by reference.

**PART IV**

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

(a) List of documents filed as part of this Report:

- (1) All Consolidated Financial Statements, Notes to Consolidated Financial Statements and the Accountants' Report as set forth under Part II, Item 8 of this Report are incorporated by reference from Beatrice's 1985 Annual Report.
- (2) The following financial statement schedules of Beatrice are being filed with this Report. The financial statement schedules for each of the three years ended February 1985 which have been omitted are inapplicable or not required under the instructions or the information is included in the "Notes to Consolidated Financial Statements" of Beatrice's 1985 Annual Report.

<u>Schedule Number</u>	<u>Description</u>	<u>Page Number</u>
V	Property, plant and equipment	12
VI	Accumulated depreciation, depletion and amortization of property, plant and equipment	13
VIII	Valuation and qualifying accounts	14
X	Supplementary income statement information	15

The Accountants' Report on Financial Statement Schedules appears on page 11 of this Report.

Financial statements of 50% or less owned companies and other unconsolidated subsidiaries of Beatrice have been omitted since all such companies considered in the aggregate do not constitute a significant subsidiary of Beatrice.

(3) Exhibits:

<u>Exhibit Number</u>	<u>Description</u>
3(a)	Certificate of Incorporation of Beatrice was filed as Exhibit 3.1 to Post-Effective Amendment No. 21 to Form S-1 (No. 2-56558) and is incorporated herein by reference.
3(b)	Articles of Amendment to Certificate of Incorporation of Beatrice was filed as Exhibit 3.1 to Quarterly Report on Form 10-Q for the fiscal quarter ended May 31, 1984 and is incorporated herein by reference.
3(c)	By-laws of Beatrice was filed as Exhibit 3.2 to Quarterly Report on Form 10-Q for the fiscal quarter ended May 31, 1984 and is incorporated herein by reference.
4(a)	Certificate of Stock Designation relating to the Convertible Adjustable Preference Stock of Beatrice was filed as Exhibit 4 to Quarterly Report on Form 10-Q for the fiscal quarter ended May 31, 1984 and is incorporated herein by reference.
4(b)	Long-term Debt.*
10(a)	1977 Restricted Stock Performance Plan was filed as Exhibit 5(a) to Beatrice's Post-Effective Amendment No. 10 to Form S-1 (No. 2-56558) and is incorporated herein by reference.
10(b)	1977 Phantom Book Unit Plan in Conjunction with Phantom Stock Plan was filed as Exhibit 5(b) to Beatrice's Post-Effective Amendment No. 10 to Form S-1 (No. 2-56558) and is incorporated herein by reference.
10(c)	1970 Management Incentive Deferred Compensation Plan is incorporated herein by reference to Beatrice's Proxy Statement dated May 8, 1979.
10(d)	1973 Management Incentive Deferred Compensation Plan was filed as Exhibit 8 to Beatrice's Annual Report on Form 10-K for the fiscal year ended February 28, 1974 and is incorporated herein by reference.
10(e)	1982 Incentive Stock Option Plan, as amended, was filed as Exhibits 4.1 and 4.2 to Beatrice's Form S-8 (No. 2-83711) and is incorporated herein by reference.
10(f)	1982 Non-Qualified Stock Option Plan was filed as Exhibit 4.3 to Beatrice's Form S-8 (No. 2-83711) and is incorporated herein by reference.
10(g)	Performance Unit Plan of Beatrice was filed as Exhibit 10 to Beatrice's Annual Report on Form 10-K for the fiscal year ended February 28, 1983 and is incorporated herein by reference.

<u>Exhibit Number</u>	<u>Description</u>
10(h)	Employment and Service Contract made and entered into September 1, 1981 between Beatrice and James L. Dutt was filed as Exhibit 10.8 to Beatrice's Post-Effective Amendment No. 20 to Form S-1 (No. 2-56558) and is incorporated herein by reference.
10(i)	Employment and Service Contract made and entered into September 1, 1981 between Beatrice and Richard J. Pigott was filed as Exhibit 10.11 to Beatrice's Annual Report on Form 10-K for the fiscal year ended February 29, 1984 and is incorporated herein by reference.
10(j)	Employment Agreement made and entered into May 19, 1982 between Beatrice and T. P. Kemp was filed as Exhibit 10.12 to Beatrice's Annual Report on Form 10-K for the fiscal year ended February 29, 1984 and is incorporated herein by reference.
10(k)	Merger Agreement dated May 24, 1985 by and among Beatrice, LA Acquisition Corporation and Esmark, Inc. was filed as Exhibit 2.3 to Current Report on Form 8-K dated June 14, 1984 and is incorporated herein by reference.
11	Statement Re Computation of Earnings Per Share.
12	Statement Re Computation of Ratio of Earnings Before Fixed Charges to Fixed Charges.
13	Beatrice Companies, Inc. 1985 Annual Report.
22	Subsidiaries of Beatrice.
24	Consent of Peat, Marwick, Mitchell & Co.
25	Powers of Attorney.

° None. Beatrice agrees to furnish the Securities and Exchange Commission upon request copies of any instrument defining the rights of the holders of long-term debt (of which the total securities authorized under any instrument does not exceed 10% of the total assets of Beatrice on a consolidated basis).

(b) Reports on Form 8-K:

None

**SIGNATURES**

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

BEATRICE COMPANIES, INC.

By /s/ DAVID E. LIPSON  
David E. Lipson, Executive Vice President,  
Chief Financial Officer and Director

May 2, 1985

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

<u>Signature</u>	<u>Title</u>	
JAMES L. DUTT	Chairman of the Board, Chief Executive Officer and Director	} By <u>/s/ DAVID E. LIPSON</u> David E. Lipson, Attorney-in-fact  May 2, 1985
DAVID E. LIPSON	Executive Vice President, Chief Financial Officer and Director	
JOHN A. STEVENS	Vice President and Controller	
JAMES W. COZAD	Director	
WALTER J. LEONARD	Director	
ANTHONY LUISO	Executive Vice President and Director	
WILLIAM S. MOWRY, JR.	Executive Vice President and Director	
RICHARD J. PIGOTT	Executive Vice President, Chief Administrative Officer and Director	
GOFF SMITH	Director	
OMER G. VOSS	Director	
RUSSELL L. WAGNER	Director	
MURRAY L. WEIDENBAUM	Director	

## ACCOUNTANTS' CONSENT

The Board of Directors  
Beatrice Companies, Inc.

We consent to the incorporation by reference in the Registration Statements on Form S-8 [Nos. 2-61554 and 2-83711] and Form S-16 [No. 2-50317] of Beatrice Companies, Inc. of our report dated April 22, 1985, relating to the consolidated balance sheet of Beatrice Companies, Inc. and subsidiaries as of February 1985 and 1984 and the related statements of consolidated earnings, stockholders' equity and changes in financial position for each of the years in the three-year period ended February 1985 and of our report dated April 22, 1985 relating to the financial statement schedules, which reports are incorporated by reference or appear in the annual report on Form 10-K for the fiscal year ended February 1985.

PEAT, MARWICK, MITCHELL & CO.

Chicago, Illinois  
April 30, 1985

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## ACCOUNTANTS' REPORT ON FINANCIAL STATEMENT SCHEDULES

The Board of Directors and Stockholders  
Beatrice Companies, Inc.:

Under date of April 22, 1985, we reported on the consolidated balance sheet of Beatrice Companies, Inc. and subsidiaries as of February 1985 and 1984 and the related statements of consolidated earnings, stockholders' equity and changes in financial position for each of the years in the three-year period ended February 1985, as contained in the annual report to stockholders for the fiscal year ended February 1985. These financial statements and our report thereon are incorporated by reference in the annual report on Form 10-K for the fiscal year ended February 1985. In connection with our examinations of the aforementioned consolidated financial statements, we also examined the related financial statement schedules listed in Part IV, Item 14(a)(2).

In our opinion, such financial statement schedules, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly in all material respects the information set forth therein.

PEAT, MARWICK, MITCHELL & CO.

Chicago, Illinois  
April 22, 1985

## BEATRICE COMPANIES, INC.

## PROPERTY, PLANT AND EQUIPMENT

Three Years Ended February 1985  
(In millions)

	Balance at Beginning of Period	Additions At Cost (A)	Disposals (B)	Elimination of Fully Depreciated Assets	Other (C)	Balance at End of Period
Year ended February 1983						
Land .....	\$ 109	\$ 32	\$ 5	\$ —	\$ (6)	\$ 130
Buildings .....	831	155	30	—	(36)	920
Machinery and equipment .....	<u>1,419</u>	<u>280</u>	<u>97</u>	<u>55</u>	<u>(81)</u>	<u>1,466</u>
	<u>\$2,359</u>	<u>\$ 467</u>	<u>\$132</u>	<u>\$ 55</u>	<u>\$(123)</u>	<u>\$2,516</u>
Year ended February 1984						
Land .....	\$ 130	\$ 18	\$ 17	\$ —	\$ (3)	\$ 128
Buildings .....	920	65	111	—	(27)	847
Machinery and equipment .....	<u>1,466</u>	<u>225</u>	<u>181</u>	<u>24</u>	<u>(64)</u>	<u>1,422</u>
	<u>\$2,516</u>	<u>\$ 308</u>	<u>\$309</u>	<u>\$ 24</u>	<u>\$(94)</u>	<u>\$2,397</u>
Year ended February 1985						
Land .....	\$ 128	\$ 121	\$ 18	\$ —	\$ (3)	\$ 228
Buildings .....	847	475	149	—	(24)	1,149
Machinery and equipment .....	<u>1,422</u>	<u>743</u>	<u>332</u>	<u>26</u>	<u>(39)</u>	<u>1,768</u>
	<u>\$2,397</u>	<u>\$1,339</u>	<u>\$499</u>	<u>\$ 26</u>	<u>\$(66)</u>	<u>\$3,145</u>

(A) Includes \$961 million in fiscal 1985 relating to acquired companies, principally Esmark.

(B) Includes \$324 million relating to divested operations in fiscal 1985.

(C) Represents foreign currency translation adjustments due to the adoption of Statement of Financial Accounting Standards No. 52 in 1983.

(D) The cost of plant and equipment sold or otherwise disposed of and the accumulated depreciation thereon are eliminated from the asset and accumulated depreciation accounts and any resulting profit or loss is included in the statement of consolidated earnings.

## BEATRICE COMPANIES, INC.

ACCUMULATED DEPRECIATION, DEPLETION AND AMORTIZATION  
OF PROPERTY, PLANT AND EQUIPMENT

Three Years Ended February 1985

(In millions)

	Balance at Beginning of Period	Additions Charged to Costs and Expenses	Disposals (A)	Elimination of Fully Depreciated Assets	Other (B)	Balance at End of Period
Year ended February 1983						
Buildings .....	\$242	\$ 35	\$ 15	\$ —	\$ (8)	\$254
Machinery and equipment .....	589	147	53	55	(30)	598
	<u>\$831</u>	<u>\$182</u>	<u>\$ 68</u>	<u>\$ 55</u>	<u>\$ (38)</u>	<u>\$852</u>
Year ended February 1984						
Buildings .....	\$254	\$ 39	\$ 43	\$ —	\$ (6)	\$244
Machinery and equipment .....	598	155	103	24	(32)	594
	<u>\$852</u>	<u>\$194</u>	<u>\$146</u>	<u>\$ 24</u>	<u>\$ (38)</u>	<u>\$838</u>
Year ended February 1985						
Buildings .....	\$244	\$ 56	\$ 44	\$ —	\$ 29	\$285
Machinery and equipment .....	594	209	153	26	38	662
	<u>\$838</u>	<u>\$265</u>	<u>\$197</u>	<u>\$ 26</u>	<u>\$ 67</u>	<u>\$947</u>

(A) Includes \$136 million relating to divested operations in fiscal 1985.

(B) Represents deductions of \$52 million, \$41 million and \$27 million due to foreign currency translation adjustments, net of \$14 million, \$3 million and \$7 million of additions applicable to acquired non-U.S. companies, in fiscal 1983, 1984 and 1985, respectively. Also includes in fiscal 1985 an addition of \$87 million, reflected in the statement of consolidated earnings, to record the write-down of certain Beatrice assets in connection with the integration and restructuring of operations following the acquisition of Esmark.

(C) The following summarizes the annual rates of depreciation currently in use:

Buildings .....	2% to 10%
Machinery and equipment .....	7% to 50%

## BEATRICE COMPANIES, INC.

## VALUATION AND QUALIFYING ACCOUNTS

Three Years Ended February 1985  
(In Millions)

Description	Balance At Beginning Of Period	Additions			Balance At End Of Period
		Charged To Costs And Expenses	Recoveries	Deductions	
Allowance for doubtful accounts:					
Year ended February 1983 .....	\$ 26	\$ 14	\$ 2	\$ 15(A)	\$ 27
Year ended February 1984 .....	\$ 27	\$ 17	\$ 1	\$ 15(A)	\$ 30
Year ended February 1985 .....	\$ 30	\$ 37	\$ 3	\$ 18(A)	\$ 52
Business realignment reserve:					
Year ended February 1983 .....	\$ 60	\$139(B)	\$ —	\$ 32(C)	\$167(D)
Year ended February 1984 .....	\$167	\$ —	\$ —	\$112(E)	\$ 55
Year ended February 1985 .....	\$ 55	\$262(F)	\$ —	\$ 68(G)	\$249(H)
Allowance for amortization of rental vehicles:					
Year ended February 1985 .....	\$ —	\$121	\$ —	\$ —	\$121

- (A) Includes accounts charged off as uncollectible and amounts associated with divested companies.
- (B) Includes \$127 million for losses on planned divestitures and business realignment costs. The remaining charges to expense of \$12 million represent additional estimated losses on divested businesses.
- (C) Represents realized losses on divested operations. Includes \$11 million of goodwill write-downs on companies to be divested.
- (D) Includes \$87 million and \$80 million classified as accrued expenses and other noncurrent liabilities, respectively.
- (E) Includes \$56 million of realized losses and other costs associated with companies divested, a \$38 million reserve reduction credited to earnings as a result of better than anticipated selling prices for divested companies and \$18 million of other corporate identity and business realignment costs.
- (F) Includes \$192 million for business integration and restructuring costs, \$46 million for costs associated with divested businesses and \$24 million for losses on planned divestitures.
- (G) Includes \$27 million of realized losses and other costs associated with divested operations, \$14 million related to the corporate identity marketing program and \$27 million of costs due to business integration, restructuring and other realignment activities.
- (H) Includes \$242 million and \$7 million classified as accrued expenses and other noncurrent liabilities, respectively.

## BEATRICE COMPANIES, INC.

## SUPPLEMENTARY INCOME STATEMENT INFORMATION

Three Years Ended February 1985  
(In millions)

<u>Description</u>	<u>Charged to Costs and Expenses</u> <u>Years Ended February</u>		
	<u>1985</u>	<u>1984</u>	<u>1983</u>
Maintenance and repairs.....	<u>\$159</u>	<u>\$127</u>	<u>\$121</u>
Advertising costs (A) .....	<u>\$680</u>	<u>\$288</u>	<u>\$226</u>

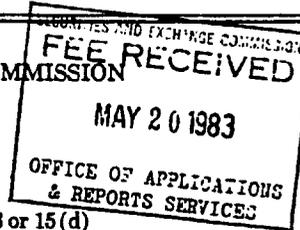
(A) Represents costs of media and cooperative advertising and sales promotions.



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SECURITIES AND EXCHANGE COMMISSION  
Washington, D. C. 20549



### Form 10-K

Annual Report Pursuant to Section 13 or 15(d)  
of the Securities Exchange Act of 1934

Fiscal Year Ended February 28, 1983

Commission File No.: 1-831

## Beatrice Foods Co.

Delaware  
(State of Incorporation)

36-078-3330  
(I.R.S. Employer Id. No.)

Two North LaSalle Street, Chicago, Illinois  
(Address of Principal Executive Offices)

60602  
(Zip Code)

Registrant's telephone no., including area code: (312) 782-3820

Securities registered pursuant to Section 12(b) of the Securities Exchange Act of 1934:

Title of Class	Name of Each Exchange on Which Registered
7½% Sinking Fund Debentures Due 1994	New York Stock Exchange
8½% Sinking Fund Debentures Due 2008	New York Stock Exchange
10½% Sinking Fund Debentures Due 2010	New York Stock Exchange
\$4.00 Convertible Preference Stock, Second Series	New York Stock Exchange
Series A Cumulative Convertible Preference Stock	New York Stock Exchange
Common Stock	New York Stock Exchange Midwest Stock Exchange

No securities are registered pursuant to Section 12(g) of the Securities Exchange Act of 1934.

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

The aggregate market value of all voting stock held by non-affiliates of the Registrant computed by reference to the last reported price at which stock was sold on May 13, 1983 was approximately \$3,058 million.

As of May 13, 1983, a total of 99,113,662 shares of Common Stock were outstanding.

#### DOCUMENTS INCORPORATED BY REFERENCE

Parts I, II and IV incorporate by reference portions of Beatrice Foods Co. Annual Report to Stockholders for the fiscal year ended February 28, 1983 ("Beatrice's 1983 Annual Report"). Part III incorporates by reference portions of Beatrice Foods Co. Proxy Statement for the Annual Meeting of Stockholders dated May 5, 1983 ("Beatrice's Proxy Statement dated May 5, 1983").

TOTAL OF SEQUENTIALLY NUMBERED PAGES: 81  
EXHIBIT INDEX ON SEQUENTIALLY NUMBERED PAGE: 18

s Co. Annual Report for Fiscal Year

# Beatrice Food

FOR  
THEIR  
LIVE  
PRICE  
QUALITY

DEASTA  
MILLS

**ON THE COVER:**

On the Kennedy Expressway, three miles north of Chicago's Loop, stands the Beatrice Foods Co. sign, one of the largest outdoor advertisements in the country. The recently renovated sign promotes Beatrice's products to more than 700,000 travelers daily and symbolizes the company's renewed commitment to marketing.

Additional examples of Beatrice marketing efforts can be found in the "Growth Through Marketing" section, pages 16-24, which features stories about, as well as stockholder coupons for, Beatrice products.

**THE BUSINESS OF BEATRICE**

Beatrice is one of the world's leading diversified food companies, marketing a wide range of goods and services worldwide. The company employs over 78,000 people at facilities in over 30 countries.

Though varied in scope, each of Beatrice's operations has a common characteristic of offering quality and value. The vast majority of Beatrice businesses are geared to consumer markets.

Operations are balanced strategically among five principal business categories. Four of these make up a solid base of food and food-related products and services. The fifth encompasses the fields of consumer, industrial and chemical products.

Throughout Beatrice's nearly 90-year history, it has benefited from the dedication and hard work of its employees. Their eagerness to respond quickly to changing market conditions has led to an impressive and consistent performance record.

To prepare for a more competitive and volatile economic climate, Beatrice has made the commitment to become a unified, directed marketing company. This focus on marketing, together with Beatrice's philosophy of decentralized management and strong financial controls, places the company in an excellent position to prosper in the future.

**ANNUAL MEETING**

The 86th annual meeting of Beatrice stockholders will be held in the Grand Ballroom of the Hyatt Regency Hotel, 151 East Wacker Drive, Chicago, IL, on Thursday, June 9, at 10:00 a.m. Central Time.

**CORPORATE OFFICES**

Two North LaSalle Street  
Chicago, IL 60602  
Telephone (312) 782-3820  
Cable Address: BEATRICO CHICAGO  
Telex: 254080

William L. DeHaven, president of Specialty Meats, was elected a corporate vice president.

Thomas P. Kemp, president of Soft Drinks and Bottled Water operations, was named a corporate vice president.

Mary D. Allen, previously assistant vice president in the legal department, became vice president and assistant general counsel.

Barbara M. Knuckles, formerly manager of community and consumer relations, was named vice president and director of corporate marketing research.

#### ACQUISITIONS AND DIVESTITURES

In addition to finding familiar faces in new positions, many new faces appeared around the company because of acquisitions completed during fiscal 1983. In December we acquired Termicold Corporation, a refrigerated warehouse company with headquarters in Portland, Oregon. Beatrice now operates 41 warehouses nationally.

In June we completed acquisitions of Coca-Cola Bottling Company of San Diego and Coca-Cola Bottling Company of San Bernardino. These acquisitions, along with a few smaller Coca-Cola franchise territories acquired this year, complement our profitable and promising beverage operations.

During the year Beatrice sold a number of companies, including Amarillo By-Products and John J. Riley from the agri-products operations; A-1 Tool, Acme Die Casting, and Accurate Threaded Fasteners from industrial operations; and Brookside Vineyard. Financial details of acquisitions and divestitures are found in note 2 of Notes to Consolidated Financial Statements.

#### COMMUNITY RESPONSIBILITY

Your company continues to invest time and resources to enhance the quality of life in the communities in which its employees live and work.

During fiscal 1983, the company contributed \$3 million in direct financial support to a variety of educational, cultural, civic and medical institutions. In addition, Beatrice maintained its leadership position in the national food bank program, providing nearly 2 million pounds of surplus food to the needy, and continued its financial support for Second Harvest, the national food bank network.

The company's gift-matching program received wide support from employees who contribute to many educational, cultural and health-related organizations.

#### PRODUCTIVITY/EXPORTS

Much of the credit for Beatrice's ability to grow during this difficult year must go to our employees. Through unselfish dedication and commitment to a strong work ethic, Beatrice showed a substantial increase in worker productivity even though there were fewer employees. For all operations, sales per

employee increased nearly 7 percent, while the work force was down almost 5 percent.

Productivity improvements during fiscal 1983 resulted in a savings of \$40 million, up about 60 percent from the \$25 million saved last year.

Beatrice continues to promote export activity throughout the company through its program "Expro." Overall, exports declined moderately in fiscal 1983 as a result of the world-wide recession and the strong U.S. dollar. We are positioned well to take advantage of world-wide export opportunities as conditions improve.

#### OUTLOOK FOR FISCAL 1984

Given our new marketing direction, the appointments of capable people to key positions, and the promising upturn many of our businesses experienced at the close of the fiscal year, we are optimistic about prospects for each of our five operating segments and for the company as a whole in fiscal 1984.

Beatrice is a company that plans not for a single year but for the long-term. Even though we are optimistic about next year, we are more concerned with providing a stable base of profitability for years to come.

The steps we've taken should enable Beatrice to make substantial progress toward meeting our long-term objectives of 5 percent real annual growth and 18 percent return on equity.

We wish to acknowledge the loyalty and support of our employees, as well as that of Beatrice stockholders, customers and suppliers throughout the world. It is with them that we share the past successes and the promise of the future.

Sincerely yours,



James L. Dutt  
Chairman  
Chief Executive Officer  
President

May 5, 1983

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SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

**Form 10-K**

Annual Report Pursuant to Section 13 or 15(d)  
of the Securities Exchange Act of 1934

For the fiscal year ended February 28, 1986

Commission file number: 1-831

**Beatrice Companies, Inc.**

Delaware  
(State of Incorporation)

36-0783330  
(I.R.S. Employer Id. No.)

Two North LaSalle Street, Chicago, Illinois  
(Address of Principal Executive Offices)

60602  
(Zip Code)

Registrant's telephone number, including area code: (312) 782-3820

No securities are registered pursuant to Section 12(b) of the Securities Exchange Act of 1934.

Securities registered pursuant to Section 12(g) of the Securities Exchange Act of 1934:

Title of Class

Series A Cumulative Convertible Preference Stock

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

As of April 17, 1986, all outstanding shares of the registrant's common stock were and continue to be directly and indirectly owned by BCI Holdings Corporation.

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# Form 10-K Annual Report

For the Fiscal Year Ended February 28, 1986

In this report, the term "Beatrice" is used to refer to Beatrice Companies, Inc., and, unless indicated otherwise or the context suggests otherwise, its subsidiaries.

## PART I

### ITEM 1. BUSINESS.

Beatrice, BCI Holdings Corporation ("Holdings") and BCI Merger Corporation ("Merger Sub") entered into an Agreement and Plan of Merger, dated as of November 14, 1985 and modified as of February 2, 1986 (as restated and modified, the "Merger Agreement"). The Merger Agreement was approved by Beatrice's stockholders on April 11, 1986. Pursuant to the Merger Agreement, Merger Sub merged with and into Beatrice (the "Merger") on April 17, 1986 (the "Effective Time of the Merger") with Beatrice surviving and becoming a direct and indirect wholly-owned subsidiary of Holdings.

Beatrice is a worldwide producer and marketer of food and food-related products as well as a broad range of non-food products for use in various consumer, commercial and industrial markets. Beatrice has manufacturing operations in more than 30 countries and markets products and services in more than 100 countries under a variety of well recognized brand names. All of the brand names appearing below in solid capital letters are registered trademarks or tradenames of Beatrice and/or its subsidiaries. Beatrice believes that, measured by sales, it is among the largest packaged foods companies and consumer products companies in the United States.

In June 1984, Beatrice acquired Esmark. The Esmark acquisition was part of Beatrice's strategy to focus its assets in the food and consumer products businesses. Esmark's attributes were national brands, which complemented Beatrice's regional brands, a large direct sales force, one of the most efficient distribution networks in the food industry and a leading research and development capability.

Beatrice's operations are organized into three business segments: U.S. Food, Consumer Products and International Food. Certain other operations of Beatrice, consisting primarily of the Avis vehicle rental and leasing businesses, the Jensen high fidelity business and the Danskin and Pennaco knitwear businesses, have been identified for divestiture and are not discussed herein. On April 29, 1986 Beatrice entered into an agreement in principle to sell Avis with Wesray Capital Corporation. Consummation of this agreement is subject to the preparation and execution of a definitive agreement and the satisfaction of other conditions.

#### U.S. Food

U.S. Food produces, distributes and sells a broad range of well-known branded food products. With more than 150 brands in 90 product categories, U.S. Food is the largest segment of Beatrice's operations. The Esmark acquisition increased the ability of U.S. Food to distribute many of its brands directly, instead of through brokers, and the resulting national presence offers U.S. Food the opportunity to distribute regional brands on a national basis.

U.S. Food is composed of eight major divisions each of which holds a significant position in the market in which it participates. In descending order by fiscal 1986 sales contribution, the eight divisions are: Grocery; Meats; Dairy; Cheese; Soft Drinks; Fruit Juices; Bottled Water; and Warehousing.

#### *Grocery Division*

The Grocery Division produces, processes and distributes packaged grocery products ranging from basic recipe ingredients, such as tomato sauce and paste, to prepared convenience foods. With sixteen distribution outlets throughout the U.S. and over 600 direct retail sales personnel and 220 food service sales personnel, Beatrice believes that it has one of the largest and most efficient distribution networks in the packaged foods industry. Distribution of products is also made through local food brokers.

Among the division's major brands are HUNT'S tomato products, including tomato sauce and paste, canned tomatoes, sloppy joe sauce, ketchup and barbeque sauce and WESSON's cooking and salad oils.

Beatrice also competes in the ethnic food market with LA CHOY canned and frozen Oriental food products nationally and ROSARITA canned Mexican refried beans and sauces in the West and Southwest.

Other brands include: PETER PAN peanut butter; SWISS MISS cocoa mixes and puddings; SOUP STARTER and STEW STARTER packaged mixes; MANWICH sloppy joe sauce and mix; LOWREY'S meat snacks; MARTHA WHITE baking mixes; AUNT NELLIE'S processed vegetables; FISHER nuts; and ORVILLE REDENBACHER'S popcorn and related products.

The Grocery Division also produces, markets and sells premium fountain toppings, syrups, sauces and related beverage products to the commercial and industrial segments of the food service industry.

#### *Meats Division*

The Meats Division features such well-known premium brand names as BUTTERBALL turkey and turkey products and SWIFT and ECKRICH processed meats. The division's products are commonly found in the refrigerated meat and delicatessen cases in supermarkets across the country. Sales are made through both a direct selling organization and a broker network. Since the acquisition of Esmark, the Meats Division has been successful in shifting an increasing percentage of its sales to its direct sales force, rather than relying on brokers.

#### *Dairy Division*

Beatrice's Dairy Division is among the largest dairy products producers in the country with over 40 processing facilities in 18 states. The division manufactures, distributes and markets milk, butter, cultured dairy products, ice cream and ice cream novelties to retail, food service, school and industrial customers in the Southeastern, Midwestern, Mid-Atlantic and Western states. Principal branded products include: MEADOW GOLD milk, cream, butter and ice cream; HOTEL BAR and KELLERS butter; VIVA low-fat products, including cottage cheese; LOUIS SHERRY ice cream; and MOUNTAIN HIGH yogurt.

#### *Cheese Division*

The Cheese Division is one of the largest cheese producers in the U.S. It produces and distributes natural cheese, cream cheese and other products principally to food manufacturing, foodservice and private label markets, as well as the retail market. The PAULY brand is primarily marketed to the foodservice industry.

While the division's business is largely devoted to serving non-retail markets, the COUNTY LINE natural cheese brand and TREASURE CAVE brand blue cheese have strong national retail markets, and an increasing portion of the division's business is represented by COUNTY LINE products. County Line offers eight varieties of cheeses and has been successful during the past year in introducing a new line of shredded cheeses. In addition, Swissrose International imports a variety of cheeses for retail and industrial sale. REDDI-WIP, a refrigerated dessert topping, is also a product of the Cheese Division.

#### *Soft Drink Division*

The Soft Drink Division is one of the largest franchised bottlers and distributors of Coca-Cola products which make up over 70 percent of the division's case volume. In addition, the division bottles and distributes Dr Pepper, Crush, Hire's Root Beer and Sunkist Orange soft drinks. The Soft Drinks Division consists of two operations, Soft Drinks West and Soft Drinks Mid-America. Soft Drinks West operates in 19 contiguous counties in southern California (including those containing Los Angeles, San Diego and Palm Springs); the southern half of Nevada (including Las Vegas); Yuma, Arizona, and four Hawaiian Islands (including Oahu). This franchise area is especially attractive due to its warm climate, high percentage of young people and population, which is increasing faster than the national average. Beatrice believes that the population concentration in this franchise area affords it superior distribution efficiency. Soft Drinks Mid-America operates in parts of Kansas, Missouri, Nebraska, Iowa, Illinois and Wisconsin.

### *Fruit Juices Division*

Principal products of the division include TROPICANA'S PURE PREMIUM, the only national brand of orange juice not made from concentrate and TROPICANA brand frozen and ready-to-serve orange juice, now also available in a homestyle variety with added pulp. The division also markets grapefruit and apple juices made from concentrate under the TROPICANA label. TROPICANA products are distributed in most of the East and Southeast, and in portions of the Midwest, California, Texas and Arizona.

### *Bottled Water Division*

Beatrice is the largest processor and distributor of bottled water in the country with its ARROWHEAD, OZARKA and GREAT BEAR brands. These products are marketed in California, Texas, Arizona and 11 Eastern states. The water is distributed either directly to customers or through retail outlets.

Bottled water has been the fastest-growing segment in the beverage industry. The demand for bottled water is expected to continue to grow due to increased concern over health and water quality.

Building upon its recognized brands of route-delivered water, the division has expanded its retail presence through the introduction of waters packaged for sale in grocery stores and a recently introduced line of ARROWHEAD flavored sparkling waters.

### *Warehouse Division*

Beatrice's nationwide network of refrigerated storage facilities is the largest refrigerated warehouse network in the U.S., consisting of 46 warehouses in 16 states with a capacity of approximately 200 million cubic feet. Customers include meat and fish packers, food processors and retail stores. The Warehouse Division's services include the storage and distribution of food and other products. Beatrice believes it has the largest and most modern network of warehouse facilities in the U.S.

### **Consumer Products**

Consumer Products produces a broad range of products for consumer use. Its two groups, Personal Products and Consumer Durables, have major operations in home products, water treatment, luggage, intimate apparel, family products, cosmetics and fragrances.

#### *Personal Products*

International Playtex, Inc. competes in three major markets: intimate apparel; family products; and cosmetics and fragrances. PLAYTEX is the intimate apparel brand leader in the U.S., United Kingdom, France and Mexico.

Playtex intimate apparel has long been marketed to the more mature segment of the consumer market with its well-established brands such as CROSS-YOUR-HEART, 18-HOUR and SUPPORT-CAN-BE-BEAUTIFUL bras. However, Playtex has begun to serve younger, more fashion conscious consumers with newer brands such as THANK-GOODNESS-IT-FITS and the WOW (WITH-OUT-WIRE) bras. The latter product also has been successfully introduced in most of Playtex's international markets.

The family products business includes such well-known products as the PLAYTEX baby nurser, which is the leading disposable infant feeding system, PLAYTEX LIVING gloves and PLAYTEX tampons. Another key family product brand is the JHIRMACK hair care line, currently being extended through the introduction of JHIRMACK Lite, designed for consumers who shampoo daily.

The cosmetic and fragrance business is comprised of three major companies: MAX FACTOR cosmetics and fragrances; ALMAY hypoallergenic cosmetics; and HALSTON fragrances for men and women.

### *Consumer Durables*

The Consumer Durables Group includes brands that are well-known worldwide. Described below in descending order by fiscal 1986 sales contribution are the group's five divisions.

The Home Products Division consists of five independent businesses which manufacture and market a broad range of products including: SAMSONITE patio and casual furniture and VOGEL-PETERSON office furniture; STIFFEL lamps; ARISTOKRAFT kitchen and bath cabinets; Beatrice Home Specialties plumbing products; and WATERLOO tool boxes and chests. These products are sold through a combination of direct sales forces, manufacturers' representatives and distributors.

Samsonite Furniture offers a wide range of leisure and casual furniture including patio furniture, banquet tables, wardrobe products and office furniture.

One of the best known brands among the Home Products Division companies is STIFFEL, a leading name in quality lamps. Stiffel manufactures and/or markets a broad line of high-quality lamps and lighting fixtures for residential and commercial users.

Aristokraft manufactures and markets a wide variety of kitchen cabinets and bathroom vanities. Aristokraft currently supplies the building and remodeling market and is expanding into the home improvement and do-it-yourself markets.

Under the brand names CHICAGO SPECIALTIES, STEP BY STEP, DEARBORN BRASS and WRIGHTWAY, as well as under private label, Beatrice Home Specialties manufactures and/or markets a variety of plumbing specialty items to the hardware, home center and professional markets.

Waterloo manufactures and markets, under its own name as well as private label, tool boxes and tool chests. In addition, Waterloo manufactures and markets medical storage units.

Another division of Consumer Durables Group, Samsonite Luggage, is the largest manufacturer of luggage and attache cases around the world and is significantly larger than its nearest competitor. While the market for hard-sided luggage in the U.S. (Samsonite's historical base) has declined, the demand for hard-sided luggage remains strong in Europe. In addition, Samsonite has successfully expanded into the soft-sided luggage market under the SAMSONITE and LARK labels. Samsonite recently introduced the SYSTEM 4 line of hard and soft luggage in the U.S. and Canada. This new product line, which includes a garment bag designed to address consumer problems with the traditional garment bag, has innovative features and is expected to bolster Samsonite's position in the soft-sided luggage market.

The Direct Marketing Division markets diary planners and time management aids under the DAYTIMERS brand name primarily through direct mail advertising and catalogs. The Webcraft Technologies Division is a specialty printing company which prints a wide variety of products, including catalog and newspaper inserts, fragrance samples and lottery tickets. The division expects to benefit by the growth of direct mail marketing.

Consumer Durable's Culligan Water Treatment Division is a worldwide leader in water treatment filtration systems and CULLIGAN is a leading national consumer brand. Culligan produces and, through a franchise network, sells CULLIGAN water treatment systems to residential, commercial and industrial customers. The Culligan Division also services industrial customers directly through its ARROWHEAD industrial water operations. Culligan's sales have benefited from the growing consumer concern regarding water quality.

The Window Coverings Division manufactures and markets LOUVERDRAPE and DEL MAR fashion window coverings. These brands compete in four major markets—horizontal blinds, vertical blinds, pleated shades and woven wood blinds.

## **International Food**

International Food has operations in more than 30 countries and sells products under a variety of locally well-recognized brand names. International Food businesses include five primary categories of products including: food distribution; dairy and ice cream; confectionery, snacks and baked goods; beverages and fruit juices; and processed meats.

Five operating divisions, corresponding to geographic regions, make up the International Food organization. These divisions, in order of fiscal 1986 sales, are Europe (59 percent), Canada (19 percent), Latin America (13 percent), Australia (7 percent) and Asia (2 percent). International Food represents approximately 70 percent of Beatrice's total non-U.S. sales.

European operations, the largest of the divisions, include food distribution, processed meats, ice cream and yogurt, beverages, and snacks and confectionery products. Retail and wholesale food distribution accounts for more than 50 percent of European operations. Brand names include CAMPOFRIO sausage and specialty meats, SMITH KENDON and CALLARD & BOWSER confections, and STUTE jams and fruit juices.

Latin American operations include snacks, confectionery and baked goods, and dairy and ice cream. Latin American grocery brands include: SAVOY confections; JACK'S SNACKS; WILSON specialty meats; and HOLANDA ice cream.

Beatrice's Canadian operations include BEATRICE brand milk, yogurt, ice cream and cheese products. The division produces and markets COLONIAL brand baked goods, as well as beverages and specialty products/flavorings.

Australian operations cover both Australia and New Zealand and include confectionery, juices, specialty meats and food distribution. Brands include: RED TULIP confectionery items; PATRA juices; and BARON'S TABLE specialty meats and frozen entrees.

Asian operations include dairy and ice cream, Oriental food specialties, snacks and confectionery products and beverages.

## **Raw Materials and Competition**

Various agricultural commodities constitute the principal raw materials used by Beatrice in the manufacture of its food products. Beatrice's non-foods consumer products are manufactured from a wide variety of fabrics, plastics, metals, minerals and chemicals. To the best knowledge of Beatrice, none of the raw materials for its significant products is in short supply and most are readily available from a wide variety of independent suppliers. Prices of agricultural commodities tend to fluctuate due to various seasonal, climatic and economic factors, which factors generally affect Beatrice's competitors as well.

Beatrice faces substantial competition throughout its product line from firms, both large and small, in the U.S. and in other countries, some of which market other well-known, branded products. Its food and consumer products also compete with generic products and private label products of retailers, wholesalers and cooperatives. The principal competitive factors are price, quality and brand loyalty.

## **Management and employees**

As of February 28, 1986, Beatrice had approximately 100,000 employees, including discontinued operations. There have been no significant interruptions or curtailments of Beatrice's operations due to labor disputes and Beatrice considers its labor relations to be satisfactory.

In general, operating decisions are made at the operating management level. The decisions typically include product mix, product pricing and market selection. A significant portion of the total compensation of operating executives typically is based upon profit contributions of the activities under their supervision.

**ITEM 2. PROPERTIES.**

Beatrice uses various owned and leased plants, warehouses, distribution centers and other facilities in its businesses and operations. The following table sets forth information with respect to the approximate number and location of facilities operated by Beatrice by business segment as of February 28, 1986.

	Approximate Number of Facilities				
	United States		Outside		Total
	Owned	Leased	Owned	Leased	
U.S. Food .....	410	250	20	30	710
Consumer Products .....	60	130	30	40	260
International Food .....	—	—	170	250	420
Discontinued Operations/Other .....	20	1,040	—	690	1,750
	<u>490</u>	<u>1,420</u>	<u>220</u>	<u>1,010</u>	<u>3,140</u>

**ITEM 3. LEGAL PROCEEDINGS.**

In the opinion of management, there are no claims or litigation pending to which Beatrice is a party which are expected to have a material adverse effect on Beatrice's consolidated financial condition.

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

No matter was submitted in the fourth quarter of the 1986 fiscal year to a vote of Beatrice stockholders.

On April 11, 1986, Beatrice's stockholders approved an Agreement and Plan of Merger among Beatrice, Holdings and Merger Sub. Beatrice's stockholders also approved a proposal to amend Beatrice's Restated Certificate of Incorporation and By-Laws to increase the par value of Beatrice Common Stock from no par value to \$.01 par value per share, to delete certain provisions of the Beatrice Charter relating to certain series of preference stock that are no longer outstanding and to repeal certain provisions of the Beatrice Charter and By-Laws designed to discourage certain takeover tactics. Additional information regarding the Merger can be found in Note 2 of the Notes to Consolidated Financial Statements.

**PART II**

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

Beatrice is a direct and indirect wholly-owned subsidiary of BCI Holdings Corporation and no Beatrice common stock is publicly traded.

**ITEM 6. SELECTED FINANCIAL DATA.**

Information regarding selected financial data can be found in Note 19 of the Notes to Consolidated Financial Statements.

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

**Operations**

The table below presents the net sales and earnings for each of Beatrice's business segments. The amounts exclude the net sales and earnings of businesses that are accounted for as discontinued operations. The discontinued operations information included in Note 6 of the Notes to Consolidated Financial Statements provides additional information regarding those businesses. In addition, certain amounts have been reclassified to give effect to divestitures through February 28, 1986. The following discussion addresses the results of Beatrice's ongoing operations: U.S. Food, Consumer Products and International Food.

**NET SALES AND EARNINGS BY BUSINESS SEGMENT**

<u>Year ended last day of February</u>	<u>1986</u>		<u>1985</u>		<u>1984</u>	
	<u>Net Sales</u>	<u>Earnings</u>	<u>Net Sales</u>	<u>Earnings</u>	<u>Net Sales</u>	<u>Earnings</u>
	(In millions)					
U.S. Food .....	\$ 7,040	\$548	\$ 6,289	\$359	\$4,113	\$338
Consumer Products .....	2,337	214	1,795	189	948	133
International Food .....	1,919	94	1,852	96	1,732	105
	<u>11,296</u>	<u>856</u>	<u>9,936</u>	<u>644</u>	<u>6,793</u>	<u>576</u>
Businesses divested through February 28, 1986 .	100	1	1,922	190	2,534	228
Total segments .....	<u>\$11,396</u>	<u>857</u>	<u>\$11,858</u>	<u>834</u>	<u>\$9,327</u>	<u>804</u>
Unallocated corporate expenses .....		(121)		(111)		(106)
Gross operating earnings .....		<u>\$736</u>		<u>\$723</u>		<u>\$698</u>

**Fiscal 1986 Compared With Fiscal 1985**

Net sales, excluding businesses divested through February 28, 1986, increased 14 percent, from \$9.9 billion to \$11.3 billion. After including net sales of businesses divested through February 28, 1986, total net sales decreased 4 percent from \$11.9 billion to \$11.4 billion. Segment earnings, excluding businesses divested through February 28, 1986, increased 33 percent, from \$644 million to \$856 million. Total segment earnings increased from \$834 million to \$857 million. Segment earnings of ongoing operations increased primarily due to higher margins at U.S. Food operations. Both net sales and segment earnings of U.S. Food and Consumer Products were favorably affected by the inclusion of Esmark operations for twelve months in the current year versus only eight months in the prior year.

Earnings before discontinued operations totaled \$225 million compared to \$477 million in fiscal 1985. The decrease in earnings from fiscal 1985 to fiscal 1986 resulted from a number of factors including:

- a change of \$220 million (after-tax) in Business Realignment income (per share: \$2.40 primary; \$2.18 fully diluted).
- a non-recurring \$19 million non-taxable gain realized in the prior year on the debt for preference stock exchange (per share: \$.20 primary; \$.19 fully diluted).
- a non-recurring decrease in the income tax provision in the prior year of \$17 million due to the reversal of deferred taxes related to DISC earnings (per share: \$.19 primary; \$.17 fully diluted).
- expenses of \$17 million (pre-tax) in 1986 related to the April 1986 merger of Beatrice with a company formed by the investment firm of Kohlberg Kravis Roberts & Co. The after-tax effect of these expenses was \$9 million (per share: \$.08 primary and fully diluted).

Additionally, the absence of earnings from divested operations was partially offset by the additional four months of earnings contributions from Esmark operations and lower net interest expense resulting from debt reductions.

Primary and fully diluted earnings per share before discontinued operations were \$2.04 and \$2.03, respectively, compared to \$5.04 and \$4.75, respectively, last year. The changes were primarily a result of the factors mentioned in the preceding paragraph and the increase in the number of common shares outstanding resulting from the July 1985 sale of common stock (per share effect: \$.07 primary; \$.06 fully diluted).

*Segment Results* The net sales for the U.S. Food segment were \$7.0 billion in fiscal 1986 compared to \$6.3 billion in fiscal 1985. The increase of 12 percent was primarily attributable to the inclusion of Esmark's grocery, meats and cheese operations for twelve months in fiscal 1986 compared to eight months in fiscal 1985. Sales volume gains resulting from new product introductions by soft drinks operations also contributed to the sales increase. These gains were somewhat offset by the exit from the fresh meats business and lower selling prices due to lower product costs at cheese and fruit juices operations.

U.S. Food segment earnings increased 53 percent from \$359 million to \$548 million primarily due to improved earnings at fruit juices, meats, grocery, and dairy products and the inclusion of the Esmark food operations for twelve months in the current year versus eight months in the prior year. Improved earnings were reported by fruit juices and meats primarily as a result of lower product costs and reduced operating expenditures. Grocery operations reported improved earnings as a result of lower operating expenses due to operating efficiencies. Lower product costs at dairy operations also contributed to the earnings increase. At soft drink operations, increased marketing expenditures in light of extremely competitive marketing conditions more than offset earnings from volume increases.

Consumer Products sales were \$2.3 billion compared to \$1.8 billion for the prior year. The increase of 30 percent over the prior year was attributed to the inclusion of Esmark's personal products operations for twelve months in fiscal 1986 as compared to eight months in fiscal 1985. Each of the segment's businesses had strong sales performances. New product offerings, market growth and increased sales promotions accounted for a significant portion of the sales increase.

Consumer Products segment earnings increased 13 percent from \$189 million in fiscal 1985 to \$214 million in fiscal 1986. Increased earnings are attributable to the inclusion of the Esmark operations for twelve months versus eight months in the prior year. Fiscal 1986 earnings were affected by a pre-tax charge of \$25 million for increased product warranty costs as a result of the insolvency of one of Beatrice's insurance carriers. In fiscal 1985, segment earnings were reduced by a \$32 million pre-tax charge arising from costs, including the costs of a product exchange program, associated with the tampon business. Volume increases at many operations and lower overhead costs at personal products operations also contributed to the earnings increase.

International Food sales increased 4 percent to \$1.9 billion. All major geographical areas, except Australia, reported sales increases in local currencies. Unfavorable foreign exchange rates continued to adversely affect sales performances.

International Food segment earnings were slightly below prior year. This change is primarily due to the continued strength of the U.S. dollar against many foreign currencies during fiscal 1986. Latin America reported increased earnings due to the inclusion of a full year's earnings in fiscal 1986 for a company acquired late in fiscal 1985. Price and volume increases at dairy operations were responsible for the earnings increase in Canada. Australian earnings declined due to lower confectionery volume.

*Other Results* Unallocated corporate expenses increased primarily due to increased expenditures related to the sponsorship of automobile racing programs and the inclusion of postretirement medical expenses for Esmark retirees for all of fiscal 1986.

Net interest expense decreased from \$325 million to \$259 million due to lower debt levels in fiscal year 1986.

Miscellaneous income (expense), net in fiscal 1986 primarily consisted of expenses of \$20 million relating to the phase-out of the automobile racing sponsorships and \$17 million relating to the Merger. In fiscal 1985 this category included a \$19 million non-taxable gain from the early retirement of a portion of Beatrice's outstanding sinking fund debentures in exchange for 1.5 million shares of a new series of convertible adjustable preference stock.

The provision for income taxes in fiscal 1985 was significantly affected by tax rate differentials related to Business Realignment and the reversal of \$17 million of deferred taxes related to DISC earnings. See Note 14 of the Notes to Condensed Consolidated Financial Statements for additional information concerning the provision for income taxes.

#### **Fiscal 1985 Compared With Fiscal 1984**

*Summary* Net sales rose 27 percent to \$11.9 billion, compared with \$9.3 billion a year earlier. Earnings before discontinued operations rose 10 percent to \$477 million after-tax compared with \$433 million previously. Earnings before discontinued operations in both years included after-tax income from Business Realignment activity. In fiscal 1985, Business Realignment activity included pre-tax gains from the sale of various operations totaling \$700 million. These gains were partially offset by a pre-tax charge of \$286 million established for the anticipated costs of restructuring Beatrice's businesses following the acquisition of Esmark.

Excluding Business Realignment activity, earnings before discontinued operations were \$257 million, down 23 percent from \$334 million a year earlier. On a per share basis, such earnings declined at a slower rate because fewer common shares were outstanding during fiscal 1985. Related primary earnings per share before discontinued operations of \$2.64 were down 18 percent from \$3.23 in fiscal 1984. The declines are primarily due to the costs associated with the acquisition of Esmark, significantly higher advertising and sales promotion expenses and the absence of earnings from divested operations. These factors more than offset the earnings from the Esmark operations acquired in 1985.

*Segment Results* U.S. Food sales reached \$6.3 billion, up 53 percent from \$4.1 billion the prior year. The increase was due to the inclusion of acquired Esmark operations, increased demand in soft drinks and bottled waters, new product introductions and significantly higher selling prices in fruit juices operations.

U.S. Food segment earnings rose 6 percent due to the inclusion of acquired operations and volume gains in soft drinks and bottled waters. These factors more than offset lower margins in the grocery, cheese, meats and fruit juices operations resulting from significantly higher advertising and sales promotion expenses and higher raw material prices.

Consumer Products sales increased 89 percent to \$1.8 billion compared with \$948 million the prior year. The increase is due to the inclusion of Esmark personal products operations and volume gains in most consumer durables operations as a result of improved consumer demand and strong marketing efforts.

Consumer Products segment earnings increased 42 percent to \$189 million compared with \$133 million a year earlier due to the inclusion of Esmark operations and earnings increases in home products, window coverings, water treatment and direct marketing operations. Luggage operations experienced a decline in earnings due to lower margins as unit volume gains and selling price increases could not offset higher production costs and selling and marketing expenses. Segment earnings were reduced by a \$32 million pre-tax charge arising from costs, including the costs of a product exchange program, associated with the tampon business.

International Food sales rose 7 percent to \$1.9 billion, compared with \$1.7 billion a year earlier. The increase in sales is primarily due to the inclusion of operations acquired during fiscal 1985 and at the end of fiscal 1984.

International Food segment earnings were \$96 million, 9 percent lower than the \$105 million posted the prior year. Lower foreign currency translation rates accounted for the decline. Canada and Australia reported strong increases in segment earnings due to aggressive marketing efforts which resulted in increased demand. Europe and Latin America posted earnings increases in local currencies largely due to the inclusion of earnings from acquired operations and higher selling prices which more than offset higher production costs.

Total segment sales and earnings, excluding divested businesses, increased 46 percent and 12 percent to \$9.9 billion and \$644 million, respectively. Total segment sales and earnings increased 27 percent and 4 percent to \$11.9 billion and \$834 million, respectively.

*Other Results* Unallocated corporate expenses increased \$5 million primarily due to the addition of unallocated corporate expenses from Esmark operations.

Net interest expense increased \$251 million as a result of the debt incurred to finance the acquisition of Esmark, the inclusion of Esmark's net interest expense and the financing of the December 1983 stock repurchase program.

Business Realignment activity for fiscal 1985 resulted in pre-tax income of \$414 million as compared with pre-tax income of \$163 million in fiscal 1984. Fiscal 1985 divestiture activities resulted in gains of \$700 million (after loss provisions of \$45 million) and included divestitures of Beatrice's chemical, wine and spirits, foodservice equipment, foundry, bakery and cookies, leather, agri-products, specialty apparel, graphic arts, and cryogenic businesses. Following the Esmark acquisition, businesses serving specific market groups are being integrated and restructured. A pre-tax charge of \$286 million for the anticipated costs of the integration and restructuring, which pertain to food businesses owned by Beatrice prior to the acquisition of Esmark, was recorded as a reduction of Business Realignment income in fiscal 1985. For fiscal 1984, the components of Business Realignment income of \$163 million pre-tax were \$125 million of pre-tax gains from the sale of businesses and a \$38 million pre-tax reduction of the previously established Business Realignment reserve.

Miscellaneous income (expense), net in fiscal 1985 includes a \$19 million non-taxable gain from the early retirement of a portion of Beatrice's outstanding sinking fund debentures in exchange for 1.5 million shares of a new series of convertible adjustable preference stock during the second quarter.

The provision for income taxes in both years was affected by the taxes related to Business Realignment income. Fiscal 1985 income taxes were also affected by the non-taxable gain from the exchange of debentures for preference stock and by the reversal of \$17 million of deferred taxes related to DISC earnings. Note 14 of the Notes to Consolidated Financial Statements provides additional information on income taxes.

### **Financial Condition and Inflation**

*Internal Funds* Cash provided by operations before discontinued operations amounted to \$659 million in fiscal 1986, excluding the March 1985 divestiture proceeds, \$654 million in fiscal 1985 and \$725 million in fiscal 1984. Other significant sources of funds during these years include proceeds from the sales of divested operations in all three years and the sale of 14.4 million shares of common stock in fiscal 1986.

During the three-year period, funds were used for capital expenditures and dividends, treasury stock purchases in fiscal 1984, the acquisition of Esmark in fiscal 1985 and in fiscal 1986 the reduction of debt incurred in the Esmark acquisition.

*Working Capital* At the end of fiscal 1986, current assets exceeded current liabilities by \$251 million, a decrease of \$360 million from the prior fiscal year-end. Among the reasons for the decrease are an increase in short-term debt used to finance the purchase of several Beatrice long-term debt issues and a decrease in the net current assets of discontinued operations.

*Capital Expenditures* Net capital expenditures increased in fiscal 1986 to \$356 million from \$251 million in fiscal 1985 and \$208 million in fiscal 1984.

*Leverage and Credit Availability* The total debt to equity ratio decreased from 161 percent at the end of fiscal 1985 to 71 percent at the end of fiscal 1986. This ratio improved during fiscal 1986 primarily because debt was reduced through application of proceeds from the sales of divested operations and the sale of common stock.

In connection with the merger of Merger Sub into Beatrice on April 17, 1986, Beatrice has guaranteed the debt (approximately \$5.8 billion of bank debt, notes and debentures at the acquisition date) of Beatrice's ultimate parent company, BCI Holdings Corporation. Beatrice also assumed \$5.8 billion of intercompany debt of Merger Sub which is payable to Beatrice's immediate parent companies which are indirect wholly-owned subsidiaries of Holdings. These actions could impact future operations significantly.

*Inflation* Inflation in the U.S. was not as significant a concern as it was in the previous few years. However, in certain other countries where Beatrice does business, inflation is still an important issue. Management throughout the world continuously attempts to counteract the effects of inflation with various productivity improvement and cost reduction programs.

**ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.**

Financial statements and supplementary data filed herewith are listed in the Index to Financial Statements on page F-1. Information regarding selected quarterly financial data and the effects of changing prices can be found in the Notes to Consolidated Financial Statements.

**ITEM 9. DISAGREEMENTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.**

None.

**PART III**

**ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT.**

The names, ages and present principal occupations or employments and five years employment histories of the directors and executive officers of Beatrice are set forth below. Unless otherwise indicated, each occupation set forth opposite an individual's name refers to Beatrice.

<u>Name</u>	<u>Age</u>	<u>Present Principal Occupation or Employment and Five Year Employment History</u>
Mary D. Allen	40	Secretary since August 1985, Vice President and Assistant General Counsel since 1983. Assistant Vice President and Senior Attorney from 1981 to 1983.
John R. Attwood	56	Senior Vice President and President, Beatrice Beverage Group since 1984. President of Soft Drink division from 1983 to 1984. Previously, President and Chief Operating Officer of Coca-Cola Bottling Company of Los Angeles.
Chance Bahadur	43	Vice President and Treasurer since 1984. Treasurer of Esmark, Inc. from 1982 to 1984. Previously, Assistant Treasurer of Esmark, Inc.
Reuben W. Berry	59	Senior Vice President—Human Resources since 1983. Senior Vice President and Director of Human Resources from 1981 to 1983.
Kevin A. Bousquette	28	Director since April 1986. Employee, Kohlberg Kravis Roberts & Co. since 1985. Investment Banker, Morgan Stanley & Co. Incorporated from 1984 to 1985. Attorney, Latham & Watkins prior to 1984.

<u>Name</u>	<u>Age</u>	<u>Present Principal Occupation or Employment and Five Year Employment History</u>
Roger T. Briggs	57	Director, Executive Vice President and Chief Financial Officer since April 1986. Partner, Kelly, Briggs & Associates, Inc. since June 1984. Vice Chairman and Chief Financial Officer of Esmark, Inc. prior to June 1984.
Donald P. Kelly	64	Chairman of the Board and Chief Executive Officer since April 1986. Partner, Kelly, Briggs & Associates, Inc. since June 1984. Chairman of the Board, President and Chief Executive Officer of Esmark, Inc. from November 1982 to June 1984. President and Chief Executive Officer of Esmark, Inc. prior to November 1982.
Jerome Kohlberg, Jr.	60	Director since April 1986. Partner, Kohlberg Kravis Roberts & Co.
Henry R. Kravis	42	Director since April 1986. Partner, Kohlberg Kravis Roberts & Co.
William S. Mowry, Jr.	46	Executive Vice President and President, Beatrice International Food segment since August 1984. Director from August 1984 to April 1986. Senior Vice President (International Food Group) from April 1984 to August 1984. Vice President from March 1984 to April 1984. Director, Administration/Organization (Grocery Group) from November 1983 to March 1984. President of Institutional Food division from June 1983 to November 1983. Director of Operations for Dairy, Agri-Products, Warehouse, Soft Drink & Bottled Water and Wine & Spirit divisions from 1982 to 1983. Previously, President of Soft Drink division.
Richard J. Pigott	46	Executive Vice President and Chief Administrative Officer. Director from February 1984 to April 1986.
Paul E. Raether	39	Director since April 1986. Employee, Kohlberg Kravis Roberts & Co.
William E. Reidy	54	Senior Vice President—Planning and Strategy since April 1986. Consultant from July 1985 to April 1986. Senior Vice President (Corporate Strategy) from 1982 to July 1985. Senior Vice President, Corporate Strategy and Development, Dart & Kraft, Inc. prior to 1982.

<u>Name</u>	<u>Age</u>	<u>Present Principal Occupation or Employment and Five Year Employment History</u>
Frederick B. Rentschler	46	Director and Executive Vice President since April 1986. Consultant from June 1984 to April 1986. President and Chief Executive Officer, Swift/Hunt-Wesson Foods, Inc. from September 1983 to June 1984. President and Chief Executive Officer, Hunt-Wesson Foods, Inc. prior to 1983.
George R. Roberts	42	Director since April 1986. Partner, Kohlberg Kravis Roberts & Co.
Joel E. Smilow	52	Director and Executive Vice President since April 1986. Consultant from October 1984 to April 1986. Director and Executive Vice President from August 1984 to October 1984. President of Beatrice's Consumer Products segment from June 1984 to October 1984. Chairman and Chief Executive Officer of International Playtex, Inc. prior to June 1984.
Hercules P. Sotos	52	Senior Vice President. Vice Chairman of International Playtex, Inc. since April 1986. President, International Playtex, Inc. from February 1985 to April 1986. Previously, Chief Financial Officer of Beatrice Consumer Products segment and Executive Vice President (Finance and Administration) of International Playtex, Inc.
John A. Stevens	40	Vice President since 1982 and Controller since 1980.
Michael T. Tokarz	36	Director since April 1986. Employee, KKR since 1985. Vice President and Manager, New York office, Continental Illinois National Bank and Trust Company of Chicago, ("Continental Bank") from 1984 to 1985. Vice President and Manager, Miami office, Continental Bank prior to 1984.
Richard F. Vitkus	46	Senior Vice President and General Counsel since 1981.

Messrs. Kohlberg, Kravis and Roberts are directors of Amstar Corporation, L.B. Foster Company, Lily-Tulip, Inc., P.T. Components, Inc., Child World, Inc., SCI Holdings, Inc., Union Texas Petroleum Holdings, Inc. and CNC Holding Corporation. Mr. Briggs is a director of Midcon Corp. and the Institutional Liquid Assets group of mutual funds. Mr. Kelly is a director of General Dynamics Corporation and Inland Steel Co. Mr. Raether is a director of P.T. Components, Inc., Child World, Inc., SCI Holdings, Inc. and CNC Holding Corporation. Mr. Smilow is a director of Stride-Rite Corp., Hyponex Corporation, Reeves Communications Corp. and All-American Gourmet Company.

Messrs. Kravis and Roberts are first cousins.

**ITEMS 11 AND 13. EXECUTIVE COMPENSATION AND CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.**

***Executive Compensation***

The following table sets forth information covering all compensation paid by Beatrice and its subsidiaries for services rendered in all capacities during the fiscal year ended February 28, 1986 to (i) each of the five most highly compensated executive officers of Beatrice, and (ii) executive officers of Beatrice as a group. William W. Granger, Frank E. Grzelecki, Anthony Luiso and David E. Lipson were removed as executive officers of Beatrice in April 1986, shortly after the Effective Time of the Merger. No information is included in the table for the portion of any period during which an individual was not an executive officer of Beatrice.

<u>Name of Individuals or Number in Group</u>	<u>Capacities in Which Served</u>	<u>Compensation*</u>
William W. Granger .....	Chairman of the Board, Chief Executive Officer	\$ 903,529
Frank E. Grzelecki .....	Executive Vice President; President Consumer Products Segment	622,685
Anthony Luiso .....	Executive Vice President; President, U.S. Food Segment	699,736
David E. Lipson .....	Executive Vice President, Chief Financial Officer	739,334
Richard J. Pigott .....	Executive Vice President, Chief Administrative Officer	606,136
Executive officers as a group (20 persons, including those listed above) .....		\$8,172,853

\*Includes the following:

- (i) Bonuses including those paid under bonus plans which provide annual cash bonuses to corporate administrative and operating officers. Bonuses to officers for the 1986 fiscal year were made in amounts up to 95% of salary;
- (ii) Personal benefits relating to the personal use of Beatrice automobiles, expenses associated with the relocation of certain officers, certain life insurance premiums and financial counseling, the amount of the employees' salary deferrals under the Beatrice Employee Savings Trust and the Supplemental Employee Savings Trust, and Company contributions on behalf of the employees to the Beatrice Employee Savings Trust and the Supplemental Employee Savings Trust; and
- (iii) Dividend equivalents accrued under various Beatrice incentive programs.

***Executive Employment Agreements, Certain Transactions and the Modifications***

On August 3, 1985, James L. Dutt resigned as Chairman of the Board and Chief Executive Officer of Beatrice, and William W. Granger, Jr. was elected as Chairman of the Board and Chief Executive Officer of Beatrice.

Mr. Dutt had an employment agreement with Beatrice dated September 1, 1981, which provided for his full-time services from September 1, 1981, to February 28, 1987. His salary at the time of his termination was \$750,000 per annum plus bonus. Additionally, Mr. Dutt's employment agreement provided for a ten year period after full-time employment during which he would provide consulting services to Beatrice in exchange for an annual consulting fee equal to 10% of his salary plus bonus for the last full fiscal year preceding the consulting period.

Under the terms of a financial settlement reached in connection with his resignation, Mr. Dutt will receive \$102,088 per month he was entitled to through February 28, 1987 under the pre-existing employment contract and \$10,208 per month under the ten-year pre-existing consulting agreement. He will also receive a supplemental payment of \$6,459 per month under the same consulting agreement and retirement benefits due him under employee health, insurance and pension plans. Mr. Dutt also received a pro-rated bonus payment of \$197,938 and will receive, in February 1987, a payment of \$195,360 to offset benefits forfeited under one of Beatrice's long-term incentive plans.

Mr. William G. Karnes, a director from August 3, 1985 to April 17, 1986, has a consulting agreement with Beatrice dated August 1, 1985 which provides him \$20,833 per month from August 1, 1985 through May 31, 1987 unless terminated earlier by the Compensation and Benefits Committee of the Board of Directors of Beatrice (the "Committee"). During the period of his consulting agreement and while a director, Mr. Karnes was not entitled to receive director emeritus fees for previous service on the Board of Directors. On August 20, 1985, Beatrice granted a non-qualified stock option to Mr. Karnes, for 20,000 shares at an option price of \$33.625 per share. Pursuant to the Merger Agreement, Mr. Karnes was paid a sum equal to the difference between \$47.23 and the option price per share times the number of shares subject to the option held by him.

Mr. Cedric E. Ritchie, a director from 1980 to April 17, 1986, is the Chairman and Chief Executive Officer of The Bank of Nova Scotia ("BNS"). On December 19, 1985, BNS, subject to certain conditions, offered to make substantial funds available to Holdings as part of the financing relating to the Merger (the "Financing") and, in connection therewith, to act as a co-manager as part of the syndicate of lenders providing term and revolving credit loans (the "Bank Credit Agreement") (pursuant to which BNS would receive a fee) which was part of such Financing. Pursuant to the Bank Credit Agreement, as executed, BNS is co-manager of the syndicate of lenders under the Bank Credit Agreement and BNS's outstanding credit commitments to Beatrice, its subsidiaries and affiliates are approximately \$568 million (U.S.), \$23.1 million (Canadian) and \$3.1 million (Jamaican).

Each non-employee member of the Board of Directors of Beatrice during the last fiscal year was entitled to receive payments pursuant to a standard arrangement. Under the arrangement, non-employee directors were entitled to receive (i) \$20,000 per annum, (ii) \$2,500 annually for serving as chairman of any of the Board of Directors' committees, and (iii) \$1,000 for attendance at each meeting of the Board or a committee of the Board. Some directors elected to defer receipt of such compensation as permitted under the arrangement. Upon consummation of the Merger, all of the then directors of Beatrice left the Board and all but two of the non-management directors became directors emeritus. Directors emeritus are entitled to receive an annual consulting fee for life equal to the annual director's fee. Mr. Karnes was not entitled to such fee during the period from August 1985 to April 1986 pursuant to his consulting agreement with Beatrice referred to above. No arrangement exist at the present time for the payment of fees to the current directors of Beatrice.

Effective as of August 9, 1985, Beatrice entered into Employment and Consulting Agreements (collectively the "Agreements") with William W. Granger, Jr.; Frank E. Grzelecki; David E. Lipson; Anthony Luiso; William S. Mowry, Jr.; and Richard J. Pigott. Each of such persons was an executive officer and also a director of Beatrice during the last fiscal year, and such persons are sometimes herein collectively referred to as the "Senior Executives." The Agreements with Messrs. Lipson, Pigott and Grzelecki replaced earlier agreements dated March 11, 1985, September 1, 1981 and October 25, 1984, respectively. None of such persons continues to be a director of Beatrice and none of such persons continues to be an officer of Beatrice except Messrs. Mowry and Pigott.

Each of the Agreements provided for an initial three-year employment term. Minimum annual base pay and minimum annual guaranteed bonus as a percentage of base pay under the Agreements for each of the Senior Executives were as follows: Mr. Granger—\$750,000, 63.34%; Mr. Grzelecki—\$330,000, 56.67%; Mr. Lipson—\$375,000, 56.67%; Mr. Luiso—\$400,000, 56.67%; Mr. Mowry—\$250,000, 56.67%; and Mr. Pigott—\$320,000, 56.67%. Following the employment period, each of the Agreements provided for a ten-year consulting period with annual compensation to be approximately 10% of final annual base pay plus bonus as an employee. Each Agreement provided that the Senior Executive could terminate his employment if, among other things, his duties or responsibilities were substantially reduced or he was assigned duties materially inconsistent with his position at August 9, 1985 (and, in the case of Mr. Granger, if Beatrice selected his successor and Mr. Granger was satisfied that Beatrice no longer needed his continued services), in which event

he would be entitled to receive, among other things, base pay and the minimum guaranteed bonus, and continued benefits, for the balance of the employment period and to commence consulting status.

The Agreement with Mr. Lipson incorporated provisions included in his prior employment agreement pursuant to which he received on June 5, 1985 an interest free loan from Beatrice in the amount of \$330,000 to purchase 10,000 shares of Beatrice Common Stock and was entitled to a lifetime annuity of \$150,000 per annum commencing in 1995. Mr. Lipson's prior employment agreement provided, and his Agreement provided, that the loan may, at the discretion of the Chairman of the Board of Beatrice, be forgiven in increments of one-third of the original principal balance on March 1 of each of 1986, 1987 and 1988.

In connection with the Merger, Beatrice has settled the Agreements, has modified the severance agreements with the Key Executives (as defined herein), and has modified certain Beatrice employee benefit and incentive plans. The following discussion describes the modifications (the "Modifications").

Pursuant to the Modifications, upon consummation of the Merger, the Senior Executives were relieved of their obligations (other than certain confidentiality obligations) under the Agreements and relinquished (except for Mr. Granger, whose relinquishment had already occurred) all of their rights to compensation under the Agreements and, subject to certain exceptions in an aggregate amount of \$1,078,058, all of their rights to benefits under each of the following Beatrice employee benefit and incentive plans: the Management Incentive Plan, the 1970 Management Incentive Deferred Compensation Plan, the 1973 Management Incentive Deferred Compensation Plan, the 1985 Performance Unit Plan, the 1982 Performance Unit Plan, the 1977 Restricted Stock Performance Plan, the 1977 Phantom Book Unit Plan in Conjunction With Phantom Stock Plan, the Beatrice Foods Company Supplemental Retirement Income Plan, the Beatrice Supplemental Employees Savings Trust, and Beatrice's accumulated vacation pay policy. Subject to certain exceptions in the case of Mr. Granger, all other employee benefits to which the Senior Executives were entitled under their Agreements were to continue in full force and effect.

In consideration of surrendering rights under the Agreements and the above-mentioned plans, each Senior Executive became entitled to receive, at the times referred to below, payments approximating (i) the total amounts he would have received under his Agreement if his employment terminated at the Effective Time of the Merger under circumstances entitling him to a continuation of salary and bonus and to consulting fees (e.g., assignment of duties materially inconsistent with his position at August 9, 1985 or a substantial reduction in responsibilities), and (ii) the rights surrendered under such plans, reduced pursuant to certain then pending litigation. The payments are as follows: William W. Granger, Jr. (\$6,400,000); Frank E. Grzelecki (\$2,608,594); David E. Lipson (\$4,303,998) (which includes the cost of the annuity contract (\$558,225), and the amount of a note evidencing the \$330,000 loan to Mr. Lipson by Beatrice, referred to above); Anthony Luiso (\$3,489,436); William S. Mowry, Jr. (\$2,393,940); and Richard J. Pigott (\$3,084,951). None of these payments is included in the remuneration table above except for the portion thereof that reflects fiscal 1986 bonuses.

Mr. Granger received all of his payment of \$6,400,000, and Mr. Lipson received \$1,300,000 of his payment, in cash, and Mr. Lipson's trust received the annuity contract, on December 27, 1985. Mr. Grzelecki received \$1,750,000 of his payment, in cash, on December 30, 1985. The balance of the payment to Mr. Grzelecki was made, in cash, at the Effective Time of the Merger. The balance of the payment to Mr. Lipson (including the note referred to above) and the payments to the other three Senior Executives were placed in a separate trust for each of them at the Effective Time of the Merger and will be paid to each of them, together with the pre-tax income from the investment thereof, in 1987.

As set forth below, at or immediately prior to the Effective Time of the Merger, all outstanding stock options and stock appreciation rights, including those held by the Senior Executives, were cancelled in

exchange for a cash payment based on the difference between the exercise price thereof and \$47.23 per share, except that Mr. Granger relinquished, without compensation to him, options and rights (including rights to dividend equivalents for the third and fourth quarters of fiscal 1986 under the Non-Qualified Stock Option Plan) with a value (on such basis) of \$1,845,758. However, if, as a result of the Merger, notwithstanding his relinquishing of the options and rights, Mr. Granger is required to pay a federal excise tax on any amount he received as a result of the transactions contemplated by the Merger Agreement, whether under the Modifications or under any other Beatrice benefit plan or program or otherwise, Beatrice will pay him the \$1,845,758 he relinquished, together with interest thereon from the Effective Time of the Merger.

During August 1985, Beatrice entered into severance agreements with ten other executive officers and forty-four employees (collectively, the "Key Executives") providing for the payment to each Key Executive, if his employment is terminated other than for "good cause," or on account of death, disability or normal retirement, within two years after a "change in control" of Beatrice, as such terms are defined in the respective severance agreements, of three times the sum of (i) such Key Executive's average total compensation (excluding bonus) for the three preceding fiscal years and (ii) such Key Executive's current targeted bonus. Any payment to a Key Executive is, however, subject to the limitation that the maximum amounts payable to such Key Executive under such agreements, together with any other amounts payable in respect of a "change in control," would not result in an excise tax under the Internal Revenue Code.

In connection with the Modifications, the severance agreements entered into during August 1985 were amended (i) to provide for severance payments of three times the sum of (a) the Key Executive's annual salary at the rate in effect at the time of the "change in control" and (b) the Key Executive's targeted bonus as set forth in the FY86 Management Incentive Plan, (ii) to eliminate the limitation on the maximum amounts payable to those Key Executives whose after-tax benefit would increase as a result of such elimination and (iii) to provide that each Key Executive will be entitled to his severance payment if he terminates his employment within two years after a "change in control" of Beatrice because, among other things, without his express written consent, (a) he is assigned duties materially inconsistent with his present position, duties, responsibilities and status with Beatrice, (b) Beatrice reduces his aggregate compensation and incentive and benefit package as in effect at the time of a "change in control" or (c) Beatrice requires him to perform his duties of employment beyond a fifty-mile radius from the location of his employment immediately prior to a "change in control" and, in each such instance, he terminates his employment in writing within 120 days after the first occurrence of such event, and (iv) to provide each of the Key Executives with medical, dental and life insurance until the earlier of twelve months following termination of employment or the time such person becomes a participant in the group insurance programs of a new employer.

Pursuant to the Modifications, the following actions were also taken:

(i) The 1985 Performance Unit Plan, which had limited payments to participants in the event a federal excise tax was due thereon, was amended to permit full payments to participants even though they would be subject to such a tax as a result of such payments, so long as the participant's after-tax benefit will increase as a result thereof.

(ii) The term "full value" when applied to Performance Units awarded pursuant to the 1985 Performance Unit Plan was defined to mean the targeted amount of \$1,000 per Performance Unit.

(iii) It was agreed that Beatrice's severance policies as they existed on November 12, 1985, with subsequent amendments mutually agreed to, would apply to all employees not covered by an employment agreement.

(iv) The 1982 Non-Qualified Option Plan was amended to provide that non-officers who exercise any option granted under such plan will receive stock appreciation rights ("SARs") upon such exercise without regard to whether such option was outstanding for at least six months, or whether such option was exercised during a specific window period. This provision permits non-officers who are not subject to

Section 16(b) of the Securities Exchange Act of 1934 to exercise their SARs without regard to window periods.

(v) The 1970 Management Incentive Deferred Compensation Plan and the 1973 Management Incentive Deferred Compensation Plan were amended to permit each participant to "freeze" the value of his account upon a "change in control" (based upon the then existing value of the Beatrice Common Stock reflected in such account), to the extent such value had not previously been frozen.

(vi) The Beatrice Retirement Income Plan was amended to provide (a) that the definition of the term "final average monthly earnings" for purposes of that plan includes earnings through the last month preceding termination, (b) that the reduction factors for early retired and deferred pensions will be 6% for each year between ages 55 and 60 and (c) that no reduction factor will apply above age 60.

(vii) The Management Incentive Plan was amended to make the definition of the term "change of control" consistent with the definition of that term as used in the 1985 Performance Unit Plan.

### ***Beatrice Employee Benefit Plans***

*Retirement Plans of Beatrice.* Officers of Beatrice and most other salaried employees are covered by the Beatrice Retirement Income Plan (the "Retirement Plan"), which is designed to qualify under Section 401(a) of the Internal Revenue Code of 1954, as amended (the "Code"), and which provides a monthly retirement benefit at age 65 equal to (i) 1% of final average monthly earnings multiplied by years of benefit service plus (ii) .5% of final average monthly earnings multiplied by years of benefit service less 1.5% of monthly social security benefit multiplied by years of benefit service up to 33½ years. Pursuant to the Modifications, "Final average monthly earnings" as used herein means average monthly cash compensation (excluding payments under long-term incentive plans and expense reimbursements) over the highest 60 consecutive months during a participant's last 120 months of employment, or the five calendar years during a participant's last fifteen calendar years of employment, if greater, during which average cash compensation was highest. The Retirement Plan also provides early retirement benefits and a surviving spouse benefit if a participant dies after satisfying certain requirements. As of the Effective Time of the Merger, the Retirement Plan was amended to reduce the period of service required for vesting from 10 to 7 years for a participant whose employment is terminated other than for cause.

The Code imposes a limitation on the benefit which may be paid under the Retirement Plan. Beatrice has a non-qualified Supplemental Retirement Income Plan to provide benefits which participants would have been entitled to receive under the Retirement Plan were it not for the limitation. In the event of a "change of control" of Beatrice, such as the Merger, a corporate officer or key executive terminating employment prior to vesting of his Retirement Plan benefits is entitled to receive an equivalent benefit under the Supplemental Retirement Income Plan. As a result of the Merger, a total of 9 executive officers as a group became entitled to retirement benefits under the Supplemental Retirement Income Plan if their employment terminates prior to vesting of their Retirement Plan benefits.

Mr. Granger received a lump sum distribution of his rights under the Retirement Plan upon his retirement from Beatrice in 1984 after 38 years of service and he is not receiving additional pension benefits for his period of reemployment by Beatrice from August 1985 until his resignation on April 17, 1986. Messrs. Grzelecki and Lipson, at the time of their removal as executive officers in April 1986, were not vested in the Retirement Plan and they relinquished their rights under the Supplemental Retirement Income Plan as described above. Mr. Luiso, at the time of his resignation on April 17, 1986, had approximately 15 years of service and had average annual earnings at that date of \$303,420. Mr. Pigott continues as an executive officer of Beatrice and for purposes of determining his pension benefits payable under the Retirement Plan and the Supplemental Retirement Income Plan he will have approximately 28 years of service at his normal retirement date and his final average annual earnings as of calendar year 1985 was \$308,348. The normal form of payment under the Retirement Plan is a straight life annuity if the participant is unmarried, or a 50%

joint and survivorship annuity, if married. There are, however, optional forms of payment available, including other joint and survivor annuities, and a life annuity with a guaranteed payment period of up to fifteen years. Based on estimated social security benefit levels, the table below reflects annual benefit payment to participants at specified salary levels and with specified lengths of service.

Average Annual Covered Earnings	Years of Benefits Service at Retirement			
	10	20	30	40
\$ 200,000 .....	\$ 28,735	\$ 57,469	\$ 86,204	\$115,782
300,000 .....	43,735	87,469	131,204	175,782
400,000 .....	58,735	117,469	176,204	235,782
500,000 .....	73,735	147,469	221,204	295,782
600,000 .....	88,735	177,469	266,204	355,782
700,000 .....	103,735	207,469	311,204	415,782
800,000 .....	118,735	237,469	356,204	475,782
900,000 .....	133,735	267,469	401,204	535,782
1,000,000 .....	148,735	297,469	446,204	595,782

*Beatrice's Employees' Stock Ownership Plan.* Since 1976 Beatrice has maintained a tax credit employee stock ownership plan which is designed to qualify under Sections 401(a) and 409 of the Code, and under which various employees of Beatrice who have completed one year of service are eligible to participate. After the end of each fiscal year, Beatrice may contribute cash equal in value of up to one-half percent of the compensation paid during the year to covered employees and for which Beatrice becomes entitled to a tax credit in an equivalent amount. The contributions are allocated among employees on a per capita basis. Cash contributions and dividends were, prior to the Effective Time of the Merger, invested in shares of Beatrice Common Stock. All amounts allocated to a participant are fully vested and held in trust until distributed in a lump sum upon termination of employment. The plan has been amended, effective as of the Effective Time of the Merger, to provide for distributions only in cash, and has been terminated contingent upon a favorable ruling from the Internal Revenue Service. There was no allocation to employees in this plan during fiscal year 1986.

*Beatrice's Employee Savings Trust.* During the 1985 fiscal year, the Board of Directors approved establishment of the Beatrice Employee Savings Trust ("BEST") which is designed to qualify under Section 401(a) and 401(k) of the Code as a profit sharing plan. BEST allows employees to defer up to 17% of their eligible compensation. Beatrice and participating subsidiaries make matching contributions of up to 50% of the amount of salary deferral contributions (up to 6% of compensation) which a participant elects. Amounts contributed for a participant are held in trust until distributed either in a lump sum, or installments, pursuant to the provisions of the plan. All employee contributions are 100% vested. Fifty percent of the employer's contribution vests after three years of employment and 100% is vested after five years of employment. Prior to the Effective Time of the Merger, all employer matching contributions were invested in shares of Beatrice Common Stock. The BEST has been amended, effective as of the Effective Time of the Merger, to provide for investment of employer matching contributions in the same manner as employee contributions, and for distributions only in cash. Employee contributions are invested, at the employee's discretion, in investments alternatives offered by BEST.

During the 1985 fiscal year, the Board of Directors also approved the establishment of a non-qualified supplemental Beatrice Employee Savings Trust. The Supplemental BEST provides benefits which participants would have been entitled to receive under the Savings Plan were it not for the limitation on contributions imposed by the Internal Revenue Code. As of the Effective Time of the Merger, employer contributions in the Supplemental BEST became 100% vested. On March 1, 1986, there were 25 active participants in the Supplemental BEST.

*Beatrice's Group Term Life Insurance.* Certain officers and employees of Beatrice are covered by group term life insurance providing a pre-retirement death benefit equal to twice their compensation for the most recent calendar year and a maximum post-retirement death benefit equal to 50% of such life insurance in effect immediately prior to retirement. Upon retirement, such officers and employees are entitled to purchase additional insurance equal to their base salary plus bonus during the year preceding retirement. The death benefit is based on calendar year compensation, excluding payments under any long-term incentive plan and expense reimbursements and allowances for services outside the United States. Beatrice has provided such group term life insurance since 1981.

*Beatrice's Financial Counseling Plans.* All corporate officers and certain other key executives of Beatrice are covered by a plan providing financial counseling services. Each participant is entitled to annual services having a value of \$3,000 to \$10,000 depending on his or her office, and certain senior officers are entitled to an additional \$5,000 for an estate review in each fifth year of participation and the year of retirement, provided the participant has paid a specified amount each year. The financial counseling services include tax and estate planning, tax return preparation assistance and personal financial management advice.

*Beatrice's 1985 Performance Unit Plan.* On April 22, 1985, the Board of Directors of Beatrice adopted the 1985 Performance Unit Plan (the "Performance Plan") which became effective in fiscal 1986. The purpose of the Performance Plan is to provide Beatrice a means of attracting, retaining and motivating executive personnel of outstanding ability by offering them performance related incentives. During fiscal 1986 Messrs. Granger, Grzelecki, Lipson, Luiso, Pigott and executive officers as a group were granted 429, 142, 161.5, 172.5, 138 and 1,894 units, respectively. As a result of the Merger active employees who are due benefits under the Plan have had their account balances frozen and are entitled to receive interest in the future.

*Beatrice's 1982 Incentive Stock Option Plan and 1982 Non-Qualified Stock Option Plan.* The 1982 Incentive Stock Option Plan (the "Incentive Stock Option Plan") and the 1982 Non-Qualified Stock Option Plan (the "Non-Qualified Stock Option Plan") (collectively, the "Stock Option Plans") provided for the grant of options to purchase shares of Beatrice Common Stock to such officers and other key employees of Beatrice and its subsidiaries and, in the case of the Non-Qualified Stock Option Plan, its affiliates, as the Committee may from time to time select. The 1982 Non-Qualified Stock Option Plan allows for the granting of stock appreciation rights.

The following table sets forth, as to the named individuals and executive officers as a group, information covering options granted under Beatrice's Non-Qualified and Incentive Stock Option Plans, the average exercise price per share of such options and the net value of securities realized for the fiscal year ended February 28, 1986:

	Incentive Stock Options			Non-Qualified Stock Options		
	Options Granted	Average Exercise Price Per Share	Net Value of Securities Realized	Options Granted	Average Exercise Price Per Share	Net Value of Securities Realized
William W. Granger .....	—	\$ —	\$ —	78,650	\$33.13	\$152,250
Frank E. Grzelecki .....	—	—	—	26,080	33.50	—
David E. Lipson .....	—	—	—	29,635	33.50	—
Anthony Luiso .....	—	—	—	31,615	33.50	—
Richard J. Pigott .....	—	—	26,425	25,290	33.50	—
Executive officers, as a group .....	—	—	110,112	346,850	33.41	152,250

At or immediately prior to the Effective Time of the Merger, each holder of a then outstanding option (an "Option") to purchase shares of Beatrice Common Stock granted under an employee stock option or compensation plan or arrangement of Beatrice, whether or not the Option was then exercisable, received in settlement thereof a cash payment from Beatrice in an amount equal to the difference between \$47.23 and the per share exercise price of the Option, multiplied by the number of shares of Beatrice Common Stock covered by the Option (the "Option Settlement Amount"). Such Options were cancelled upon the payment of the Options Settlement Amount and such cancellation was considered to be an exercise thereof entitling the holder to payment of all amounts due in respect of any related stock appreciation rights.

As a result of the Merger, the Stock Option Plans were discontinued in April 1986. At that time Messrs. Grzelecki, Lipson, Luiso, Pigott and Executive Officers as a group were entitled to have all outstanding stock options and stock appreciation rights cancelled in exchange for a cash payment as discussed previously.

*Beatrice's 1970 and 1973 Management Incentive Deferred Compensation Plans.* The 1970 and 1973 Management Incentive Deferred Compensation Plans (the "1970-1973 Plans") provided benefits directly related to the market appreciation of shares of Beatrice Common Stock, and dividends thereon, to a limited group of principal administrative and managerial employees of Beatrice and its subsidiaries. The 1970 Plan was terminated in 1973, except as to stock units previously granted to participating employees. The 1973 Plan was terminated in 1977, except as to stock units previously granted.

An amendment to the 1970-1973 Plans gave each participant who was an active employee on May 31, 1985 a one-time option to fix the value of each stock unit in his account at the difference between the market price of a share of Beatrice Common Stock (determined pursuant to a plan formula) at the end of the preceding fiscal quarter and the value of the stock unit on the award date. Participants who elected to fix the value of vested units in their accounts in the preceding manner are not entitled to benefit from any appreciation of the stock price, but are entitled to have interest credited to the balances in their accounts at the prime rate of interest in effect from time to time at the First National Bank of Chicago. Such participants shall be entitled to receive the principal amount of their account balances in cash installments upon termination of employment. The interest so credited may, at the election of the participant, either be deferred or be paid currently.

*Management Incentive Plan.* Beatrice's Management Incentive Plan for fiscal 1986 (the "Plan") provided annual bonuses to employees based upon financial performance and personal goals. Maximum bonuses ranged from 30% to 95% of base salary. The Plan called for a maximum payment for the fiscal year in which a "change of control" as defined in the Plan occurred.

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

**Beatrice Series A Convertible Preference Stock**

To the knowledge of Beatrice, there is no person who may be deemed to own beneficially more than 5% of the outstanding shares of Beatrice Series A Convertible Preference Stock.

**Beatrice Common Stock**

All of the outstanding shares of Beatrice's Common Stock are directly and indirectly owned by Holdings.

**BCI Holdings Corporation Equity Securities**

Beatrice's parent, Holdings, has two classes of equity securities: Common and nonvoting Preferred Stock.

The following table sets forth the beneficial ownership of Holdings Common Stock as of the Effective Time of the Merger for each director of Beatrice and for all directors and officers of Beatrice as a group. At the Effective Time of the Merger, none of the Beatrice directors were deemed to own beneficially, directly or indirectly, any Holdings Preferred Stock and all directors and officers of Beatrice, as a group, were deemed to own beneficially, directly and indirectly, a total of 32,532 shares of Holdings Preferred Stock which was .07% of the shares to be issued in the Merger.

<u>Name and Address</u>	<u>Number of Shares</u>	<u>%</u>	<u>Fully diluted(1)</u>	
			<u>Number of Shares</u>	<u>%</u>
KKR Associates(2) . . . . . 9 West 57th Street, Suite 4170 New York, NY 10019	60,000,000	73.7%	66,260,869(3)	47.6%
BCI Partners, L.P.(4) . . . . . 9 West 57th Street, Suite 4170 New York, NY 10019	20,000,000	24.6%	55,478,262(5)	39.9%
Beatrice Management(6) . . . . .	1,425,000	1.7%	17,391,304	12.5%
	<u>81,425,000</u>	<u>100.0%</u>	<u>139,130,435</u>	<u>100.0%</u>

- (1) The fully diluted information assumes the exercise of all warrants to purchase Holdings Common Stock (the "Holdings Warrants") and all authorized options to purchase Holdings Common Stock (the "Holdings Options").
- (2) KKR Associates is a limited partnership of which Messrs. Kohlberg, Kravis and Roberts are general partners. Shares shown as owned by KKR Associates are owned of record by three limited partnerships of which KKR Associates is the sole general partner and as to which it possesses sole voting and investment power. Messrs. Kohlberg, Kravis and Roberts, as general partners of KKR Associates, may be deemed to share beneficial ownership of the shares shown as beneficially owned by KKR Associates.
- (3) Includes shares issuable on the exercise of Holdings Warrants held by two limited partnerships of which KKR Associates is the general partner.
- (4) BCI Partners, L.P. is a limited partnership of which Messrs. Kohlberg, Kravis and Roberts are general partners. Shares shown as owned by BCI Partners, L.P. are owned of record by two limited partnerships of which BCI Partners, L.P. is the sole general partner and as to which it possesses sole voting and investment power. Messrs. Kohlberg, Kravis and Roberts as general partners of BCI Partners, L.P., may be deemed to share beneficial ownership of the shares shown as beneficially owned by BCI Partners, L.P.
- (5) Includes shares issuable on the exercise of the Holdings Warrants held by BCI Equity Associates, L.P. and an additional limited partnership of which BCI Partners, L.P. is the general partner.
- (6) Messrs. Kelly, Rentschler, Smilow and Briggs own 1,040,000; 140,000; 140,000 and 105,000 shares of Holdings Common Stock respectively which constitute 1.3%, .17%, .17% and .13% respectively of Holdings outstanding Common Stock. Messrs. Kelly, Rentschler, Smilow and Briggs also have the right to acquire 9,360,000; 1,260,000; 1,260,000; and 945,000 shares of Holdings Common Stock respectively upon the exercise of Holdings Options which, with their present shares, would constitute 7.5%, 1.0%, 1.0% and .75% respectively of Holdings Common Stock on a fully diluted basis. No other officers of Beatrice beneficially own any Holdings Common Stock. The remaining Holdings Options have been reserved for issuance to Beatrice Management in the future.

## PART IV

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

- (a) List of documents filed as part of this Report:
  - (1) The financial statements listed in the Index to Financial Statements on page F-1 are filed as part of this Report.
  - (2) The financial statement schedules listed in the Index to Financial Statements on page F-1 are filed as part of this Report.
- (b) Reports on Form 8-K:
  - (1) There were no reports on Form 8-K during the last quarter of fiscal 1986.
- (c) Exhibits:

<u>Exhibit Number</u>	<u>Description of Exhibits</u>
2.1	Restated and Modified Agreement and Plan of Merger dated as of February 2, 1986 among Beatrice Companies, Inc., BCI Holdings Corporation and BCI Merger Corporation.
3.1	Restated Certificate of Incorporation of Beatrice Companies, Inc.
3.2	Bylaws of Beatrice Companies, Inc., as amended.

<u>Exhibit Number</u>	<u>Description of Exhibits</u>
4	Beatrice Companies, Inc. agrees to furnish to the Securities and Exchange Commission upon its request a copy of any instrument which defines the rights of holders of long-term debt of Beatrice Companies, Inc. No such instrument authorizes a total amount of securities in excess of 10% of the total assets of Beatrice Companies, Inc. and its subsidiaries on a consolidated basis.
10.1	Guaranty Agreement dated April 17, 1986 entered into by the Guarantors named therein.
10.2	Guaranty and Assumption Agreement dated April 17, 1986 by and among BCI Merger Corporation, Beatrice Companies, Inc. and Bankers Trust Company, as agent for the parties named therein.
10.3	Pledge Agreement dated April 17, 1986 between Beatrice Companies, Inc. and Bankers Trust Company, as collateral agent for the parties named therein.
10.4	Merger Agreement dated May 24, 1984 by and among Beatrice Companies, Inc., LA Acquisition Corporation and Esmark, Inc. (incorporated herein by reference to Exhibit 2.3 to the Form 8-K dated June 14, 1984 of Beatrice Companies, Inc.)
11	Computation of Earnings per Share.
12.1	Computation of Ratio of Earnings Before Fixed Charges to Fixed Charges.
12.2	Computation of Ratio of Earnings Before Fixed Charge to Fixed Charges and Preference Dividends.
22	Subsidiaries of Beatrice.
25	Powers of Attorney.

- (d) Financial statements of 50% or less owned companies and other unconsolidated subsidiaries of Beatrice have been omitted since all such companies considered in the aggregate do not constitute a significant subsidiary of Beatrice.

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SIGNATURES

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

BEATRICE COMPANIES, INC.

By /s/ ROGER T. BRIGGS  
Roger T. Briggs, Executive Vice President,  
Chief Financial Officer and Director

May 29, 1986

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

<u>Signature</u>	<u>Title</u>
KEVIN A. BOUSQUETTE	Director
ROGER T. BRIGGS	Executive Vice President, Chief Financial Officer and Director
J. S. CORCORAN	Vice President
DONALD P. KELLY	Chairman of the Board, Chief Executive Officer and Director
JEROME KOHLBERG, JR.	Director
HENRY R. KRAVIS	Director
PAUL E. RAETHER	Director
FREDERICK B. RENTSCHLER	Executive Vice President and Director
GEORGE R. ROBERTS	Director
JOHN A. STEVENS	Vice President and Controller
JOEL E. SMILOW	Executive Vice President and Director
MICHAEL T. TOKARZ	Director

By /s/ ROGER T. BRIGGS  
Roger T. Briggs  
Attorney-in-fact

May 29, 1986

# BEATRICE COMPANIES, INC.

## INDEX TO FINANCIAL STATEMENTS

Auditors' Report .....	F-2
Financial Statements:	
Consolidated balance sheet—February 28, 1986 and 1985 .....	F-3
Statement of consolidated earnings for each of the years in the three-year period ended February 28, 1986 .....	F-4
Statement of consolidated stockholders' equity for each of the years in the three-year period ended February 28, 1986 .....	F-5
Statement of consolidated changes in financial position for each of the years in the three-year period ended February 28, 1986 .....	F-6
Notes to Consolidated Financial Statements .....	F-7
Financial Statement Schedules:	
Schedule V— Property, plant and equipment .....	F-28
Schedule VI— Accumulated depreciation, depletion and amortization of property, plant and equipment .....	F-29
Schedule VIII— Valuation and qualifying accounts .....	F-30
Schedule X— Supplementary income statement information .....	F-31

**Note:**

All other financial statement schedules are omitted as not applicable or because the information required is included in the financial statements or the notes thereto.

## AUDITORS' REPORT

The Board of Directors and Stockholders  
Beatrice Companies, Inc.

We have examined the consolidated balance sheet of Beatrice Companies, Inc. and subsidiaries as of February 28, 1986 and 1985 and the related statements of consolidated earnings, stockholders' equity and changes in financial position for each of the years in the three-year period ended February 28, 1986. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. In connection with our examinations of the consolidated financial statements, we also examined the financial statement schedules as listed in the accompanying index.

In our opinion, the aforementioned consolidated financial statements present fairly the financial position of Beatrice Companies, Inc. and subsidiaries at February 28, 1986 and 1985 and the results of their operations and changes in their financial position for each of the years in the three-year period ended February 28, 1986, in conformity with generally accepted accounting principles applied on a consistent basis. Also in our opinion, the related financial statement schedules, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly in all material respects the information set forth therein.

PEAT, MARWICK, MITCHELL & CO.

Chicago, Illinois  
April 14, 1986

**BEATRICE COMPANIES, INC.**  
**CONSOLIDATED BALANCE SHEET**  
(In millions)

	As of February 28,	
	1986	1985
<b>ASSETS</b>		
Current assets:		
Cash .....	\$ 63	\$ 84
Short-term investments, at cost which approximates market .....	194	208
Divestiture proceeds received in March 1985 .....	—	855
Receivables, less allowance for doubtful accounts of \$42 (1985—\$41) .....	1,140	1,060
Inventories .....	1,326	1,371
Other current assets .....	514	611
Total current assets .....	3,237	4,189
Investments in affiliated companies .....	114	175
Net property, plant and equipment .....	2,300	2,048
Consumer franchises, including brands, trademarks, tradenames, distribution systems, workforces, patents and other intangible assets .....	2,505	683
Other noncurrent assets .....	186	159
Unallocated purchase cost .....	—	1,924
	<u>\$8,342</u>	<u>\$9,178</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Short-term debt and current maturities of long-term debt .....	\$ 788	\$1,529
Accounts payable .....	1,000	937
Accrued expenses .....	1,198	1,112
Total current liabilities .....	2,986	3,578
Long-term debt .....	1,305	2,290
Other noncurrent liabilities .....	433	477
Noncurrent and deferred income taxes .....	588	390
Minority interests .....	73	75
Stockholders' equity:		
Preference stock (at stated values) .....	100	243
Common stock (at stated value) .....	212	189
Additional capital .....	536	180
Retained earnings .....	2,308	2,304
Common stock in treasury, at cost .....	(12)	(344)
Cumulative foreign currency translation adjustment .....	(187)	(204)
Total stockholders' equity .....	2,957	2,368
	<u>\$8,342</u>	<u>\$9,178</u>

See Notes to Consolidated Financial Statements.

BEATRICE COMPANIES, INC.

STATEMENT OF CONSOLIDATED EARNINGS

(In millions except per share data)

	Year ended last day of February		
	1986	1985	1984
Net sales .....	\$11,396	\$11,858	\$9,327
Operating expenses:			
Cost of sales .....	7,931	8,456	6,797
Selling and administrative expenses .....	2,729	2,679	1,832
Total operating expenses .....	<u>10,660</u>	<u>11,135</u>	<u>8,629</u>
Gross operating earnings .....	<u>736</u>	<u>723</u>	<u>698</u>
Other income (expense):			
Interest income .....	41	52	39
Interest expense .....	(300)	(377)	(113)
Business Realignment .....	—	414	163
Miscellaneous, net .....	(35)	20	6
Total other income (expense) .....	<u>(294)</u>	<u>109</u>	<u>95</u>
Earnings before income taxes and discontinued operations .....	442	832	793
Provision for income taxes .....	217	355	360
Earnings before discontinued operations .....	225	477	433
Discontinued operations, net of income tax expense of \$4 million in 1986 and income tax benefits of \$6 million in 1985 .....	7	2	—
Net earnings .....	<u>\$ 232</u>	<u>\$ 479</u>	<u>\$ 433</u>
Earnings per share:			
Before discontinued operations:			
Primary .....	<u>\$ 2.04</u>	<u>\$ 5.04</u>	<u>\$ 4.23</u>
Fully diluted .....	<u>\$ 2.03</u>	<u>\$ 4.75</u>	<u>\$ 3.99</u>
Net earnings:			
Primary .....	<u>\$ 2.11</u>	<u>\$ 5.06</u>	<u>\$ 4.23</u>
Fully diluted .....	<u>\$ 2.09</u>	<u>\$ 4.77</u>	<u>\$ 3.99</u>

See Notes to Consolidated Financial Statements.

BEATRICE COMPANIES, INC.

STATEMENT OF CONSOLIDATED STOCKHOLDERS' EQUITY

	Year ended last day of February 1986, 1985 and 1984								
	NUMBER OF SHARES*			STOCKHOLDERS' EQUITY					Cumulative foreign currency translation adjustment
	Preference stock	Issued common stock	Common stock in treasury	Preference stock	Issued common stock	Additional capital	Retained earnings	Common stock in treasury	
		(In thousands)				(In millions)			
Balance, February 28, 1983	4,897	101,635	(2,551)	\$254	\$188	\$161	\$1,751	\$ (50)	\$ (89)
Net earnings	—	—	—	—	—	—	433	—	—
Conversion of preference stock	(1,164)	—	2,239	(60)	—	5	—	55	—
Conversion of debentures	—	—	811	—	—	(1)	(1)	21	—
Exercise of stock options	—	—	757	—	—	(3)	(3)	21	—
Stock contributed to employee stock benefit plans (forfeitures shown as treasury stock)	—	6	94	—	—	—	—	3	—
Purchase of treasury stock	—	—	(12,169)	—	—	—	—	(403)	—
Stock issued for assets of purchased companies	—	618	—	—	1	16	—	—	—
Dividends paid on:									
Common stock	—	—	—	—	—	—	(159)	—	—
Preference stock	—	—	—	—	—	—	(16)	—	—
Foreign currency translation adjustment	—	—	—	—	—	—	—	—	(96)
Redemption of preference stock	(5)	—	—	—	—	—	—	—	—
Balance, February 29, 1984	3,728	102,259	(10,819)	194	189	178	2,005	(353)	(185)
Net earnings	—	—	—	—	—	—	479	—	—
Conversion of preference stock	(505)	—	941	(26)	—	(1)	(5)	32	—
Conversion of debentures	—	—	287	—	—	—	(2)	10	—
Exercise of stock options	—	—	203	—	—	—	(3)	7	—
Stock contributed to employee stock benefit plans (forfeitures shown as treasury stock)	—	—	51	—	—	(1)	—	2	—
Purchase of treasury stock	—	—	(1,393)	—	—	—	—	(46)	—
Dividends paid on:									
Common stock	—	—	—	—	—	—	(155)	—	—
Preference stock	—	—	—	—	—	—	(15)	—	—
Foreign currency translation adjustment	—	—	—	—	—	—	—	—	(19)
Preference stock issued to retire outstanding debt	1,500	—	—	75	—	—	—	—	—
Debt redemption	—	—	126	—	—	(1)	—	4	—
Common stock warrants issued	—	—	—	—	—	5	—	—	—
Balance, February 28, 1985	4,723	102,259	(10,604)	243	189	180	2,304	(344)	(204)
Net earnings	—	—	—	—	—	—	232	—	—
Sale of common stock	—	4,738	9,662	—	9	134	(30)	321	—
Conversion of preference stock	(2,787)	4,516	150	(143)	9	130	(1)	5	—
Conversion of debentures	—	556	9	—	1	14	—	—	—
Exercise of stock options	—	231	154	—	1	4	(2)	5	—
Exercise of common stock warrants	—	2,200	—	—	3	73	—	—	—
Stock contributed to employee stock benefit plans (net of forfeitures)	—	17	(1)	—	—	1	—	1	—
Dividends paid on:									
Common stock	—	—	—	—	—	—	(181)	—	—
Preference stock	—	—	—	—	—	—	(14)	—	—
Foreign currency translation adjustment	—	—	—	—	—	—	—	—	17
Balance, February 28, 1986	1,936	114,517	(630)	\$100	\$212	\$536	\$2,308	\$ (12)	\$ (187)

\* Preference shares authorized on last day of February: fiscal 1986 and 1985—50 million, fiscal 1984—20 million.  
Common shares authorized on last day of February: fiscal 1986 and 1985—300 million, fiscal 1984—200 million.

See Notes to Consolidated Financial Statements.

BEATRICE COMPANIES, INC.

STATEMENT OF CONSOLIDATED CHANGES IN FINANCIAL POSITION

(In millions)

	Year ended last day of February		
	1986	1985	1984
Cash provided (used) by operations:			
Earnings before discontinued operations . . . . .	\$ 225	\$ 477	\$ 433
Items not involving cash:			
Depreciation and amortization of intangible assets and debt discounts . . . . .	335	299	237
Net charges (credits) due to Business Realignment asset write-downs and reserve changes . . . . .	—	364	(38)
Deferred taxes and other items, net . . . . .	130	298	62
Changes in working capital:			
Divestiture proceeds received in March 1985 . . . . .	855	(855)	—
Receivables . . . . .	(46)	176	(49)
Inventories . . . . .	82	95	14
Other current assets . . . . .	10	(179)	21
Accounts payable and other current liabilities . . . . .	(77)	(21)	45
Cash provided by operations before discontinued operations . . . . .	<u>1,514</u>	<u>654</u>	<u>725</u>
Cash provided (used) by investment activities:			
Net expenditures for property, plant and equipment . . . . .	(356)	(251)	(208)
Noncurrent assets of purchased businesses, other than Esmark . . . . .	(25)	(169)	(109)
Investments in affiliated companies . . . . .	(30)	(7)	(22)
Net noncurrent assets of divested operations, less associated reduction of Business Realignment reserve . . . . .	158	200	79
Other items, net . . . . .	27	90	(41)
Cash used by investment activities . . . . .	<u>(226)</u>	<u>(137)</u>	<u>(301)</u>
Net cash used by discontinued operations . . . . .	<u>(8)</u>	<u>(18)</u>	<u>—</u>
Cash provided (used) by financing activities, excluding Esmark acquisition:			
Change in debt . . . . .	(1,779)	(482)	(28)
Proceeds from sale of common stock . . . . .	434	—	—
Refund of income taxes . . . . .	176	—	—
Common stock issued upon conversion of preference stock and debentures . . . . .	157	34	79
Preference stock and debentures retired upon conversion into common stock . . . . .	(157)	(34)	(79)
Purchase of preference stock . . . . .	—	75	—
Purchase of treasury stock . . . . .	—	(46)	(403)
Common stock issued for exercises of stock options and stock warrants . . . . .	85	4	15
Other items, net . . . . .	(36)	18	34
Cash used by financing activities . . . . .	<u>(1,120)</u>	<u>(431)</u>	<u>(382)</u>
Acquisition of Esmark:			
Debt issued . . . . .	—	2,708	—
Value assigned to noncurrent liabilities . . . . .	(25)	885	—
Cost assigned to:			
Working capital, excluding cash and short-term investments . . . . .	215	(444)	—
Noncurrent tangible assets . . . . .	(243)	(929)	—
Intangible assets . . . . .	(1,905)	—	—
Unallocated purchase cost . . . . .	<u>1,958</u>	<u>(1,958)</u>	<u>—</u>
Esmark cash and short-term investments at acquisition . . . . .	—	262	—
Cash provided before dividend payments . . . . .	<u>160</u>	<u>330</u>	<u>42</u>
Cash dividends paid . . . . .	<u>(195)</u>	<u>(170)</u>	<u>(175)</u>
Increase (decrease) in cash and short-term investments . . . . .	(35)	160	(133)
Cash and short-term investments at beginning of year . . . . .	292	132	265
Cash and short-term investments at end of year . . . . .	<u>\$ 257</u>	<u>\$ 292</u>	<u>\$ 132</u>

See Notes to Consolidated Financial Statements.

## BEATRICE COMPANIES, INC.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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#### 1. Summary of Significant Accounting Policies

*Principles of Consolidation* The consolidated financial statements include Beatrice and its significant subsidiaries. A leasing subsidiary and 20 percent to 50 percent owned companies are carried on the equity method.

*Fiscal Year* The fiscal year of Beatrice ends on the last day of February. Many non-U.S. subsidiaries have fiscal years that end on December 31 and certain other subsidiaries have fiscal years ending on the last Saturday in February.

*Inventories* Inventories are valued at the lower of cost or market. The last-in, first-out (LIFO) cost basis was used to determine 28 percent of inventories at the end of fiscal 1986 and 33 percent of inventories at the end of fiscal 1985. The first-in, first-out (FIFO) cost basis is generally used for other inventories. Had all inventories been valued on a FIFO basis, inventories would have been greater by \$28 million and \$77 million at the end of fiscal 1986 and 1985, respectively. The decrease in the difference between the FIFO and LIFO valuations of these inventories resulted primarily from declines in certain commodity prices. In addition, the quantities of certain of these inventories were reduced, resulting in higher cost of sales and a decrease in net earnings of approximately \$5 million.

*Net Property, Plant and Equipment* Depreciation is provided principally on the straight-line method for financial reporting purposes and on accelerated methods for income tax purposes where possible. Amortization of capitalized leases and capitalized interest costs is included with depreciation expense. Depreciation expense amounted to \$247 million, \$251 million and \$194 million in fiscal 1986, 1985 and 1984, respectively. The amount of interest capitalized was not material in any year.

*Intangible Assets* Intangible assets are amortized using the straight-line method over periods not in excess of 40 years. Amortized amounts are not accumulated but are deducted directly from the related asset.

*Income Taxes* Income taxes include deferred income taxes which result from reporting certain items of income and expense in different periods for income tax purposes than for financial reporting purposes. Investment tax credit is recognized on the flow-through method.

*Calculation of Earnings Per Share* Primary earnings per share is computed by adjusting net earnings for preference stock dividends and dividing that amount by the weighted average number of shares of common stock and common stock equivalents (stock options) outstanding during the period. Fully diluted earnings per share is computed by adjusting net earnings for the after-tax interest expense on convertible debentures and dividing that amount by the sum of the weighted average number of shares of common stock and shares issuable for stock options and for the assumed full conversion of preference stock and convertible debentures.

*Pension and Postretirement Plans* Pension costs for the majority of Beatrice's U.S. pension plans are funded on a current basis. Substantially all prior service costs are amortized to expense over periods not exceeding 30 years.

Approximately 78 percent of Beatrice's U.S. postretirement health care expense is determined by an actuarial cost method which accrues expense over employees' service lives. The remaining U.S. postretirement health care expense is recognized as claims are incurred under the company's self-insured programs and by expensing premiums paid to outside carriers over the policy period. Substantially all of Beatrice's U.S. postretirement health care is funded when claims are paid by the company. The effect on earnings of postretirement life insurance and non-U.S. postretirement health care is immaterial.

*Reclassification* Certain amounts for previous years in the consolidated financial statements have been reclassified to conform to the presentation used for fiscal 1986.

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## BEATRICE COMPANIES, INC.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

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#### 2. Agreement and Plan of Merger

BCI Holdings Corporation ("Holdings") and BCI Merger Corporation ("Merger Sub"), a wholly-owned direct and indirect subsidiary of Holdings, entities recently formed by Kohlberg Kravis Roberts & Co., and Beatrice have entered into an Agreement and Plan of Merger dated as of November 14, 1985 as modified February 2, 1986 (as restated and modified, the "Merger Agreement"). The Merger Agreement, which was approved by Beatrice's stockholders on April 11, 1986 and is subject to certain other conditions, provides that Merger Sub will be merged into Beatrice ("Merger"). As a result of the Merger, all the common stock of Beatrice will be directly and indirectly owned by Holdings. Under the Merger Agreement, at the time of the Merger, each of Beatrice's then outstanding common shares will be converted into the right to receive \$40 cash and 10/25 of a share of Holdings Cumulative Exchangeable Preferred Stock ("Preferred Stock") with a liquidation preference of \$25 per share ("Merger Consideration"). The Merger Agreement provides that the holders of Preferred Stock will be entitled to receive cumulative dividends at the annual rate of 15.25% per share. (Such dividends shall be payable quarterly and dividends for the first six years following the Merger may be made, in the sole discretion of Holdings, in cash or by issuing additional shares of Preferred Stock). In addition, Beatrice's then outstanding convertible preference stock, convertible debt securities and stock warrants will be convertible into Merger Consideration based upon the number of common shares the holders thereof would have received had such rights been converted or exercised immediately prior to the Merger. Holdings will also have the right, at any time, subject in certain circumstances to approval by certain financing sources, to exchange subordinated debentures for Preferred Stock. The subordinated debentures, if issued, would have an interest rate equal to the dividend rate of the Preferred Stock and other terms would be the same as the Preferred Stock. Both the Preferred Stock and the subordinated debentures, if issued, will be retired on the first dividend or interest payment date following the 16th anniversary of the Merger.

In connection with financial advisory and investment banking services, Beatrice has agreed to pay its investment bankers fees in the amount of \$16 million plus expenses for services through October 1986, with a provision that the total becomes due immediately in full, to the extent of unpaid amounts, if and when the Merger or a similar transaction is completed. In addition, Beatrice will incur legal, printing, filing and miscellaneous fees and expenses totaling approximately \$22 million (pre-tax) associated with the Merger regardless of whether the Merger is completed. Through February 28, 1986, \$17 million (pre-tax) of such investment banking and other fees and expenses have been recorded as expense by Beatrice.

If the Merger is completed, Beatrice will incur additional expenses of approximately \$57 million (pre-tax) to satisfy the "change of control" provisions in certain of Beatrice's employee incentive plans and executive employment agreements, and to acquire outstanding stock options and outstanding stock appreciation rights. Beatrice may also incur expenses in connection with the possible severance of employees, the amounts of which are not presently determinable. Also, Holdings is expected to incur approximately \$6 billion of new debt financing, which will be used to acquire Beatrice common shares, retire approximately \$750 million of Beatrice debt outstanding at February 28, 1986, pay certain fees and expenses associated with the Merger and debt financing, and provide additional working capital. Upon completion of the Merger, Beatrice will guarantee Holdings' debt.

The Merger Agreement provides that in the event the Merger Agreement or the transactions contemplated thereby are terminated or abandoned, except under certain limited circumstances, Beatrice would reimburse Holdings, Merger Sub and their affiliates for all reasonable out-of-pocket expenses incurred by them or on their behalf. The Merger Agreement also provides that, in the event of such termination or abandonment, if certain other conditions are met, Beatrice would pay Holdings a cancellation fee of approximately \$18 million in addition to the reimbursement of expenses described above.

Unless otherwise stated, the information contained in the consolidated financial statements and notes thereto does not reflect any effects of the Merger.

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**BEATRICE COMPANIES, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

**3. Balance Sheet Components**

The components of certain balance sheet accounts are as follows:

	<u>1986</u>	<u>1985</u>
	(In millions)	
<b>INVENTORIES</b>		
Raw materials and supplies .....	\$ 386	\$ 405
Work in process .....	184	226
Finished goods .....	756	740
Total .....	<u>\$1,326</u>	<u>\$1,371</u>
<b>OTHER CURRENT ASSETS</b>		
Deferred income tax charges .....	\$ 221	\$ 251
Net current assets of discontinued operations .....	190	268
Other .....	103	92
Total .....	<u>\$ 514</u>	<u>\$ 611</u>
<b>NET PROPERTY, PLANT AND EQUIPMENT</b>		
Land .....	\$ 255	\$ 221
Buildings .....	1,136	1,039
Machinery and equipment .....	1,993	1,722
	<u>3,384</u>	<u>2,982</u>
Less accumulated depreciation .....	1,084	934
Net .....	<u>\$2,300</u>	<u>\$2,048</u>
<b>OTHER NONCURRENT ASSETS</b>		
Receivables .....	\$ 63	\$ 81
Net noncurrent assets of discontinued operations .....	37	—
Investments .....	32	30
Other .....	54	48
Total .....	<u>\$ 186</u>	<u>\$ 159</u>
<b>ACCOUNTS PAYABLE</b>		
Outstanding drafts and checks and other in-transit cash items .....	\$ 166	\$ 120
Trade and other .....	834	817
Total .....	<u>\$1,000</u>	<u>\$ 937</u>
<b>ACCRUED EXPENSES</b>		
Employee compensation and benefits .....	\$ 308	\$ 272
Business Realignment reserve .....	108	242
Income taxes .....	162	93
Taxes, other than income taxes .....	41	43
Other accruals .....	579	462
Total .....	<u>\$1,198</u>	<u>\$1,112</u>
<b>OTHER NONCURRENT LIABILITIES</b>		
Postretirement health care and pensions .....	\$ 244	\$ 263
Deferred credits .....	39	28
Other .....	150	186
Total .....	<u>\$ 433</u>	<u>\$ 477</u>

**BEATRICE COMPANIES, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

**4. Investments in Affiliated Companies**

Included in Investments in affiliated companies is an investment in a wholly-owned leasing subsidiary which is accounted for on the equity method in Beatrice's consolidated financial statements. Summary financial information for this subsidiary is as follows:

	<u>1986</u>	<u>1985</u>
	(In millions)	
Assets:		
Investment in equipment leased under operating leases, net .....	\$ 41	\$ 19
Investment in leveraged leases, net .....	171	87
Other .....	<u>1</u>	<u>13</u>
Total assets .....	213	119
Less liabilities:		
Notes payable .....	(90)	(76)
Deferred income taxes .....	(71)	(22)
Other liabilities .....	<u>(3)</u>	<u>(1)</u>
Beatrice's investment in the leasing subsidiary .....	<u>\$ 49</u>	<u>\$ 20</u>

The investment in equipment leased under operating leases, net represents vehicle leases with companies included in the consolidated group. The investment in leveraged leases, net is comprised of:

	<u>1986</u>	<u>1985</u>
	(In millions)	
Net rentals receivable .....	\$ 235	\$ 128
Estimated residual value of equipment .....	33	13
Less—Unearned income .....	(81)	(46)
Deferred investment tax credits .....	<u>(16)</u>	<u>(8)</u>
Investment in leveraged leases, net .....	<u>\$ 171</u>	<u>\$ 87</u>

Unearned income associated with leveraged leases is recognized over the terms of the leases at a constant after-tax rate applied to the unrecovered investment.

Net earnings of the leasing subsidiary for fiscal 1986 and 1985 were \$6 million and \$2 million, respectively.

The notes payable of the leasing subsidiary are not guaranteed by Beatrice or its consolidated subsidiaries, but there is an operating agreement which provides for the leasing subsidiary to maintain a specified financial ratio. In the event this ratio is not maintained, Beatrice is required to make payments to the leasing subsidiary in amounts sufficient to meet the ratio. Additionally, the operating agreement requires Beatrice to maintain and continue its ownership of the leasing subsidiary as necessary to permit Beatrice to consolidate the taxable income or losses of the leasing subsidiary in the Federal income tax return of Beatrice. Pursuant to a tax sharing agreement, any resultant Federal income tax benefits or expenses, regardless of Beatrice's ability to utilize the benefits currently, are transferred between Beatrice and this subsidiary. Therefore, the leasing subsidiary has recorded current income tax benefits which are greater than if they had been computed on a separate return basis.

**BEATRICE COMPANIES, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

**5. Business Realignment**

During the past few years, Beatrice has undergone a Business Realignment program to organize its operations along marketing lines. This program has included acquisitions and divestitures of businesses, a corporate identity marketing program, and reorganizations of management and corporate structures.

*Acquisitions.* Effective June 1984, Beatrice acquired Esmark, Inc. ("Esmark") in a purchase transaction for cash of approximately \$2.7 billion, including related expenses. The allocation of purchase cost to Esmark's net assets reflected in Beatrice's consolidated balance sheet at February 28, 1986 has been revised from the preliminary allocation reflected at February 28, 1985 primarily to reflect final appraisals of property, plant and equipment and values associated with the sales of certain former Esmark businesses. The remaining purchase cost, amounting to \$1.9 billion, was allocated to consumer franchises, including brands, trademarks, tradenames, distribution systems, workforces, patents and other intangible assets. Results of Esmark operations are included in the statement of consolidated earnings for all of fiscal 1986 and for the last eight months of fiscal 1985.

In fiscal 1986, 1985 and 1984 Beatrice acquired certain other businesses, the revenues and net earnings of which did not significantly affect consolidated results.

*Divestitures and Other Realignment Activities.* Business Realignment income (expense) in fiscal 1985 and 1984 is summarized as follows:

	1985	1984
	(In millions)	
Divestiture activities .....	\$ 700	\$ 163
Integration and restructuring costs .....	(286)	—
	\$ 414	\$ 163

During fiscal 1986, Beatrice sold various businesses which it acquired as part of the Esmark acquisition. In the final allocation of purchase cost to Esmark's net assets, these businesses were valued at net sale proceeds; thus no gain or loss was recognized in net earnings upon sale. Also during fiscal 1986, Beatrice identified certain other businesses for divestiture which are being accounted for as discontinued operations (see Note 6).

During fiscal 1985, following the acquisition of Esmark, Beatrice reorganized its business segments. Businesses serving specific market groups are being integrated and restructured to better utilize combined resources for more efficient operations and effective marketing. The charge to earnings for the anticipated cost of this integration and restructuring, which pertains to the food businesses owned by Beatrice prior to the acquisition of Esmark, totaled \$286 million (\$166 million after-tax) and was reflected as a reduction of Business Realignment income. This charge resulted from the planned elimination of duplicate and/or inefficient production facilities and distribution and administrative functions and included asset write-downs and reserves for costs incurred in connection with the restructuring.

Also during fiscal 1985, Beatrice identified certain businesses for divestiture. Net pre-tax gains amounting to \$700 million were recognized in Business Realignment income as a result of these divestiture activities, the most significant of which was the divestiture of Beatrice's chemical business. The net after-tax gain from divestitures totaled approximately \$386 million. Certain of these divestitures, which resulted in proceeds of \$158 million and after-tax gains of \$18 million and were completed in March 1985, are reflected as fiscal 1985 transactions in the accompanying financial statements. Also in fiscal 1985, costs associated with the corporate identity marketing program, amounting to \$14 million (\$8 million after-tax), were charged against the Business Realignment reserve.

**BEATRICE COMPANIES, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

During fiscal 1984, several businesses were divested, notably the domestic candy operations, John Sexton & Co., and the Shedd's margarine business. Gains amounting to \$125 million (\$76 million after-tax) were realized as Business Realignment income on certain of these divestitures, while losses of \$56 million (\$30 million after-tax) were incurred on the remainder. The losses were charged against the portion of the Business Realignment reserve established for these losses during fiscal 1983. The reserve was further reduced due to better than anticipated results on planned divestitures, resulting in additional Business Realignment income of \$38 million (\$23 million after-tax). In addition, a new corporate identity marketing program was introduced. Costs associated with these activities of \$18 million (\$10 million after-tax) were charged against the Business Realignment reserve.

**6. Discontinued Operations**

In October 1985, Beatrice announced its intention to sell the Avis vehicle rental and leasing business and certain other Esmark businesses. In addition, Esmark's fertilizer and phosphate business had been previously identified as a discontinued operation. Beatrice's consolidated financial statements present the net assets and operating results of these businesses as discontinued operations. These businesses had net sales and operating revenues of \$1.5 billion for fiscal 1986 and \$896 million for the eight months of fiscal 1985 following the Esmark acquisition. The net tangible assets of these businesses and Prime Vehicle Trust as of February 28, 1986 and 1985, are as follows:

	<u>1986</u>	<u>1985</u>
	<u>(In millions)</u>	
Rental vehicles, net of accumulated amortization . . . . .	\$1,015	\$846
Short-term debt and current maturities of long-term debt of Prime Vehicle Trust . . . . .	(760)	(538)
Other short-term debt and current maturities of long-term debt . . . . .	(50)	(43)
Other current assets, net of current liabilities . . . . .	<u>(15)</u>	<u>3</u>
Net current assets* . . . . .	190	268
Investment in leasing subsidiaries** . . . . .	70	60
Property, plant and equipment, net . . . . .	186	192
Long-term debt of Prime Vehicle Trust . . . . .	(171)	(271)
Other long-term debt . . . . .	(37)	(30)
Other noncurrent assets, net of noncurrent liabilities . . . . .	<u>(11)</u>	<u>38</u>
Net noncurrent assets (liabilities)* . . . . .	37	(11)
Net tangible assets of discontinued operations . . . . .	<u>\$ 227</u>	<u>\$257</u>

\*Net current assets and net noncurrent assets (liabilities) of discontinued operations are included in Other current assets and Other noncurrent assets or liabilities, respectively, in Beatrice's consolidated balance sheet.

\*\*The leasing subsidiaries have third party indebtedness of \$209 million and \$251 million at February 28, 1986 and 1985, respectively.

Rental vehicles are generally held for approximately one year and, accordingly, are classified as current assets. Amortization of the original cost reflects the estimated reduction in market value during the period the vehicles are used. When vehicles are sold, gains or losses are recorded as adjustments to amortization expense.

Most of the vehicles used in the Avis vehicle rental business are owned by a U.S. trust and substantially equivalent non-U.S. entities ("Prime Vehicle Trust") and are leased to Avis. These vehicles secure the associated debt of the Prime Vehicle Trust. Avis may terminate the leases by purchasing the vehicles at an

**BEATRICE COMPANIES, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

amount sufficient to repay the underlying debt or by paying a fee not in excess of 25 percent of the unamortized value of the vehicles. The obligation to pay such fee also secures repayment of the Prime Vehicle Trust debt. A subsidiary of Beatrice is obligated to assure the performance of Avis under the leases; however, all of the Prime Vehicle Trust debt is without recourse to Beatrice and its subsidiaries. An escrow account is maintained which may be used to pay a portion of the lease termination fee or to meet other contingent payment obligations.

The debt of Prime Vehicle Trust at February 28, 1986 and 1985 is comprised of:

	<u>1986</u>	<u>1985</u>
	<u>(In millions)</u>	
Notes payable, weighted average 8.8% in 1986 and 9.8% in 1985 .....	\$432	\$342
Current maturities of long-term debt .....	<u>328</u>	<u>196</u>
Short-term debt and current maturities of long-term debt of Prime Vehicle Trust .....	<u>\$760</u>	<u>\$538</u>
13.75% due 1997 .....	\$ 59	\$ 65
12.45% due 1988 .....	25	25
9.75% due 1988 .....	38	—
Other, individually less than \$20 million in 1986, weighted average 11.6% in 1986 and 14.6% in 1985 .....	<u>49</u>	<u>181</u>
Long-term debt of Prime Vehicle Trust* .....	<u>\$171</u>	<u>\$271</u>

\* Aggregate annual maturities of long-term debt of Prime Vehicle Trust for fiscal 1988 through 1991 are \$94 million, \$21 million, \$16 million and \$6 million, respectively.

Available lines of credit for Prime Vehicle Trust at February 28, 1986 amounted to \$1.4 billion (\$945 million unused) which had virtually no compensating balance or commitment fee requirements at the end of fiscal 1986. Subsequent to February 28, 1986, approximately \$1.0 billion of these lines were formally committed with commitment fee requirements of ¼ to ½ of 1 percent of the unused credit.

**7. Leases**

Property under capital leases is included in net property, plant and equipment and is comprised of:

	<u>1986</u>	<u>1985</u>
	<u>(In millions)</u>	
Real property .....	\$105	\$115
Machinery and equipment .....	<u>46</u>	<u>43</u>
	151	158
Less accumulated amortization .....	<u>51</u>	<u>52</u>
Net .....	<u>\$100</u>	<u>\$106</u>

Future minimum rentals under capital subleases as of the end of fiscal 1986 are \$8 million. Contingent rent under capital leases was immaterial in fiscal 1986, 1985 and 1984.

BEATRICE COMPANIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Future minimum payments under non-cancellable leases for fiscal years after fiscal 1986 are:

	Capital leases	Operating leases
	(In millions)	
1987 .....	\$ 23	\$ 35
1988 .....	19	29
1989 .....	15	24
1990 .....	11	18
1991 .....	9	14
Later years .....	82	83
Total minimum lease payments .....	159	<u>\$203</u>
Less estimated executory costs .....	1	
Net minimum lease payments .....	158	
Less amount representing interest .....	64	
Present value of net minimum lease payments .....	<u>\$ 94</u>	

Future minimum rental receipts under non-cancellable operating subleases as of the end of fiscal 1986 are \$13 million.

Rent expense for operating leases for fiscal 1986, 1985 and 1984 was:

	1986	1985	1984
	(In millions)		
Minimum rent .....	\$60	\$60	\$55
Contingent rent .....	4	5	4
	64	65	59
Less sublease rentals .....	5	6	2
Net .....	<u>\$59</u>	<u>\$59</u>	<u>\$57</u>

**8. Short-Term Debt**

Short-term debt is comprised of:

	1986	1985	1984
	(Dollars in millions)		
U.S. borrowings .....	\$516	\$1,321*	\$ 57
Non-U.S. borrowings .....	200	119	88
Current maturities of long-term debt .....	72	89	67
Total short-term debt and current maturities of long-term debt at year-end .....	<u>\$788</u>	<u>\$1,529</u>	<u>\$212</u>
Weighted average interest rate of short-term debt at year-end .....	<u>9.3%</u>	<u>9.8%</u>	<u>11.0%</u>

\*Includes \$855 million of short-term debt retired in March 1985 with proceeds received from divestiture transactions.

U.S. borrowings principally comprised commercial paper in fiscal 1986 and 1985 and demand notes in fiscal 1984. Non-U.S. borrowings are primarily bank related debt.

**BEATRICE COMPANIES, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

Information regarding short-term debt activities during the respective fiscal years follows:

	<u>1986</u>	<u>1985</u>	<u>1984</u>
	(Dollars in millions)		
Maximum amount outstanding .....	<u>\$1,440</u>	<u>\$2,703</u>	<u>\$304</u>
Average amount outstanding .....	<u>\$ 730</u>	<u>\$1,429</u>	<u>\$212</u>
Weighted average interest rate .....	<u>12.1%</u>	<u>11.0%</u>	<u>11.6%</u>

Average short-term debt amounts are calculated based on month-end balances during each fiscal year. The associated weighted average interest rates are exclusive of the cost of maintaining certain compensating balances. These average rates represent short-term interest expense divided by the average balances outstanding.

Beatrice periodically reviews its financing needs and adjusts its formal credit facilities accordingly. Beatrice has a \$1.2 billion Note Placement and Swing Line Facility ("Credit Facility") which expires in April 1988. The Credit Facility enables Beatrice to borrow funds in the Eurodollar market by issuing notes of up to six months maturity. The eleven underwriting banks ensure that the rate will not exceed 1/5 of 1 percent over London interbank offered rates (LIBOR) at the time the notes are issued.

In addition to the Credit Facility, Beatrice has \$740 million committed lines of credit under revolving credit agreements and \$401 million lines of credit with U.S. and non-U.S. banks as of the end of fiscal 1986. Commitment fees for these credit lines are 1/4 of 1 percent of the unused credit. Compensating balance requirements are not significant. Borrowings under lines of credit are at prime interest rates or, at Beatrice's option, may instead be priced at rates based upon LIBOR or certificate of deposit rates. As of the end of fiscal 1986, the revolving credit agreements are available to Beatrice for periods of 2½ and 4½ years.

Beatrice's informal lines of credit as of the end of fiscal 1986 and 1985 are:

	<u>1986</u>	<u>1985</u>
	(In millions)	
Maximum lines of credit:		
U.S. ....	<u>\$ 15</u>	<u>\$ 38</u>
Non-U.S. ....	<u>386</u>	<u>223</u>
Borrowings under lines of credit:		
Non-U.S. ....	<u>\$119</u>	<u>\$ 93</u>

Upon consummation of the Merger the aforementioned Credit Facility and committed lines of credit facilities are expected to be terminated and Beatrice will utilize the credit facilities of BCI Holdings Corporation. The effect of the Merger upon the informal lines of credit is not determinable. U.S. short-term debt is anticipated to be retired in connection with the Merger.

BEATRICE COMPANIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

9. Long-Term Debt

Long-term debt is comprised of:

	1986	1985
	(In millions)	
Sinking fund debentures:		
7.7%, \$17 million due to 1996**	\$ 14	\$ 14
9½%, \$37 million due to 1999**	32	34
9¼%, due to 2000**	41*	38
8½% due 1989 to 2008	34*	34
10⅞% due 1991 to 2010	98*	98
Other debt:		
12.85% due 1987	100	100
12% due 1989	100	20
8¼% due 1989 (denominated in Dutch Guilders)	38	27
12½% due 1991	51	—
10¼% due 1992 (denominated in European Currency Units)	46	—
7¾% notes due 1994 (denominated in Deutsche Marks)	55	40
10½% due 1994	120	200
11⅞%, due to 1995**	45*	49
8.3%, \$75 million due 1997**	67	72
13%, \$25 million due 1998**	26	26
9⅞%, \$112 million due to 2004**	103	108
Commercial paper borrowings classified as long-term debt****	—	980
Zero coupon note payments due:		
1992—\$250 million (14.6%***)	111	97
2014—\$114 million (12.2%***)	4	4
Industrial revenue bonds, due various dates through 2014 (8.4%***)	58	62
Miscellaneous, individually less than \$10 million in 1986, due various dates through 2006 (9.1%***)	140	275
Capitalized lease obligations (10.7%***)	94	101
	1,377	2,379
Less current maturities	72	89
Total long-term debt	\$1,305	\$2,290

\* Anticipated to be retired in connection with the Merger.

\*\* Balances discounted to an effective rate of 12.5% in conjunction with the acquisition of Esmark.

\*\*\* Percentages represent weighted average effective rates.

\*\*\*\* At February 28, 1985 Beatrice intended to refinance commercial paper borrowings, classified as long-term debt, with long-term debt or to continuously refinance such borrowings with short-term instruments over a period in excess of one year. The Credit Facility (Note 8) gave Beatrice the ability at February 28, 1985 to continuously refinance these borrowings for up to three years.

Before giving effect to debt anticipated to be retired in connection with the Merger, aggregate annual maturities and sinking fund requirements of long-term debt, including capitalized lease obligations, for fiscal 1988 through 1991 are \$158 million, \$50 million, \$182 million and \$45 million, respectively.

**BEATRICE COMPANIES, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

**10. Stockholders' Equity**

*Preference Stock* As of the end of fiscal 1986 and 1985, the components of outstanding preference stock are as follows:

	<b>1986</b>	<b>1985</b>
	(In millions)	
Series A Cumulative Convertible—1,935,665 shares in 1986 and 3,222,509 shares in 1985 .....	\$100	\$168
Convertible Adjustable—1,500,000 shares in 1985 .....	—	75
Total .....	<b>\$100</b>	<b>\$243</b>

Series A preference shares are convertible into common stock at a conversion price of \$27.957 based upon the stated value of \$52. The annual dividend rate is \$3.38 per share. The Series A stock may be redeemed at Beatrice's option, at \$53 per share through August 7, 1986, only if the dividends paid on the underlying common stock during the 12 months preceding the redemption total at least 105 percent of the Series A dividends paid. After August 7, 1986, it may be redeemed at \$52 per share. In the event of a voluntary liquidation, Series A shares have a preferred claim to assets over common shares in an amount equal to the then current redemption price. Upon involuntary liquidation, Series A shares have a preference value equal to \$52 per share.

In fiscal 1985, Beatrice issued 1.5 million shares of a newly authorized series of convertible adjustable preference stock to retire outstanding sinking fund debentures with an aggregate principal amount of \$93 million. These shares were converted into 2.3 million shares of common stock during fiscal 1986.

*Common Stock* The stated value of Beatrice common stock at February 28, 1986 and 1985 is \$1.85 per share with no par value. On April 11, 1986, Beatrice shareholders approved an increase in the par value to \$.01 per share. In July 1985, Beatrice sold 14.4 million shares of its common stock for net proceeds of \$434 million. As of the end of fiscal 1986 and 1985, shares of Beatrice common stock were reserved for issuance as follows:

	<b>1986</b>	<b>1985</b>
Exercise of stock options .....	3,642,109	1,019,976
Conversion of preference stock .....	3,600,335	11,618,864
Conversion of debentures .....	280,204	845,630
Exercise of warrants .....	3,261,163	5,460,800
Incentive deferred compensation plans .....	72,847	190,673
Total .....	<b>10,856,658</b>	<b>19,135,943</b>

At Beatrice's Annual Meeting in June 1985, the shareholders approved an amendment to the 1982 Stock Option Plans authorizing the issuance of 3 million additional shares of common stock upon exercise of options under the plans. Beatrice has since granted options to purchase 1.3 million common shares at option prices not exceeding \$34.25 per share under these plans.

BEATRICE COMPANIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Activity in shares under option during the fiscal years is as follows:

	1986	1985
Beginning of year .....	778,976	813,309
Options granted .....	1,395,145	193,600
Options exercised .....	(397,867)	(222,933)
Options cancelled .....	(194,355)	(5,000)
End of year .....	<u>1,581,899</u>	<u>778,976</u>

The total option price of exercised options was \$8 million during fiscal 1986 and \$4 million during fiscal 1985. The total option price of options outstanding as of the end of fiscal 1986 and 1985 was \$50 million and \$18 million, respectively. As of the end of fiscal 1986, 340,209 stock options were currently exercisable at a total option price of \$8 million. In connection with the proposed Merger, 402,300 stock options were made immediately exercisable as of March 1986 at a total option price of \$13 million, even though by their original terms they would not have been exercisable until later.

Warrants to purchase common stock were issued in fiscal 1985 in connection with the issuance of \$200 million of 10½ percent notes due in fiscal 1995. Each \$1,000 note was issued with a warrant to purchase 27.3 shares of common stock at a price of \$36¾ per share. The warrants may be exercised through fiscal 1995. As of February 28, 1986, warrants had been exercised and converted into 2,199,613 shares of common stock in exchange for \$80 million of 10½% notes.

*Retained Earnings* Retained earnings include approximately \$49 million and \$42 million as of the end of fiscal 1986 and 1985, respectively, representing undistributed earnings of affiliated companies.

There are currency controls over the remittance of dividends from certain non-U.S. operations. The effect of these restrictions on the payment of dividends is not significant to Beatrice's consolidated operations.

**11. Operations Outside the United States**

Selected financial information relating to Beatrice's operations outside the United States is as follows:

	1986	1985
	(In millions)	
Current assets .....	\$ 905	\$ 763
Net property, plant and equipment .....	480	417
Investments in affiliated companies .....	40	30
Intangible assets and other noncurrent assets .....	265	120
	<u>1,690</u>	<u>1,330</u>
Less:		
Current liabilities .....	705	515
Other liabilities .....	118	126
Minority interests .....	69	71
	<u>892</u>	<u>712</u>
Beatrice's equity in net assets .....	<u>\$ 798</u>	<u>\$ 618</u>

Beatrice's equity in net earnings before discontinued operations was \$60 million, \$88 million and \$71 million for fiscal 1986, 1985 and 1984, respectively (after amortization and write-downs of intangibles of \$6 million, \$3 million and \$4 million, respectively). Foreign currency adjustments, after the effect of hedging transactions, resulted in losses of \$11 million for fiscal 1986, \$13 million for fiscal 1985 and \$9 million for fiscal 1984.

**BEATRICE COMPANIES, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

The above information excludes certain non-U.S. subsidiaries, whose purpose is to obtain financing outside the United States, and operations in Puerto Rico. Beatrice's equity in net earnings excludes Business Realignment income related to divestiture activities.

The foreign currency translation adjustment included in stockholders' equity as of the end of fiscal 1986 and 1985 was comprised of:

	<u>1986</u>	<u>1985</u>
	(In millions)	
Beginning of year .....	\$204	\$185
Translation adjustments .....	(32)	40
Divested businesses .....	—	(18)
Hedging transactions, net of applicable income taxes of \$13 in 1986 and \$3 in 1985 ..	15	(3)
End of year .....	<u>\$187</u>	<u>\$204</u>

**12. Contingent Liabilities**

In the opinion of management, there are no claims or litigation pending at the end of fiscal 1986 to which Beatrice is a party which are expected to have a material adverse effect on Beatrice's consolidated financial condition. However, upon completion of the Merger, Beatrice will guarantee the debt of BCI Holdings Corporation. The guarantee will result in significant credit constraints for Beatrice and may affect the way it does business in the future.

**13. Miscellaneous Income (Expense), Net**

Miscellaneous income (expense), net in fiscal 1986 includes a \$20 million charge (\$10 million after-tax) related to Beatrice's phase-out of its sponsorship of automobile racing programs and \$17 million of expenses (\$9 million after-tax) for investment banking, legal and other costs related to the Merger. Miscellaneous income (expense), net in fiscal 1985 includes a \$19 million non-taxable gain from the early retirement of a portion of Beatrice's outstanding sinking fund debentures in exchange for 1.5 million shares of convertible adjustable preference stock.

**BEATRICE COMPANIES, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

**14. Income Taxes**

The provision for income taxes is comprised of:

	<u>1986</u>	<u>1985</u>	<u>1984</u>
	(In millions)		
Current taxes:			
U.S. Federal .....	\$ (5)	\$ (7)	\$188
Non-U.S. ....	72	70	64
U.S. state and local .....	<u>13</u>	<u>12</u>	<u>25</u>
	<u>80</u>	<u>75</u>	<u>277</u>
Deferred and noncurrent taxes:			
U.S. Federal:			
Accelerated tax depreciation .....	41	26	17
Zero coupon note interest .....	2	32	—
Warranties .....	(15)	—	—
Changes in Business Realignment and other reserves .....	102	184	45
Other .....	(11)	(12)	2
Non-U.S. ....	2	8	3
U.S. state and local:			
Changes in Business Realignment and other reserves .....	13	33	—
Other .....	<u>3</u>	<u>9</u>	<u>16</u>
	<u>137</u>	<u>280</u>	<u>83</u>
Total .....	<u>\$217</u>	<u>\$355</u>	<u>\$360</u>

Earnings before income taxes and discontinued operations are:

	<u>1986</u>	<u>1985</u>	<u>1984</u>
	(In millions)		
U.S. ....	\$318	\$671	\$656
Non-U.S. ....	124	161	137
Total .....	<u>\$442</u>	<u>\$832</u>	<u>\$793</u>

Following is a reconciliation of the difference between the U.S. statutory rate and the effective tax rate:

	<u>1986</u>	<u>1985</u>	<u>1984</u>
U.S. statutory rate .....	46.0%	46.0%	46.0%
Amortization and write-downs of intangible assets, Unallocated purchase cost and non-deductible depreciation .....	8.0	2.2	1.3
Reversal of \$17 million deferred taxes on DISC .....	—	(2.0)	—
U.S. state and local income taxes, net of U.S. federal income tax benefits .....	3.6	3.5	2.7
Rate differential on Business Realignment activity .....	—	(3.6)	(2.3)
Non-U.S. tax rate differential .....	(0.8)	(1.5)	(1.5)
Investment tax credit .....	(3.0)	(1.5)	(1.0)
Tax exempt earnings of Puerto Rican subsidiaries .....	(3.9)	(1.4)	—
Other, net .....	<u>(0.8)</u>	<u>.9</u>	<u>(0.3)</u>
Effective tax rate .....	<u>49.1%</u>	<u>42.6%</u>	<u>44.9%</u>

Beatrice has provided for deferred taxes on that portion of the undistributed earnings of its non-U.S. subsidiaries which is not considered to be permanently invested. The accumulated earnings that are considered permanently invested in these operations aggregate approximately \$450 million at the end of fiscal 1986.

**BEATRICE COMPANIES, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

**15. Pension, Postretirement and Long-Term Compensation Plans**

Beatrice has pension plans which cover a majority of U.S. salaried employees and certain hourly-paid employees. Beatrice also contributes to other plans jointly administered by industry and union representatives.

The amounts charged to earnings for Beatrice's U.S. and non-U.S. pension plans, including plans jointly administered by industry and union representatives, totaled \$49 million, \$51 million and \$41 million for fiscal 1986, 1985 and 1984, respectively. Beatrice's acquisition of Esmark was the primary reason for the increase in expense for fiscal 1985 compared to fiscal 1984. Accumulated plan benefit information and plan net assets, including amounts accrued but not yet funded, for Beatrice's U.S. defined benefit plans are as follows:

	<u>1986</u>	<u>1985</u>
	(In millions)	
Actuarial present value of accumulated plan benefits:		
Vested .....	\$424	\$438
Nonvested .....	31	34
	\$455	\$472
Net assets available for benefits .....	\$597	\$589

The preceding accumulated plan benefit and plan net asset information are based primarily on valuation dates which are at the beginning of each fiscal year. The information in the table excludes amounts for plans jointly administered by industry and union representatives because the information is not readily available from the plans' trustees. Beatrice does not determine the actuarial present value of accumulated plan benefits or net assets available for benefits for its non-U.S. pension plans.

The weighted average assumed rate of return used in determining the actuarial present value of accumulated plan benefits was 8 percent in both years, except that the rate used to value the benefits of a certain group of retirees was 12.3 percent, which is the rate of return on a dedicated bond portfolio established to fund such benefits.

Beatrice provides company-sponsored postretirement health care benefits to certain groups of U.S. retirees. Approximately 46 percent of all U.S. personnel may become eligible for company-sponsored postretirement health care if they were to retire from the company. The cost of providing company-sponsored postretirement health care benefits for U.S. retirees was \$18 million in fiscal 1986 and \$13 million in fiscal 1985. Only eight months of Esmark postretirement health care expense is included in fiscal 1985 compared with a full year's expense for fiscal 1986.

In the first quarter of fiscal 1986, the Board of Directors adopted the 1985 Performance Unit Plan ("1985 Plan"). The 1985 Plan provides for the payment of a cash award at the end of the three year performance period based on the achievement of certain financial performance goals established by the compensation and benefits committee of the Board of Directors. Since the 1985 Plan's adoption, 4,990 performance units, which carry maximum values of \$1,500 per unit assuming no change of control (\$1,000 per unit in the event of a change of control), were granted to certain key employees under this plan. During fiscal 1986, \$5 million (pre-tax) was charged to expense for this plan. In March 1985, the committee awarded \$9 million to the participants of the 1983 Performance Unit Plan ("1983 Plan") which was approved by the shareholders in fiscal 1983. The award recognized achievement of certain performance goals established under the 1983 Plan. The total award had been expensed over the previous three-year performance period.

**BEATRICE COMPANIES, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

**16. Information by Business Segment and Geographic Location**

The following tables contain certain financial information by business segment and geographic location. Intersegment and intergeographic sales to affiliates are not significant to the net sales of any business segment or geographic location. Sales to any single customer were not material. Export sales to unaffiliated customers are an immaterial percentage of net sales. Earnings by geographic location and business segment represent gross operating earnings excluding net unallocated corporate expenses. Identifiable segment assets are those assets used in the operations of the segment. Corporate and other assets are cash, short-term investments, investments in affiliated companies, certain corporate receivables and other assets, and net assets of discontinued operations.

Business segment information for fiscal 1986, 1985 and 1984 is as follows:

BUSINESS SEGMENT	Year ended last day of February					
	Net Sales			Earnings		
	1986	1985	1984	1986	1985	1984
	(In millions)					
U.S. Food.....	\$ 7,040	\$ 6,289	\$4,113	\$548	\$359	\$338
Consumer Products.....	2,337	1,795	948	214	189	133
International Food.....	1,919	1,852	1,732	94	96	105
	<u>11,296</u>	<u>9,936</u>	<u>6,793</u>	<u>856</u>	<u>644</u>	<u>576</u>
Businesses divested through February 28, 1986 .....	100	1,922	2,534	1	190	228
Total segments.....	<u>\$11,396</u>	<u>\$11,858</u>	<u>\$9,327</u>	857	834	804
Unallocated corporate expenses .....				(121)	(111)	(106)
Gross operating earnings.....				<u>\$736</u>	<u>\$723</u>	<u>\$698</u>

BUSINESS SEGMENT	Identifiable assets			Net property, plant and equipment additions			Depreciation and amortization of intangible assets		
	1986	1985	1984	1986	1985	1984	1986	1985	1984
	(In millions)								
U.S. Food.....	\$4,150	\$2,995	\$1,974	\$272	\$520	\$ 84	\$194	\$144	\$109
Consumer Products.....	1,936	1,139	507	154	298	28	69	41	21
International Food.....	984	823	801	70	119	115	47	45	38
	<u>7,070</u>	<u>4,957</u>	<u>3,282</u>	<u>496</u>	<u>937</u>	<u>227</u>	<u>310</u>	<u>230</u>	<u>168</u>
Businesses divested through February 28, 1986.....	—	226	755	(65)	(107)	(91)	2	33	42
Total segments.....	<u>7,070</u>	<u>5,183</u>	<u>4,037</u>	<u>431</u>	<u>830</u>	<u>136</u>	<u>312</u>	<u>263</u>	<u>210</u>
Corporate and other .....	1,272	2,071	427	24	34	5	7	40	1
Total.....	<u>\$8,342</u>	<u>\$7,254*</u>	<u>\$4,464</u>	<u>\$455</u>	<u>\$864</u>	<u>\$141</u>	<u>\$319</u>	<u>\$303</u>	<u>\$211</u>

\*Excludes Unallocated purchase cost.

**BEATRICE COMPANIES, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

Information by geographic location is as follows:

GEOGRAPHIC LOCATION	Net sales	Segment earnings	Identifiable assets		
			Segment (In millions)	Corporate and other	Total
<b>United States</b>					
1986 .....	\$ 8,662	\$704	\$5,590	\$1,062	\$6,652
1985 .....	9,262	644	4,097	1,827	5,924
1984 .....	7,270	655	3,082	274	3,356
<b>Europe</b>					
1986 .....	1,653	84	877	131	1,008
1985 .....	1,564	96	561	136	697
1984 .....	1,243	83	589	81	670
<b>Canada</b>					
1986 .....	491	35	194	21	215
1985 .....	475	42	158	33	191
1984 .....	390	29	122	22	144
<b>Central and South America</b>					
1986 .....	277	18	217	31	248
1985 .....	263	24	184	58	242
1984 .....	204	24	123	38	161
<b>Other</b>					
1986 .....	313	16	192	27	219
1985 .....	294	28	183	17	200
1984 .....	220	13	121	12	133
<b>Consolidated</b>					
1986 .....	\$11,396	\$857	\$7,070	\$1,272	\$8,342
1985 .....	11,858	834	5,183	2,071	7,254*
1984 .....	<u>9,327</u>	<u>804</u>	<u>4,037</u>	<u>427</u>	<u>4,464</u>

\*Excludes Unallocated purchase cost.

BEATRICE COMPANIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

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**17. Inflation Accounting (Unaudited)**

*Introduction* Financial statements prepared in accordance with generally accepted accounting principles present historical costs stated in dollars of varying purchasing power, which may not adequately measure the impact of inflation. The following supplemental schedules, prepared in accordance with the Financial Accounting Standards Board requirements, attempt to reflect the effects of changing prices on Beatrice's operations.

The objective of reporting inflation-adjusted data is to reflect the current costs of the resources actually used in the operations, rather than the historical costs expended to acquire them. Because the development of inflation-adjusted data requires the use of estimation techniques and assumptions, which may also vary among companies, caution should be exercised when using the inflation-adjusted financial data presented herein. The inflation-adjusted data reflect the estimated current costs of fixed assets in their present condition, and do not indicate actual amounts for which those assets could be sold, nor reflect how Beatrice would actually replace existing assets. Technological changes, which significantly influence decisions regarding fixed asset replacement, are not considered in calculating the current cost of fixed assets. Also, financial information adjusted for general inflation in the United States based on the U.S. Consumer Price Index for all Urban Consumers (CPI-U) can result in distortions of data for a company such as Beatrice with operations in foreign countries which may have different rates of inflation.

In preparing these schedules, historical amounts were translated into U.S. dollars and then restated to reflect changes in specific prices during the periods being measured. Under the current cost method, property, plant and equipment, depreciation expense, inventories and cost of sales are required to be adjusted for specific price changes. The effect of general inflation on the resulting current cost and net monetary liabilities is based on the CPI-U. Other revenues and expenses are assumed to have occurred proportionately throughout the year in relation to changing prices and are considered to be stated in average fiscal 1986 dollars.

Current cost disclosures in this note for property, plant and equipment, depreciation expense, inventories and cost of sales were derived as follows:

Property, plant and equipment and depreciation expense—The current costs of property, plant and equipment were determined by the use of indices issued by the United States and foreign governments for the class of assets being measured. The adjusted values of plant and equipment were then used to compute the related depreciation expense.

Inventories and cost of sales—The current cost of inventories and cost of sales and operating revenues were generally determined by valuing year-end inventories on a first-in, first-out (FIFO) basis and applying specific indices to these amounts on the basis of inventory turnover.

At the end of fiscal 1986, the current cost values of net property, plant and equipment and inventories were \$2.7 billion and \$1.4 billion, respectively.

*1986 Historical and Current Cost Statement of Consolidated Earnings* Following is a comparison of the historical and current cost fiscal 1986 Statement of Consolidated Earnings. Current cost amounts represent historical values after current cost adjustments have been applied to cost of sales and depreciation expense.

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**BEATRICE COMPANIES, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

Since the provision for income taxes is not adjusted for current cost, the effective tax rate is increased from the historical financial statements.

	<u>Historical</u>	<u>Current cost</u>
	(In millions except per share data)	
Net sales .....	\$11,396	\$11,396
Operating expenses:		
Cost of sales, excluding depreciation .....	7,767	7,780
Selling and administrative expenses, excluding depreciation .....	2,646	2,646
Depreciation .....	247	311
Total operating expenses .....	<u>10,660</u>	<u>10,737</u>
Gross operating earnings .....	736	659
Other expense, net .....	(294)	(294)
Earnings before income taxes and discontinued operations .....	442	365
Provision for income taxes .....	217	217
Earnings before discontinued operations .....	<u>\$ 225</u>	<u>\$ 148</u>
Primary earnings per share before discontinued operations .....	<u>\$ 2.04</u>	<u>\$ 1.30</u>

*Comparison of Selected Supplementary Financial Data Adjusted for Effects of Changing Prices* In the following chart, the current cost information is presented in the current costs of each year adjusted to average fiscal 1986 dollars for comparability measured by the CPI-U.

	<u>1986</u>	<u>1985</u>	<u>1984</u>	<u>1983</u>	<u>1982</u>
	(Dollars in millions except per share data)				
Net sales .....	\$11,396	\$12,283	\$10,060	\$10,187	\$10,598
Historical cost information adjusted to estimated current costs:					
Earnings before discontinued operations and other items .....	\$ 148	\$ 429	\$ 354	\$ (59)	\$ 266*
Primary earnings per share before discontinued operations and other items .....	\$ 1.30	\$ 4.51	\$ 3.42	\$ (.79)	\$ 2.54*
Net assets at year-end before discontinued operations (stockholders' equity) .....	<u>\$ 3,178</u>	<u>\$ 2,838</u>	<u>\$ 2,802</u>	<u>\$ 3,254</u>	<u>\$ 3,638</u>
Change in specific prices over (under) increase in general price level .....	<u>\$ (127)</u>	<u>\$ (53)</u>	<u>\$ (1)</u>	<u>\$ 186</u>	<u>\$ (19)</u>
Foreign currency translation adjustment .....	<u>\$ 26</u>	<u>\$ (31)</u>	<u>\$ (137)</u>	<u>\$ (66)</u>	<u>\$ —</u>
Unrealized gain from decline in purchasing power of net amounts owed .....	<u>\$ 121</u>	<u>\$ 84</u>	<u>\$ 53</u>	<u>\$ 36</u>	<u>\$ 59</u>
Cash dividends declared per common share .....	\$ 1.80	\$ 1.76	\$ 1.73	\$ 1.67	\$ 1.65
Market price per common share at year-end .....	<u>\$ 46.63</u>	<u>\$ 31.73</u>	<u>\$ 36.40</u>	<u>\$ 26.62</u>	<u>\$ 21.60</u>
Average consumer price index .....	<u>324.1</u>	<u>312.9</u>	<u>300.5</u>	<u>290.8</u>	<u>275.9</u>

\*Before the effect of other items which include the net gain on the sale of the Dannon business and the cumulative effect of change in accounting principle for investment tax credit.

Explanations of selected captions are as follows:

Net assets at year-end (stockholders' equity)—The value of net assets (stockholders' equity) stated at current cost was determined by adding to historical stockholders' equity the difference between historical and inflation-adjusted values for inventories, net property, plant and equipment and net monetary liabilities.

BEATRICE COMPANIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Increase in specific prices over (under) the increase in the general price level—This compares the change in specific prices of inventories and property with the change in general price levels. The effects of foreign currency translation are included for years prior to fiscal 1983.

Foreign currency translation adjustment—This reflects the effect of exchange rate changes on net assets, adjusted to current cost. Translation adjustment amounts prior to fiscal 1983 have not been separately disclosed.

Unrealized gain from decline in purchasing power of net amounts owed—This represents the unrealized gain in purchasing power that holders of monetary liabilities derive in periods of inflation because liabilities are repaid in dollars of diminished purchasing power.

18. Quarterly Results of Operations (Unaudited)

The following is a summary of the unaudited quarterly results of operations for fiscal 1986 and 1985:

<u>1986*</u>	<u>First</u>	<u>Second</u>	<u>Third</u>	<u>Fourth</u>
	(In millions except per share data)			
Net sales . . . . .	\$2,797	\$2,826	\$3,024	\$2,749
Cost of sales . . . . .	\$1,969	\$1,981	\$2,095	\$1,886
Earnings before discontinued operations . . . . .	\$ 54	\$ 57	\$ 83	\$ 31
Net earnings . . . . .	\$ 58	\$ 70	\$ 88	\$ 16
Earnings per share:				
Before discontinued operations:				
Primary . . . . .	\$ .55	\$ .53	\$ .74	\$ .22
Fully diluted . . . . .	\$ .54	\$ .52	\$ .73	\$ .22
Net earnings:				
Primary . . . . .	\$ .59	\$ .66	\$ .79	\$ .07
Fully diluted . . . . .	\$ .57	\$ .65	\$ .77	\$ .07
 <u>1985**</u>	 <u>First</u>	 <u>Second</u>	 <u>Third</u>	 <u>Fourth</u>
Net sales . . . . .	\$2,207	\$3,022	\$3,458	\$3,171
Cost of sales . . . . .	\$1,593	\$2,211	\$2,431	\$2,221
Earnings before discontinued operations . . . . .	\$ 72	\$ 93	\$ 127	\$ 185
Net earnings . . . . .	\$ 72	\$ 101	\$ 127	\$ 179
Earnings per share:				
Before discontinued operations:				
Primary . . . . .	\$ .76	\$ .97	\$ 1.34	\$ 1.97
Fully diluted . . . . .	\$ .73	\$ .92	\$ 1.26	\$ 1.84
Net earnings:				
Primary . . . . .	\$ .76	\$ 1.06	\$ 1.34	\$ 1.90
Fully diluted . . . . .	\$ .73	\$ 1.01	\$ 1.26	\$ 1.77

\*In the third quarter of fiscal 1986, earnings before discontinued operations and net earnings included charges of \$3 million (per share effect: \$.03 primary and fully diluted) for expenses related to the Merger. Fourth quarter earnings before discontinued operations and net earnings included charges of \$6 million (per share effect: \$.05 primary and fully diluted) for expenses related to the Merger and \$10 million (per share effect: \$.10 primary; \$.09 fully diluted) related to Beatrice's phase-out of its sponsorship of automobile racing programs. Also, fourth quarter fully diluted earnings per share are anti-dilutive and are therefore the same as primary earnings per share.

\*\*In the second quarter of fiscal 1985, earnings before discontinued operations and net earnings included a non-taxable gain from a debt/equity exchange of \$19 million (per share effect: \$.20 primary; \$.19 fully diluted); the reversal of deferred taxes on DISC earnings of \$17 million (per share effect: \$.19 primary; \$.17 fully diluted) and gains from the divestiture of businesses of \$4 million (per share effect: \$.04 primary and fully diluted). Third quarter earnings before discontinued operations and net earnings included a gain of \$39 million (per share effect: \$.43 primary; \$.39 fully diluted) from the divestiture of businesses. Fourth quarter earnings before discontinued operations and net earnings included additional gains from the divestiture of businesses of \$343 million (per share effect: \$.374 primary; \$.340 fully diluted) and reduction of net earnings for costs associated with the integration and restructuring of Beatrice's businesses of \$166 million (per share effect: \$.181 primary; \$.165 fully diluted).

**BEATRICE COMPANIES, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Concluded)**

**19. Selected Financial Data (Unaudited)**

The following is a summary of selected financial data for each of the years in the five-year period ended February 28, 1986:

	1986	1985	1984	1983	1982
	(In millions, except per share data)				
Net sales .....	\$11,396	\$11,858	\$9,327	\$9,139	\$9,021
Earnings before discontinued operations .....	\$ 225	\$ 477	\$ 433	\$ 43	\$ 390
Primary earnings per share before discontinued operations .	\$ 2.04	\$ 5.04	\$ 4.23	\$ .27	\$ 3.80
Dividends per common share .....	\$ 1.80	\$ 1.70	\$ 1.60	\$ 1.50	\$ 1.40
Total assets .....	\$ 8,342	\$ 9,178	\$4,464	\$4,732	\$4,744
Long-term debt .....	\$ 1,305	\$ 2,290	\$ 779	\$ 772	\$ 759

*Fiscal 1985, 1984 and 1983 were affected by special actions, primarily related to the Business Realignment program. These actions included gains and losses from divestiture activities (fiscal 1985 gains—\$700 million pre-tax, \$386 million after-tax; fiscal 1984 gains—\$163 million pre-tax, \$99 million after-tax; fiscal 1983 losses—\$140 million pre-tax, \$84 million after-tax) and other charges (fiscal 1985—\$286 million pre-tax, \$166 million after-tax for integration and restructuring of businesses; fiscal 1983—\$30 million pre-tax, \$15 million after-tax for a voluntary early retirement program). In 1983 special actions included charges of \$188 million for goodwill write-down. Fiscal 1982 included an after-tax gain of \$45 million on the sale of the Dannon business and the cumulative effect of accounting change for investment tax credit of \$32 million.*

**20. Subsequent Events (Unaudited)**

On April 16, 1986, Beatrice called the following publicly held debt securities for redemption on May 22, 1986:

<u>Sinking fund debenture</u>	<u>Balance outstanding as of February 28, 1986</u>
	(In millions)
8½% due 2008 .....	\$ 34
10½% due 2010 .....	98
9¼% due 2000 .....	41
7⅞% due 1994 .....	1
	<u>\$174</u>

On April 17, 1986, the merger of BCI Merger Corporation into Beatrice was completed and Beatrice became a wholly-owned direct and indirect subsidiary of BCI Holdings Corporation.

## BEATRICE COMPANIES, INC.

## PROPERTY, PLANT AND EQUIPMENT

Three Years Ended February 28, 1986

(In millions)

	Balance at Beginning of Period	Additions At Cost (A)	Disposals(B)	Elimination of Fully Depreciated Assets	Other(C)	Balance at End of Period
Year ended February 29, 1984						
Land .....	\$ 130	\$ 18	\$ 17	\$ —	\$ (3)	\$ 128
Buildings .....	920	65	111	—	(27)	847
Machinery and equipment .....	1,466	225	181	24	(64)	1,422
	<u>\$2,516</u>	<u>\$ 308</u>	<u>\$309</u>	<u>\$ 24</u>	<u>\$ (94)</u>	<u>\$2,397</u>
Year ended February 28, 1985						
Land .....	\$ 128	\$ 114	\$ 18	\$ —	\$ (3)	\$ 221
Buildings .....	847	357	142	—	(23)	1,039
Machinery and equipment .....	1,422	700	335	26	(39)	1,722
	<u>\$2,397</u>	<u>\$1,171</u>	<u>\$495</u>	<u>\$ 26</u>	<u>\$ (65)</u>	<u>\$2,982</u>
Year ended February 28, 1986						
Land .....	\$ 221	\$ 50	\$ 21	\$ —	\$ 5	\$ 255
Buildings .....	1,039	154	88	—	31	1,136
Machinery and equipment .....	1,722	417	160	21	35	1,993
	<u>\$2,982</u>	<u>\$ 621</u>	<u>\$269</u>	<u>\$ 21</u>	<u>\$ 71</u>	<u>\$3,384</u>

(A) Includes \$810 million in fiscal 1985 and \$211 million in fiscal 1986 relating to acquired companies, principally Esmark.

(B) Includes amounts relating to divested businesses.

(C) Represents foreign currency translation adjustments.

(D) The cost of plant and equipment sold or otherwise disposed of and the accumulated depreciation thereon are eliminated from the asset and accumulated depreciation accounts and any resulting profit or loss is included in the statement of consolidated earnings.

## BEATRICE COMPANIES, INC.

ACCUMULATED DEPRECIATION, DEPLETION AND AMORTIZATION  
OF PROPERTY, PLANT AND EQUIPMENTThree Years Ended February 28, 1986  
(In millions)

	Balance at Beginning of Period	Additions Charged to Costs and Expenses	Disposals(A)	Elimination of Fully Depreciated Assets	Other(B)	Balance at End of Period
Year ended February 29, 1984						
Buildings .....	\$254	\$ 39	\$ 43	\$ —	\$ (6)	\$ 244
Machinery and equipment .....	598	155	103	24	(32)	594
	<u>\$852</u>	<u>\$194</u>	<u>\$146</u>	<u>\$ 24</u>	<u>\$(38)</u>	<u>\$ 838</u>
Year ended February 28, 1985						
Buildings .....	\$244	\$ 50	\$ 44	\$ —	\$ 29	\$ 279
Machinery and equipment .....	594	201	152	26	38	655
	<u>\$838</u>	<u>\$251</u>	<u>\$196</u>	<u>\$ 26</u>	<u>\$ 67</u>	<u>\$ 934</u>
Year ended February 28, 1986						
Buildings .....	\$279	\$ 52	\$ 19	\$ —	\$ 9	\$ 321
Machinery and equipment .....	655	195	84	21	18	763
	<u>\$934</u>	<u>\$247</u>	<u>\$103</u>	<u>\$ 21</u>	<u>\$ 27</u>	<u>\$1,084</u>

(A) Includes amounts relating to divested businesses.

(B) Represents increases (decreases) of \$(41) million, \$(27) million and \$27 million due to foreign currency translation adjustments in fiscal 1984, 1985 and 1986, net of \$3 million and \$7 million of additions applicable to acquired non-U.S. companies in fiscal 1984 and 1985, respectively. Also includes in fiscal 1985 an addition of \$87 million, reflected in the statement of consolidated earnings, to record the write-down of certain Beatrice assets in connection with the integration and restructuring of operations following the acquisition of Esmark.

(C) The following summarizes the annual rates of depreciation currently in use:

Buildings .....	2% to 10%
Machinery and equipment .....	7% to 50%

## BEATRICE COMPANIES, INC.

## VALUATION AND QUALIFYING ACCOUNTS

Three Years Ended February 28, 1986  
(In millions)

Description	Balance At Beginning Of Period	Additions			Balance At End Of Period
		Charged To Costs And Expenses	Recoveries	Deductions	
Allowance for doubtful accounts:					
Year ended February 29, 1984 .....	\$ 27	\$ 17	\$ 1	\$ 15(A)	\$ 30
Year ended February 28, 1985 .....	\$ 30	\$ 19	\$ 3	\$ 11(A)	\$ 41
Year ended February 28, 1986 .....	\$ 41	\$ 23	\$ 2	\$ 24(A)	\$ 42
Business Realignment reserve:					
Year ended February 29, 1984 .....	\$167	\$ —	\$ —	\$112(B)	\$ 55
Year ended February 28, 1985 .....	\$ 55	\$262(C)	\$ —	\$ 68(D)	\$249(E)
Year ended February 28, 1986 .....	\$249	\$ 16	\$ —	\$157(F)	\$108

- (A) Includes accounts charged off as uncollectible and amounts associated with divested companies.
- (B) Includes \$56 million of realized losses and other costs associated with companies divested, a \$38 million reserve reduction credited to earnings as a result of better than anticipated selling prices for divested companies and \$18 million of other corporate identity and business realignment costs.
- (C) Includes \$192 million for business integration and restructuring costs, \$46 million for costs associated with divested businesses and \$24 million for losses on planned divestitures.
- (D) Includes \$27 million of realized losses and other costs associated with divested operations, \$14 million related to the corporate identity marketing program and \$27 million of costs due to business integration, restructuring and other realignment activities.
- (E) Includes \$242 million and \$7 million classified as accrued expenses and other noncurrent liabilities, respectively.
- (F) Includes \$115 million for costs associated with business integration and restructuring, \$28 million for costs associated with divested businesses and a \$14 million reserve reduction credited to earnings as a result of lower than anticipated costs associated with divested businesses.

## BEATRICE COMPANIES, INC.

## SUPPLEMENTARY INCOME STATEMENT INFORMATION

Three Years Ended February 28, 1986  
(In millions)

<u>Description</u>	Charged to Costs and Expenses Years Ended Last Day of February		
	<u>1986</u>	<u>1985</u>	<u>1984</u>
Maintenance and repairs .....	<u>\$159</u>	<u>\$133</u>	<u>\$127</u>
Advertising costs (A) .....	<u>\$684</u>	<u>\$577</u>	<u>\$288</u>

(A) Represents costs of media and cooperative advertising and sales promotions.

## Beatrice Companies, Inc.

### Index to Exhibits

<u>Exhibit Number</u>	<u>Descriptions of Exhibits</u>	<u>Page</u>
2.1	Restated and Modified Agreement and Plan of Merger dated as of February 2, 1986 among Beatrice Companies, Inc., BCI Holdings Corporation and BCI Merger Corporation.	
3.1	Restated Certificate of Incorporation of Beatrice Companies, Inc.	
3.2	Bylaws of Beatrice Companies, Inc., as amended.	
4	Beatrice Companies, Inc. agrees to furnish to the Securities and Exchange Commission upon its request a copy of any instrument which defines the rights of holders of long-term debt of Beatrice Companies, Inc. No such instrument authorizes a total amount of securities in excess of 10% of the total assets of Beatrice Companies, Inc. and its subsidiaries on a consolidated basis.	
10.1	Guaranty Agreement dated April 17, 1986 entered into by the Guarantors named therein.	
10.2	Guaranty and Assumption Agreement dated April 17, 1986 by and among BCI Merger Corporation, Beatrice Companies, Inc. and Bankers Trust Company, as agent for the parties named therein.	
10.3	Pledge Agreement dated April 17, 1986 between Beatrice Companies, Inc. and Bankers Trust Company, as collateral agent for the parties named therein.	
10.4	Merger Agreement dated May 24, 1984 by and among Beatrice Companies, Inc., LA Acquisition Corporation and Esmark, Inc. (incorporated herein by reference to Exhibit 2.3 to the Form 8-K dated June 14, 1984 of Beatrice Companies, Inc.).	
11	Computation of Earnings per Share.	
12.1	Computation of Ratio of Earnings Before Fixed Charges to Fixed Charges.	
12.2	Computation of Ratio of Earnings Before Fixed Charge to Fixed Charges and Preference Dividends.	
22	Subsidiaries of Beatrice.	
25	Powers of Attorney.	

## BEATRICE COMPANIES, INC.

## COMPUTATION OF EARNINGS PER SHARE

Three Years Ended February 28, 1986  
(In millions except per share data)

	Year Ended Last Day of February		
	1986	1985	1984
Primary earnings per share			
Earnings before discontinued operations	\$ 225	\$ 477(A)	\$ 433(B)
Less dividends on preference stock	(13)	(16)	(16)
Earnings before discontinued operations applicable to common shares and common share equivalents	212	461(A)	417(B)
Earnings from discontinued operations	7	2	—
Net earnings applicable to common shares and common share equivalents	<u>\$ 219</u>	<u>\$ 463(A)</u>	<u>\$ 417(B)</u>
Average common shares outstanding during the year	103	91	98
Common share equivalents—stock options	1	1	1
Total average common shares and common share equivalents	<u>104</u>	<u>92</u>	<u>99</u>
Primary earnings per share:			
Before discontinued operations	\$2.04	\$5.04(A)	\$4.23(B)
From discontinued operations	.07	.02	—
Net earnings	<u>\$2.11</u>	<u>\$5.06(A)</u>	<u>\$4.23(B)</u>
Fully diluted earnings per share			
Earnings before discontinued operations	\$ 225	\$ 477(A)	\$ 433(B)
Add interest paid on convertible debentures—net of income taxes	—	—	1
Earnings before discontinued operations applicable to common shares, common share equivalents and other dilutive securities	225	477(A)	434(B)
Earnings from discontinued operations	7	2	—
Net earnings applicable to common shares, common share equivalents and other dilutive securities	<u>\$ 232</u>	<u>\$ 479(A)</u>	<u>\$ 434(B)</u>
Average common shares outstanding during the year	103	91	98
Common share equivalents and other dilutive securities:			
Stock options	1	1	1
Shares issuable upon conversion of debentures	1	1	2
Shares issuable upon conversion of preference stock	6	8	8
Total fully diluted shares	<u>111</u>	<u>101</u>	<u>109</u>
Fully diluted earnings per share:			
Before discontinued operations	\$2.03	\$4.75(A)	\$3.99(B)
From discontinued operations	.06	.02	—
Net earnings	<u>\$2.09</u>	<u>\$4.77(A)</u>	<u>\$3.99(B)</u>

(A) Earnings before discontinued operations and net earnings for fiscal 1985 include the following special actions: gains from the divestiture of businesses of \$386 million (per share effect: \$4.21 primary; \$3.83 fully diluted); and a provision for the integration and restructuring of Beatrice's operations of \$166 million (per share effect \$1.81 primary; \$1.65 fully diluted).

(B) Earnings before discontinued operations and net earnings for fiscal 1984 include the following special actions: gains from the divestiture of businesses of \$76 million (per share effect: \$.77 primary; \$.70 fully diluted); and a reduction of the Business Realignment reserve credited to earnings totaling \$23 million (per share effect: \$.23 primary; \$.21 fully diluted).

## BEATRICE COMPANIES, INC.

COMPUTATION OF RATIO OF EARNINGS BEFORE  
FIXED CHARGES TO FIXED CHARGES

Five Years Ended February 28, 1986

(Unaudited)

(Dollars in millions)

	Year Ended Last Day of February				
	1986	1985	1984	1983	1982
Earnings before discontinued operations .....	\$225	\$ 477	\$433	\$ 43	\$313(D)
Add (deduct):					
Provision for income taxes .....	217	355	360	216	299
Income taxes of unconsolidated subsidiaries .....	4	3	—	—	—
Portion of rents representative of interest factor ..	25	20	19	18	18
Interest expense .....	300	377	113	114	90
Interest expense of unconsolidated subsidiaries ...	10	6	—	—	—
Amortization of debt issuance costs .....	1	2	1	1	1
Minority interests .....	6	10	10	13	13
Undistributed earnings of affiliated companies ...	(7)	2	(12)	(3)	(1)
Earnings as adjusted before fixed charges ...	<u>\$781</u>	<u>\$1,252(A)</u>	<u>\$924(B)</u>	<u>\$402(C)</u>	<u>\$733</u>
Fixed charges:					
Portion of rents representative of interest factor ..	\$ 25	\$ 20	\$ 19	\$ 18	\$ 18
Interest expense .....	300	377	113	114	90
Interest expense of unconsolidated subsidiaries ...	10	6	—	—	—
Amortization of debt issuance costs .....	1	2	1	1	1
Capitalized interest .....	4	2	—	1	1
Total fixed charges .....	<u>\$340</u>	<u>\$ 407</u>	<u>\$133</u>	<u>\$134</u>	<u>\$110</u>
Ratio of earnings before fixed charges to fixed charges .	<u>2.30</u>	<u>3.07(A)</u>	<u>6.96(B)</u>	<u>3.00(C)</u>	<u>6.67</u>

- (A) Earnings before fixed charges for fiscal 1985 include pre-tax gains from the divestiture of businesses of \$700 million and pre-tax charges of \$286 million for the integration and restructuring of Beatrice's operations. The ratio of earnings before fixed charges to fixed charges would be 2.06 if these items were not included in pre-tax earnings.
- (B) Earnings before fixed charges for fiscal 1984 include pre-tax gains from the divestiture of businesses of \$125 million and a reduction of the Business Realignment reserve totaling \$38 million pre-tax. The ratio of earnings before fixed charges to fixed charges would be 5.73 if these items were not included in pre-tax earnings.
- (C) Earnings before fixed charges for fiscal 1983 are after pre-tax charges of \$358 million (\$188 million of goodwill write-downs and a provision of \$170 million for Business Realignment costs). The ratio of earnings before fixed charges to fixed charges would be 5.67 if these charges were not deducted from pre-tax earnings.
- (D) Net earnings for fiscal 1982 exclude a \$45 million after-tax gain (\$68 million pre-tax) from the sale of the Dannon business and \$32 million of income from the cumulative effect of change in accounting principle for investment tax credit.

## BEATRICE COMPANIES, INC.

COMPUTATION OF RATIO OF EARNINGS BEFORE  
FIXED CHARGES TO FIXED CHARGES AND PREFERENCE DIVIDENDS

Five Years Ended February 28, 1986

(Unaudited)

(Dollars in millions)

	Year Ended Last Day of February				
	1986	1985	1984	1983	1982
Earnings before special items in 1982 and discontinued operations .....	\$225	\$ 477	\$433	\$ 43	\$313(E)
Add (deduct):					
Provision for income taxes .....	217	355	360	216	299
Income taxes of unconsolidated subsidiaries .....	4	3	—	—	—
Portion of rents representative of interest factor ..	25	20	19	18	18
Interest expense .....	300	377	113	114	90
Interest expense of unconsolidated subsidiaries ...	10	6	—	—	—
Amortization of debt issuance costs .....	1	2	1	1	1
Minority interests .....	6	10	10	13	13
Undistributed earnings of affiliated companies ...	(7)	2	(12)	(3)	(1)
Earnings before fixed charges .....	<u>\$781</u>	<u>\$1,252(A)</u>	<u>\$924(B)</u>	<u>\$402(C)</u>	<u>\$733</u>
Fixed charges and preference dividends:					
Fixed charges:					
Portion of rents representative of interest factor ..	\$ 25	\$ 20	\$ 19	\$ 18	\$ 18
Interest expense .....	300	377	113	114	90
Interest expense of unconsolidated subsidiaries ...	10	6	—	—	—
Amortization of debt issuance costs .....	1	2	1	1	1
Capitalized interest .....	4	2	—	1	1
Fixed charges .....	<u>340</u>	<u>407</u>	<u>133</u>	<u>134</u>	<u>110</u>
Preference dividends requirements:					
Preference dividends .....	13	16	16	17	17
Ratio of earnings before provision for income taxes to earnings .....	<u>1.97</u>	<u>1.74</u>	<u>1.83</u>	<u>1.94(D)</u>	<u>1.95</u>
Preference dividends factor on a pre-tax basis ..	<u>25</u>	<u>27</u>	<u>29</u>	<u>33</u>	<u>33</u>
Fixed charges and preference dividends ..	<u>\$365</u>	<u>\$ 434</u>	<u>\$162</u>	<u>\$167</u>	<u>\$143</u>
Ratio of earnings before fixed charges to fixed charges and preference dividends .....	<u>2.14</u>	<u>2.88(A)</u>	<u>5.70(B)</u>	<u>2.41(C)</u>	<u>5.13</u>

- (A) Earnings before fixed charges for fiscal 1985 include pre-tax gains from the divestiture of businesses of \$700 million and pre-tax charges of \$286 million for the integration and restructuring of Beatrice's operations. The ratio of earnings before fixed charges to fixed charges and preference dividends would be 1.94 if these items were not included in pre-tax earnings.
- (B) Earnings before fixed charges for fiscal 1984 include pre-tax gains from the divestiture of businesses of \$125 million and a reduction of the Business Realignment reserve totaling \$38 million pre-tax. The ratio of earnings before fixed charges to fixed charges and preference dividends would be 4.67 if these items were not included in pre-tax earnings.
- (C) Earnings before fixed charges for fiscal 1983 are after pre-tax charges of \$358 million (\$188 million of goodwill write-downs and a provision of \$170 million of Business Realignment costs). The ratio of earnings before fixed charges to fixed charges and preference dividends would be 4.56 if these charges were not deducted from pre-tax earnings.
- (D) The \$188 million write-down of goodwill in fiscal 1983 was excluded from earnings for purposes of computing this ratio in order to present a more meaningful preference dividends factor on a pre-tax basis.
- (E) Net earnings for fiscal 1982 exclude a \$45 million after-tax gain (\$68 million pre-tax) from the sale of the Dannon business and \$32 million of income from the cumulative effect of change in accounting principle for investment tax credit. The ratio would be higher if these items were left in the computation of the ratio.

## BEATRICE COMPANIES, INC.

## SUBSIDIARIES AS OF FEBRUARY 28, 1986

<u>Corporate Name</u>	<u>State or Country of Incorporation</u>
Alimentos del Istmo, S.A. (100% owned) . . . . .	Panama
Anchor Japan Company Limited (75% owned) . . . . .	Japan
Artic S.A. (58.29% owned) . . . . . (also 41.71% owned by Beatrice Foods Overseas Finance N.V.)	Belgium
Artic France S.A.R.L. (100% owned) . . . . .	France
Creme Glacee Cyriel N. V. (83.33% owned) . . . . .	Belgium
Comelco S.V.M.S.C. (0.40% owned) . . . . . (also 10% owned by Maison May Mondt & Depraet)	Belgium
Comelco N.V. (7.90% owned) . . . . .	Belgium
Maison May Mondt & Depraet (100% owned) . . . . .	Belgium
D'Lac N.V. (100% owned) . . . . .	Belgium
Lacsoons N.V. (52% owned) . . . . . (also 20% owned by Ste. Marie N.V.)	Belgium
Lactovita N.V. (100% owned) . . . . .	Belgium
Ste. Marie N.V. (9.60% owned) . . . . .	Belgium
Lacsoons N.V. (20% owned) . . . . . (also 52% owned by Comelco N.V.)	Belgium
Kaasmakerij Passendale N.V. (9.60% owned) . . . . .	Belgium
B. F. Finanziaria S.p.A. (100% owned) . . . . .	Italy
Gelati Sanson S.p.A. (12.35% owned) . . . . .	Italy
BFC Corporation (100% owned) . . . . .	Delaware
BFC Industria e Comercio Ltda (100% owned) . . . . .	Brazil
Adams International Do Brazil (100% owned) . . . . .	Brazil
Ailiram S.A. Productos Alimenticios (100% owned) . . . . .	Brazil
Cerealista Cristal Comercial (100% owned) . . . . .	Brazil
Comabra Companhia (50.10% owned) . . . . .	Brazil
Comabra Hens Ind. (50.1% owned) . . . . .	Brazil
Comabra Hens Agro (100% owned) . . . . .	Brazil
Jack's Amazonia Industrias de Ali. (51% owned) . . . . .	Brazil
Samsonite Industrial y Comercial Ltda (100% owned) . . . . .	Brazil
BFC Tennis Club Corporation (100% owned) . . . . .	Illinois
BIFCO, Inc. (100% owned) . . . . .	Delaware
BPS (Delaware), Inc. (100% owned) . . . . .	Delaware
BCI Aviation, Inc. (100% owned) . . . . .	Delaware
FRC Holding Inc., II (100% owned) . . . . .	Delaware
FRC Holding Inc., III (100% owned) . . . . .	Delaware
Beans (Hong Kong) Ltd. (50.50% owned) . . . . .	Hong Kong
Beatrice Australia Limited (94% owned) . . . . .	Australia
The Baron's Table Specialty Meats Pty. Ltd. (100% owned) . . . . .	Australia
Beatrice Foods Australia Pty. Ltd. (100% owned) . . . . .	Australia
Beatrico Foods (New Zealand) Ltd. (100% owned) . . . . .	New Zealand
Europe Strength Food Co. Ltd. (100% owned) . . . . .	New Zealand
Van Camp Chocolates Ltd. (100% owned) . . . . .	New Zealand
Europe Strength Food Co. Pty. Ltd. (100% owned) . . . . .	Australia
Manassen Fine Foods Pty. Ltd. (100% owned) . . . . .	Australia

<u>Corporate Name</u>	<u>State or Country of Incorporation</u>
<i>(Beatrice Australia Limited subsidiaries continued)</i>	
Patra Holdings Pty. Ltd. (100% owned) .....	Australia
Jaypel Manufacturing Pty. Ltd. (100% owned) .....	Australia
Patra Investments Pty. Ltd. (100% owned) .....	Australia
Patra Sales Pty. Ltd. (100% owned) .....	Australia
Waipat Juices Pty. Ltd. (51% owned) .....	Australia
Red Tulip Chocolates Pty. Ltd. (100% owned) .....	Australia
Unicorp Pty. Ltd. (75% owned) .....	Australia
Pacific Liquor Dist. Pty. Ltd. (100% owned) .....	Australia
Starks Chocolates Dist. Services Pty. (100% owned) .....	Australia
Unicorp Pty. Ltd. (25% owned) .....	Australia
Beatrice China Ltd. (100% owned) .....	Delaware
Beatrice Consumer Products, Inc. (100% owned) .....	Delaware
Beatrice Consumer Durables, Inc. (100% owned) .....	Delaware
Beatrice Home Products, Inc. (100% owned) .....	Delaware
Aristokraft, Inc. (100% owned) .....	Delaware
Beatrice Home Specialties, Inc. (100% owned) .....	Delaware
Samsonite Furniture Co. (100% owned) .....	Delaware
The Stiffel Company (100% owned) .....	Delaware
Waterloo Industries, Inc. (100% owned) .....	Iowa
Beatrice Window Coverings, Inc. (100% owned) .....	California
LouverDrape of New York, Inc. (100% owned) .....	California
L. D. Holding Company (100% owned) .....	Delaware
LouverDrape International, Inc. (100% owned) .....	California
LouverDrape of Canada Limited (100% owned) .....	Canada
LouverDrape of Canada (1978) Limited (100% owned) .....	Canada
Culligan International Company (100% owned) .....	Delaware
Arrowhead Industrial Water, Inc. (100% owned) .....	Delaware
CWC, Inc. (100% owned) .....	New Jersey
CWC Finance Corp. (100% owned) .....	Illinois
Culligan Dayton, Inc. (100% owned) .....	Ohio
Culligan DesPlaines Valley Water Conditioning, Inc. (100% owned) .....	Illinois
Culligan Distribution Services, Inc. (100% owned) .....	Iowa
Culligan Dutchess-Putnam Water Conditioning, Inc. (100% owned) .....	New York
Culligan Peninsula Industrial Water Conditioning Company (100% owned) .....	California
Culligan Soft Water Service of Santa Barbara, Inc. (100% owned) .....	California
Culligan Soft Water Service Of Whittier, Inc. (100% owned) .....	California
Culligan Water Conditioning of Battle Creek, Inc. (100% owned) .....	Michigan
Culligan Water Conditioning of Butler, Inc. (100% owned) .....	Pennsylvania
Culligan Water Conditioning of Greater Detroit, Inc. (100% owned) .....	Michigan
Culligan Water Conditioning of Greater Pittsburgh, Inc. (100% owned) .....	Pennsylvania
Culligan Water Conditioning of Houston, Inc. (100% owned) .....	Texas
Culligan Water Conditioning of the Inland Empire (100% owned) .....	California
Culligan Water Conditioning of Orange County (100% owned) .....	California
Culligan Water Conditioning of South Bend, Inc. (100% owned) .....	Indiana
Culligan Water Conditioning of Tippecanoe County, Inc. (100% owned) .....	Indiana
Culligan Water Conditioning, Inc. (100% owned) .....	Wisconsin
Everpure, Inc. (100% owned) .....	Nevada
Everpure GmbH (100% owned) .....	West Germany
Everpure Japan, Inc. (100% owned) .....	Japan

<u>Corporate Name</u>	<u>State or Country of Incorporation</u>
<i>(Culligan International Company subsidiaries continued)</i>	
Everpure Limited (100% owned)	Ireland
Greater Chicago Culligan Water Conditioning, Inc. (100% owned)	Illinois
Greater Kansas City Culligan Water Conditioning, Inc. (100% owned)	Kansas
Indiana Soft Water Service, Inc. (100% owned)	Indiana
St. Louis Soft Water Service, Inc. (100% owned)	Missouri
Culligan N.V. (100% owned)	Belgium
Culligan of Canada, Ltd. (100% owned)	Canada
Culligan Water Conditioning (Ontario) Ltd. (100% owned)	Canada
Water Conditioning Finance Ltd. (100% owned)	Canada
Culligan Espana-Impex, S.A. (90% owned)	Spain
Culligan France S.A. (100% owned)	France
Culligan Val de Loire S.A. (20% owned)	France
Culligan Flanders S.A. (20% owned)	France
Culligan Lorraine S.A. (23.3% owned)	France
Culligan (Switzerland) S.A. (100% owned)	Switzerland
Culligan International Ltd. (100% owned)	United Kingdom
Culligan Italiana S.p.A. (90% owned)	Italy
Day-Timers, Inc. (100% owned)	Delaware
Sax Arts and Crafts, Inc. (100% owned)	Delaware
Samsonite Corporation (100% owned)	Colorado
Samsonite Domestic International Sales Corporation (100% owned)	Colorado
Samsonite Finanziaria, S.r.l. (100% owned)	Italy
Samsonite Italia S.r.l. (60% owned)	Italy
Samsonite Gmbh (100% owned)	Germany
Samsonite International Sales Corp. (100% owned)	Colorado
Samsonite, N.V. (100% owned)	Belgium
VIP (Bermuda) Ltd. (100% owned)	Bermuda
Samsonite, S.A. (100% owned)	France
Samson S.A. de C.V. (100% owned)	Mexico
Tauro S.A. (100% owned)	Spain
Altro S.A. de C.V. (49% owned)	Mexico
Peraltro S.A. de C.V. (49% owned)	Mexico
Envases Cuantitlan S.A., de C.V. (49% owned)	Mexico
Beatrice Consumer Products Canada, Inc. (100% owned)	Canada
Beatrice Credit Corp (100% owned)	Delaware
Beatrice Deutschland GmbH (100% owned)	West Germany
Adam Titz Vertrieb GmbH & Co. Kg (80% owned)	West Germany
Adam Titz Vertrieb GmbH (80% owned)	West Germany
Artigel GmbH (70% owned)	West Germany
Artigel GmbH & Co. Kg (70% owned)	West Germany
Culligan Wassertechnik GmbH (100% owned)	West Germany
Dietetic Products GmbH (80% owned)	West Germany
Dietetic Products GmbH & Co. Kg (80% owned)	West Germany
H. B. Sohne GmbH & Co. Kg (80% owned)	West Germany
Jacobi—Scherbening GmbH & Co. Kg (80% owned)	West Germany
K-S-K Technische Betrieb. GmbH (80% owned)	West Germany
K-S-K Technische Betrieb. GmbH & Co. Kg (80% owned)	West Germany
Paderborner Kuhlhaus GmbH & Co. Kg (80% owned)	West Germany
Paderborner Kuhlhaus Beteil. GmbH (80% owned)	West Germany

<u>Corporate Name</u>	<u>State or Country of Incorporation</u>
<i>(Beatrice Deutschland GmbH subsidiaries continued)</i>	
Schwab. Kons. Vert. GmbH (80% owned)	West Germany
Schwikkard GmbH & Co. Kg (80% owned)	West Germany
Stute Bauotrager und Bet. GmbH & Co. Kg (80% owned)	West Germany
Stute Geschäftsführungs GmbH (80% owned)	West Germany
Stute GmbH & Co. Kg (80% owned)	West Germany
Stute Konserven GmbH & Co. Kg (80% owned)	West Germany
Stute Konserven GmbH (80% owned)	West Germany
Stute Nahrung. GmbH & Co. Kg (80% owned)	West Germany
Stute Verwaltungs GmbH (80% owned)	West Germany
Thur. Art. Schindler GmbH & Co. Kg (80% owned)	West Germany
Willy L. Ahrens GmbH & Co. Kg (80% owned)	West Germany
West. Nahrung. Prod. und Vert. GmbH (80% owned)	West Germany
Wilh. Kirberg GmbH & Co. Kg (80% owned)	West Germany
Beatrice Finance N.V. (100% owned)	Neth. Antilles
Beatrice Financial Services, Inc. (100% owned)	Delaware
Beatrice Foods Canada Ltd. (100% owned)	Canada
Aliments Beatrice Quebec Inc. (100% owned)	Quebec
Beatrice Foods, Inc. (100% owned)	Canada
Les Fromages Crescent Ltee. (100% owned)	Quebec
Beatrice Consumer Products (Canada), Inc. (100% owned)	Ontario
Food Producers (Canada) Ltd. (100% owned)	Ontario
Goodwill Bottling Ltd. (75% owned)	Canada
Goodwill Bottling North Ltd. (75% owned)	Canada
77690 Ontario Ltd. (100% owned)	Ontario
Beatrice Foods Co. (100% owned)	Delaware
Beatrice Foods Co. & Dr. Suwelack GmbH (70% owned)	West Germany
Beatrice Foods Co. (Middle East) Limited (100% owned)	Jersey, Channel Is.
Al Rostamani Beatrice Middle East (49% owned)	Dubai
Beatrice Foods International Company (100% owned)	Delaware
Beatrice Foods Overseas Finance N.V. (100% owned)	Neth. Antilles
Artic S.A. (41.71% owned)	Belgium
Beatrice Foods (S) Pte. Ltd. (50% owned)	Singapore
Unigate Pte. Ltd. (50% owned)	Singapore
Beatrice Foods S.D.N. Berhard (50% owned)	Malaya
Beatrice Foods (U.K.) Ltd. (96.99% owned)	United Kingdom
Smith Kendon Limited (100% owned)	United Kingdom
Callard and Bowser Nuttall Ltd. (100% owned)	United Kingdom
Callard and Bowser Ltd. (100% owned)	United Kingdom
Nuttall-Riley Limited (100% owned)	United Kingdom
Callard and Bowser (U.S.A.) Inc. (100% owned)	New York
Assoc. Dist. Services Limited (25.01% owned)	United Kingdom
Beatrice S.A. (100% owned)	Uruguay
Beatrice Scientific Co. (100% owned)	Delaware
Beatrice Worldwide, Inc. (100% owned)	Delaware
Beatrice Foods Co. (Hong Kong) Limited (100% owned)	Hong Kong
Winner Food Products Limited (74% owned)	Hong Kong
Beans (Hong Kong) Ltd. (20.74% owned)	Hong Kong
Chun Chun Kitchen Ltd. (100% owned)	Hong Kong
Falowon Investment Ltd. (100% owned)	Hong Kong

<u>Corporate Name</u>	<u>State or Country of Incorporation</u>
<i>(Winner Food Products Limited subsidiaries continued)</i>	
Fanyo Food Products Ltd. (100% owned) . . . . .	Hong Kong
Wintai Food Manufactures Ltd. (8.8% owned) . . . . .	Hong Kong
(also 91.20% owned by Winner Food Products Limited)	
Griffiths Laboratories (H.K.) Ltd. (33.30% owned) . . . . .	Hong Kong
International Food Franchise Ltd. (100% owned) . . . . .	Hong Kong
J&W Research & Development Ltd. (100% owned) . . . . .	Hong Kong
Vecorn Food Products Ltd. (100% owned) . . . . .	Hong Kong
Winston Noodle Products Ltd. (60% owned) . . . . .	Hong Kong
Winston Oriental Foods Inc. (50% owned) . . . . .	United States
Wintai Food Manufactures Ltd. (91.20% owned) . . . . .	Hong Kong
Beatrice Nederland B.V. (100% owned) . . . . .	Netherlands
Hannah Beheer B.V. (100% owned) . . . . .	Netherlands
Ten Doesschate B.V. (100% owned) . . . . .	Netherlands
Caron B.V. (100% owned) . . . . .	Netherlands
Euroma Van Olphen B.V. (100% owned) . . . . .	Netherlands
Olischlager N.V. (50% owned) . . . . .	Netherlands
Haco N.V. (100% owned) . . . . .	Belgium
Tendo Haco Farmacie B.V. (100% owned) . . . . .	Netherlands
Frisdranken Industrie Winters B.V. (24% owned) . . . . .	Netherlands
Atlantik GmbH (100% owned) . . . . .	West Germany
Bronwater Import Kantoor Eindhoven (100% owned) . . . . .	Netherlands
Handelsmaats Winters B. V. (100% owned) . . . . .	Netherlands
Seven-Up Bottling Company Het Zu (100% owned) . . . . .	Netherlands
BFC International Limited (100% owned) . . . . .	Delaware
BFC International—Hong Kong (100% owned) . . . . .	Hong Kong
Guangmei Foods Co. Ltd. (50% owned) . . . . .	China
Choky S.A. (74% owned) . . . . .	France
I.D.A.L.A., S.A. (100% owned) . . . . .	Uruguay
Novibras Comercio E Importacao (100% owned) . . . . .	Brazil
Intercamp Inc. (100% owned) . . . . .	Delaware
Consevera Campofrio, S.A. (50% owned) . . . . .	Spain
La Industrial Tocinera S.A. (100% owned) . . . . .	Spain
Internacional De Alimentacion Y, (50% owned) . . . . .	Spain
Abella E Hijos (50% owned) . . . . .	Spain
Camposierra S.A. (100% owned) . . . . .	Spain
Commercializacion De Prod. Agri. (100% owned) . . . . .	Spain
Embutidos Ibericos S.A. (100% owned) . . . . .	Spain
Industrias Abella (50% owned) . . . . .	Spain
Proteines Grasa Y Aceites Animal (100% owned) . . . . .	Spain
International Foods (France) S.A. (100% owned) . . . . .	France
Gecoma S.C.S. (74% owned) . . . . .	France
Minimarche Essone (74% owned) . . . . .	France
Minimarche Hauts de Seine S.A.R.L. (74% owned) . . . . .	France
Minimarche Marne S.A.R.L. (74% owned) . . . . .	France
Minimarche Paris S.A.R.L. (74% owned) . . . . .	France
Minimarche Seine et Marne S.A.R.L. (74% owned) . . . . .	France
Minimarche Seine St. Denis S.A.R.L. (74% owned) . . . . .	France
Minimarche Val D'Oise S.A.R.L. (74% owned) . . . . .	France
Minimarche Val De Marne S.A.R.L. (74% owned) . . . . .	France

<u>Corporate Name</u>	<u>State or Country of Incorporation</u>
<i>(International Foods (France) S.A., subsidiaries continued)</i>	
Minimarche Yvelines S.A.R.L. (74% owned)	France
Paris Libre Service S.A.R.L. (74% owned)	France
Soc. De Dist. D'Ile S.A.R.L. (74% owned)	France
Soc. De Dist. Parisienne S.A.R.L. (74% owned)	France
Soc. De Gest. de Supermarches S.A.R.L. (74% owned)	France
Soc. Super. Moulin Chenne. S.A.R.L. (74% owned)	France
Superette Ile de France S.A.R.L. (74% owned)	France
Superette Paris S.A.R.L. (74% owned)	France
Superette Seine et Marne S.A.R.L. (74% owned)	France
Superette Seine St. Denis S.A.R.L. (74% owned)	France
Superette Yvelines S.A.R.L. (74% owned)	France
International Foods (Paris) S.A. (100% owned)	France
Gecoma S.C.S. (.33% owned)	France
Maxime Delrue S.A. (80% owned)	France
Minimarche Essone (.33% owned)	France
Minimarche Hauts de Seine S.A.R.L. (.33% owned)	France
Minimarche Marne S.A.R.L. (.33% owned)	France
Minimarche Paris S.A.R.L. (.33% owned)	France
Minimarche Seine et Marne S.A.R.L. (.33% owned)	France
Minimarche Seine St. Denis S.A.R.L. (.33% owned)	France
Minimarche Val D'Oise S.A.R.L. (.33% owned)	France
Minimarche Val De Marne S.A.R.L. (.33% owned)	France
Minimarche Yvelines S.A.R.L. (.33% owned)	France
Paris Libre Service S.A.R.L. (.33% owned)	France
Soc. De Dist. D'Ile S.A.R.L. (.33% owned)	France
Soc. De Dist. Parisienne S.A.R.L. (.33% owned)	France
Soc. De Gest. de Supermarches S.A.R.L. (.33% owned)	France
Soc. Super. Moulin Chenne. S.A.R.L. (.33% owned)	France
Superette Ile de France S.A.R.L. (.33% owned)	France
Superette Paris S.A.R.L. (.33% owned)	France
Superette Seine et Marne S.A.R.L. (.33% owned)	France
Superette Seine St. Denis S.A.R.L. (.33% owned)	France
Superette Yvelines S.A.R.L. (.33% owned)	France
Knightsbridge (Bermuda), Ltd. (100% owned)	Bermuda
Fenchurch (Bermuda), Ltd. (100% owned)	Bermuda
S.A. Choky (74% owned)	Belgium
Softjam Holding GMBH (100% owned)	West Germany
Sunco N.V. (80% owned)	Belgium
Threadneedle (Bermuda) Ltd. (100% owned through a trust arrangement)	Bermuda
Chesham (Panama) Inc. (86.5% owned)	Panama
Southfield (Bermuda) Ltd. (100% owned through a trust arrangement)	Bermuda
Vimex (Panama) Ltd. (100% owned)	Panama
BEFCO International Services, Inc. (100% owned)	Delaware
Bireley's Calif. Orange (Thail.) Co. (87.90% owned)	Thailand
Boquitas Fiestas S.A. de C.V. (60% owned)	Honduras
Candy International S.A., Inc. (100% owned)	Delaware
Gecoma S.C.S. (.33% owned)	France
Minimarche Essone (.33% owned)	France
Minimarche Hauts de Seine S.A.R.L. (.33% owned)	France

Corporate NameState or Country  
of Incorporation*(Candy International S.A., Inc., subsidiaries continued)*

Minimarche Marne S.A.R.L. (.33% owned) . . . . .	France
Minimarche Paris S.A.R.L. (.33% owned) . . . . .	France
Minimarche Seine et Marne S.A.R.L. (.33% owned) . . . . .	France
Minimarche Seine St. Denis S.A.R.L. (.33% owned) . . . . .	France
Minimarche Val D'Oise S.A.R.L. (.33% owned) . . . . .	France
Minimarche Val De Marne S.A.R.L. (.33% owned) . . . . .	France
Minimarche Yvelines S.A.R.L. (.33% owned) . . . . .	France
Paris Libre Service S.A.R.L. (.33% owned) . . . . .	France
Soc. De Dist. D'Ile S.A.R.L. (.33% owned) . . . . .	France
Soc. De Dist. Parisienne S.A.R.L. (.33% owned) . . . . .	France
Soc. De Gest. de Supermarches S.A.R.L. (.33% owned) . . . . .	France
Soc. Super. Moulin Chenne S.A.R.L. (.33% owned) . . . . .	France
Superette Ile de France S.A.R.L. (.33% owned) . . . . .	France
Superette Paris S.A.R.L. (.33% owned) . . . . .	France
Superette Seine et Marne S.A.R.L. (.33% owned) . . . . .	France
Superette Seine St. Denis S.A.R.L. (.33% owned) . . . . .	France
Superette Yvelines S.A.R.L. (.33% owned) . . . . .	France
Certified Transportation Co., Inc. (100% owned) . . . . .	California
Chicago Specialty Mfg. of Canada Ltd. (100% owned) . . . . .	Canada
Chitos International, Inc. (100% owned) . . . . .	Illinois
Chitos International Y Cia Ltda. (100% owned) . . . . .	Guatemala
Chocolates, S.A. (59.4% owned) . . . . .	Honduras
Cremo Limited (65% owned) . . . . .	Jamaica
Cremo Sales Ltd. (100% owned) . . . . .	Jamaica
North Shore Dairies Ltd. (100% owned) . . . . .	Jamaica
Dairy Brix Manufacturing Limited (40% owned) . . . . .	Trinidad
Day-Timers of Canada, Ltd. (100% owned) . . . . .	Canada
De Forenede Isvaerker A/S (75% owned) . . . . .	Denmark
Premier Glass A.B. (75% owned) . . . . .	Sweden
Premier Is A/S Glostrup (98.6% owned) . . . . .	Denmark
Delaware Rainbo Leasing Corporation (100% owned) . . . . .	Delaware
Drugs International S.A., Inc. (100% owned) . . . . .	Delaware
Ecudal S.A. (49% owned) . . . . .	Ecuador
Elite Sounds, Inc. (100% owned) . . . . .	New York
Etablissements Baud S.A. (97% owned) . . . . .	France
Etablissements Boizet S.A., (74% owned) . . . . .	France
Finance Corporation of Jamaica Ltd. (65% owned) . . . . .	Jamaica
Goody Sales Limited (Voting) (100% owned) . . . . .	Jamaica
Flakall Corporation (100% owned) . . . . .	Illinois
Gecoma S.C.S. (.33% owned) . . . . .	France
Minimarche Essone (.33% owned) . . . . .	France
Minimarche Hauts de Seine S.A.R.L. (.33% owned) . . . . .	France
Minimarche Marne S.A.R.L. (.33% owned) . . . . .	France
Minimarche Paris S.A.R.L. (.33% owned) . . . . .	France
Minimarche Seine et Marne S.A.R.L. (.33% owned) . . . . .	France
Minimarche Seine St. Denis S.A.R.L. (.33% owned) . . . . .	France
Minimarche Val D'Oise S.A.R.L. (.33% owned) . . . . .	France
Minimarche Val De Marne S.A.R.L. (.33% owned) . . . . .	France
Minimarche Yvelines S.A.R.L. (.33% owned) . . . . .	France

<u>Corporate Name</u>	<u>State or Country of Incorporation</u>
<i>(Flakall Corporation subsidiaries continued)</i>	
Paris Libre Service S.A.R.L. (.33% owned) .....	France
Soc. De Dist. D'Ile S.A.R.L. (.33% owned) .....	France
Soc. De Dist. Parisienne S.A.R.L. (.33% owned) .....	France
Soc. De Gest. de Supermarches S.A.R.L. (.33% owned) .....	France
Soc. Super. Moulin Chenne. S.A.R.L. (.33% owned) .....	France
Superette Ile de France S.A.R.L. (.33% owned) .....	France
Superette Paris S.A.R.L. (.33% owned) .....	France
Superette Seine et Marne S.A.R.L. (.33% owned) .....	France
Superette Seine St. Denis S.A.R.L. (.33% owned) .....	France
Superette Yvelines S.A.R.L. (.33% owned) .....	France
Foods and Services S.A. (100% owned) .....	Switzerland
Dairyworld S.A. (100% owned) .....	Switzerland
Primalp S.A. (100% owned) .....	Switzerland
Fruit International, Inc. (100% owned) .....	Delaware
Gecoma S.C.S. (.33% owned) .....	France
Minimarche Essone (.33% owned) .....	France
Minimarche Hauts de Seine S.A.R.L. (.33% owned) .....	France
Minimarche Marne S.A.R.L. (.33% owned) .....	France
Minimarche Paris S.A.R.L. (.33% owned) .....	France
Minimarche Seine et Marne S.A.R.L. (.33% owned) .....	France
Minimarche Seine St. Denis S.A.R.L. (.33% owned) .....	France
Minimarche Val D'Oise S.A.R.L. (.33% owned) .....	France
Minimarche Val De Marne S.A.R.L. (.33% owned) .....	France
Minimarche Yvelines S.A.R.L. (.33% owned) .....	France
Paris Libre Service S.A.R.L. (.33% owned) .....	France
Soc. De Dist. D'Ile S.A.R.L. (.33% owned) .....	France
Soc. De Dist. Parisienne S.A.R.L. (.33% owned) .....	France
Soc. De Gest. de Supermarches S.A.R.L. (.33% owned) .....	France
Soc. Super. Moulin Chenne. S.A.R.L. (.33% owned) .....	France
Superette Ile de France S.A.R.L. (.33% owned) .....	France
Superette Paris S.A.R.L. (.33% owned) .....	France
Superette Seine et Marne S.A.R.L. (.33% owned) .....	France
Superette Seine St. Denis S.A.R.L. (.33% owned) .....	France
Superette Yvelines S.A.R.L. (.33% owned) .....	France
Gelati Sanson S.p.A. (57.65% owned) .....	Italy
Gum International S.A., Inc. (100% owned) .....	Delaware
Gecoma S.C.S. (.33% owned) .....	France
Minimarche Essone (.33% owned) .....	France
Minimarche Hauts de Seine S.A.R.L. (.33% owned) .....	France
Minimarche Marne S.A.R.L. (.33% owned) .....	France
Minimarche Paris S.A.R.L. (.33% owned) .....	France
Minimarche Seine et Marne S.A.R.L. (.33% owned) .....	France
Minimarche Seine St. Denis S.A.R.L. (.33% owned) .....	France
Minimarche Val D'Oise S.A.R.L. (.33% owned) .....	France
Minimarche Val De Marne S.A.R.L. (.33% owned) .....	France
Minimarche Yvelines S.A.R.L. (.33% owned) .....	France
Paris Libre Service S.A.R.L. (.33% owned) .....	France
Soc. De Dist. D'Ile S.A.R.L. (.33% owned) .....	France
Soc. De Dist. Parisienne S.A.R.L. (.33% owned) .....	France

<u>Corporate Name</u>	<u>State or Country of Incorporation</u>
<i>(Gum International S.A., Inc., subsidiaries continued)</i>	
Soc. De Gest. de Supermarches S.A.R.L. (.33% owned)	France
Soc. Super. Moulin Chenne. S.A.R.L. (.33% owned)	France
Superette Ile de France S.A.R.L. (.33% owned)	France
Superette Paris S.A.R.L. (.33% owned)	France
Superette Seine et Marne S.A.R.L. (.33% owned)	France
Superette Seine St. Denis S.A.R.L. (.33% owned)	France
Superette Yvelines S.A.R.L. (.33% owned)	France
Helacasa (60% owned)	Spain
Industrias Gran Colombia, S.A. (100% owned)	Colombia
Industrias Savoy C.A. (85% owned)	Venezuela
Associated Brands Limited (13.10% owned)	Trinidad
Charles Candy Co. Ltd. (100% owned)	Trinidad
Dairy Brix Manufacturing Limited (60% owned)	Trinidad
Sunshine Snacks Ltd. (100% owned)	Trinidad
Industrias Anita C.A. (100% owned)	Venezuela
Granos De Oriente C.A. (20% owned)	Venezuela
Bebidas Savoy C.A. (85% owned)	Venezuela
C.A. Savoy Candy (100% owned)	Venezuela
Caramelos Royal S.A. (66.40% owned)	Venezuela
Distribudora Marsanita C.A. (75% owned)	Venezuela
Granos De Oriente C.A. (20% owned)	Venezuela
Industrias Benco C.A. (60% owned)	Venezuela
Marlon C.A. (100% owned)	Venezuela
Associated Brands Limited (7% owned)	Trinidad
Granos De Oriente C.A. (20% owned)	Venezuela
Distribudora Marsanita C.A. (25% owned)	Venezuela
Interglas S.A. (77.40% owned)	Spain
LA Acquisition Corporation (100% owned)	Delaware
BEK II Inc. (100% owned)	Delaware
BEK IV Inc. (100% owned)	Delaware
BEK VII Inc. (100% owned)	Delaware
BEK VIII Inc. (100% owned)	Delaware
BEK IX Inc. (100% owned)	Delaware
BEK X Inc. (100% owned)	Delaware
BEK XI Inc. (100% owned)	Delaware
BEK XII Inc. (100% owned)	Delaware
BEK XIII Inc. (100% owned)	Delaware
BEK XIV Inc. (100% owned)	Delaware
Esmark, Inc. (100% owned by BEK II, IV, VII, VIII & IX Inc.)	Delaware
Beatrice U.S. Food Corp. (100% owned)	Delaware
Beatrice Cheese, Inc. (100% owned)	Delaware
A. de Cardi Cheese Corporation (100% owned)	New Jersey
Agrico, Incorporated (100% owned)	New Jersey
Eurofoods, Inc. (100% owned)	New Jersey
Swissrose International, Inc. (100% owned)	New Jersey
L.L. Cheese Co., Inc. (100% owned)	Delaware
Beatrice Dairy Products, Inc. (100% owned)	Delaware
Community Creamery (100% owned)	Montana
Skyline Dairy, Inc. (100% owned)	Montana
Beatrice Distribution, Inc. (100% owned)	Delaware

Corporate Name

State or Country  
of Incorporation

*(Beatrice U.S. Food Corp., subsidiaries continued)*

Beatrice Foodservice & Ingredients, Inc. (formerly Cal-Compac Foods, Inc.) (100% owned) .....	Delaware
Beatrice Meats, Inc. (formerly Swift & Company) (100% owned) .....	Delaware
Blue Coach Foods, Inc. (100% owned) .....	Delaware
Commercial Research Foundation (100% owned) .....	Illinois
Eschem Canada Inc. (100% owned) .....	Canada
PAD Company (100% owned) .....	Delaware
Swift & Company (KY) (100% owned) .....	Kentucky
Swift & Company (NJ) (100% owned) .....	New Jersey
Swift & Company Packers (100% owned) .....	Nevada
Beatrice Public Refrigerated Services Inc. (100% owned) .....	Oregon
James J. Gallery, Inc. (100% owned) .....	Massachusetts
Beatrice Refrigerated Foodservice Co. (100% owned) .....	Delaware
Farmbelt Industries, Inc. (100% owned) .....	Delaware
Berliner & Marx, Inc. (100% owned) .....	New York
Jan-U-Wine Foods, Inc. (name holding company) (100% owned) .....	California
Beatrice Specialty Products, Inc. (100% owned) .....	Delaware
SI Dairy Products Company, Inc. (100% owned) .....	New York
Beatrice U.S. Food International Sales Corp. (100% owned) .....	Virgin Islands
Beatrice Food Ingredients, Inc. (100% owned) .....	Delaware
Bryco, Inc. (100% owned) .....	Delaware
County Line Cheese Co., Inc. (100% owned) .....	Delaware
Swift & Company (name holding company) (100% owned) .....	Delaware
Tropicana Products, Inc. (100% owned) .....	Delaware
B & H Projects, Inc. (100% owned) .....	Florida
Progress Service, Inc. (100% owned) .....	Florida
Tropicana Products Sales, Inc. (100% owned) .....	Delaware
Tropicana Transportation Corp. (100% owned) .....	Delaware
Tropicana Products (Europe) GmbH (100% owned) .....	Germany
Beatrice Beverage Holding Co. (100% owned) .....	Delaware
Aloha Broadcasting Company, Inc. (100% owned) .....	Delaware
Arizona Sparkling Bottled Water, Inc. (100% owned) .....	Delaware
Arrowhead Water Company (100% owned) .....	Arizona
Arrowhead Drinking Water Co. (100% owned) .....	Delaware
Arrowhead Puritas Waters, Inc. (100% owned) .....	California
Ozarka Drinking Water Co. (100% owned) .....	Delaware
Ozarka Leasing Company (100% owned) .....	California
The Coca-Cola Bottling Company of Mid-America, Inc. (100% owned) ..	Delaware
CCMA Leasing Company (100% owned) .....	Delaware
Coca-Cola Bottling Company of Los Angeles (100% owned) .....	Delaware
CCLA Leasing Company (100% owned) .....	California
Diamond Head Beverages, Inc. (100% owned) .....	Hawaii
Kaaawa Farms, Ltd. (100% owned) .....	Hawaii
Lorden, Inc. (100% owned) .....	California
Quality Beverages, Inc. (100% owned) .....	California
Scotsman Distributors, Inc. (100% owned) .....	California
Coca-Cola Bottling Co. of San Diego, Inc. (100% owned) .....	California
Coca-Cola Bottling Co. of the Valley (100% owned) .....	California
Dr. Pepper Bottling Co. of Southern California (100% owned) .....	California

Corporate NameState or Country  
of Incorporation*(Beatrice Beverage Holding Co., subsidiaries continued)*

Hartman Imports (100% owned) .....	California
National Drinks Bottling Co., Inc. (100% owned) .....	California
National Drinks Leasing Co., Inc. (100% owned) .....	California
Diamond Head Beverages, Inc. (100% owned) .....	Delaware
Great Bear Spring Company (100% owned) .....	Delaware
Great Bear Leasing Company (100% owned) .....	New York
Kaaawa Farms, Ltd. (100% owned) .....	Delaware
Mid-America Container Corporation (100% owned) .....	Delaware
Quality Beverages, Inc. (100% owned) .....	Delaware
Norton Simon, Inc. (100% owned) .....	Delaware
American Industries Insurance Co. Ltd. (100% owned) .....	Bermuda
Avis, Inc. (100% owned) .....	Delaware
Avis Holdings, Inc. (100% owned) .....	Delaware
Gordon Investment, S.A. (100% owned) .....	Panama
I.T.S. Drive Yourself Ltd. (100% owned) .....	Israel
Avis International, Ltd. (100% owned) .....	Delaware
Avis de Guatemala, S.A. (100% owned) .....	Guatemala
AIL Holdings, Inc. (100% owned) .....	United Kingdom
Avis Rent A Car Limited (100% owned) .....	United Kingdom
Avis Pension Trustees, Ltd. (100% owned) .....	United Kingdom
Avis Truck Leasing Limited (100% owned) .....	United Kingdom
Avis Car Leasing Limited (50% owned) .....	United Kingdom
Davestem Limited (100% owned) .....	United Kingdom
Gala Cosmetic & Fragrances Ltd. (100% owned) .....	United Kingdom
Gala Cosmetics & Fragrances Internat'l Ltd. (100% owned) .....	United Kingdom
Max Factor Limited (100% owned) .....	United Kingdom
Girl Cosmetics, Ltd. (100% owned) .....	United Kingdom
Mary Quant Cosmetics Ltd. (100% owned) .....	United Kingdom
Miners Make-Up Ltd. (100% owned) .....	United Kingdom
Ann Russ Cosmetics Ltd. (100% owned) .....	United Kingdom
Gala Cosmetics International, Ltd. (100% owned) .....	United Kingdom
Missoni Profumi, Ltd. (100% owned) .....	United Kingdom
Gala of London Ltd. (100% owned) .....	United Kingdom
Orlane Cosmetics (U.K.) Ltd. (100% owned) .....	United Kingdom
Avis Alquile Un Coche, S.A. (100% owned) .....	Spain
Avis Automoveis de Aluguel Ltda. (100% owned) .....	Brazil
Avis Autonoleggio S.p.A (100% owned) .....	Italy
Avis Autovermietung GmbH (75% owned) .....	West Germany
Avis Auto Service GmbH (100% owned) .....	West Germany
Avis Autovermietung A.G. (100% owned) .....	Switzerland
Garep AG (100% owned) .....	Switzerland
Avis Biludlejning A/S (100% owned) .....	Denmark
Avis Leasing A/S (100% owned) .....	Denmark
Avis Bilutleie A/S (100% owned) .....	Norway
Avis Bruktbil A/S (100% owned) .....	Norway
Avis Langlidsleie A/S (100% owned) .....	Norway
Avis Leasing International, Ltd. (100% owned) .....	Delaware
Avis Leasing de Puerto Rico, Inc. (100% owned) .....	Delaware
Avis Location de Voitures, S.A. (100% owned) .....	Luxembourg

Corporate NameState or Country  
of Incorporation*(Avis International, Ltd., subsidiaries continued)*

Avis Management Pty. Limited (100% owned) . . . . .	Australia
Avis Air Charter Pty. Ltd. (100% owned) . . . . .	Australia
Chaconne Pty. Limited (50% owned) . . . . .	Australia
W.T.H. Pty. Limited (100% owned) . . . . .	Australia
Nationwide Rent A Car Pty. Ltd. (10% owned) . . . . .	Papua, New Guinea
We Try Harder Pty. Ltd. (100% owned) . . . . .	Australia
We Try Harder Car Rentals Pty. Ltd. (100% owned) . . . . .	Australia
W.T.H. Fleet Leasing Pty. Ltd. (100% owned) . . . . .	Australia
Avis Management Services, Ltd. (100% owned) . . . . .	Delaware
Avis Rent A Car (Ireland) Ltd. (100% owned) . . . . .	Ireland
Visa Assurances, Ltd. (100% owned) . . . . .	Bermuda
International Car Rental B.V. (33% owned) . . . . .	Holland
Kenya Rent A Car Ltd. (50% owned) . . . . .	Kenya
Locadif S.A. (33% owned) . . . . .	Belgium
Dit Rent A Truck, S.A. (100% owned) . . . . .	Belgium
Olympic Commercial & Tourist Enterprises, SA (40% owned) . . . . .	Greece
Olympic-Crete Commercial & Tourist Enterprises S.A. (50% owned) . . . . .	Greece
Manessi Bros-Olympic Commercial & Tourist Enterprises Ltd. (40% owned) . . . . .	Greece
Sovial Sociedade de Viaturas de Alugar Lda. (33% owned) . . . . .	Portugal
Sogen-Avis (50% owned) . . . . .	France
Assistance Sogen-Avis (100% owned) . . . . .	France
Tourism Promotion Services (Kenya) Ltd. (13% owned) . . . . .	Kenya
Safari Lodge Properties of Kenya, Inc. (100% owned) . . . . .	Kenya
West Indies Car Rental Limited (49% owned) . . . . .	Jamaica
Wincent Limited (100% owned) . . . . .	Jamaica
Avis Leasing Corporation (100% owned) . . . . .	Delaware
WTH Canada, Inc. (100% owned) . . . . .	Canada
Aviscar, Inc. (100% owned) . . . . .	Canada
Avis Rent A Car System, Inc. (100% owned) . . . . .	Delaware
Avis Autovermietung GmbH (100% owned) . . . . .	Austria
Avis Leasing GmbH (100% owned) . . . . .	Austria
Avis Location de Voitures, S.A. (100% owned) . . . . .	France
Avis de Mexico, S.A. de C.V. (100% owned) . . . . .	Mexico
Inmobiliaria Litorales, S.A. de C.V. (100% owned) . . . . .	Mexico
Algo, S.A. de C.V. (49% owned) . . . . .	Mexico
Avis Rent A Car (Hong Kong) Ltd. (100% owned) . . . . .	Hong Kong
National Car Rentals (Private) Limited (29% owned) . . . . .	Singapore
Sistem Sewa Kereta Malaysia Sdn. Bhd. (40% owned) . . . . .	Malaysia
Avis Rent A Car de Puerto Rico, Inc. (100% owned) . . . . .	Puerto Rico
Avis Rent A Car System (Private) Ltd. (100% owned) . . . . .	Zimbabwe
Avis Renta Carro, C.A. (100% owned) . . . . .	Venezuela
Avis Rent A Car Ltd. (100% owned) . . . . .	Fiji
Avis India Private Ltd. (100% owned) . . . . .	India
Avis Rent-A-Car Sdn. Bhd. (100% owned) . . . . .	Malaysia
Avis Rent-A-Car Sdn. Bhd. (100% owned) . . . . .	Singapore
Avis Rent A Car Ltd. (100% owned) . . . . .	Vanuatu

Corporate NameState or Country  
of Incorporation*(Avis Rent A Car System, Inc., subsidiaries continued)*

Centre Brisiende De Sequires Auto (100% owned) .....	France
Virgin Islands Enterprises, Inc. (100% owned) .....	Virgin Islands
Car Rentals Pacific Limited (33% owned) .....	Fiji
Mutual Rental Holdings Limited (15% owned) .....	New Zealand
Gam Fashions, Inc. (100% owned) .....	Delaware
Georgeland Corporation (100% owned) .....	Maryland
Hunt Foods and Industries, Inc. (100% owned) .....	Delaware
Beatrice Grocery Group, Inc. (100% owned) .....	Delaware
Hunt-Wesson Foods International, Ltd. (100% owned) .....	Delaware
Valencia Advertising Co. (100% owned) .....	Delaware
Winters Canning Company (100% owned) .....	California
Rossbay, Inc. (100% owned) .....	Ohio
T.H.C. Inc. (100% owned) .....	California
Norton Simon Canada, Inc. (67% owned) .....	Canada
(also 33% owned by Max Factor & Co.)	
Hunt-Universal Robina Corp. (50% owned) .....	Philippines
Nippon B-K Foods, Ltd. (50% owned) .....	Japan
McCall Corporation (100% owned) .....	Delaware
Delaware Dry Goods Co. (100% owned) .....	Delaware
Inman Enterprises, Inc. (100% owned) .....	Delaware
NSGCP, Inc. (100% owned) .....	Delaware
Peninsula Lithograph Co., Inc. (100% owned) .....	Delaware
Norton Simon International Sales Corp. (100% owned) .....	Delaware
Norton Simon Properties, Inc. (100% owned) .....	Delaware
Overseas Industries Insurance Co., Ltd. (100% owned) .....	Bermuda
Scoco, Inc. (100% owned) .....	Delaware
Tansi Productions, Inc. (100% owned) .....	Delaware
Verglass Corporation (100% owned) .....	Delaware
Estronics, Inc. (100% owned) .....	Delaware
Comark, Inc. (100% owned) .....	Oklahoma
International Jensen Incorporated (100% owned) .....	Delaware
International Audio Sales Corporation (100% owned) .....	Missouri
Jensen Sound Laboratories-International, Inc. (100% owned) .....	Delaware
FujiCone, Inc. (50% owned) .....	Delaware
Pemcor International, Inc. (100% owned) .....	Delaware
Estech, Inc. (100% owned) .....	Delaware
Es-Gen Phosphate Corporation (100% owned) .....	Delaware
Estech of Japan, Inc. (100% owned) .....	Japan
Weskem, Inc. (100% owned) .....	Nebraska
Yong Nam Chemical Company, Ltd. (25% owned) .....	Korea
Estech Investments, Inc. (100% owned) .....	Delaware
ESE, Inc. (100% owned) .....	Delaware
Radial Credit Services, Inc. (100% owned) .....	Delaware
Esmark Investments, Inc. (100% owned) .....	Delaware
Esmark One, Inc. (100% owned) .....	Delaware
Esmark Two, Inc. (100% owned) .....	Delaware
Esmark Three, Inc. (100% owned) .....	Delaware
Esmark Four, Inc. (100% owned) .....	Delaware
Esmark Five, Inc. (100% owned) .....	Delaware
Esmark Six, Inc. (100% owned) .....	Delaware

Corporate NameState or Country  
of Incorporation*(Esmark, Inc., subsidiaries continued)*

Esmark Seven, Inc. (100% owned) .....	Delaware
Esmark Eight, Inc. (100% owned) .....	Delaware
Esmark Nine, Inc. (100% owned) .....	Delaware
Esmark Ten, Inc. (100% owned) .....	Delaware
Esmark International, Inc. (100% owned) .....	Delaware
Hansil Limited (100% owned) .....	United Kingdom
Playtex Limited (100% owned) .....	United Kingdom
Halston (U.K.) Limited (100% owned) .....	United Kingdom
Parfums Halston Ltd. (100% owned) .....	United Kingdom
Swift and Company Limited (100% owned) .....	United Kingdom
Double-S Poultry Ltd. (50% owned) .....	United Kingdom
Hinton Poultry Limited (100% owned) .....	United Kingdom
Hinton Chicken Limited (100% owned) .....	United Kingdom
DRE Interstate Aviation, Inc. (100% owned) .....	Delaware
Georgetown Interstate Aviation, Inc. (100% owned) .....	Delaware
International Playtex, Inc. (100% owned) .....	Delaware
Almay, Inc. (100% owned) .....	Delaware
Almay Cosmetics Ltd, (100% owned) .....	Canada
BG Marketing Corp. (100% owned) .....	Delaware
Danskin Florida, Inc. (100% owned) .....	Delaware
Ecole d' Esthetique Carita S.A.R.L. (100% owned) .....	France
Danskin Texas, Inc. (100% owned) .....	Delaware
Grupo Industrial PEMSA, S.A. de C.V. (49% owned) .....	Mexico
Halston Enterprises, Inc. (100% owned) .....	Delaware
Halston Fragrances Ltd. (100% owned) .....	United Kingdom
IPC Barbados Limited (100% owned) .....	Barbados
Playtex Texas, Inc. (100% owned) .....	Delaware
Max Factor & Co. (100% owned) .....	Delaware
Mary Quant Cosmetics, Inc. (100% owned) .....	Delaware
Max Factor Aktiebolag (100% owned) .....	Sweden
Max Factor & Co. GmbH (100% owned) .....	West Germany
Max Factor & Co. (U.K.) Ltd. (100% owned) .....	Bermuda
Max Factor & Co. Ltd. (100% owned) .....	Bermuda
Max Factor de Centro America S.A. (100% owned) .....	Guatemala
Max Factor Distributors S.p.A. (100% owned) .....	Italy
Max Factor France S.A. (100% owned) .....	France
Max Factor France S.A.R.L. (100% owned) .....	France
Max Factor (H.K.) Ltd. (100% owned) .....	Hong Kong
Max Factor Kabushiki Kaisha (100% owned) .....	Japan
Kansai Max Hanbai K.K. (100% owned) .....	Japan
American Cosmetics Kabushiki Kaisha (18% owned) .....	Japan
Max Factor Nishi Nihon Hanbai K.K. (100% owned) .....	Japan
American Cosmetics Kabushiki Kaisha (9% owned) .....	Japan
American Cosmetics Kabushiki Kaisha (50% owned) .....	Japan
Max Factor Mexicana S.A. de C.V. (100% owned) .....	Mexico
Max Factor Nederland B.V. (100% owned) .....	Netherlands
Max Factor Produtos Cosméticos Ltda. (100% owned) .....	Brazil
Max Factor Distribuidora Ltda. (100% owned) .....	Brazil
Max Factor Oxford Properties Co. (100% owned) .....	Delaware
Max Factor (Services) Pty. Limited (100% owned) .....	Australia

Corporate NameState or Country  
of Incorporation*(Max Factor & Co., subsidiaries continued)*

Missoni Profumi S.A.R.L. (100% owned) .....	France
Missoni Profumi S.N.C. (100% owned) .....	France
MSPA, Inc. (100% owned) .....	Delaware
Norton Simon Canada, Inc. (33% owned) .....	Canada
(also 67% owned by Winters Canning Company)	
Orlane Belgique, S.A. (100% owned) .....	Hong Kong
Orlane (H.K.) Ltd. (100% owned) .....	Hong Kong
Orlane Nederland B.V. (100% owned) .....	Netherlands
Orlane (South Africa) Pty. Ltd. (100% owned) .....	South Africa
Ortran Kosmetikvertrieb, GmbH (100% owned) .....	West Germany
Orlane Japon Kabushiki Kaisha (100% owned) .....	Japan
Ortran S.A. (100% owned) .....	France
Parfums Halston S.A.R.L. & Cie (100% owned) .....	France
Milky Way Products Company .....	Delaware
Parfums Halston S.A.R.L. (100% owned) .....	France
Parfums Halston S.N.C. (100% owned) .....	France
PEC, Inc. (100% owned) .....	Virgin Islands
Playtex Africa (Pty.) Limited (100% owned) .....	South Africa
Playtex Properties (Pty.) Ltd. (100% owned) .....	South Africa
Playtex A.G. (100% owned) .....	Switzerland
Playtex Barceloneta Corporation (100% owned) .....	Delaware
Playtex B.V. (100% owned) .....	Netherlands
Playtex Corozal Corporation (100% owned) .....	Delaware
Playtex de Mexico, S.A. (100% owned) .....	Mexico
Playtex Dorado Corporation (100% owned) .....	Delaware
Playtex Espana, S.A. (100% owned) .....	Spain
Playtex France, S.A. (100% owned) .....	France
Playtex GmbH (100% owned) .....	West Germany
Playtex Holdings, Inc. (100% owned) .....	Delaware
Playtex Italia S.p.A. (100% owned) .....	Italy
Playtex Ltd. (100% owned) .....	Canada
Playtex Manati Corporation (100% owned) .....	Delaware
Playtex (Pty.) Limited (100% owned) .....	Australia
Playtex, S.A. (100% owned) .....	Belgium
Prestige Fragrances, Ltd. (100% owned) .....	Delaware
S.A. Max Factor Belgium N.V. (100% owned) .....	Belgium
S.E.F.A.O., S.A. (100% owned) .....	Spain
Tailby—Nason Company, Inc. (100% owned) .....	Delaware
Texzeta, S.A. de C.V. (25% owned) .....	Mexico
Grupo Industrial PEMSA, S.A. de C.V. (51% owned) .....	Mexico
Wesan Overseas Company (100% owned) .....	Connecticut
MKC Corp. (100% owned) .....	Georgia
Market Forge (Canada) Ltd. (100% owned) .....	Canada
Mantecados Payco, Inc. (100% owned) .....	Delaware
Modernas Aplicaciones de la Refrigeracion Industrial S.A. (98.40% owned) .....	Spain
Nergico-Belgique S.A. (100% owned) .....	Belgium
Poultry Foods Industries, Inc. (50% owned) .....	Arkansas
Premier Milk (Malaya) Sdn. Bhd. (25% owned) .....	Malaya
Premier Milk (Sing) Pte. Ltd. (25% owned) .....	Singapore

<u>Corporate Name</u>	<u>State or Country of Incorporation</u>
Productos Alimenticios Rene S.A. (100% owned)	Guatemala
Chitos De Honduras S de R.L. (100% owned)	Honduras
Productos Chipy S.A. (93% owned)	Peru
Empac S.A. (6% owned)	Peru
Quan, S.A. de C.V. (100% owned)	Mexico
Holanda S.A. de C.V. (49% owned)	Mexico
Alimentarios Y Tecni S.A. de C.V. (40% owned)	Mexico
Gomas Vegetales de Mexico, S.A. (100% owned)	Mexico
Alimentos Futura, S.A. de C.V. (100% owned)	Mexico
Distribuidora y Procesadora De Lacteos S.A. (100% owned)	Mexico
Rusty Jones, Inc. (100% owned)	Delaware
Salem International Sales, Inc. (100% owned)	Delaware
Sandt Printing Company Limited (100% owned)	Canada
Sedipro S.A. (97% owned)	France
Snacks Research Corp. (100% owned)	Illinois
Societe Europeene de Supermarche S.A. (SES) (89.6% owned)	France
Cafeteria de Molsheim S.R.L. (100% owned)	France
Soc. De Cafe. Taubenhof S.A.R.L. (100% owned)	France
Socadip S.A. (5.60% owned)	France
Societe Commerciale de Haguenau Est (100% owned)	France
Sodeca S.A.R.L. (100% owned)	France
Sodial S.A. (100% owned)	France
Alirest S.A. (100% owned)	France
Tayto Ltd. (92.42% owned)	Ireland
Eurosax International Ltd. (100% owned)	Ireland
King Foods Ltd. (100% owned)	Ireland
King Foods Export Ltd. (100% owned)	Ireland
King Kandy Ltd. (100% owned)	Ireland
Potato Distributors Ltd. (100% owned)	Ireland
Threaders, Inc. (100% owned)	Delaware
W. J. Dwan & Sons Ltd. (74% owned)	Ireland
Dwan Export Ltd. (100% owned)	Ireland
Dwan Manufacturing Ltd. (100% owned)	Ireland
W. J. Dwan & Sons (Athlone) Ltd. (100% owned)	Ireland
Webcraft Technologies, Inc. (80% owned)	Delaware
Chalfont Properties, Inc. (100% owned)	Pennsylvania
K.B.V., Inc. (100% owned)	New Jersey
KSS Transportation Corp. (100% owned)	New Jersey
V.B.K., Inc. (100% owned)	New Jersey
Webcraft Chemicals, Inc. (100% owned)	New Jersey
Webcraft Games, Inc. (100% owned)	New Jersey
Webcraft Mail Systems, Inc. (100% owned)	Pennsylvania
Webcraft Marketing System, Inc. (100% owned)	New Jersey

Note: The percentage of ownership indicated after the subsidiary represents the percentage of ownership of the immediate parent subsidiary.

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

**Form 10-K**

Annual Report Pursuant to Section 13 or 15(d)  
of the Securities Exchange Act of 1934

For the fiscal year ended February 28, 1987

Commission file number: 1-9119

**BCI HOLDINGS CORPORATION**

(Exact Name of Registrant as Specified in its Charter)

Delaware  
(State of Incorporation)

13-3327481  
(I.R.S. Employer Id. No.)

Two North LaSalle Street, Chicago, Illinois  
(Address of Principal Executive Offices)

60602  
(Zip Code)

Registrant's telephone number, including area code: (312) 782-3820

Securities registered pursuant to Section 12(b) of the Securities Exchange Act of 1934\*:

<u>Title of Each Class</u>	<u>Name of Each Exchange on Which Registered</u>
11% Ten Year Senior Notes	Pacific Stock Exchange
12½% Twelve Year Senior Subordinated Debentures	Pacific Stock Exchange
12¾% Fifteen Year Subordinated Debentures	Pacific Stock Exchange
Fifteen Year Floating Rate Junior Subordinated Debentures	Pacific Stock Exchange

\*Subsequent to the end of the fiscal year these securities ceased to be listed on the Pacific Stock Exchange and ceased to be registered pursuant to Section 12(b) of the Securities Exchange Act of 1934. Also subsequent to the end of the fiscal year the Registrant's 15.25% Junior Subordinated Exchange Debentures Due 2002 were listed on the Pacific Stock Exchange and registered pursuant to Section 12(b) of the Securities Exchange Act of 1934.

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

As of March 31, 1987, a total of 81,700,000 shares of BCI Holdings Corporation common stock was outstanding. The common stock is not traded.

# Form 10-K Annual Report

For the Fiscal Year Ended February 28, 1987

Throughout this report, the following terms are used. Unless otherwise indicated or suggested by the context, references include the subsidiaries of the named legal entity.

"Holdings" refers to BCI Holdings Corporation, a Delaware corporation formed in 1985. Holdings acquired Beatrice Companies, Inc. on April 17, 1986.

"Beatrice" refers to Beatrice Companies, Inc. In May 1986, Beatrice adopted a plan of liquidation. The liquidation is expected to be completed during fiscal 1988.

"Beatrice U.S. Food" refers to Beatrice U.S. Food Corp.; "BCI International" refers to BCI International Food Corporation; and "BCI Products" refers to BCI Consumer Products Corporation. These entities were formed by Holdings to effect the Beatrice acquisition. "First Tier Subsidiaries" collectively refers to these entities and Beatrice.

"Esmark" refers to Esmark, Inc. Esmark was acquired by Beatrice in June 1984. In July 1986, Esmark, the parent company of the Knitwear Division, was sold by Holdings.

"NSI" refers to Norton Simon, Inc.

"Merger" refers to the acquisition of Beatrice by Holdings on April 17, 1986.

"Predecessor" refers to consolidated Beatrice in periods prior to the Merger and "Successor" refers to consolidated Holdings in periods subsequent to the Merger.

"U.S. Food," "International Food" and "Consumer Products" refer to Holdings' operating segments. U.S. Food includes substantially all of the operating subsidiaries comprising Beatrice U.S. Food, Swift-Eckrich, Inc. and NSI, while International Food and Consumer Products include substantially all of the operating subsidiaries comprising BCI International and BCI Products, respectively.

## PART I

### ITEM 1. BUSINESS.

Prior to April 1986, Holdings' activities were limited to matters incident to its acquisition of Beatrice. Since then its activities have been concentrated on managing its highly leveraged investment in Beatrice. By February 1987, Holdings had sold businesses representing over 50% of its total purchase cost of Beatrice and retired approximately \$3.6 billion of the acquisition related financing.

Holdings, through its subsidiaries, manufactures and markets a wide range of food and consumer products under a variety of well-recognized brand names for use in various consumer, commercial and industrial markets throughout the world. All of the brand names appearing below in solid capital letters are trademarks or trade names of Holdings.

Holdings' ongoing operations are organized into three business segments: U.S. Food, Consumer Products and International Food. The businesses sold by Holdings subsequent to the Beatrice acquisition, or which Holdings currently intends to sell, are identified as discontinued operations and excluded from this discussion.

#### U.S. Food

U.S. Food produces, distributes and sells a broad range of well-known branded food products concentrating primarily in U.S. markets. U.S. Food, the largest of the segments, distributes many of its brands through direct retail and food service sales personnel, rather than through brokers. The resulting national presence has provided U.S. Food the opportunity to bring many formerly regional brands into

national distribution. The segment is composed of five major operations each of which holds a significant position in the markets in which it participates.

#### *Beatrice/Hunt-Wesson*

Beatrice/Hunt-Wesson produces, processes and distributes packaged grocery products ranging from basic recipe ingredients, such as tomato sauce and paste, to prepared convenience foods, such as sloppy joe sauces. Its distribution outlets throughout the U.S. and direct retail and food service sales personnel combine to provide an efficient direct distribution network. Products are also distributed through local food brokers as considered necessary. Among Beatrice/Hunt-Wesson's major brands are HUNT'S tomato products, including tomato sauce and paste, canned tomatoes, sloppy joe sauce, ketchup and barbeque sauce and WESSON cooking and salad oils. Beatrice/Hunt-Wesson also competes in the ethnic food market with LA CHOY canned and frozen Oriental food products nationally and ROSARITA canned Mexican refried beans and sauces in the West and Southwest. Other brands include: PETER PAN peanut butter; SWISS MISS cocoa mixes and puddings; MANWICH sloppy joe sauce and mix; FISHER nuts; and ORVILLE REDENBACHER'S popcorn and related products. Beatrice/Hunt-Wesson also produces, markets and sells premium fountain toppings, syrups, sauces and related beverage products to the commercial and industrial segments of the food service industry.

#### *Swift-Eckrich*

Swift-Eckrich features such well-known premium brand names as BUTTERBALL turkey and turkey products and SWIFT and ECKRICH processed meats. Its products are commonly found in the refrigerated meat and delicatessen cases in supermarkets across the country. Sales are made through both a direct selling organization and a broker network. An increasing percentage of Swift-Eckrich sales is being successfully shifted to the direct sales force. New products include line expansions under the BUTTERBALL name, new sausage and sausage specialty products and new products for the deli counter.

#### *Cheese*

Cheese is one of the largest cheese producers in the U.S. It produces and distributes natural cheese and processed cheese products principally to food manufacturing, food service and private label markets, as well as to the retail market. Cheese also imports, under licenses granted by the U.S. government, a variety of cheeses for retail and institutional sale. The COUNTY LINE natural cheese brand and TREASURE CAVE brand blue cheese have strong national retail markets and, although its business is largely devoted to serving non-retail markets, an increasing portion of the retail business is represented by COUNTY LINE products. The PAULY brand is primarily marketed to the food service industry. REDDI-WIP, a refrigerated dessert topping, is also produced by the Cheese operations.

#### *Tropicana*

Tropicana's principal products include TROPICANA'S PURE PREMIUM, the only national brand of orange juice not made from concentrate, and TROPICANA brand frozen and ready-to-serve orange juice, which are also available in a homestyle variety with added pulp. Tropicana also markets grapefruit and apple juices made from concentrate under the TROPICANA label. Tropicana has also added several new fruit flavors to its product line. TROPICANA products are distributed in most of the East and Southeast, and in portions of the Midwest, California, Texas and Arizona.

#### *Food Specialties*

Food Specialties consists of six distinct food companies, several of which market their products on a regional basis, such as MARTHA WHITE flour in the Southeastern U.S. Others produce specialty food items such as LOWREY'S meat snacks. Other products include corn meal, baking mixes, dehydrated food ingredients and flavors sold to most major food manufacturers, canned and glass packed fruits and vegetables, pet foods and private label frozen pizza. Each company separately handles its product distribution.

## **International Food**

International Food represents approximately 92% of Holdings' total non-U.S. sales with operations in 30 countries. The segment's businesses are engaged in the wholesale and retail distribution of food, groceries and household products and the manufacture and marketing of dairy products, ice cream, confectionery, snacks, processed meats, beverages and other food products. Virtually all operating companies are managed by local nationals, many of whom have minority ownership interests. The segment's operations are organized into geographic regions, each selling products under a variety of well-known brand names.

### *Europe*

Europe, the largest operation, consists of 23 operating companies in 10 countries engaged primarily in the wholesale distribution of food, groceries and household products and the manufacture and marketing of processed meats, ice cream and yogurt, snacks and confectionery and other food products. Retail and wholesale food distribution sales accounts for 52% of European operations. Brand names include CAMPOFRIO sausage and specialty meats and SMITH KENDON and CALLARD & BOWSER confections.

### *Canada*

Canadian operations include the distribution of BEATRICE milk, yogurt, ice cream and cheese products. COLONIAL baked goods are also produced and marketed.

### *Latin America*

Latin American operations include the distribution of snacks, confectionery and baked goods, and dairy and ice cream. Latin American grocery brands include: SAVOY confections; JACK'S SNACKS; and HOLANDA ice cream.

### *Australia*

Australian operations cover both Australia and New Zealand and include confectionery, juices, specialty meats and food distribution. Brands include: RED TULIP confectionery items; PATRA juices; and BARON'S TABLE specialty meats and frozen entrees.

### *Asia*

Asian operations include the marketing of dairy and ice cream, Oriental food specialties and beverages.

## **Consumer Products**

Consumer Products produces a wide range of products for consumer use. Several of its brands are well-known worldwide. Products are sold through a combination of direct sales forces, manufacturers' representatives and distributors. Described below are the businesses comprising its operations.

### *Samsonite Luggage*

Samsonite Luggage is the world's largest manufacturer of luggage and attache cases and is significantly larger than its nearest competitor. The U.S. market for hard-sided luggage (Samsonite's historical base) has declined significantly in recent years as many consumers have switched to soft-sided products. However, demand for hard-sided luggage has remained strong in Europe, Samsonite's other principal market. Samsonite has reacted to the changed U.S. luggage market by developing new products and increasing its presence in the soft-sided market. The WORLD'S GREATEST GARMENT BAG, part of the SILHOUETTE 4 line of hard- and soft-sided luggage introduced into the U.S. and Canada during fiscal 1985, has a number of innovative features designed to address consumer problems with the traditional garment bag. A companion item, the WORLD'S GREATEST CARRY-ON BAG, was introduced during fiscal 1987. These and other new products accounted for almost 25% of Samsonite's U.S. sales in fiscal 1987. In February

1987 Samsonite introduced into the U.S. market a new line of hard- and soft-sided products under the OYSTER brand name. This line, which is expected to be available to consumers this summer, features an innovative design and look, several technological developments and a high value to price relationship.

#### *Culligan*

Culligan is a worldwide leader in the manufacture and sale of water treatment equipment. CULLIGAN is the leading national consumer brand. Culligan produces and, through a network of approximately 840 franchised dealers, sells CULLIGAN water treatment systems to household, commercial and industrial customers in the U.S. The same equipment and systems are sold internationally through eight subsidiaries in Europe and through 78 licensees in more than 90 foreign countries. Culligan also services industrial and commercial customers directly through its Arrowhead Industrial Water, Inc. and Everpure, Inc. subsidiaries.

#### *Window Coverings*

Window Coverings manufactures and markets LOUVERDRAPE and DEL MAR non-drapery fashion window coverings. These brands compete in five major product areas—horizontal blinds, vertical blinds, pleated shades, woven wood blinds and mini-blinds.

#### *Waterloo*

Waterloo is the leading manufacturer of tool storage products in the U.S. Its products consist primarily of a broad line of high quality tool boxes, tool chests, workbenches and related products which are manufactured for private label sale by the country's largest national retailer. Similar products are sold under the WATERLOO and ALL AMERICAN brand names.

#### *Aristokraft*

Aristokraft manufactures middle to high-line kitchen cabinets and bathroom vanities under the ARISTOKRAFT and DECORA brand names. Aristokraft currently supplies the building and remodeling market including the home improvement and do-it-yourself markets.

#### *Day-Timers*

Day-Timers is the leading U.S. direct marketer of time-management aids and is also a manufacturer of diaries and appointment books. These products are primarily sold under the DAY-TIMERS brand name through direct mail advertising and catalogs to consumers and businesses. Day-Timers' Sax Arts and Crafts, Inc. subsidiary markets art and craft supplies primarily to schools.

#### *Samsonite Furniture*

Samsonite Furniture is the leading U.S. manufacturer of folding furniture. It also offers a wide range of leisure and casual furniture. Stacking and folding chairs, banquet and other folding tables for residential and commercial use, mass seating, bar and counter stools and steel frame and other patio furniture products are sold under the SAMSONITE brand name.

#### *Home Specialties*

Home Specialties manufactures and distributes a variety of plumbing supply and repair products in the U.S. and Canada. Packaged plumbing repair products and tools are sold under the CHICAGO SPECIALTY and STEP X STEP brand names to mass merchandisers, hardware stores and plumbing supply houses. Plumbing products under the DEARBORN BRASS name and specialty tools are sold to plumbing supply houses.

#### *Stiffel*

Stiffel manufactures and markets high quality brass table and floor lamps for residential and commercial use. Stiffel is a leader, particularly in the highest quality category of its market, and the STIFFEL name is one of the segment's most highly recognized consumer brand names.

### *Jensen*

Jensen is a leading manufacturer and marketer of high performance car stereo loudspeakers for both the automotive industry and, under the JENSEN name, the consumer market. Jensen also produces a line of home speakers under the ADVENT name.

### *Rusty Jones*

Rusty Jones distributes and markets various automotive appearance materials and services, such as rustproofing and soundproofing, under the RUSTY JONES brand name.

### **Raw Materials and Competition**

Various agricultural commodities constitute the principal raw materials used in the manufacture of food products. Non-food consumer products are manufactured from a wide variety of fabrics, plastics, metals, minerals, wood, paper and chemicals. Generally, the raw materials for significant products are readily available from a wide variety of independent suppliers. Prices of agricultural commodities tend to fluctuate due to various seasonal, climatic and economic factors, which generally affect Holdings' competitors as well.

Holdings faces substantial competition throughout its product lines from firms, both large and small, in the U.S. and other countries. Some of these firms market well-known, branded products while retailers, wholesalers and cooperatives market generic and private label products. The principal competitive factors are price, quality and brand loyalty.

### **Management and Employees**

In general, operating decisions are made at the operating management level. The decisions typically include product mix, product pricing and market selection. A significant portion of the total compensation of operating executives typically is based upon profit contributions of the activities under their supervision.

As of February 28, 1987, Holdings had approximately 62,000 employees. There have been no significant interruptions or curtailments of operations due to labor disputes and labor relations are considered satisfactory.

### **Trademarks, Patents and Licenses**

Most of the operating companies have registered and unregistered trademarks for many of their products. Trademarks are important to Holdings because brand name recognition is very important to several of the operating companies. Holdings is not aware of any factor which would affect its ability to utilize any of its major trademarks.

Certain operating companies own or license a number of patents and patent applications which are important to their individual businesses, but the patents and licenses are not considered material to the conduct of Holdings businesses as a whole. Holdings does not believe that the positions of any of its operating companies is substantially dependent on patent protection.

### **Research and Development**

The operating companies' research and development activities are directed toward improvements of quality control standards, improvements in existing products and processes and the development of new products. Only certain of the operating companies engage in new product research and development activities. These activities are not material to Holdings' businesses as a whole. Research and development expenses in fiscal 1987, 1986 and 1985 were approximately \$25 million, \$25 million and \$28 million, respectively.

### Customers, Sales and Backlog

No material portion of Holdings' business is dependent upon a single or very few customers. In general, the backlog of orders is not deemed to be significant or material for an understanding of Holdings' business segments.

### Government Regulation

Holdings' operating businesses are subject to a wide variety of governmental regulations. Most of the U.S. food companies are subject to regulation and inspection by various federal, state and local governmental agencies which enforce strict standards of sanitation, product composition, packaging and labeling. Virtually all of the non-U.S. food companies are subject to the laws and regulations of foreign countries which are often very different from country to country, as well as from the laws and regulations in the U.S. The operating companies' non-U.S. businesses are subject to the usual risks attendant upon investments in foreign countries, including nationalization, expropriation, limitations on repatriation, restrictive action by local government and changes in currency exchange rates.

Compliance with federal, state and local provisions regulating the discharge of materials into the environment or otherwise relating to the protection of the environment is not expected to affect materially the earnings, capital expenditures or competitive position of Holdings and its operating companies. No material capital expenditures are anticipated for the remainder of the current or the succeeding fiscal year for existing facilities to comply with current environmental regulations.

### ITEM 2. PROPERTIES.

Holdings' operating companies use various owned and leased plants, warehouses, distribution centers and other facilities in their operations. The facilities are generally considered to be suitable and adequate for the conduct of the business involved although certain of the operations' facilities are quite old. In general, adequate productive capacity is provided by such facilities. The following table sets forth information with respect to the approximate number and location of facilities operated as of February 28, 1987.

	Approximate number of facilities				
	United States		Outside United States		Total
	Owned	Leased	Owned	Leased	
U.S. Food .....	160	70	—	—	230
International Food .....	—	—	240	280	520
Consumer Products .....	70	100	10	40	220
Other .....	—	10	—	—	10
	<u>230</u>	<u>180</u>	<u>250</u>	<u>320</u>	<u>980</u>

### ITEM 3. LEGAL PROCEEDINGS.

In the opinion of management, there are no claims or litigation pending to which Holdings is a party which are expected to have a materially adverse effect on its consolidated financial condition.

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

Not Applicable.

## PART II

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

There is no public market for the common stock of Holdings. Common stock of Holdings is held of record by 34 persons or entities.

Holdings has never paid any cash dividends on shares of its common stock. The ability of Holdings to pay dividends is restricted by provisions of the various debt agreements to which it is a party. (See Notes 9 and 11 of Notes to Consolidated Financial Statements.)

**ITEM 6. SELECTED FINANCIAL DATA.**

	Year ended last day of February				
	1987*	1986	1985	1984	1983
	(In millions, except per share data)				
Net sales .....	\$8,926	\$8,400	\$9,428	\$7,688	\$7,751
Earnings (loss) before discontinued operations and extraordinary items** .....	\$ (79)	\$ 111	\$ 425	\$ 351	\$ (10)
Loss per share before discontinued operations and extraordinary items*** .....	\$ (1.16)				
Dividends per common share*** .....	\$ —				
Total assets .....	\$7,903	\$7,611	\$8,597	\$4,234	\$4,535
Long-term debt .....	\$4,326	\$1,241	\$2,214	\$ 733	\$ 719

\*Fiscal 1987 includes both Predecessor and Successor periods and charges of \$84 million pre-tax (\$45 million after-tax) related to the change of control.

\*\*Fiscal 1985 includes gains from divestiture activities of \$700 million pre-tax (\$386 million after-tax) and charges of \$269 million pre-tax (\$154 million after-tax) for integration and restructuring of businesses. Fiscal 1984 includes gains from divestiture activities of \$163 million pre-tax (\$99 million after-tax). Fiscal 1983 includes losses from divestiture activities of \$140 million pre-tax (\$84 million after-tax), charges of \$23 million pre-tax (\$12 million after-tax) for a voluntary early retirement program and \$188 million for goodwill write-downs.

\*\*\*Due to the substantial effect which the Merger had upon Beatrice's capitalization, per share information is presented only for Holdings as Successor.

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

**Operations**

The table below and the following discussion summarize Holdings' results of ongoing operations. Results for fiscal 1987 include both Predecessor and Successor periods. Additional segment information is contained in Note 18 of Notes to Consolidated Financial Statements.

**BUSINESS SEGMENT DATA**

(In millions)

	Year ended last day of February					
	1987		1986		1985	
	Net sales	Earnings (loss)	Net sales	Earnings (loss)	Net sales	Earnings (loss)
U.S. Food .....	\$4,817	\$448	\$4,868	\$407	\$4,493	\$(35)
International Food .....	2,866	142	2,255	109	1,960	105
Consumer Products .....	1,243	112	1,177	89	1,053	129
Ongoing operations .....	8,926	702	8,300	605	7,506	199
Divested businesses .....	—	—	100	1	1,922	192
Total segments .....	\$8,926	702	\$8,400	606	\$9,428	391
Unallocated expense .....		(58)		(99)		(93)
Operating earnings before amortization of intangible assets .....		644		507		298
Amortization of intangible assets .....		(73)		(45)		(35)
Operating earnings .....		\$571		\$462		\$263

## **Fiscal 1987 Compared With Fiscal 1986**

### ***Summary***

Net sales and earnings of ongoing operations increased 8% and 16%, respectively. Favorable exchange rates in European currencies were a major factor in both the sales and earnings improvements for ongoing operations. Decreased overhead expenses for U.S. Food operations and generally improved margins on food products also contributed to the earnings increase. Overall reductions in corporate activities and the phase-out of an automobile racing program sponsorship were responsible for the substantial decline in unallocated expense. These factors, combined with improved segment earnings, resulted in a 27% increase in operating earnings before amortization of intangible assets. After such noncash amortization charges, operating earnings increased 24%.

### ***Segment Results***

U.S. Food net sales were slightly less than the prior period. Lower selling prices, particularly for oil and fruit juice products, were the primary reason for the decrease, offset in part by volume improvements for fruit juice. Also, heavy promotion of grocery products in the latter part of the prior year shifted sales between fiscal years causing lower volumes early this year. The absence of sales due to the exit from the fresh red meat business late in fiscal 1986 also contributed to the sales decrease. Fruit juice sales volume was stimulated by lower selling prices, promotions and new product introductions. Segment earnings increased 10%, primarily due to improved oil product margins and lower segment overhead expenses.

Favorable exchange rates in European currencies were the primary cause for International Food's improved results. All major geographic areas reported increased sales volume which contributed to the 27% increase in net sales. European earnings improved, benefiting from the introduction of higher margin ice cream products. Latin America reported higher earnings as margins improved on snack foods. These factors, coupled with reduced administrative costs, resulted in a 30% increase in segment earnings.

Consumer Products net sales and earnings increased 6% and 26%, respectively, primarily due to favorable exchange rates from non-U.S. operations. Volume increases in all product categories except furniture, lamps and U.S. luggage also contributed to the increase. The earnings increase was partially offset by increased marketing expenses. Fiscal 1986 includes a charge of \$25 million for increased warranty costs due to the insolvency of an insurance carrier.

### ***Other Results***

The capital structure of Holdings is significantly different than that of Beatrice's before the Merger which caused a significant increase in interest expense. Change in control expenses (See Note 13 of Notes to Consolidated Financial Statements) associated with the Merger also materially affected the comparison of fiscal years. As a result of these factors, a loss before discontinued operations and extraordinary items of \$79 million was incurred compared to earnings of \$111 million in the prior year.

## **Fiscal 1986 Compared With Fiscal 1985**

### ***Summary***

Net sales of ongoing operations increased 11%, while ongoing operating earnings more than tripled. The absence of fiscal 1985 expenses, amounting to \$269 million, for integrating and restructuring operations following the Esmark acquisition significantly affects the earnings comparison. Margin improvements for U.S. Food operations and the inclusion of Esmark operations for a full year in fiscal 1986 versus only eight months in fiscal 1985 also favorably affected results. Increased expenditures related to the sponsorship of automobile racing programs were responsible for the increase in unallocated expense. These factors and the absence of earnings from divested businesses partially offset the improvements in segment earnings resulting in a 70% increase in operating earnings before amortization of intangible assets. The increase in noncash charges for amortization of intangible assets was caused by the amortization of Esmark's intangible assets.

### ***Segment Results***

Net sales for U.S. Food increased 8% primarily due to the inclusion of Esmark's grocery, meats and cheese operations for twelve months in fiscal 1986 compared to eight months in fiscal 1985. These gains were somewhat offset by the exit from the fresh red meat business and lower selling prices for cheese and fruit juice products as the benefits of lower raw material costs were passed in part on to the consumer. Segment earnings were \$407 million compared to a loss of \$35 million primarily due to the absence of expenses amounting to \$263 million, for integrating and restructuring operations following the Esmark acquisition. Also affecting the comparison were improved margins and the inclusion of the Esmark food operations for twelve months in fiscal 1986 versus eight months in the prior year. Margin improvements for fruit juice and processed meat products were primarily the result of lower product costs and reduced operating expenditures. Grocery margins improved as increased operating efficiencies reduced operating expenses.

International Food net sales increased 15% as all major geographical areas, except Australia, reported sales increases in local currencies. Unfavorable foreign exchange rates adversely affected sales performances. Segment earnings were 4% above the prior year primarily due to the absence of integration expenses. Latin America reported increased earnings due to the inclusion of a full year's earnings in fiscal 1986 for a company acquired late in fiscal 1985. Price and volume increases at dairy operations were responsible for the earnings increase in Canada. Australian earnings declined due to lower confectionery volume.

Consumer Products net sales increased 12% as each of the segment's businesses had strong sales performances. New product offerings, market growth and increased sales promotions accounted for a significant portion of the sales increase. Segment earnings decreased 31%. Fiscal 1986 earnings were affected by a charge of \$25 million for increased product warranty costs due to the insolvency of an insurance carrier which more than offset increased earnings at many operations due to volume increases.

### ***Other Results***

Earnings before income taxes and discontinued operations declined 68% due to a number of factors which more than offset the benefits of improved operating earnings and the decline in net interest expense caused by reduced debt levels in fiscal 1986. The most significant factor was the absence of gains totaling \$700 million from business divestitures. Change in control expenses of \$17 million in fiscal 1986 also contributed to the decrease.

The provision for income taxes in fiscal 1985 was significantly affected by tax rate differentials related to divestiture gains and the reversal of \$17 million of deferred taxes on domestic sales corporations' earnings. Note 15 of Notes to Consolidated Financial Statements contains additional information regarding income taxes. As a result of this and the factors discussed previously, earnings before discontinued operations declined 74%.

### ***Financial Condition***

Although Holdings' financial condition is highly leveraged, management believes that its existing credit facilities, combined with cash flow from operations, are sufficient to meet anticipated working capital and other capital requirements as well as scheduled debt payments. As further described in Note 9 of Notes to Consolidated Financial Statements, debt incurred to finance the Merger has been substantially reduced through the application of divestiture proceeds.

Since the Merger, Holdings has sold operations representing over 50% of its total purchase cost of Beatrice for net proceeds aggregating \$3.4 billion. These include the sales of the soft drink bottling operations in September 1986 for net proceeds amounting to \$982 million and the personal products businesses for net proceeds of \$1.2 billion in December 1986. Holdings currently intends to sell the bottled water operation of its U.S. Food segment. Further information concerning divestitures is contained in Note 3 of Notes to Consolidated Financial Statements.

During the third quarter of fiscal 1987 the Tax Reform Act of 1986 was signed into law and the Financial Accounting Standards Board issued an Exposure Draft proposing significant changes to current generally accepted accounting principles in the area of income taxes. With the exception of rate reductions, neither of these events are expected to materially impact Holdings. Additional information is contained in Note 15 of Notes to Consolidated Financial Statements.

Also during fiscal 1987, \$800 million principal amount of Holdings' outstanding Exchange Debentures was redeemed at face value, Beatrice's preference stock was redeemed and Holdings' Redeemable Preferred Stock was exchanged for Exchange Debentures. These events are further described in Notes 9, 10 and 11 of Notes to Consolidated Financial Statements.

#### **Inflation**

Although inflation in the U.S. is not as significant a concern as it has been in the past, it continues to have an effect on economies worldwide. Management throughout the world continuously attempts to maintain profit margins and to counteract the effects of inflation with various productivity improvements, cost reduction programs and timely price increases within the constraints of highly competitive markets both in the U.S. and abroad.

#### **ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.**

Financial statements and supplementary data filed herewith are listed in the Index to Financial Statements on page F-1. Information regarding selected quarterly financial data can be found in Note 20 of Notes to Consolidated Financial Statements.

#### **ITEM 9. DISAGREEMENTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.**

None.

## PART III

### ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT.

The names, ages and present principal occupation or employment and five year employment histories of the directors and executive officers of Holdings are set forth below. Unless otherwise indicated, each occupation set forth opposite an individual's name refers to Holdings as Successor and Beatrice as Predecessor.

<u>Name</u>	<u>Age</u>	<u>Present Principal Occupation or Employment and Five Year Employment History</u>
Chance Bahadur	44	Vice President and Treasurer since August 1984. Treasurer of Esmark from 1982 to 1984. Previously, Assistant Treasurer of Esmark.
Karl M. Becker	43	Senior Vice President and General Counsel since September 1986. Senior Vice President, General Counsel and Secretary of Swift Independent Packing Company from April to August 1986. Vice President, General Counsel and Secretary of Swift Independent Packing Company from January 1985 to April 1986. Associate General Counsel of Esmark from December 1983 to September 1984. Previously, Assistant General Counsel of Esmark.
Kevin A. Bousquette	29	Director since April 1986. Associate, Kohlberg Kravis Roberts & Co. since 1985. Investment Banker, Morgan Stanley & Co. Incorporated from 1984 to 1985. Previously, Attorney, Latham & Watkins.
Roger T. Briggs	58	Director, Executive Vice President and Chief Financial Officer since April 1986. Vice President, Kelly, Briggs & Associates Inc. from June 1984 to April 1986. Previously, Vice Chairman and Chief Financial Officer of Esmark.
William P. Carmichael	43	Vice President, Taxes, since April 1986. Vice President, Taxes, of First Chicago Corp. from September 1985 to April 1986. Vice President, Taxes, of Beatrice from June 1984 to August 1985. Previously, Vice President, Taxes and Insurance, of Esmark.
William L. Chambers	49	Senior Vice President, Human Resources since July 1986. Executive Vice President, Human Resources and Organization, of Ogden-Allied Services Corporation from 1985 to June 1986. Previously, Vice President, Human Resources, of Ogden Corporation.
J. S. Corcoran	44	Vice President, Financial since August 1984. Previously, Controller of Esmark.
Michael Fung	36	Vice President and Controller since September 1986. Vice President and Director, Operations Analysis Department, from March 1984 to September 1986. Previously, Director, Corporate Auditing.

<u>Name</u>	<u>Age</u>	<u>Present Principal Occupation or Employment and Five Year Employment History</u>
Donald P. Kelly	65	Chairman of the Board and Chief Executive Officer since April 1986. President, Kelly, Briggs & Associates Inc. from June 1984 to April 1986. Chairman of the Board, President and Chief Executive Officer of Esmark from November 1982 to June 1984. Previously, President and Chief Executive Officer of Esmark.
Jerome Kohlberg, Jr.	61	Director since April 1986. General Partner, Kohlberg Kravis Roberts & Co.
Henry R. Kravis	43	Director since April 1986. General Partner, Kohlberg Kravis Roberts & Co.
Daniel M. Lechin	44	Vice President, Corporate Development, since April 1983. Vice President, Operations Administration, from April 1982 to April 1983. Previously, Vice President, Corporate Auditing.
Arthur J. McGivern	39	Vice President, Associate General Counsel and Secretary since October 1986. Previously, Partner, Vedder, Price, Kaufman & Kammholz.
William S. Mowry, Jr.	47	Executive Vice President and President, International Food since August 1984. Senior Vice President (International Food Group) from April 1984 to August 1984. Vice President from March 1984 to April 1984. Director, Administration/Organization (Grocery Group) from November 1983 to March 1984. President of Institutional Food division from June 1983 to November 1983. Director of Operations for Dairy, Agri-Products, Warehouse, Soft Drink & Bottled Water and Wine & Spirit divisions from 1982 to 1983. Previously, President of Soft Drink division.
Richard J. Pigott	46	Executive Vice President and Chief Administrative Officer.
Paul E. Raether	40	Director since April 1986. General Partner, Kohlberg Kravis Roberts & Co. since April 1986. Previously, Associate, Kohlberg Kravis Roberts & Co.
William E. Reidy	55	Senior Vice President, Planning and Strategy since April 1986. Consultant from July 1985 to April 1986. Senior Vice President (Corporate Strategy) from January 1983 to July 1985. Previously, Senior Vice President, Corporate Strategy and Development, Dart & Kraft, Inc.
Frederick B. Rentschler	47	Director since April 1986. President and Chief Operating Officer since March 1987. Executive Vice President from April 1986 to February 1987. President, U.S. Food since April 1986. Consultant from June 1984 to April 1986. President and Chief

<u>Name</u>	<u>Age</u>	<u>Present Principal Occupation or Employment and Five Year Employment History</u>
		Executive Officer of Swift/Hunt-Wesson Foods, Inc. from September 1983 to June 1984. Previously, President and Chief Executive Officer of Hunt-Wesson Foods, Inc.
George R. Roberts	43	Director since April 1986. General Partner, Kohlberg Kravis Roberts & Co.
James M. Snodgrass	49	Executive Vice President since December 1986. President, Consumer Products since April 1986. Consultant from June 1985 to April 1986. President of Estronics, Inc. (then a subsidiary of Esmark) from November 1983 to June 1985. Previously, President of Eschem, Inc. (then a subsidiary of Esmark).
Lizabeth G. Sode	36	Vice President since June 1986. Director of Corporate Communications of The Quaker Oats Company from September 1985 to June 1986. Assistant Vice President and Director of Public Affairs of Beatrice from July 1984 to May 1985. Previously, Assistant Vice President, Corporate Affairs of Esmark.
Michael T. Tokarz	37	Director since April 1986. Associate, Kohlberg Kravis Roberts & Co. since 1985. Vice President and Manager, New York office, Continental Illinois National Bank and Trust Company of Chicago ("Continental Bank") from 1984 to 1985. Previously, Vice President and Manager, Miami office, Continental Bank.

Mr. Briggs is a director of Playtex Holdings, Inc. and a trustee of the Institutional Liquid Assets group of mutual funds. Mr. Kelly is a director of General Dynamics Corporation and Inland Steel Co. Mr. Kohlberg is a director of CNC Holding Corporation, Fred Meyer, Inc., Houdaille Holdings Corporation, L.B. Foster Company, Pace Group Holdings, Inc., SCI Holdings, Inc. and Union Texas Petroleum Holdings, Inc. Mr. Kravis is a director of CNC Holding Corporation, Houdaille Holdings Corporation, Pace Group Holdings, Inc., SCI Holdings, Inc., Safeway Stores Holdings Corporation and Union Texas Petroleum Holdings, Inc. Mr. Raether is a director of CNC Holding Corporation, Child World, Inc., Fred Meyer, Inc. and SCI Holdings, Inc. Mr. Rentschler is a director of Escagen Corporation. Mr. Roberts is a director of Child World, Inc., CNC Holding Corporation, Houdaille Holdings Corporation, Owens-Illinois Holdings Corporation, Pace Group Holdings, Inc., SCI Holdings, Inc., Safeway Stores Holdings Corporation and Union Texas Petroleum Holdings, Inc. Mr. Tokarz is a director of Houdaille Holdings Corporation.

Messrs. Kravis and Roberts are first cousins.

#### ITEM 11. EXECUTIVE COMPENSATION.

##### Cash Compensation

The following table sets forth the cash compensation paid by Holdings as Successor and Beatrice as Predecessor to each of the five most highly compensated executive officers and to all executive officers as a group for services rendered during the fiscal year ended February 28, 1987. No information is included in the table for the portion of any period during which an individual was not an executive officer of Holdings or Beatrice.

<u>Name of Individuals or Number in Group</u>	<u>Capacities in Which Served</u>	<u>Compensation*</u>
Donald P. Kelly .....	Chairman of the Board and Chief Executive Officer	\$1,312,716
Frederick B. Rentschler .....	Executive Vice President	644,712
Richard J. Pigott .....	Executive Vice President	627,052
Roger T. Briggs .....	Executive Vice President	619,209
William S. Mowry, Jr. ....	Executive Vice President	514,160
All executive officers as a group (33 persons, including those listed above) .....		\$8,746,821

\*Includes the following:

- (i) Cash bonuses paid (or which would have been paid but for the officer's election to defer payment) for fiscal 1987 under the Management Incentive Plan. Such bonuses equal up to 95% of fiscal salary earnings;
- (ii) Benefits relating to the personal use of automobiles, expenses associated with the relocation of certain officers, certain life insurance premiums, financial counseling, the amount of the employees' salary deferrals under the Beatrice Employee Savings Trust ("BEST"), the Supplemental Employee Savings Trust ("Supplemental BEST") and a base salary deferral program; and
- (iii) Dividend equivalents accrued under the 1982 Non-Qualified Stock Option Plan as amended in 1985, and dividends paid on shares of Beatrice restricted common stock under the 1977 Capital Accumulation Program.

Excludes amounts paid or payable to officers as a result of the Merger and certain other payments described below under "Terminated Employee Benefit Plans; Other Agreements and Plans."

Directors of Holdings who are not employees receive fees of \$30,000 per year. Such fees aggregated \$105,000 during fiscal 1987.

#### **Employee Benefit Plans**

Employee benefit plans sponsored by Beatrice or Holdings and pursuant to which executive officers received or will receive compensation for fiscal 1987 are described below:

*1982 Incentive Stock Option Plan and 1982 Non-Qualified Stock Option Plan of Beatrice.* Beatrice's 1982 Incentive Stock Option Plan (the "Incentive Stock Option Plan") and 1982 Non-Qualified Stock Option Plan (the "Non-Qualified Stock Option Plan") (collectively, the "Beatrice Stock Option Plans") provided for the granting of options to purchase shares of Beatrice's common stock to certain officers and other key employees of Beatrice and its subsidiaries and, in the case of the Non-Qualified Stock Option Plan, its affiliates, as the Beatrice Board of Directors selected at its discretion.

Prior to the Merger, certain executive officers who had received options during fiscal 1986 and prior fiscal years pursuant to the Beatrice Stock Option Plans exercised them and acquired shares of Beatrice common stock which were converted into the right to receive cash and preferred stock of Holdings in connection with the Merger. The following table sets forth, as to the named individuals and all Beatrice executive officers as a group, information with respect to the exercise of options granted under the Beatrice Stock Option Plans, the average exercise price per share of such options and the net value of securities realized for the fiscal year ended February 28, 1987.

	Incentive Stock Options			Non-Qualified Stock Options		
	Options Exercised (Shares)	Average Exercise Price Per Share	Net Value of Securities Realized	Options Exercised (Shares)	Average Exercise Price Per Share	Net Value of Securities Realized
Richard J. Pigott(1).....	500	\$19.25	\$ 14,625	5,250	\$19.25	\$152,906
William S. Mowry, Jr.(1) .....	10,010	23.91	239,358	2,990	19.98	59,755
All Beatrice executive officers as a group (10 in number, including those named)(1) ..	46,825	25.41	1,189,896	12,720	23.76	302,261

(1) Certain executive officers including Messrs. Pigott and Mowry surrendered stock options in connection with the Merger rather than exercising them. See "Terminated Employee Benefit Plans; Other Agreements and Plans."

*Beatrice Retirement Income Plan.* Officers are covered by the Beatrice Retirement Income Plan ("BRIP"), which is designed to qualify under Section 401(a) of the Internal Revenue Code of 1986, as amended (the "Code"). BRIP provides a monthly retirement benefit at age 60 equal to (i) 1% of final average monthly earnings multiplied by years of benefit service plus (ii) .5% of final average monthly earnings multiplied by years of benefit service less 1.5% of monthly social security benefits multiplied by years of benefit service up to 33½ years. "Final average monthly earnings" as used herein means average monthly cash compensation (excluding payments under long-term incentive plans and expense reimbursements) over the highest 60 consecutive months during a participant's last 120 months of employment, or the five calendar years during a participant's last fifteen calendar years of employment, if greater, during which average cash compensation was highest. BRIP also provides early retirement benefits and a surviving spouse benefit if a participant dies after satisfying certain requirements. As of the consummation of the Merger, BRIP was amended to reduce the period of service required for vesting to 7 from 10 years for a participant whose employment is terminated by the employer other than for cause.

The Code imposes a limitation on the benefits that may be paid under BRIP. Beatrice has a non-qualified Supplemental Retirement Income Plan ("SRIP") to provide benefits that participants would have been entitled to receive under BRIP were it not for the limitation. SRIP also provides for payments of amounts which would have been paid by BRIP were it not for the election of participants to defer compensation.

The normal form of payment under BRIP is a life annuity if the participant is unmarried or a 50% joint and survivor annuity if married. There are, however, optional forms of payment available including other joint and survivor annuities and a life annuity with a guaranteed payment period of up to fifteen years. Based on estimated social security benefit levels, the following table reflects annual life annuity benefit payments to participants at specified salary levels and with specified lengths of service.

Final Average Annual Covered Earnings	Years of Benefit Service at Retirement			
	10	20	30	40
\$ 50,000 .....	\$ 6,080	\$ 12,160	\$ 18,239	\$ 25,266
100,000 .....	13,580	27,160	40,739	55,266
200,000 .....	28,580	57,160	85,739	115,266
300,000 .....	43,580	87,160	130,739	175,266
400,000 .....	58,580	117,160	175,739	235,266
500,000 .....	73,580	147,160	220,739	295,266
600,000 .....	88,580	177,160	265,739	355,266
700,000 .....	103,580	207,160	310,739	415,266

BRIP provides that (a) the definition of the term "final average monthly earnings" for purposes of that plan includes earnings through the month of termination, (b) the reduction factors for early retirement and deferred pensions are 6% for each year between ages 55 and 60 and (c) no reduction factor applies above age 60. As of February 28, 1987 Messrs. Rentschler, Pigott and Mowry had 6, 10 and 14 years, respectively, of credited service for purposes of BRIP and SRIP. Messrs. Kelly and Briggs do not accrue benefits under BRIP.

However, at the time of the Merger they were receiving benefits under a former Esmark plan that had been merged into BRIP, which benefits they continue to receive. Mr. Rentschler's years of credited service are attributable in part to his prior employment by Esmark and its predecessors.

*Beatrice Employee Savings Trust.* BEST is designed to qualify under Sections 401(a) and 401(k) of the Code as a profit sharing plan. BEST allows employees to defer up to 17% of their eligible compensation on a pre-tax basis, except that pre-tax contributions are limited to \$7,000 annually to conform with the Tax Reform Act of 1986. Matching contributions are made in amounts equal to 50% of the amount of salary deferral contributions (up to 6% of compensation) elected by a BEST participant. Under the Tax Reform Act of 1986 BEST must comply with certain tests of discrimination for deferral percentages between various groups of employees. Holdings believes that it may be necessary to reduce the 17% maximum for all plan participants with annual salary in excess of \$50,000.

Amounts contributed for a participant are held in trust until distributed either in a lump sum, or installments, pursuant to the provisions of the plan. All employee contributions are 100% vested. Fifty percent of the employer contribution vests after three years of employment and 100% is vested after five years of employment. Employee contributions are invested at the employee's discretion in investment alternatives offered by the plan. All employer matching contributions are invested according to the employee's election.

During fiscal 1987 matching contributions were made to BEST on behalf of Messrs. Kelly, Pigott, Briggs and Mowry in the amounts of \$4,688, \$6,400, \$3,281 and \$7,675, respectively, and on behalf of all executive officers as a group in the amount of \$83,350.

Supplemental BEST provides benefits which participants would have been entitled to receive under BEST were it not for the limitation on contributions imposed by the Code. In addition, in the event of a "change in control" (as defined in the plan), employer contributions to Supplemental BEST become 100% vested. During fiscal 1987 contributions were made to Supplemental BEST on behalf of Messrs. Kelly and Pigott in the amounts of \$1,875 and \$400, respectively, and on behalf of all executive officers as a group in the amount of \$13,062. During fiscal 1987 this plan was amended such that since December 31, 1986 no further employee or employer contributions are accepted.

*Holdings Stock Option Plan.* Holdings' Stock Option Plan for Key Employees provides for the discretionary granting to key employees of Holdings and its subsidiaries of options to purchase Holdings common stock. Incentive stock options intended to qualify for favorable tax treatment under Section 422A of the Code and non-qualified stock options may be issued under the plan at exercise prices set by the Stock Option Committee of the Board of Directors (the "Committee"), except that the price per share of any incentive stock option may not be less than 100% of the fair market value of such share on the date of grant and 110% of such fair market value in the case of an incentive option granted to a 10% stockholder. Options become exercisable in such cumulative annual or other installments and expire at such time up to ten years after the date of grant (five years in the case of an incentive stock option granted to a 10% stockholder) as the Committee determines. All key employees of Holdings and its subsidiaries, including officers and directors who are employees, are eligible to receive options granted under the plan. The plan provides for appropriate adjustments in the number and class of shares subject to the plan and to exercise prices of and number of shares subject to outstanding options in the event of a stock dividend, stock split, merger, acquisition or other change in the capital structure of Holdings. The Board of Directors has limited to 17,700,000 the aggregate number of Holdings shares which employees may acquire by direct purchase from Holdings and pursuant to option grants.

During fiscal 1987 Messrs. Kelly, Rentschler and Briggs were each granted incentive options for 20,000 shares and all executive officers as a group were granted incentive options for 120,000 shares. Messrs. Kelly, Rentschler, Pigott, Briggs and Mowry were granted non-qualified options for 9,340,000, 1,240,000, 180,000, 925,000 and 180,000 shares, respectively, and all executive officers as a group were granted non-qualified

options for 15,814,500 shares (of which options for 67,500 shares were later cancelled). All options were granted at an exercise price of \$5.00 per share. No other options were granted under the plan during fiscal 1987.

*Management Incentive Plan.* A Management Incentive Plan provides for annual bonuses to employees based on financial performance and personal goals. Target bonuses range from 16.67% to 63.34% of base salary and maximum bonuses range from 25% to 95% of base salary. All of Holdings' executive officers participate in this plan.

#### **Terminated Employee Benefit Plans; Other Agreements and Plans**

As a result of the Merger the following employee benefit plans sponsored by Beatrice were terminated in April 1986: 1982 Incentive Stock Option Plan, 1982 Non-Qualified Stock Option Plan (as amended in 1985), 1985 Performance Unit Plan and 1977 Capital Accumulation Program. In addition, the Management Incentive Plan for fiscal 1986 and the 1970 and 1973 Management Incentive Deferred Compensation Plans were modified. Such plans and amounts payable as a result of such terminations and modifications are described in Beatrice's Proxy Statement dated March 11, 1986.

In connection with the Merger Beatrice cashed out certain stock options. As a result thereof Messrs. Pigott and Mowry received payments of \$555,571 and \$434,088, respectively, and all directors and officers as a group received payments of \$4,829,571. In addition, \$3,084,951 and \$2,393,940 were paid into trusts payable in January 1988 for the benefit of Messrs. Pigott and Mowry, respectively, each in connection with the termination of certain benefit plans, in consideration of surrendering rights under their employment agreements with Beatrice and in payment of their performance based bonuses and supplemental bonuses.

During fiscal 1987 certain former executive officers were awarded special payments aggregating \$6,000,000 plus interest payable January 1988 in recognition of their contributions in connection with the divestiture of operations with which they had been associated. Also, Mr. Rentschler was awarded a special payment in the amount of \$750,000 plus interest payable in January 1988 in recognition of his significant contributions with respect to Beatrice U.S. Food. Holdings also paid \$13,000,000 into a trust, payable in January 1988 for the benefit of Mr. Kelly, in recognition of the significant contributions being and to be made by him in improving the financial condition of Holdings to the benefit of its stockholders. Certain former executive officers who remained with Holdings after the Merger but whose employment then terminated during fiscal 1987 became entitled to severance payments aggregating \$9,149,142 (of which \$3,828,734 plus interest is payable in January 1988) pursuant to employment agreements previously in effect. Such agreements are described in Beatrice's Proxy Statement dated March 11, 1986.

Messrs. Bahadur, Corcoran, Fung and Lechin are currently parties to employment agreements entered into with Beatrice prior to the Merger which provide for severance payments of three times the sum of their annual salary and their targeted bonuses under the Management Incentive Plan or, in certain cases, three times the average of their compensation for the prior five years if they terminate their employment prior to April 17, 1988 because, among other things, without their express written consent (i) they are assigned duties materially inconsistent with their positions, duties, responsibilities and status with Beatrice prior to the Merger, (ii) their aggregate compensation and incentive and benefit package as in effect at the time of the Merger is reduced, or (iii) they are required to perform their duties of employment beyond a fifty mile radius from the location of their employment immediately prior to the Merger and, in each such instance, they terminate their employment in writing within 120 days after the first occurrence of such event.

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

Holdings has two classes of equity securities: voting common stock and non-voting preferred stock. As of March 31, 1987, there were 81,700,000 shares of Holdings common stock outstanding. An additional 38,753,505 shares of Holdings common stock are issuable under currently exercisable warrants and options. There is no Holdings preferred stock outstanding.

The following table sets forth the beneficial owners of more than five percent of Holdings common stock as of March 31, 1987. Beneficial ownership under the Securities and Exchange Commission's definition includes shares that can be acquired within 60 days upon the exercise of warrants or options.

<u>Name and Address</u>	<u>Number of Shares</u>	<u>% of Shares Outstanding(4)</u>
KKR Associates(1) 9 West 57th Street Suite 4200 New York, NY 10019	47,080,359	39.1
BCI Partners, L.P.(2) 9 West 57th Street Suite 4200 New York, NY 10019	66,310,946(3)	55.0

- (1) KKR Associates is a limited partnership of which Messrs. Kohlberg, Kravis, Roberts, Raether, Michael Michelson and Robert I. MacDonnell are general partners. Shares shown as owned by KKR Associates are owned of record by three limited partnerships of which KKR Associates is the sole general partner and as to which it possesses sole voting and investment power. The general partners of KKR Associates may be deemed to share beneficial ownership of the shares shown as beneficially owned by KKR Associates. Messrs. Kohlberg, Kravis, Raether and Roberts are directors of Holdings.
- (2) BCI Partners, L.P., is a limited partnership of which Messrs. Kohlberg, Kravis, Roberts and MacDonnell are general partners. Shares shown as owned by BCI Partners, L.P., are owned of record by two limited partnerships of which BCI Partners, L.P., is the sole general partner and as to which it possesses sole voting and investment power. The general partners of BCI Partners, L.P., may be deemed to share beneficial ownership of the shares shown as beneficially owned by BCI Partners, L.P. Messrs. Kohlberg, Kravis and Roberts are directors of Holdings.
- (3) Includes 33,391,305 shares of Holdings common stock issuable to BCI Partners, L.P., on the exercise of currently exercisable warrants to purchase Holdings common stock held by a limited partnership of which BCI Partners, L.P., is the general partner.
- (4) The percentage is computed on the assumption that all shares which could be acquired within 60 days upon the exercise of warrants and options are outstanding.

The following table sets forth the beneficial ownership of Holdings common stock by each director of Holdings who beneficially owns shares as of March 31, 1987 and by all directors and officers of Holdings as a group.

<u>Name</u>	<u>Number of Shares</u>
Roger T. Briggs	199,500(1)
Donald P. Kelly	5,720,000(1)
Frederick B. Rentschler	266,000(1)
All directors and officers as a group	6,496,150(1)(2)

- (1) Includes 94,500, 4,680,000, 126,000 and 5,083,650 shares of Holdings common stock issuable to Messrs. Briggs, Kelly, Rentschler and directors and officers as a group, respectively, on the exercise of currently exercisable options to purchase Holdings common stock.
- (2) Excludes shares of Holdings common stock which may be deemed to be beneficially owned by Messrs. Kohlberg, Kravis, Roberts and Raether as general partners of KKR Associates or BCI Partners, L.P.

None of the directors or officers beneficially owns more than 1% of Holdings common stock except Mr. Kelly who beneficially owns 4.7% and the directors and officers as a group who beneficially own 5.3%. These percentages were computed on the assumption that all shares which could be acquired within 60 days upon the exercise of warrants and options are outstanding.

**ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.**

Holdings was formed and organized at the direction of Kohlberg Kravis Roberts & Co. ("KKR") to effect the acquisition of Beatrice. For negotiating the Merger agreement and arranging the financing for the acquisition of Beatrice, KKR was paid a fee of \$45 million by Holdings.

In connection with the acquisition of Beatrice by Holdings, Messrs. Kelly, Briggs, Rentschler and Joel E. Smilow acted as financial advisors and consultants to Holdings. Holdings paid financial advisory fees and consulting fees for their services of \$720,000 to Kelly, Briggs & Associates Inc., \$6,750,000 to D.P. Kelly Associates, \$750,000 to Mr. Briggs, \$750,000 to Mr. Rentschler and \$500,000 to Mr. Smilow.

KKR has an agreement with Holdings that became effective April 17, 1986 to render management, consulting and financial services to Holdings and its affiliates. Such services included, but were not limited to, advice and assistance concerning the operations, planning and financing of Holdings and its affiliates as was needed from time to time. In fiscal 1987 Holdings paid KKR \$416,666 for services provided under the agreement and reimbursed KKR \$33,516 for expenses. Effective March 1, 1987, the service fee became \$83,333 per month.

On December 12, 1986, BCI Products sold its BCI International Playtex, Inc. subsidiary to Playtex Holdings, Inc. for \$1.15 billion in cash and 4 million shares of a new issue of Cumulative Exchangeable Preferred Stock, Series B, of Playtex Holdings, Inc. BCI Products also acquired 20 percent of the common stock of Playtex Holdings, Inc. for \$2 million. Playtex Holdings, Inc. is a newly formed corporation, of which Mr. Smilow and Hercules P. Sotos are directors, officers and stockholders. Mr. Smilow was a director and officer of Holdings. Mr. Sotos was an officer of Holdings. Messrs. Smilow and Sotos resigned their positions with Holdings immediately prior to the consummation of the transaction.

Holdings has charged KKR \$221,530 for use of Holdings' airplanes during fiscal 1987 on KKR matters not related to Holdings. These charges are comparable in amount to intercompany charges made by Holdings to its operating companies.

**PART IV**

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

(a) List of documents filed as part of this Report:

- (1) The financial statements listed in the Index to Financial Statements on page F-1 are filed as part of this Report.
- (2) The financial statement schedules listed in the Index to Financial Statements on page F-1 are filed as part of this Report.

(b) Reports on Form 8-K

A Current Report on Form 8-K was filed on December 30, 1986. Under Item 5 of such Report, Holdings reported that in December 1986 two of its First Tier Subsidiaries received approximately \$2.1 billion from the sale of four second tier subsidiaries. These proceeds were principally used to repay Holdings' debt. Holdings also reported that it had borrowed \$800 million and used this amount to redeem \$800 million principal amount of Holdings' 15.25% Junior Subordinated Exchange Debentures Due 2002 ("Exchange Debentures").

(c) Exhibits:

<u>Exhibit Number</u>	<u>Description of Exhibits</u>
3.1	Restated Certificate of Incorporation of BCI Holdings Corporation (incorporated herein by reference to Exhibit 3.1A (1) to BCI Holdings Corporation's report on Form 10-Q for the quarter ended August 31, 1986).
3.2	Certificate of Amendment of Restated Certificate of Incorporation of BCI Holdings Corporation (incorporated herein by reference to Exhibit 3.1A (3) to BCI Holdings Corporation's report on Form 10-Q for the quarter ended August 31, 1986).

- 3.3 By-laws of BCI Holdings Corporation (originally incorporated under the name of KB Parent Corporation) (incorporated herein by reference to Exhibit 3.2 to Form S-1 (No. 33-2229) of BCI Holdings Corporation).
- 4.1 Form of Indenture between BCI Holdings Corporation, as Issuer, and Irving Trust Company, as Trustee, relating to the 11% Ten Year Senior Notes of BCI Holdings Corporation (incorporated herein by reference to Exhibit 4.1 to Form S-1 (No. 33-2229) of BCI Holdings Corporation).
- 4.2 Form of Indenture between BCI Holdings Corporation, as Issuer, and Harris Trust and Savings Bank, as Trustee, relating to the 12½% Twelve Year Senior Subordinated Debentures of BCI Holdings Corporation (incorporated herein by reference to Exhibit 4.2 to Form S-1 (No. 33-2229) of BCI Holdings Corporation).
- 4.3 Form of Indenture between BCI Holdings Corporation, as Issuer, and Citizens and Southern National Bank, as Trustee, relating to the 12¾% Fifteen Year Subordinated Debentures of BCI Holdings Corporation (incorporated herein by reference to Exhibit 4.3 to Form S-1 (No. 33-2229) of BCI Holdings Corporation).
- 4.4 Form of Indenture between BCI Holdings Corporation, as Issuer, and LaSalle National Bank, as Trustee, relating to the Fifteen Year Floating Rate Junior Debentures of BCI Holdings Corporation (incorporated herein by reference to Exhibit 4.4 to Form S-1 (No. 33-2229) of BCI Holdings Corporation).
- 4.5 First Supplement To Indenture dated as of April 15, 1986 between BCI Holdings Corporation, as Issuer, and Irving Trust Company, as Trustee, relating to the 11% Ten Year Senior Notes of BCI Holdings Corporation.
- 4.6 First Supplement To Indenture dated as of April 15, 1986 between BCI Holdings Corporation, as Issuer, and Harris Trust and Savings Bank, as Trustee, relating to the 12½% Twelve Year Senior Subordinated Debentures of BCI Holdings Corporation.
- 4.7 First Supplement To Indenture dated as of April 15, 1986 between BCI Holdings Corporation, as Issuer, and Citizens and Southern National Bank, as Trustee, relating to the 12¾% Fifteen Year Subordinated Debentures of BCI Holdings Corporation.
- 4.8 First Supplement To Indenture dated as of April 15, 1986 between BCI Holdings Corporation, as Issuer, and LaSalle National Bank, as Trustee, relating to the Fifteen Year Floating Rate Junior Debentures of BCI Holdings Corporation.
- 4.9 Execution Form of Indenture between BCI Holdings Corporation and Connecticut National Bank, as Trustee, relating to the 15¼% Junior Subordinated Exchange Debentures Due 2002 (incorporated herein by reference to Exhibit 4 to BCI Holdings Corporation's report on Form 10-Q for the quarter ended May 31, 1986).
- 10.1 Restated and Modified Agreement and Plan of Merger dated as of February 2, 1986 among Beatrice Companies, Inc., BCI Holdings Corporation and BCI Merger Corporation (incorporated herein by reference to Exhibit 2.3 to Form S-4 (No. 33-3859) of BCI Holdings Corporation).
- 10.2 Amended and Restated Acquisition Credit Agreement dated as of April 10, 1986.
- 10.3 Form of First Amendment dated as of October 3, 1986 to Amended and Restated Acquisition Credit Agreement dated as of April 10, 1986.
- 10.4 Form of Second Amendment dated as of November 19, 1986 to Amended and Restated Acquisition Credit Agreement dated as of April 10, 1986.

- 10.5 Form of Limited Waiver and Third Amendment dated as of March 26, 1987 to Amended and Restated Acquisition Credit Agreement dated as of April 10, 1986.
- 10.6 Amended and Restated Working Capital Agreement dated as of April 10, 1986.
- 10.7 Form of First Amendment dated as of October 3, 1986 to Amended and Restated Working Capital Agreement dated as of April 10, 1986.
- 10.8 Form of Warrant to BCI Holdings Corporation (incorporated herein by reference to Exhibit 4.8 to Amendment No. 4 to Form S-1 (No. 33-2229) of BCI Holdings Corporation).
- 10.9 Form of Severance Agreement between Beatrice Companies, Inc. and certain employees of Beatrice Companies, Inc. (incorporated herein by reference to Exhibit 10.5 to Amendment No. 4 to Form S-1 (No. 33-2229) of BCI Holdings Corporation).
- 10.10 Form of Amended and Restated Severance Agreement dated March 10, 1986 between Beatrice Companies, Inc. and certain employees of Beatrice Companies, Inc.
- 10.11 Form of Amendment dated September 2, 1986 to Amended and Restated Severance Agreement between Beatrice Companies, Inc. and certain employees of Beatrice Companies, Inc.
- 10.12 Beatrice Retirement Income Plan (incorporated herein by reference to Exhibit 10.16 and 10.21 to Amendment No. 4 to Form S-1 (No. 33-2229) of BCI Holdings Corporation).
- 10.13 Second Amendment dated July 16, 1986 and Third Amendment dated August 8, 1986 to Beatrice Retirement Income Plan.
- 10.14 Beatrice Supplemental Retirement Income Plan (Restated January 1, 1987).
- 10.15 Beatrice Employee Savings Trust (incorporated herein by reference to Exhibit 10.19 to Amendment No. 4 to Form S-1 (No. 33-2229) of BCI Holdings Corporation).
- 10.16 Second Amendment dated July 16, 1986 to Beatrice Employee Savings Trust.
- 10.17 Beatrice Supplemental Employee Savings Trust (incorporated herein by reference to Exhibit 10.20 to Amendment No. 4 to Form S-1 (No. 33-2229) of BCI Holdings Corporation).
- 10.18 First Amendment dated June 26, 1986 and Second Amendment dated June 26, 1986 to Beatrice Supplemental Employee Savings Trust.
- 10.19 BCI Holdings Corporation Fiscal Year 1987 Management Incentive Plan.
- 10.20 Beatrice U.S. Food Corp. Fiscal Year 1987 Management Incentive Plan.
- 10.21 Beatrice International Food Fiscal Year 1987 Management Incentive Plan.
- 10.22 Stock Option Plan For Key Employees of BCI Holdings Corporation.
- 10.23 Base Salary Deferral Program.

22 Subsidiaries of BCI Holdings Corporation.

25 Powers of Attorney.

- (d) Financial statements of 50% or less owned companies and other unconsolidated subsidiaries of Holdings have been omitted since all such companies considered in the aggregate do not constitute a significant subsidiary of Holdings.



# BCI HOLDINGS CORPORATION

## INDEX TO FINANCIAL STATEMENTS

Auditors' Report .....	F-2
Financial Statements:	
Consolidated Balance Sheet—February 28, 1987 and 1986 .....	F-3
Statement of Consolidated Earnings for the Successor period April 17, 1986 to February 28, 1987 and Predecessor periods March 1, 1986 to April 16, 1987 and years ended February 28, 1986 and 1985 .....	F-4
Statement of Consolidated Stockholders' Equity for the Successor period April 17, 1986 to February 28, 1987 and Predecessor periods March 1, 1986 to April 16, 1987 and each of the years in the two-year period ended February 28, 1986 and 1985 .....	F-5
Statement of Consolidated Changes in Financial Position for the Successor period April 17, 1986 to February 28, 1987 and Predecessor periods March 1, 1986 to April 16, 1987 and years ended February 28, 1986 and 1985 .....	F-6
Notes to Consolidated Financial Statements .....	F-7
Financial Statement Schedules:	
Schedule X—Supplementary Income Statement Information .....	F-24

Note:

All other financial statement schedules are omitted as not applicable or because the information required is included in the consolidated financial statements or the notes thereto.

## AUDITORS' REPORT

The Board of Directors and Stockholders  
BCI Holdings Corporation

We have examined the consolidated balance sheet of BCI Holdings Corporation and subsidiaries (Successor) as of February 28, 1987 and of Beatrice Companies, Inc. and subsidiaries (Predecessor) as of February 28, 1986 and the related statements of consolidated earnings, stockholders' equity and changes in financial position for the periods from April 17, 1986 to February 28, 1987 (Successor period) and from March 1, 1986 to April 16, 1986 and for each of the years in the two-year period ended February 28, 1986 (Predecessor periods). Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

As more fully described in note 2 to the consolidated financial statements, BCI Holdings Corporation acquired Beatrice Companies, Inc. as of April 17, 1986 in a business combination accounted for as a purchase. As a result of the acquisition, the consolidated financial statements for the Successor period are presented on a different basis of accounting than that of the Predecessor periods and, therefore, are not comparable.

In our opinion, the aforementioned Successor consolidated financial statements present fairly the financial position of BCI Holdings Corporation and subsidiaries at February 28, 1987 and the results of their operations and changes in their financial position for the Successor period, in conformity with generally accepted accounting principles. Further, in our opinion, the aforementioned Predecessor consolidated financial statements present fairly the financial position of Beatrice Companies, Inc. and subsidiaries at February 28, 1986 and the results of their operations and changes in their financial position for the Predecessor periods, in conformity with generally accepted accounting principles applied on a consistent basis. Also in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

PEAT MARWICK MAIN & CO.

Chicago, Illinois  
April 13, 1987

**BCI HOLDINGS CORPORATION**  
**CONSOLIDATED BALANCE SHEET**  
(In millions)

	As of February 28,	
	1987 (Successor)	1986 (Predecessor)
<b>ASSETS</b>		
Current assets:		
Cash .....	\$ 77	\$ 47
Short-term investments, at cost which approximates market .....	96	179
Receivables, less allowance for doubtful accounts of \$30 and \$28, respectively ..	860	810
Inventories .....	1,100	1,108
Other current assets .....	169	273
Net current assets of discontinued operations .....	—	246
Total current assets .....	2,302	2,663
Net property, plant and equipment .....	1,607	1,423
Intangible assets, principally unallocated purchase cost (Successor) and goodwill (Predecessor) .....	3,130	1,319
Other noncurrent assets .....	432	183
Net noncurrent assets of discontinued operations .....	432	2,023
	<u>\$7,903</u>	<u>\$7,611</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Short-term debt .....	\$ 137	\$ 672
Accounts payable .....	798	817
Accrued expenses .....	874	812
Current maturities of long-term debt .....	138	61
Total current liabilities .....	1,947	2,362
Long-term debt .....	4,326	1,241
Noncurrent and deferred income taxes .....	483	534
Other noncurrent liabilities .....	839	516
Stockholders' equity:		
Preferred stock .....	—	—
Preference stock .....	—	100
Common stock .....	1	212
Additional capital .....	418	536
Retained earnings (deficit) .....	(121)	2,308
Common stock in treasury, at cost .....	—	(12)
Cumulative foreign currency translation adjustment .....	10	(186)
Total stockholders' equity .....	308	2,958
	<u>\$7,903</u>	<u>\$7,611</u>

See Notes to Consolidated Financial Statements.

**BCI HOLDINGS CORPORATION**  
**STATEMENT OF CONSOLIDATED EARNINGS**  
(In millions, except per share data)

	Year ended February 28,			
	1987		1986	1985
	From April 17	To April 16		
	(Successor)	(Predecessor)	(Predecessor)	(Predecessor)
Net sales .....	\$7,928	\$998	\$8,400	\$9,428
Cost of sales .....	5,714	736	6,101	6,954
Selling and administrative expenses .....	1,620	212	1,792	1,907
Integration and restructuring .....	—	—	—	269
Operating earnings before amortization of intangible assets .....	594	50	507	298
Amortization of intangible assets .....	68	5	45	35
Operating earnings .....	526	45	462	263
Interest expense, net .....	(446)	(21)	(157)	(187)
Change in control expenses .....	—	(84)	(17)	—
Divestiture gains .....	—	—	—	700
Miscellaneous expense, net .....	(34)	(3)	(43)	(9)
Earnings (loss) before income taxes and other items ..	46	(63)	245	767
Income tax expense (benefit) .....	89	(27)	134	342
Earnings (loss) before discontinued operations and extraordinary items .....	(43)	(36)	111	425
Discontinued operations, net of income tax expense of \$11, \$11, \$90 and \$10, respectively .....	10	10	121	54
Extraordinary items, net of income tax benefit of \$32 and \$8, respectively .....	(36)	(10)	—	—
Net earnings (loss) .....	\$ (69)	\$ (36)	\$ 232	\$ 479
Preferred dividend requirements .....	(52)			
Net loss applicable to common stockholders .....	\$ (121)			
Weighted average common shares outstanding .....	82			
Earnings (loss) per share:				
Before discontinued operations and extraordinary item .....	\$ (1.16)			
Discontinued operations .....	.12			
Extraordinary item .....	(.44)			
Net loss .....	\$ (1.48)			

See Notes to Consolidated Financial Statements.

BCI HOLDINGS CORPORATION

STATEMENT OF CONSOLIDATED STOCKHOLDERS' EQUITY

	Years ended February 28, 1987, 1986 and 1985								
	NUMBER OF SHARES*			STOCKHOLDERS' EQUITY					Cumulative foreign currency translation adjustment
	(In thousands)			(In millions)					
	Preference stock	Issued common stock	Common stock in treasury	Preference stock	Issued common stock	Additional capital	Retained earnings (deficit)	Common stock in treasury	
Balance, February 29, 1984	3,728	102,259	(10,819)	\$194	\$189	\$178	\$2,005	\$(353)	\$(185)
Net earnings	—	—	—	—	—	—	479	—	—
Conversion of preference stock	(505)	—	941	(26)	—	(1)	(5)	32	—
Conversion of debentures	—	—	287	—	—	—	(2)	10	—
Exercise of stock options	—	—	203	—	—	—	(3)	7	—
Stock contributed to employee stock benefit plans (net of forfeitures)	—	—	51	—	—	(1)	—	2	—
Purchase of treasury stock	—	—	(1,393)	—	—	—	—	(46)	—
Dividends paid on:									
Common stock	—	—	—	—	—	—	(155)	—	—
Preference stock	—	—	—	—	—	—	(15)	—	—
Foreign currency translation adjustment	—	—	—	—	—	—	—	—	(14)
Preference stock issued to retire outstanding debt	1,500	—	—	75	—	—	—	—	—
Debt redemption	—	—	126	—	—	(1)	—	4	—
Common stock warrants issued	—	—	—	—	—	5	—	—	—
Balance, February 28, 1985	4,723	102,259	(10,604)	243	189	180	2,304	(344)	(199)
Net earnings	—	—	—	—	—	—	232	—	—
Sale of common stock	—	4,738	9,662	—	9	134	(30)	321	—
Conversion of preference stock	(2,787)	4,516	150	(143)	9	130	(1)	5	—
Conversion of debentures	—	556	9	—	1	13	—	—	—
Exercise of stock options	—	231	154	—	1	5	(2)	5	—
Exercise of common stock warrants	—	2,200	—	—	3	73	—	—	—
Stock contributed to employee stock benefit plans (net of forfeitures)	—	17	(1)	—	—	1	—	1	—
Dividends paid on:									
Common stock	—	—	—	—	—	—	(181)	—	—
Preference stock	—	—	—	—	—	—	(14)	—	—
Foreign currency translation adjustment	—	—	—	—	—	—	—	—	13
Balance, February 28, 1986	1,936	114,517	(630)	100	212	536	2,308	(12)	(186)
Net loss	—	—	—	—	—	—	(36)	—	—
Conversion of preference stock	(804)	1,304	191	(41)	2	35	—	4	—
Conversion of debentures	—	17	10	—	—	—	—	—	—
Exercise of stock options	—	191	212	—	—	8	—	4	—
Exercise of common stock warrants	—	25	219	—	—	4	—	4	—
Stock contributed to employee stock benefit plans (net of forfeitures)	—	(125)	(2)	—	—	(3)	—	—	—
Dividends paid on:									
Common stock	—	—	—	—	—	—	(51)	—	—
Preference stock	—	—	—	—	—	—	(2)	—	—
Foreign currency translation adjustment	—	—	—	—	—	—	—	—	5
Change stated value to par value	—	—	—	—	(213)	213	—	—	—
Balance, April 16, 1986	1,132	115,929	—	59	1	793	2,219	—	(181)
Effect of Merger:									
Retire Beatrice equity	(1,132)	(115,929)	—	(59)	(1)	(793)	(2,219)	—	181
Issue Holdings equity	—	81,425	—	—	1	416	—	—	—
Balance, April 17, 1986	—	81,425	—	—	1	416	—	—	—
Net loss	—	—	—	—	—	—	(69)	—	—
Sale of common stock	—	288	—	—	—	2	—	—	—
Common stock reacquired	—	(8)	—	—	—	—	—	—	—
Dividends paid on Redeemable Preferred Stock	—	—	—	—	—	—	(52)	—	—
Foreign currency translation adjustment	—	—	—	—	—	—	—	—	10
Balance, February 28, 1987	—	81,705	—	\$—	\$ 1	\$418	\$ (121)	\$—	\$ 10

\* Beatrice preference shares authorized on last day of February: fiscal 1986 and 1985—50 million.  
 Beatrice common shares authorized on last day of February: fiscal 1986 and 1985—300 million.  
 Holdings preferred shares authorized on the last day of February: fiscal 1987—250 million.  
 Holdings common shares authorized on last day of February: fiscal 1987—200 million.

See Notes to Consolidated Financial Statements.

**BCI HOLDINGS CORPORATION**

**STATEMENT OF CONSOLIDATED CHANGES IN FINANCIAL POSITION**

(In millions)

	Year ended February 28,			
	1987		1986	1985
	From April 17	To April 16		
	(Successor)	(Predecessor)		
Cash provided (used) by operations:				
Earnings (loss) before discontinued operations and extraordinary items	\$ (43)	\$ (36)	\$ 111	\$ 425
Items not involving cash:				
Depreciation and amortization of intangibles	238	27	206	210
Net charges due to integration and restructuring	—	—	—	277
Interest expense payable in Exchange Debentures	64	—	—	—
Deferred taxes	—	(1)	113	277
Other items, net	29	2	19	(7)
Changes in working capital, excluding current debt:				
Divestiture proceeds received in March 1985	—	—	855	(855)
Receivables	(84)	66	(68)	(30)
Inventories	(18)	18	(8)	(152)
Other current assets	47	(28)	(1)	(153)
Accounts payable and other current liabilities	(1)	(92)	(108)	130
Cash provided (used) by operations before discontinued operations and extraordinary items	232	(44)	1,119	122
Net cash provided (used) by discontinued operations	7	(31)	23	(40)
Net cash used by extraordinary items	(36)	(10)	—	—
Cash provided (used) by operations	203	(85)	1,142	82
Cash provided (used) by investment activities:				
Net expenditures for property, plant and equipment	(174)	(21)	(258)	(178)
Noncurrent assets of purchased businesses	—	—	(25)	(169)
Net proceeds from divested operations and other asset sales	3,385	—	360	592
Other items, net	(22)	1	(1)	79
Cash provided (used) by investment activities	3,189	(20)	76	324
Cash provided (used) by financing activities, excluding the Merger:				
Change in debt	(3,827)	148	(1,774)	(445)
Exchange Debentures issued upon exchange of Redeemable Preferred Stock	1,230	—	—	—
Redeemable Preferred Stock retired upon exchange of Exchange Debentures	(1,230)	—	—	—
Proceeds from sale of Beatrice common stock	—	—	434	—
Refund of income taxes	—	—	176	—
Common stock issued upon conversion of preference stock and debentures	—	41	157	34
Preference stock and debentures retired upon conversion into common stock	—	(41)	(157)	(34)
Common stock issued for exercises of stock options and stock warrants	—	20	85	4
Redeemable Preferred Stock issued as dividends and upon conversion of convertible securities	74	—	—	—
Dividends paid in Redeemable Preferred Stock	(52)	—	—	—
Other items, net	67	(9)	8	107
Cash provided (used) by financing activities	(3,738)	159	(1,071)	(334)
Effect of Beatrice and Esmark acquisitions in fiscal 1987 and 1985, respectively:				
Funding	7,373	—	—	2,708
Purchase of equity securities	(6,183)	—	—	(2,708)
Debt repaid	(898)	—	—	—
Cash and short-term investments of acquired company	227	—	—	237
Increase in cash and short-term investments resulting from acquisitions	519	—	—	237
Cash provided before dividend payments	173	54	147	309
Cash dividends	—	(53)	(195)	(170)
Increase (decrease) in cash and short-term investments	173	1	(48)	139
Cash and short-term investments at beginning of period	—	226	274	135
Cash and short-term investments at end of period	<u>\$ 173</u>	<u>\$ 227</u>	<u>\$ 226</u>	<u>\$ 274</u>

See Notes to Consolidated Financial Statements.

## BCI HOLDINGS CORPORATION

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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#### 1. Summary of Significant Accounting Policies

The definitions contained in the introduction to this Annual Report on Form 10-K are an integral part of Notes to Consolidated Financial Statements.

*Principles of Consolidation* The consolidated financial statements include Holdings and its significant subsidiaries. Included on the equity method are entities which are 20% to 50% owned.

*Discontinued Operations* The underlying net assets and related operating results of operations sold or to be sold subsequent to the Merger are segregated in the financial statements as discontinued. Any prior period financial information presented is also restated.

*Fiscal Year* The fiscal year of Holdings ends on the last day of February. Substantially all non-U.S. subsidiaries have fiscal years that end on December 31 and certain other subsidiaries have fiscal years ending on the last Saturday in February. Unless otherwise stated, fiscal 1987 includes both the Predecessor and Successor periods.

*Inventories* Inventories are valued at the lower of cost or market. The last-in, first-out (LIFO) cost basis was used to determine 26% and 31% of inventories at the end of fiscal 1987 and 1986, respectively. The first-in, first-out (FIFO) cost basis is generally used for other inventories. The value of inventories would not have been significantly different had all inventories been accounted for on a FIFO basis.

*Net Property, Plant and Equipment* Depreciation is provided principally on the straight-line method.

*Intangible Assets* Intangible assets are amortized using the straight-line method over periods not in excess of 40 years.

*Income Taxes* Income taxes include deferred income taxes which result from reporting certain items of income and expense in different periods for income tax purposes than for financial reporting purposes.

*Per Share Data* Per share data for periods prior to the Merger have not been presented due to the significantly different capital structures of Beatrice and Holdings.

*Postretirement Health Care Plans* Approximately 80% of U.S. postretirement health care expense is determined by an actuarial cost method which accrues expense over employees' service lives. The remaining U.S. postretirement health care expense is recognized as claims are incurred under Holdings' self-insured programs and by expensing premiums paid to outside carriers over the policy periods. Substantially all U.S. postretirement health care is funded when claims are paid.

*Reclassification* Certain amounts for previous years in the consolidated financial statements have been reclassified to conform to the presentation used for fiscal 1987.

#### 2. Acquisition of Beatrice

Holdings, BCI Products, Beatrice U.S. Food and BCI International were formed solely for purposes relating to the acquisition of Beatrice. The acquisition was completed on April 17, 1986, when a wholly-owned, direct and indirect, subsidiary of Holdings was merged into Beatrice.

##### *Merger Consideration*

The total cost of the acquisition, including related expenses, was approximately \$6.2 billion. In the Merger, each of Beatrice's then outstanding shares of common stock was converted into the right to receive \$40 cash and  $\frac{1}{2}$ s of a share of Holdings 15 $\frac{1}{4}$ % Cumulative Exchangeable Preferred Stock ("Redeemable Preferred Stock") with a liquidation preference of \$25 per share (collectively, "Merger Consideration"). In addition, Beatrice's then outstanding convertible preference stock, convertible debt securities and stock warrants became convertible into Merger Consideration based upon the number of common shares the holders thereof would have received had such rights been converted or exercised immediately prior to the Merger.

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**BCI HOLDINGS CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

*Funding*

The following table, in millions, summarizes the sources used to fund the Merger. Further information is contained in Notes 9 and 10.

Bank borrowings .....	\$3,300
Debt securities issued .....	2,500
Common stock and Warrants issued .....	417
Redeemable Preferred Stock issued .....	1,156
	<u>\$7,373</u>

*Purchase Accounting*

Holdings has accounted for the Merger as a purchase. Holdings' purchase cost has been initially allocated to Beatrice's net assets based upon, among other things, the preliminary results of asset appraisals and disposals of certain operations (Note 3). Such allocation is summarized as follows, in millions:

Current assets .....	\$2,402
Current liabilities .....	(2,856)
Net noncurrent tangible assets .....	3,438
Intangible assets, principally unallocated purchase cost .....	3,199
	<u>\$6,183</u>

*Pro Forma Results of Operations*

Had the Merger, its related financing and the transactions described below occurred at the beginning of the periods presented, unaudited pro forma results of operations, in millions, would have been as follows:

	1987	1986
	(Unaudited)	
Net sales .....	\$8,926	\$8,300
Loss before discontinued operations and extraordinary items .....	\$ (31)	\$ (76)
Loss before discontinued operations and extraordinary items per Holdings common share .....	\$ (.38)	\$ (.93)

Pro forma information also reflects the following transactions as if each had occurred at the beginning of the periods presented, and as if any resultant proceeds had been applied to reduce debt:

- The exchange of Redeemable Preferred Stock for Exchange Debentures (Note 10)
- The redemption of \$800 million of Exchange Debentures (Note 9)
- The retirement of certain of Beatrice's existing debt (Note 9)
- Various Beatrice common stock issuances and business divestitures occurring during fiscal 1986
- Reduced debt levels and interest costs, assuming the net proceeds for businesses sold and the estimated net proceeds for the business which Holdings currently intends to sell had been received (Note 3)

Pro forma information does not purport to be indicative of the results that would have been obtained had these events actually occurred at the beginning of the periods presented, and is not intended to be a projection of future results.

## BCI HOLDINGS CORPORATION

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

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#### 3. Discontinued Operations and Divestitures

Since the Merger, operations representing over 50% of the total purchase cost of Beatrice have been sold for net proceeds aggregating \$3.4 billion. The businesses sold include the Avis vehicle rental and leasing business; the personal products, knitwear and specialty printing operations of the Consumer Products segment; and the soft drink bottling, dairy and warehousing operations of the U.S. Food segment. In the preliminary allocation of purchase cost to the net assets acquired, these operations were valued at net proceeds; thus no gains or losses were recognized upon the sales.

Holdings currently intends to sell the bottled water operation of the U.S. Food segment and has classified it as a discontinued operation. A preliminary allocation of Holdings' purchase cost based upon the estimated net proceeds to be received upon sale has been made and is included in net noncurrent assets of discontinued operations. The use of any net cash proceeds received is limited under the Merger-related financing agreements (Note 9).

During fiscal 1986, Beatrice sold various businesses which it acquired as part of the Esmark acquisition in fiscal 1985. In the final allocation of purchase cost to Esmark's net assets, these businesses were valued at net sale proceeds; thus no gains or losses were recognized upon the sales.

In fiscal 1985, Beatrice identified certain businesses for divestiture. Net pre-tax gains amounting to \$700 million were recognized as a result of these divestiture activities, the most significant of which was the divestiture of Beatrice's chemical business. The net after-tax gain from divestitures totaled approximately \$386 million. Certain of these divestitures, resulting in proceeds of \$158 million and after-tax gains of \$18 million, were completed in March 1985 and are reflected as fiscal 1985 transactions in the accompanying financial statements.

#### 4. Integration and Restructuring

During fiscal 1985, following the acquisition of Esmark, Beatrice reorganized its business segments. Businesses serving specific market groups were integrated and restructured to better utilize combined resources for more efficient operations and effective marketing. The charge to earnings was for the anticipated cost of this integration and restructuring, which pertained primarily to the U.S. Food businesses owned by Beatrice prior to the acquisition of Esmark.

**BCI HOLDINGS CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

**5. Balance Sheet Components**

The components of certain balance sheet accounts, in millions, are as follows:

	<u>1987</u>	<u>1986</u>
<b>INVENTORIES:</b>		
Raw materials and supplies .....	\$ 314	\$ 308
Work in process .....	178	166
Finished goods .....	608	634
	<u>\$1,100</u>	<u>\$1,108</u>
<b>OTHER CURRENT ASSETS:</b>		
Current deferred income taxes .....	\$ 6	\$ 197
Refundable federal income taxes .....	100	—
Other .....	63	76
	<u>\$ 169</u>	<u>\$ 273</u>
<b>OTHER NONCURRENT ASSETS:</b>		
Receivables .....	\$ 101	\$ 62
Investments in affiliated companies .....	31	42
Investments .....	86	29
Other .....	214	50
	<u>\$ 432</u>	<u>\$ 183</u>
<b>ACCOUNTS PAYABLE:</b>		
Outstanding drafts and checks and other in-transit cash items .....	\$ 106	\$ 166
Trade and other .....	692	651
	<u>\$ 798</u>	<u>\$ 817</u>
<b>ACCRUED EXPENSES:</b>		
Employee compensation and benefits .....	\$ 206	\$ 210
Restructuring costs .....	121	105
Income taxes .....	67	153
Advertising and sales promotion .....	101	96
Interest .....	146	63
Net current liabilities of discontinued operations .....	7	—
Other .....	226	185
	<u>\$ 874</u>	<u>\$ 812</u>
<b>OTHER NONCURRENT LIABILITIES:</b>		
Postretirement health care and pensions .....	\$ 171	\$ 247
Minority interests .....	71	85
Deferred credits .....	26	30
Other .....	571	154
	<u>\$ 839</u>	<u>\$ 516</u>

**6. Net Property, Plant and Equipment**

The components of net property, plant and equipment, in millions, are as follows:

	<u>1987</u>	<u>1986</u>
Land .....	\$ 143	\$ 119
Buildings .....	578	672
Machinery and equipment .....	1,057	1,406
	1,778	2,197
Less accumulated depreciation .....	171	774
	<u>\$1,607</u>	<u>\$1,423</u>

Included in net property, plant and equipment are assets under capital leases aggregating \$48 million and \$53 million at February 28, 1987 and 1986, respectively. Depreciation expense amounted to \$192 million, \$161 million and \$175 million in fiscal 1987, 1986 and 1985, respectively.

**BCI HOLDINGS CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

**7. Leases**

Future minimum payments under non-cancellable leases, in millions, are:

	Capital leases	Operating leases
1988 .....	\$ 14	\$ 33
1989 .....	10	26
1990 .....	8	20
1991 .....	5	17
1992 .....	3	15
Later years .....	37	24
Total minimum lease payments .....	77	\$135
Less:		
Estimated executory costs .....	1	
Amount representing interest .....	29	
Present value of net minimum lease payments .....	\$ 47	

Future minimum rental receipts under capital subleases at the end of fiscal 1987 are \$6 million.

Future minimum rental receipts under non-cancellable operating subleases at the end of fiscal 1987 are \$5 million.

Rent expense for operating leases for fiscal 1987, 1986 and 1985 amounted to \$47 million, \$39 million and \$38 million, respectively.

**8. Short-term Debt**

Short-term debt, in millions of dollars, is comprised of:

	1987	1986	1985
U.S. borrowings .....	\$ —	\$ 506	\$1,321*
Non-U.S. borrowings .....	137	166	86
	\$ 137	\$ 672	\$1,407
Weighted-average interest rate of short-term debt at year-end .....	9.4%	8.9%	9.7%

\*Includes \$855 million of short-term debt retired in March 1985 with proceeds received from divestiture transactions (Note 3).

U.S. borrowings principally consisted of commercial paper in fiscal 1986 and 1985. Non-U.S. borrowings are primarily bank debt.

Information regarding short-term debt activities, in millions of dollars, during the periods follows:

	1987	1986	1985
Maximum amount outstanding .....	\$1,062	\$1,409	\$2,658
Average amount outstanding .....	\$ 242	\$ 689	\$1,366
Weighted-average interest rate .....	13.4%	12.0%	10.8%

In connection with the Merger, Holdings entered into a Working Capital Facility with certain of the banks associated with the Bank Credit Agreement (Note 9). The Working Capital Facility provides revolving lines of credit aggregating \$600 million to April 1988 bearing interest, at Holdings' option, at a Eurodollar

**BCI HOLDINGS CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

deposit-based rate plus 1¼%, the prime rate plus ½% or a certificate of deposit-based rate plus 1½%. Letters of credit and bankers acceptances are also available under this facility at comparable rates. Commitment fees of ½ of 1% of the unused portion of the facility are also required. After April 1988, this facility is reduced to \$400 million; however, an additional \$200 million is available if such amounts have not been previously drawn down under the Revolving Loan portion of the Bank Credit Agreement. Beatrice's short-term domestic credit facilities which existed at February 28, 1986 were repaid in the Merger and subsequently cancelled. At February 28, 1987, letters of credit totaling \$287 million were outstanding under the Working Capital Facility.

In addition to the Working Capital Facility, Holdings' subsidiaries, primarily non-U.S., have informal lines of credit amounting to \$259 million (1986—\$327 million) of which \$135 million (1986—\$232 million) was available. The informal lines are generally available only for the operating requirements of Holdings' non-U.S. businesses.

**9. Long-term Debt**

Long-term debt at February 28, 1986 and 1987 and the major changes during fiscal 1987 are as follows:

	1986	Activity to April 16	Merger	Proceeds from asset sales	Other	1987
Merger-related:						
Term Loan due 1987 to 1993 .....	\$ —	\$ —	\$3,100	\$(3,100)	\$—	\$ —
Revolving Loan due to 1992 (8.1%*) .....	—	—	200	(124)	319	395
11% senior notes due to 1996 .....	—	—	600	—	—	600
12½% senior subordinated debentures due to 1998 .....	—	—	800	—	—	800
12¾% subordinated debentures due to 2001 .....	—	—	950	—	—	950
Floating rate junior subordinated debentures due to 2001 (13.9%*) .....	—	—	150	—	—	150
15.25% Exchange Debentures due to 2002 .....	—	—	—	—	521	521
7.7% sinking fund debentures due to 1996 .....	14	—	—	—	—	14
9½% sinking fund debentures due to 1999 .....	32	—	—	—	—	32
9¼% sinking fund debentures due to 2000 .....	41	(41)	—	—	—	—
8½% sinking fund debentures due 1989 to 2008 .....	34	(34)	—	—	—	—
10½% sinking fund debentures due 1991 to 2010 .....	98	(98)	—	—	—	—
12.85% due 1987 .....	100	—	—	—	—	100
12% notes due 1989 .....	100	—	—	—	—	100
8¼% notes due 1989 (denominated in Dutch Guilders) .....	38	1	—	—	10	49
12¼% notes due 1991 .....	51	2	—	—	33	86
10¼% notes due 1992 (denominated in European Currency Units) .....	46	1	—	—	9	56
7¾% notes due 1994 (denominated in Deutsche Marks) .....	55	2	—	—	14	71
10½% notes due 1994 .....	120	(9)	—	—	(62)	49
11½% notes due to 1995 .....	45	(45)	—	—	—	—
8.3% notes due 1997 .....	67	—	—	—	(5)	62
9½% notes due to 2004 .....	103	—	—	—	(5)	98
Zero coupon note payments due:						
1992—\$250 million (14.6%*) .....	111	2	—	—	14	127
2014—\$114 million (12.2%*) .....	4	—	—	—	1	5
Industrial revenue bonds, due various dates through 2014 (8.0%*) .....	51	—	—	—	—	51
Other, due various dates through 2007 (7.9%*) .....	136	(11)	—	—	(24)	101
Capitalized lease obligations, due various dates through 2042 (8.7%*) .....	56	(1)	—	—	(8)	47
	<u>1,302</u>	<u>\$(231)</u>	<u>\$5,800</u>	<u>\$(3,224)</u>	<u>\$817</u>	<u>4,464</u>
Current maturities .....	(61)	—	—	—	—	(138)
	<u>\$1,241</u>	—	—	—	—	<u>\$4,326</u>

\* Represents weighted-average effective rate.

## BCI HOLDINGS CORPORATION

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

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Aggregate annual maturities and sinking fund requirements of long-term debt for fiscal 1989 through 1992 are \$38 million, \$182 million, \$29 million and \$236 million, respectively.

Immediately prior to the Merger, Beatrice redeemed or repaid certain debt issues at prices in excess of the stated values through direct redemptions or payments to trustee escrow accounts. These payments were financed through short-term bank borrowings which were repaid following the Merger. For purposes of financing the Merger and these repayments on a long-term basis, Holdings obtained \$2.5 billion through the issuance of the 11% senior notes, 12½% senior subordinated debentures, 12¾% subordinated debentures and floating rate junior subordinated debentures described in the preceding table. Also, Holdings and a group of banks entered into a Bank Credit Agreement initially aggregating \$3.5 billion, of which \$3.1 billion was committed under a 7½ year term loan ("Term Loan") and \$400 million was committed under a two year revolving loan ("Revolving Loan"). Effective December 8, 1986, the Revolving Loan commitment was increased to \$800 million and the term extended to April 1992. The initial borrowings of \$200 million under the Revolving Loan were repaid shortly after the Merger and, through the application of proceeds received from asset sales, the Term Loan was extinguished in January 1987. In August 1986, in exchange for Redeemable Preferred Stock (Note 10), Holdings issued \$1.2 billion of Exchange Debentures upon which interest may, through April 1992, be paid in additional Exchange Debentures or cash, at the option of Holdings. In December 1986, Holdings used the Revolving Loan to redeem \$800 million principal amount of the Exchange Debentures at face value. At February 28, 1987, the outstanding amount under the Revolving Loan had been reduced to \$395 million through application of proceeds received from asset sales and through various other voluntary reductions. Borrowings under the Bank Credit Agreement bear interest, at Holdings' option, at a Eurodollar deposit-based rate plus 1¼%, the prime rate plus ½ of 1% or a certificate of deposit-based rate plus 1½%. Commitment fees of ½ of 1% of the unused credit are also required.

Merger-related debt, including the Working Capital Facility (Note 8), is guaranteed by the First Tier Subsidiaries. Substantially all of the U.S. assets of Holdings and the First Tier Subsidiaries are pledged as collateral. The agreements require the maintenance of certain financial ratios and restrict the (a) payment of dividends, (b) incurrence of indebtedness and guarantees, (c) creation of liens and (d) types of business activities and investments. The terms of the Merger-related debt agreements require that the net cash proceeds received from asset sales, as defined, be applied to repay the borrowings under the Bank Credit Agreement and an offer to prepay the 11% senior notes. The first \$1 billion of net proceeds were allocated entirely to repaying the Term Loan. Net proceeds in excess of \$1 billion are allocated equally between the Term Loan and the 11% senior notes until the ratio of (i) the amount allocated (or reallocated) to repay the Term Loan to (ii) the amount allocated to the senior notes is 85.366% to 14.634%. Thereafter, net proceeds are allocated 85.366% to repay the Term Loan and 14.634% to the senior notes. Any amounts allocated to the 11% senior notes which are not accepted upon expiration of the offer must be applied to the Term Loan. Since the Term Loan was repaid, any amounts allocated to the Term Loan must be used to reduce the outstanding Revolving Loan. The amount of Revolving Loan commitment is also reduced by the amount of these payments. At February 28, 1987, the Revolving Loan commitment had been reduced to \$676 million. In addition, in April 1987 an offer will be made to purchase \$45 million of the 11% senior notes. In connection with that offer, approximately \$25 million of this amount was held as cash in an escrow account at February 28, 1987 and is classified in other noncurrent assets.

#### 10. Redeemable Preferred Stock

In the Merger, approximately 48.5 million shares of Redeemable Preferred Stock were reserved for issuance as a portion of the Merger Consideration. In August 1986, the Redeemable Preferred Stock was exchanged for Exchange Debentures. Approximately 49.2 million shares were exchanged, including shares issued in payment of the dividend for the period April 17 to July 31, 1986.

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**BCI HOLDINGS CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

**11. Stockholders' Equity**

*Preferred Stock*

Holdings has 250 million shares of authorized and unissued preferred stock with a par value of \$.01 per share.

*Preference Stock*

In August 1986, any shares of Beatrice's Series A Cumulative Convertible Preference Stock which remained outstanding after the Merger were redeemed for \$52.845 per share.

*Common Stock*

Beatrice's outstanding common stock at April 17, 1986, was converted in the Merger into the right to receive Merger Consideration and cancelled.

Holdings common stock, with a par value of \$.01 per share, is owned primarily by entities formed by Kohlberg Kravis Roberts & Co. for purposes of effecting the acquisition of Beatrice. The remaining shares are held by certain present or former executive employees of Holdings or its subsidiaries. The Merger-related debt agreements (Note 9) restrict payment of dividends to common stockholders.

At the end of fiscal 1987, 17.6 million common shares were reserved for sale to employees and for employee stock options. As of February 28, 1987, 15.9 million stock options had been granted to employees at an exercise price of \$5 per share. No stock options were exercisable as of February 28, 1987.

Holdings has also reserved 41.7 million shares of common stock for warrants sold in connection with the Merger ("Warrants"). The Warrants are exercisable at any time through April 17, 2001, and have an exercise price of \$5 per share, subject to certain anti-dilution adjustments.

*Retained Earnings (Deficit)*

Retained earnings (deficit) includes \$1 million and \$37 million at February 28, 1987 and 1986, respectively, representing undistributed earnings of affiliated companies. Currency controls over the remittance of dividends from certain non-U.S. subsidiaries are not significant. As previously stated, Merger-related debt agreements restrict the payment of cash dividends on common stock. As of February 28, 1987, there were no retained earnings available for cash dividends on common stock.

*Cumulative Foreign Currency Translation Adjustment*

Activity in cumulative foreign currency translation adjustment, in millions, consists of:

	<u>1987</u>	<u>1986</u>
Beginning of year .....	\$(186)	\$(199)
Effect of Merger .....	181	—
Translation adjustments .....	36	29
Hedging transactions, net of income taxes of \$8 in 1987 and \$3 in 1986 .....	(21)	(16)
End of year .....	<u>\$ 10</u>	<u>\$(186)</u>

**12. Contingent Liabilities**

In the opinion of management, there are no claims or litigation pending at the end of fiscal 1987 to which Holdings is a party which are expected to have a materially adverse effect on its consolidated financial condition.

**BCI HOLDINGS CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

**13. Change in Control Expenses**

Change in control expenses, in millions, for the Predecessor consist of:

	<u>1987</u>	<u>1986</u>
Accelerated compensation .....	\$39	\$ —
Fees and other expenses .....	31	17
Employee stock option plans .....	14	—
	<u>\$84</u>	<u>\$ 17</u>

Accelerated compensation resulted from provisions contained in employee incentive plans and executive compensation agreements concerning any changes in the control of Beatrice which were activated by the Merger. Fees and other expenses relate to investment banking and legal fees, proxy costs and other expenses incurred by Beatrice in connection with the Merger. In addition, certain unexercised employee stock options were acquired prior to the Merger.

**14. Miscellaneous Expense, Net**

Miscellaneous expense, net includes minority interests of \$11, \$8, and \$12 million in fiscal years 1987, 1986, and 1985, respectively; expenses of \$20 million relating to the phase-out of an automobile racing sponsorship in fiscal 1986; and in fiscal 1985 income of \$19 million from the non-taxable exchange of sinking fund debentures for 1.5 million shares of convertible adjustable preference stock.

**15. Income Taxes**

In connection with the preliminary allocation of purchase cost (Note 2), deferred income tax benefits in excess of those expected to be realized were not recognized as tax assets. To the extent deferred income tax benefits and net operating loss carryforwards exist to reduce future income taxes, deferred income tax liabilities have been reduced.

Earnings (loss) before income taxes, discontinued operations and extraordinary items, in millions, is subject to taxation in U.S. and non-U.S. jurisdictions, as follows:

	<u>1987</u>	<u>1986</u>	<u>1985</u>
U.S. ....	\$(136)	\$136	\$631
Non-U.S. ....	119	109	136
	<u>\$ (17)</u>	<u>\$245</u>	<u>\$767</u>

A portion of the losses subject to taxation in the U.S. are allocable to Beatrice and available for carryback to its prior years' U.S. federal income tax returns. The remainder, amounting to approximately \$129 million, is available to Holdings to carryforward to future U.S. federal income tax returns. This carryforward expires in fiscal 2002. State income tax benefits are generally not expected to be realized on a significant portion of these losses.

**BCI HOLDINGS CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

Income tax expense (benefit), in millions, consists of:

	<u>1987</u>	<u>1986</u>	<u>1985</u>
<b>Currently payable provision:</b>			
U.S. federal .....	\$(30)	\$(40)	\$ (1)
Non-U.S. ....	72	63	64
U.S. state and local .....	21	(2)	2
	<u>63</u>	<u>21</u>	<u>65</u>
<b>Deferred provision:</b>			
U.S. federal:			
Accelerated depreciation .....	—	17	6
Debt related .....	—	2	32
Reserves and accruals .....	—	83	196
Other .....	—	(7)	(7)
Non-U.S. ....	(2)	2	9
U.S. state and local .....	1	16	41
	<u>(1)</u>	<u>113</u>	<u>277</u>
	<u>\$ 62</u>	<u>\$134</u>	<u>\$342</u>

The following is a reconciliation of the income tax expense (benefit) from that computed at the U.S. statutory rate of 46%, in millions:

	<u>1987</u>	<u>1986</u>	<u>1985</u>
Income tax expense (benefit) at 46% .....	\$(8)	\$113	\$353
<b>Effect of:</b>			
Non-deductible amortization and depreciation .....	48	24	14
Rate differential on non-U.S. earnings .....	1	1	(13)
State taxes, net of U.S. federal benefit .....	12	8	23
Non-deductible compensation .....	4	—	—
Investment tax credit .....	—	(7)	(7)
Rate differential on divestiture gains and integration and restructuring .....	—	—	(30)
Other .....	5	(5)	2
Income tax expense .....	<u>\$62</u>	<u>\$134</u>	<u>\$342</u>

**16. Extraordinary Items**

In connection with the Bank Credit Agreement described in Note 9, Holdings incurred financing fees that were to be amortized to expense over the term of the Bank Credit Agreement. By February 28, 1987, the borrowings under the agreement had been repaid through the application of the net cash proceeds received from the disposal of various businesses (Note 3). As a result, unamortized costs amounting to \$68 million pre-tax were charged to earnings as an extraordinary expense in the statement of consolidated earnings.

Immediately prior to the Merger, Beatrice redeemed or repaid certain debt issues at prices in excess of the stated values through direct redemptions or payments to trustee escrow accounts. The excess amount paid resulted in a pre-tax charge of \$18 million.

BCI HOLDINGS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

**17. Pension and Postretirement Plans**

In fiscal 1987, Holdings adopted Statement of Financial Accounting Standards No. 87, Employers' Accounting for Pensions ("SFAS No. 87") and Statement of Financial Accounting Standards No. 88, Employers' Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits.

*Pension Plans*

In conjunction with the adoption of SFAS No. 87 for U.S. defined benefit pension plans, Holdings' purchase cost allocation included the recognition of an asset for plans which had plan assets in excess of the projected benefit obligation and the recognition of a liability for plans which had a projected benefit obligation in excess of plan assets.

*U.S. defined benefit pension plans*

Holdings has defined benefit pension plans which cover substantially all U.S. salaried employees and certain groups of U.S. hourly-paid employees. Plans covering salaried employees generally provide pension benefits to employees who complete ten or more years of service. Pension benefits are generally based upon years of service and compensation during the final years of employment. Plans covering hourly-paid employees generally provide pension benefits of fixed amounts for each year of service.

Fiscal 1987 net periodic pension cost under SFAS No. 87 for U.S. defined benefit plans was \$22 million. Pension expense in fiscal 1986 and fiscal 1985 was \$25 million and \$23 million, respectively. SFAS No. 87 does not permit the restatement of expense in years prior to the adoption of SFAS No. 87.

Net periodic pension cost, in millions, for fiscal 1987 consists of the following components:

Service cost—benefits earned during the period .....	\$ 22
Interest cost on the projected benefit obligation .....	35
Actual return on plan assets .....	(103)
Net deferral .....	<u>68</u>
Net periodic pension cost .....	<u>\$ 22</u>

**BCI HOLDINGS CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

The following table sets forth the U.S. defined benefit pension plans' funded status and amounts recognized in the consolidated balance sheet, in millions:

	At February 28, 1987	
	Assets Exceed Accumulated Benefits	Accumulated Benefits Exceed Assets
Actuarial present value of benefit obligations:		
Vested benefit obligation .....	\$(386)	\$(54)
Nonvested benefit obligation .....	(21)	(3)
Accumulated benefit obligation .....	(407)	(57)
Value of future pay increases .....	(59)	(4)
Projected benefit obligation .....	\$(466)	\$(61)
Plan assets at fair value .....	527	39
Projected benefit obligation (in excess of) or less than plan assets . . . .	61	(22)
Unrecognized net gain from past experience different from that assumed .....	(59)	(4)
Prepaid (accrued) pension cost .....	<u>\$ 2</u>	<u>\$(26)</u>
Prepaid (accrued) pension cost classified as:		
Other noncurrent assets .....	\$ 17	\$ —
Accrued expenses .....	(6)	(3)
Other noncurrent liabilities .....	(9)	(23)
	<u>\$ 2</u>	<u>\$(26)</u>

The valuation of the projected benefit obligation at February 28, 1987, assumed an 8.0% weighted-average discount rate and a 5.9% weighted-average rate of increase in the compensation level. Net periodic pension cost in fiscal 1987 assumed an 8.5% expected long-term rate of return on assets.

Plan assets are primarily invested in equity securities and fixed income instruments. The plans do not have significant liabilities other than benefit obligations. Holdings' funding policy is to contribute amounts equal to the minimum funding requirements of the Employee Retirement Income Security Act of 1974.

*U.S. defined contribution pension plans*

Holdings sponsors a defined contribution pension plan, the Beatrice Employee Savings Trust ("BEST"). BEST is qualified under Section 401(a) and 401(k) of the Internal Revenue Code and is offered to salaried employees and certain groups of hourly-paid employees of substantially all U.S. operations. BEST allows employees to defer up to 17% of their eligible compensation. Holdings and participating operations provide matching contributions of up to 50% of the amount of employee salary deferral contributions (up to 6% of compensation). Employees are partially vested in the matching company contributions after three years of service and are fully vested after five years of service. Certain operations also sponsor other defined contribution pension plans which generally use contribution formulas based upon earnings of the operation. The fiscal 1987 expense for U.S. defined contribution pension plans was \$11 million.

## BCI HOLDINGS CORPORATION

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

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#### *U.S. multiemployer pension plans*

Holdings contributes to several multiemployer pension plans. These plans generally provide pension benefits to certain groups of U.S. hourly-paid employees not covered by an employer-sponsored defined benefit pension plan. Expense amounted to \$6 million in fiscal 1987.

#### *Non-U.S. pension plans*

Holdings sponsors non-U.S. defined benefit and defined contribution plans, as well as contributes to non-U.S. multiemployer plans. Expense for such plans totaled \$2 million in fiscal 1987.

#### *Postretirement Plans*

Holdings provides postretirement health care benefits to certain groups of U.S. retirees. Approximately 54% of all current U.S. personnel may become eligible for such benefits if they were to retire from Holdings. The cost of providing these benefits in fiscal 1987, 1986 and 1985 was \$15 million, \$17 million and \$13 million, respectively. The effect on earnings of postretirement life insurance and non-U.S. postretirement health care is immaterial.

#### **18. Information by Business Segment and Geographic Location**

The following tables contain certain financial information by business segment and geographic location. Business segment information for net sales and operating earnings is contained in Item 7 of this Annual Report on Form 10-K and is an integral part of this note. Intersegment and intergeographic sales to affiliates are not significant to the net sales of any business segment or geographic location. Sales to any single customer are not material. Export sales to unaffiliated customers are an immaterial percentage of net sales. Corporate and other assets are cash, short-term investments, investments in affiliated companies and other corporate assets. Corporate and other assets include net assets of discontinued operations of \$432 million, \$2,269 million and \$2,250 million in fiscal 1987, 1986 and 1985, respectively, and, in fiscal 1985, \$855 million of divestiture proceeds received in March 1985.

**BCI HOLDINGS CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

Information by business segment, in millions, for fiscal years ended and as of February 28, 1987, 1986 and 1985 is as follows:

	Identifiable assets			Net property, plant and equipment additions*			Depreciation and amortization of intangible assets*		
	1987	1986	1985	1987	1986	1985	1987	1986	1985
U.S. Food.....	\$1,859	\$3,006	\$3,016	\$165	\$196	\$444	\$ 90	\$ 80	\$ 67
International Food.....	1,007	1,031	854	28	79	124	63	46	43
Consumer Products.....	668	632	530	86	41	40	31	26	22
	<u>3,534</u>	<u>4,669</u>	<u>4,400</u>	<u>279</u>	<u>316</u>	<u>608</u>	<u>184</u>	<u>152</u>	<u>132</u>
Divested businesses.....	—	—	226	—	(65)	(107)	—	2	31
Total segments.....	<u>3,534</u>	<u>4,669</u>	<u>4,626</u>	<u>279</u>	<u>251</u>	<u>501</u>	<u>184</u>	<u>154</u>	<u>163</u>
Corporate and other.....	1,239	2,942	3,971	19	24	34	8	7	12
Unallocated purchase cost.....	3,130								
Amortization of intangibles.....							73	45	35
Total.....	<u>\$7,903</u>	<u>\$7,611</u>	<u>\$8,597</u>	<u>\$298</u>	<u>\$275</u>	<u>\$535</u>	<u>\$265</u>	<u>\$206</u>	<u>\$210</u>

\*Includes preliminary purchase cost allocation in fiscal 1987 for property, plant and equipment.

Information by geographic location, in millions, for fiscal years ended and as of February 28, 1987, 1986 and 1985 is as follows:

	Net sales	Segment earnings	Identifiable assets		
			Segment	Corporate and other	Total
1987:					
United States.....	\$5,809	\$519	\$2,382	\$4,204	\$6,586
Europe.....	2,257	122	858	100	958
Canada.....	447	34	144	25	169
Central and South America.....	235	16	64	22	86
Other.....	178	11	86	18	104
	<u>\$8,926</u>	<u>\$702</u>	<u>\$3,534</u>	<u>\$4,369</u>	<u>\$7,903</u>
1986:					
United States.....	\$5,925	\$467	\$3,447	\$2,635	\$6,082
Europe.....	1,636	82	809	162	971
Canada.....	419	30	151	44	195
Central and South America.....	243	15	161	70	231
Other.....	177	12	101	31	132
	<u>\$8,400</u>	<u>\$606</u>	<u>\$4,669</u>	<u>\$2,942</u>	<u>\$7,611</u>
1985:					
United States.....	\$6,952	\$228	\$3,710	\$3,563	\$7,273
Europe.....	1,603	100	554	192	746
Canada.....	423	32	129	67	196
Central and South America.....	238	15	127	98	225
Other.....	212	16	106	51	157
	<u>\$9,428</u>	<u>\$391</u>	<u>\$4,626</u>	<u>\$3,971</u>	<u>\$8,597</u>

## BCI HOLDINGS CORPORATION

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

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For operations outside the U.S., Holdings' equity in net earnings before discontinued operations was \$71 million, \$49 million and \$68 million for fiscal 1987, 1986 and 1985, respectively (after amortization of intangibles of \$4 million, \$3 million and \$3 million, respectively). Foreign currency adjustments, after the effect of hedging transactions, resulted in losses of \$5 million for fiscal 1987, \$6 million for fiscal 1986 and \$9 million for fiscal 1985.

The foregoing information excludes non-U.S. subsidiaries whose purpose is to obtain financing outside the United States. Equity in net earnings excludes gains from divestiture activities.

#### 19. Reorganization

Subsequent to the Merger, Beatrice's Board of Directors approved a Plan of Complete Liquidation and Dissolution ("Plan") for Beatrice. The Plan involves Beatrice exchanging substantially all of its net assets in return for Beatrice common stock and the cancellation of notes receivable from Beatrice held by Holdings and the wholly-owned subsidiaries (collectively, "Second Tier Subsidiaries") of the First Tier Subsidiaries. Prior to being party to an exchange, the net assets of the Second Tier Subsidiaries generally consisted of investments in Beatrice common stock and intercompany notes receivable from Beatrice and payable to the First Tier Subsidiaries. The Plan is expected to be completed during fiscal 1988.

The condensed consolidating income statement for fiscal 1987 (including both Predecessor and Successor periods) and balance sheet as of February 28, 1987 present the following:

- Condensed consolidated income statements and balance sheets for the First Tier Subsidiaries, NSI, and Swift-Eckrich. Once the Plan is complete both NSI and Swift-Eckrich will be directly owned by Holdings.
- Condensed income statement and balance sheet for the parent company only (Holdings), with its investments in its wholly-owned subsidiaries accounted for under the equity method;
- Eliminations necessary to consolidate the subsidiaries and the parent company, which also includes the allocation of interest expense to discontinued operations; and
- Condensed consolidated income statement and balance sheet for Holdings.

For purposes of these financial statements, the Plan is assumed to have been completed on March 1, 1986.

**BCI HOLDINGS CORPORATION**  
**CONDENSED CONSOLIDATING FINANCIAL STATEMENTS**  
(In millions)

	NSI	Swift- Eckrich	Beatrice U.S. Food	BCI Products	BCI International	Parent Company (Holdings)	Eliminations	Holdings Consolidated
<b>CONDENSED CONSOLIDATING INCOME STATEMENT (Fiscal 1987):</b>								
Net sales .....	\$1,712	\$1,318	\$1,811	\$1,243	\$2,866	\$ —	\$ (24)	\$8,926
Operating expenses .....	<u>1,498</u>	<u>1,204</u>	<u>1,659</u>	<u>1,125</u>	<u>2,719</u>	<u>174</u>	<u>(24)</u>	<u>8,355</u>
Operating earnings .....	214	114	152	118	147	(174)	—	571
Intercompany interest income (expense), net .....	(46)	(31)	(33)	(23)	(11)	258	(114)	—
Interest expense, net .....	(20)	(1)	(66)	(45)	(19)	(538)	222	(467)
Other income (expense) .....	—	—	9	3	(10)	150	(273)	(121)
Earnings (loss) before income taxes and other items .....	148	82	62	53	107	(304)	(165)	(17)
Income tax expense (benefit) .....	83	43	31	29	61	(238)	53	62
Earnings (loss) before discontinued operations and extraordinary items .....	65	39	31	24	46	(66)	(218)	(79)
Discontinued operations .....	4	—	41	23	—	7	(55)	20
Extraordinary items .....	—	—	—	—	—	(46)	—	(46)
Net earnings (loss) .....	<u>\$ 69</u>	<u>\$ 39</u>	<u>\$ 72</u>	<u>\$ 47</u>	<u>\$ 46</u>	<u>\$ (105)</u>	<u>\$(273)</u>	<u>\$ (105)</u>
<b>CONDENSED CONSOLIDATING BALANCE SHEET (As of February 28, 1987):</b>								
<b>Assets:</b>								
Cash and short-term investments .....	\$ 7	\$ 1	\$ 19	\$ 17	\$ 113	\$ 16	\$ —	\$ 173
Receivables, net .....	167	59	123	210	267	34	—	860
Inventories .....	353	101	187	188	271	—	—	1,100
Other current assets .....	13	1	13	16	24	102	—	169
Total current assets .....	540	162	342	431	675	152	—	2,302
Property, plant and equipment, net .....	434	208	204	247	440	74	—	1,607
Intangible assets, principally unallocated purchase cost .....	—	—	—	—	—	3,130	—	3,130
Other noncurrent assets .....	18	1	514	95	33	203	—	864
Total assets .....	<u>\$ 992</u>	<u>\$ 371</u>	<u>\$1,060</u>	<u>\$ 773</u>	<u>\$1,148</u>	<u>\$3,559</u>	<u>\$ —</u>	<u>\$7,903</u>
<b>Liabilities and Stockholders' Equity:</b>								
Short-term debt and current maturities of long-term debt .....	\$ 15	\$ —	\$ 5	\$ 20	\$ 128	\$ 107	\$ —	\$ 275
Accounts payable and accrued expenses .....	313	163	323	180	387	306	—	1,672
Total current liabilities .....	328	163	328	200	515	413	—	1,947
Long-term debt .....	228	5	40	28	43	3,982	—	4,326
Noncurrent and deferred income taxes .....	39	—	(1)	4	21	420	—	483
Other noncurrent liabilities .....	38	4	13	109	130	545	—	839
Net intercompany investments and advances .....	359	199	680	432	439	(2,109)	—	—
Stockholders' equity:								
Common stock .....	—	—	—	—	—	1	—	1
Additional capital .....	—	—	—	—	—	418	—	418
Retained earnings (deficit) .....	—	—	—	—	—	(121)	—	(121)
Cumulative foreign currency translation adjustment .....	—	—	—	—	—	10	—	10
Total stockholders' equity .....	—	—	—	—	—	308	—	308
Total liabilities and stockholders' equity .....	<u>\$ 992</u>	<u>\$ 371</u>	<u>\$1,060</u>	<u>\$ 773</u>	<u>\$1,148</u>	<u>\$3,559</u>	<u>\$ —</u>	<u>\$7,903</u>

**BCI HOLDINGS CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Concluded)**

**20. Quarterly Results of Operations (Unaudited)**

The following is a summary, in millions except per share data, of the unaudited quarterly results of operations for fiscal 1987 and 1986:

<u>1987*</u>	<u>First</u>	<u>Second</u>	<u>Third</u>	<u>Fourth</u>
Net sales .....	\$2,043	\$2,205	\$2,407	\$2,271
Cost of sales .....	\$1,500	\$1,605	\$1,727	\$1,618
Earnings (loss) before discontinued operations and extraordinary items ..	\$ (39)	\$ (17)	\$ 13	\$ (36)
Net earnings (loss) .....	\$ (51)	\$ (9)	\$ 28	\$ (73)
Earnings (loss) per share (Successor)**:				
Before discontinued operations and extraordinary items .....	\$ (.30)	\$ (.58)	\$ .12	\$ (.43)
Net earnings (loss) .....	\$ (.45)	\$ (.48)	\$ .23	\$ (.89)
 <u>1986***</u>	 <u>First</u>	 <u>Second</u>	 <u>Third</u>	 <u>Fourth</u>
Net sales .....	\$2,054	\$2,028	\$2,225	\$2,093
Cost of sales .....	\$1,528	\$1,486	\$1,625	\$1,462
Earnings before discontinued operations .....	\$ 27	\$ 19	\$ 38	\$ 27
Net earnings .....	\$ 58	\$ 70	\$ 88	\$ 16

\*In the first quarter of fiscal 1987, loss before discontinued operations and extraordinary item and net loss included after-tax change in control expenses of \$45 million (Note 13). Net loss in the first quarter also included a charge for an extraordinary item, net of income taxes, of \$10 million for costs incurred in the redemption or repayment of Beatrice debt immediately prior to the Merger (Note 16).

In the fourth quarter of fiscal 1987, loss before discontinued operations and extraordinary item and net loss included additional amortization of intangibles of \$10 million due to changes in the allocation of Holdings' purchase cost, and also included the effects of a reduction in state income tax benefits in the provision for income taxes. Net loss in the fourth quarter also included a charge of \$36 million for an extraordinary item, net of income taxes, primarily related to financing fees which were incurred in connection with the Bank Credit Agreement (Note 16).

\*\*The sum of the quarterly earnings (loss) per share for the Successor period is more than the loss per share shown for the Successor period on the statement of consolidated earnings because the assumed conversion of the stock options and Warrants (Note 11) is dilutive in the third quarter, but is anti-dilutive in the first, second and fourth quarters, as well as the Successor period. This anti-dilutive effect results from a loss before discontinued operations and extraordinary items and net loss in the Successor period, as well as the first, second and fourth quarters.

\*\*\*In the third quarter of fiscal 1986, earnings before discontinued operations and net earnings included charges, net of income taxes, of \$3 million for expenses related to the change in control (Note 13). Fourth quarter earnings before discontinued operations and net earnings included charges, net of income taxes, of \$6 million for expenses related to the change in control (Note 13) and \$10 million related to Beatrice's phase-out of its sponsorship of automobile racing programs (Note 14).

## BCI HOLDINGS CORPORATION

## SUPPLEMENTARY INCOME STATEMENT INFORMATION

Three Years Ended February 28, 1987  
(In millions)

<u>Description</u>	<u>1987</u>	<u>1986</u>	<u>1985</u>
Maintenance and repairs .....	<u>\$125</u>	<u>\$118</u>	<u>\$102</u>
Advertising costs .....	<u>\$394</u>	<u>\$444</u>	<u>\$434</u>

# BCI Holdings Corporation

## Index to Exhibits

<u>Exhibit Number</u>	<u>Descriptions of Exhibits</u>	<u>Page</u>
3.1	Restated Certificate of Incorporation of BCI Holdings Corporation (incorporated herein by reference to Exhibit 3.1A (1) to BCI Holdings Corporation's report on Form 10-Q for the quarter ended August 31, 1986).	
3.2	Certificate of Amendment of Restated Certificate of Incorporation of BCI Holdings Corporation (incorporated herein by reference to Exhibit 3.1A (3) to BCI Holdings Corporation's report on Form 10-Q for the quarter ended August 31, 1986).	
3.3	By-laws of BCI Holdings Corporation (originally incorporated under the name of KB Parent Corporation) (incorporated herein by reference to Exhibit 3.2 to Form S-1 (No. 33-2229) of BCI Holdings Corporation).	
4.1	Form of Indenture between BCI Holdings Corporation, as Issuer, and Irving Trust Company, as Trustee, relating to the 11% Ten Year Senior Notes of BCI Holdings Corporation (incorporated by reference to Exhibit 4.1 to Form S-1 (No. 33-2229) of BCI Holdings Corporation).	
4.2	Form of Indenture between BCI Holdings Corporation, as Issuer, and Harris Trust and Savings Bank, as Trustee, relating to the 12½% Twelve Year Senior Subordinated Debentures of BCI Holdings Corporation (incorporated by reference to Exhibit 4.2 to Form S-1 (No. 33-2229) of BCI Holdings Corporation).	
4.3	Form of Indenture between BCI Holdings Corporation, as Issuer, and Citizens and Southern National Bank, as Trustee, relating to the 12¾% Fifteen Year Subordinated Debentures of BCI Holdings Corporation (incorporated by reference to Exhibit 4.3 to Form S-1 (No. 33-2229) of BCI Holdings Corporation).	
4.4	Form of Indenture between BCI Holdings Corporation, as Issuer, and LaSalle National Bank, as Trustee, relating to the Fifteen Year Floating Rate Junior Debentures of BCI Holdings Corporation (incorporated by reference to Exhibit 4.4 to Form S-1 (No. 33-2229) of BCI Holdings Corporation).	
4.5	First Supplement To Indenture dated as of April 15, 1986 between BCI Holdings Corporation, as Issuer, and Irving Trust Company, as Trustee, relating to the 11% Ten Year Senior Notes of BCI Holdings Corporation.	
4.6	First Supplement To Indenture dated as of April 15, 1986 between BCI Holdings Corporation, as Issuer, and Harris Trust and Savings Bank, as Trustee, relating to the 12½% Twelve Year Senior Subordinated Debentures of BCI Holdings Corporation.	
4.7	First Supplement To Indenture dated as of April 15, 1986 between BCI Holdings Corporation, as Issuer, and Citizens and Southern National Bank, as Trustee, relating to the 12¾% Fifteen Year Subordinated Debentures of BCI Holdings Corporation.	
4.8	First Supplement To Indenture dated as of April 15, 1986 between BCI Holdings Corporation, as Issuer, and LaSalle National Bank, as Trustee, relating to the Fifteen Year Floating Rate Junior Debentures of BCI Holdings Corporation.	
4.9	Execution Form of Indenture between BCI Holdings Corporation and Connecticut National Bank, as Trustee, relating to the 15¼% Junior Subordinated Exchange Debentures Due 2002 (incorporated by reference to Exhibit 4 to BCI Holdings Corporation's report on Form 10-Q for the quarter ended May 31, 1986).	

<u>Exhibit Number</u>	<u>Descriptions of Exhibits</u>	<u>Page</u>
10.1	Restated and Modified Agreement and Plan of Merger dated as of February 2, 1986 among Beatrice Companies, Inc., BCI Holdings Corporation and BCI Merger Corporation (incorporated herein by reference to Exhibit 2.3 to Form S-4 (No. 33-3859) of BCI Holdings Corporation).	
10.2	Amended and Restated Acquisition Credit Agreement dated as of April 10, 1986.	
10.3	Form of First Amendment dated as of October 3, 1986 to Amended and Restated Acquisition Credit Agreement dated as of April 10, 1986.	
10.4	Form of Second Amendment dated as of November 19, 1986 to Amended and Restated Acquisition Credit Agreement dated as of April 10, 1986.	
10.5	Form of Limited Waiver and Third Amendment dated as of March 26, 1987 to Amended and Restated Acquisition Credit Agreement dated as of April 10, 1986.	
10.6	Amended and Restated Working Capital Agreement dated as of April 10, 1986.	
10.7	Form of First Amendment dated as of October 3, 1986 to Amended and Restated Working Capital Credit Agreement dated as of April 10, 1986.	
10.8	Form of Warrant to BCI Holdings Corporation (incorporated herein by reference to Exhibit 4.8 to Amendment No. 4 to Form S-1 (No. 33-2229) of BCI Holdings Corporation).	
10.9	Form of Severance Agreement between Beatrice Companies, Inc. and certain employees of Beatrice (incorporated herein by reference to Exhibit 10.5 to Amendment No. 4 to Form S-1 (No. 33-2229) of BCI Holdings Corporation).	
10.10	Form of Amended and Restated Severance Agreement dated March 10, 1986 between Beatrice Companies, Inc. and certain employees of Beatrice Companies, Inc.	
10.11	Form of Amendment dated September 2, 1986 to Amended and Restated Severance Agreement between Beatrice Companies, Inc. and certain employees of Beatrice Companies, Inc.	
10.12	Beatrice Retirement Income Plan (incorporated herein by reference to Exhibit 10.16 and 10.21 to Amendment No. 4 to Form S-1 (No. 33-2229) of BCI Holdings Corporation).	
10.13	Second Amendment dated July 16, 1986 and Third Amendment dated August 8, 1986 to Beatrice Retirement Income Plan.	
10.14	Beatrice Supplemental Retirement Income Plan (Restated January 1, 1987).	
10.15	Beatrice Employee Savings Trust (incorporated herein by reference to Exhibit 10.19 to Amendment No. 4 to Form S-1 (No. 33-2229) of BCI Holdings Corporation).	
10.16	Second Amendment dated July 16, 1986 to Beatrice Employee Savings Trust.	
10.17	Beatrice Supplemental Employee Savings Trust (incorporated herein by reference to Exhibit 10.20 to Amendment No. 4 to Form S-1 (No. 33-2229) of BCI Holdings Corporation).	
10.18	First Amendment dated June 26, 1986 and Second Amendment dated June 26, 1986 to Beatrice Supplemental Employee Savings Trust.	
10.19	BCI Holdings Corporation Fiscal Year 1987 Management Incentive Plan.	
10.20	Beatrice U.S. Food Corp. Fiscal Year 1987 Management Incentive Plan.	
10.21	Beatrice International Food Fiscal Year 1987 Management Incentive Plan.	
10.22	Stock Option Plan For Key Employees of BCI Holdings Corporation.	
10.23	Base Salary Deferral Program.	
22.	Subsidiaries of Holdings.	
25.	Powers of Attorney.	

## BCI HOLDINGS CORPORATION

## SUBSIDIARIES AS OF MARCH 1, 1987

<u>Corporate Name</u>	<u>State or Country of Incorporation</u>
BCI Consumer Products Corporation .....	Delaware
BCI Aristokraft, Inc. ....	Delaware
Aristokraft, Inc. ....	Delaware
BCI Beatrice Home Specialties, Inc. ....	Delaware
Beatrice Home Specialties, Inc. ....	Delaware
Chicago Specialty Mfg. of Canada Ltd. ....	Canada
BCI Beatrice Window Coverings, Inc. ....	Delaware
Beatrice Window Coverings, Inc. ....	California
LouverDrape of New York, Inc. ....	California
L. D. Holding Company .....	Delaware
LouverDrape of Canada Limited .....	Canada
LouverDrape of Canada (1978) Limited .....	Canada
BCI Culligan International Company .....	Delaware
Culligan International Company .....	Delaware
Arrowhead Industrial Water, Inc. ....	Delaware
CWC, Inc. ....	New Jersey
CWC Finance Corp. ....	Illinois
Culligan Asia, Limited .....	Hong Kong
Culligan Dayton, Inc. ....	Ohio
Culligan DesPlaines Valley Water Conditioning, Inc. ....	Illinois
Culligan Distribution Services, Inc. ....	Iowa
Culligan Dutchess-Putnam Water Conditioning, Inc. ....	New York
Culligan Peninsula Industrial Water Conditioning Company .....	California
Culligan Soft Water Service of Santa Barbara, Inc. ....	California
Culligan Soft Water Service of Whittier, Inc. ....	California
Culligan Water Conditioning of Battle Creek, Inc. ....	Michigan
Culligan Water Conditioning of Butler, Inc. ....	Pennsylvania
Culligan Water Conditioning of Greater Detroit, Inc. ....	Michigan
Culligan Water Conditioning of Greater Pittsburgh, Inc. ....	Pennsylvania
Culligan Water Conditioning of Houston, Inc. ....	Texas
Culligan Water Conditioning of the Inland Empire .....	California
Culligan Water Conditioning of Orange County .....	California
Culligan Water Conditioning of South Bend, Inc. ....	Indiana
Culligan Water Conditioning of Tippecanoe County, Inc. ....	Indiana
Culligan Water Conditioning, Inc. ....	Wisconsin
Culligan N.V. ....	Belgium
Culligan of Canada, Ltd. ....	Canada
Culligan Water Conditioning (Ontario) Ltd. ....	Canada
Water Conditioning Finance Ltd. ....	Canada
Culligan Espana-Impex, S.A. (90.00% owned) .....	Spain
Culligan of Florida, Inc. ....	Florida
Culligan France S.A. ....	France
Culligan Val de Loire S.A. (20.00% owned) .....	France
Culligan Flanders S.A. (20.00% owned) .....	France
Culligan Lorraine S.A. (23.30% owned) .....	France
Culligan (Switzerland) S.A. ....	Switzerland

<u>Corporate Name</u>	<u>State or Country of Incorporation</u>
<i>(BCI Culligan International Company subsidiaries continued)</i>	
Culligan Italiana S.p.A. (90.00% owned) .....	Italy
Culligan International (U.K.) Ltd. ....	United Kingdom
Everpure, Inc. ....	Nevada
Everpure GmbH .....	West Germany
Everpure Japan, Inc. ....	Japan
Everpure Limited .....	Ireland
Greater Chicago Culligan Water Conditioning, Inc. ....	Illinois
Greater Kansas City Culligan Water Conditioning, Inc. ....	Kansas
Indiana Soft Water Service, Inc. ....	Indiana
St. Louis Soft Water Service, Inc. ....	Missouri
CWG Inc. ....	Delaware
Culligan Wassertechnik GmbH .....	West Germany
BCI Day-Timers, Inc. ....	Delaware
Day-Timers, Inc. ....	Delaware
Sax Arts and Crafts, Inc. ....	Delaware
Day-Timers of Canada, Ltd. ....	Canada
Sandt Printing Company Limited .....	Canada
BCI Estech, Inc. ....	Delaware
Estech, Inc. ....	Delaware
Es-Gen Phosphate Corporation .....	Delaware
Estech of Japan, Inc. ....	Japan
Weskem, Inc. ....	Nebraska
Yong Nam Chemical Company, Ltd. (25.00% owned) .....	Korea
BCI International Jensen Incorporated .....	Delaware
International Jensen Incorporated .....	Delaware
International Audio Sales Corporation .....	Missouri
Jensen Sound Laboratories—International, Inc. ....	Delaware
FujiCone, Inc. (50.00% owned) .....	Delaware
BCI Rusty Jones, Inc. ....	Delaware
Rusty Jones, Inc. ....	Delaware
BCI Samsonite Corporation .....	Delaware
Samsonite Corporation .....	Colorado
Samsonite B.V. (Holland) .....	Holland
Samsonite Domestic International Sales Corporation .....	Colorado
Samsonite Finanziaria, S.r.l. ....	Italy
Samsonite Italia S.r.l. (60.00% owned) .....	Italy
Samsonite GmbH .....	West Germany
Samsonite International Sales Corp. ....	Colorado
Samsonite, N.V. ....	Belgium
Samsonite Pacific Ltd. ....	Colorado
Samsonite, S.A. ....	France
Samson S.A. de C.V. ....	Mexico
Tauro International S.A. ....	Colorado
Industrias Tauro S.A. ....	Spain
VIP (Bermuda) Ltd. ....	Bermuda
Vitro Sam, S.A. (49% owned) .....	Mexico
Altro S.A. de C.V. ....	Mexico
Peraltro S.A. de C.V. ....	Mexico
Envases Cuantitlan S.A., de C.V. ....	Mexico
Samsonite (U.K.) Ltd. ....	United Kingdom
BCI Samsonite Furniture Co. ....	Delaware
Samsonite Furniture Co. ....	Delaware

<u>Corporate Name</u>	<u>State or Country of Incorporation</u>
BCI The Stiffel Company	Delaware
The Stiffel Company	Delaware
BCI Waterloo Industries, Inc.	Delaware
Waterloo Industries, Inc.	Iowa
BCI Weskem, Inc.	Delaware
BCI International Food Corporation	Delaware
BCI Beatrice Australia Limited	Delaware
Beatrice Administration Pty. Ltd.	Australia
Beatrice Australia Limited (94.00% owned)	Australia
Beatrice Foods Australia Pty. Ltd.	Australia
Beatrico Foods (New Zealand) Ltd.	New Zealand
Europe Strength Food Co. Ltd.	New Zealand
Van Camp Chocolates Ltd.	New Zealand
Europe Strength Food Co. Pty. Ltd.	Australia
Manassen Fine Foods Pty. Ltd.	Australia
Patra Holdings Pty. Ltd.	Australia
Jaypel Manufacturing Pty. Ltd.	Australia
Patra Investments Pty. Ltd.	Australia
Patra Sales Pty. Ltd.	Australia
Waipat Juices Pty. Ltd. (51.00% owned)	Australia
Red Tulip Chocolates Pty. Ltd.	Australia
Pacific Liquor Dist. Pty. Ltd.	Australia
Unicorp Pty. Ltd. (75.00% owned)	Australia
Starks Chocolates Dist. Services Pty.	Australia
The Baron's Table Specialty Meats Pty. Ltd.	Australia
Unicorp Pty. Ltd. (25.00% owned)	Australia
BCI Beatrice Deutschland, Inc.	Delaware
Beatrice Deutschland GmbH (10.99% owned*) (a)	West Germany
BCI Beatrice Foods Canada, Ltd.	Delaware
BCI Beatrice Foods (U.K.) Ltd.	Delaware
Beatrice Foods (U.K.) Ltd.	United Kingdom
Smith Kendon Limited	United Kingdom
Callard and Bowser Nuttall Ltd.	United Kingdom
Callard and Bowser Ltd.	United Kingdom
Nuttall-Riley Limited	United Kingdom
Callard and Bowser (U.S.A.) Inc.	United Kingdom
BCI Beatrice Worldwide, Inc.	Delaware
Alimentos Del Istmo S.A.	Panama
Artic S.A.	Belgium
Artic France S.A.R.L.	France
BFC International Limited	Delaware
Guangmei Foods Co. Ltd. (50.00% owned)	China
B.F. Finanziaria S.p.A.	Italy
Gelati Sanson S.p.A. (12.35% owned**)	Italy
BIFCO, Inc.	Delaware
Beatrice China Ltd.	Delaware
B-C Development Company Ltd. (60.00% owned)	China
Beatrice-CITIC Development Company Ltd. (60.00% owned)	Hong Kong
Shenzhen Winner Convenient Food Ltd. (50.00% owned)	China
Yungxia Food Products (HK) Ltd.	Hong Kong
Beatrice Foods Co. (Middle East) Limited	Jersey, Channel
Beatrice Foods (Singapore) Pte. Ltd. (50.00% owned)	Singapore
Unigate Pte. Ltd. (50.00% owned)	Singapore

<u>Corporate Name</u>	<u>State or Country of Incorporation</u>
<i>(BCI Beatrice Worldwide, Inc. subsidiaries continued)</i>	
Beatrice Foods Sdn Berhad (50.00% owned)	Malaysia
Beatrice Industria e Comercio Ltda.	Brazil
Adams International Do Brazil	Brazil
Ailiram S.A. Productos Alimenticios	Brazil
Cerealista Cristal Comercial	Brazil
Samsonite Industrial y Comercial Ltda.	Brazil
Beatrice S.A.	Uruguay
Beatrice Worldwide, Inc. (43.88% owned*) (b)	Delaware
BEFCO International Services, Inc.	Delaware
Bireley's California Orange (Thailand) Co. (87.90% owned)	Thailand
Boquitas Fiestas S.A. de C.V. (65.00% owned)	Honduras
Chitos International y Cia Ltda.	Guatemala
Chocolates S.A. de C.V. (65.00% owned)	Honduras
Crema Limited (65.00% owned)	Jamaica
Crema Sales Ltd.	Jamaica
North Shore Dairies Ltd.	Jamaica
Goody Sales Limited (Nonvoting)	Jamaica
Dairyworld S.A.	Switzerland
Primalp S.A.	Switzerland
Drugs International S.A., Inc.	Delaware
Ecudal S.A. (49.00% owned)	Ecuador
Esmark International, Inc.	Delaware
Beatrice Swift Limited	United Kingdom
Double-S Poultry Limited (50.00% owned)	United Kingdom
S & L Broilers (50.00% owned)	United Kingdom
Swift and Company Limited	United Kingdom
Beatuk Limited	United Kingdom
Butterball Foods Limited	United Kingdom
Hinton Poultry Limited	United Kingdom
Swift Meats Limited	United Kingdom
Etablissements Boizet S.A. (74.00% owned)	France
Fabrica de Productos Alimenticios Rene S.A.	Guatemala
Chitos De Honduras S de R.L.	Honduras
Finance Corporation of Jamaica Ltd. (65.00% owned)	Jamaica
Goody Sales Limited (Voting)	Jamaica
Flakall Corporation	Illinois
Fruit International, Inc.	Delaware
Gelati Sanson S.p.A. (57.65% owned**)	Italy
Gum International S.A., Inc.	Delaware
Helados Canarias S.A. (60.00% owned)	Spain
Interglas S.A. (60.00% owned)	Spain
Mantecados Payco, Inc.	Delaware
Helados La Menorquina S.A. (77.10% owned)	Spain
Premier Is A/S (75.00% owned)	Denmark
Premier Glace A.B.	Sweden
Premier Milk (Malaya) Sdn. Berhad (25.00% owned)	Malaysia
Premier Milk (Singapore) Pte. Ltd. (25.00% owned)	Singapore
Productos Chipy S.A. (93.05% owned)	Peru
Empac S.A. (3.40% owned)	Peru

<u>Corporate Name</u>	<u>State or Country of Incorporation</u>
<i>(BCI Beatrice Worldwide, Inc. subsidiaries continued)</i>	
Sodial S.A. ....	France
Alirest S.A. ....	France
BCI Conservera Campofrio, Inc. ....	Delaware
Beatrice Worldwide, Inc. (35.71% owned*) (b) ....	Delaware
BCI ETS Baud, Inc. ....	Delaware
Beatrice Worldwide, Inc. (20.41% owned*) (b) ....	Delaware
Etablissements Baud S.A. (97.00% owned) ....	France
International Foods (Paris) S.A. (9.60% owned*) ....	France
Sedipro S.A. (97.00% owned) ....	France
BCI Industrias Gran Columbia S.A., Inc. ....	Delaware
BCI Industrias Savoy, Inc. ....	Delaware
Industrias Savoy C.A. (85.00% owned) ....	Venezuela
Industrias Anita C.A. ....	Venezuela
Granos De Oriente C.A. (20.00% owned*) ....	Venezuela
Bebidas Savoy C.A. (85.00% owned) ....	Venezuela
C.A. Savoy Candy ....	Venezuela
Caramelos Royal S.A. (66.40% owned) ....	Venezuela
Distribudora Savoy C.A. ....	Venezuela
Industrias Taobe C.A. (75.00% owned*) ....	Venezuela
Granos De Oriente C.A. (60.00% owned*) ....	Venezuela
Industrias Benco C.A. (60.00% owned) ....	Venezuela
Marlon C.A. ....	Venezuela
Granos De Oriente C.A. (20.00% owned*) ....	Venezuela
Industrias Taobe C.A. (25.00% owned*) ....	Venezuela
BCI Societe Europeene de Supermarche, Inc. ....	Delaware
Societe Europeenne de Supermarches S.A. (98.97% owned) ....	France
Socadip S.A. (5.60% owned) ....	France
Sodeca S.A.R.L. ....	France
BCI Stute, Inc. ....	Delaware
Beatrice Deutschland GmbH (89.01% owned*) (a) ....	West Germany
BCI Tayto Ltd. ....	Delaware
Tayto Ltd. (94.88% owned) ....	Ireland
Eurosna International Ltd. ....	Ireland
King Foods Ltd. ....	Ireland
King Foods Export Ltd. ....	Ireland
King Kandy Ltd. ....	Ireland
Potato Distributors Ltd. ....	Ireland
King Snacks Ltd. ....	Ireland
Sooner Foods (Ireland) Limited ....	Ireland
BCI Quan S.A. de C.V., Inc. ....	Delaware
Quan S.A. de C.V. ....	Mexico
Holanda S.A. de C.V. (49.00% owned) ....	Mexico
Alimentarios Y Tecnica S.A. de C.V. (94.00% owned) ....	Mexico
Gomas Vegetales de Mexico, S.A. ....	Mexico
Grupo Altesa S.A. de C.V. ....	Mexico
Maquinaria Y Equipo Para Alimentos S.A. de C.V. ....	Mexico
Helados Holanda S.A. de C.V. ....	Mexico
Impulsora Industrial Y Lacteos S.A. de C.V. ....	Mexico
Beatrice U. S. Food Corp. ....	Delaware
Aunt Nellie's Farm Kitchens, Inc. ....	Delaware

<u>Corporate Name</u>	<u>State or Country of Incorporation</u>
<i>(Beatrice U.S. Food Corp. subsidiaries continued)</i>	
BCI Arrowhead Drinking Water Co. ....	Delaware
BCI Beatrice Cheese, Inc. ....	Delaware
Beatrice Cheese, Inc. ....	Delaware
Swissrose International, Inc. ....	New Jersey
L.L. Cheese Co., Inc. ....	Delaware
County Line Cheese Co. ....	Indiana
BCI Beatrice Food Ingredients, Inc. ....	Delaware
Beatrice Food Ingredients, Inc. ....	Delaware
Beatrice Foods Co. & Dr. Suwelack GmbH (70.00% owned) ....	West Germany
BCI Berliner & Marx, Inc. ....	Delaware
Farmbelt Industries, Inc. ....	Delaware
Berliner & Marx, Inc. ....	New York
BCI BFC Tennis Club Corporation ....	Delaware
BFC Tennis Club Corporation ....	Illinois
BCI Divestiture, Inc. ....	Delaware
American Industries Insurance Co. Ltd. ....	Bermuda
Beatrice Scientific Co. ....	Delaware
Beatrice U.S. Food International Sales Corp. ....	Virgin Islands
BFC Corporation ....	Delaware
Delaware Rainbo Leasing Corporation ....	Delaware
Elite Sounds, Inc. ....	New York
Eschem Canada Inc. ....	Canada
Estech Investments, Inc. ....	Delaware
DRE Interstate Aviation, Inc. ....	Delaware
Radial Credit Services, Inc. ....	Delaware
Risk Resources, Ltd. ....	Bermuda
Verglass Corp. ....	Delaware
Estronics, Inc. ....	Delaware
Comark, Inc. ....	Delaware
Gam Fashions, Inc. ....	Delaware
Georgeland Corporation ....	Maryland
Jan-U-Wine Foods, Inc. (name holding company) ....	California
McCall Corporation ....	Delaware
Delaware Dry Goods Co. ....	Delaware
Inman Enterprises, Inc. ....	Delaware
NSGCP, Inc. ....	Delaware
Peninsula Lithograph Co., Inc. ....	Delaware
MKC Corp. ....	Georgia
Norton Simon Communications, Inc. ....	Delaware
Norton Simon International Sales Corp. ....	Delaware
Norton Simon Properties, Inc. ....	Delaware
Scoco, Inc. ....	Delaware
Snacks Research Corp. ....	Illinois
Swift & Company (name holding company) ....	Delaware
Swift and Company (KY) ....	Kentucky
Swift & Co. N.V. ....	Belgium
Swift and Company (NJ) ....	New Jersey
Tansi Productions, Inc. ....	Delaware
The McCall Leasing Company ....	Delaware
Threaders, Inc. ....	Delaware

Corporate NameState or Country  
of Incorporation*(Beatrice U.S. Food Corp. subsidiaries continued)*

BCI Tropicana Products, Inc. ....	Delaware
Tropicana Products, Inc. ....	Delaware
B & H Projects, Inc. ....	Florida
Progress Service, Inc. ....	Florida
Tropicana Products Sales, Inc. ....	Delaware
Tropicana Transportation Corp. ....	Delaware
Tropicana Products (Europe) GmbH ....	Germany
Beatrice Financial Services, Inc. ....	Delaware
Frozen Specialties, Inc. ....	Delaware
Lowrey's Meat Specialties, Inc. ....	Delaware
Martha White Foods, Inc. ....	Delaware
Pet Specialties, Inc. ....	Delaware
Rudolph Foods Company, Inc. ....	Delaware
Beatrice Companies, Inc. ....	Delaware
Beatrice Finance N.V. ....	Neth. Antilles
Beatrice Foods Canada Ltd. ....	Canada
Aliments Beatrice Quebec Inc. ....	Quebec
Beatrice Consumer Products (Canada), Inc. ....	Ontario
Beatrice Foods, Inc. ....	Canada
Les Fromages Crescent Ltee ....	Quebec
Food Producers (Canada) Ltd. ....	Ontario
Beatrice Foods Co. (name holding company) ....	Delaware
Beatrice Foods Overseas Finance N.V. ....	Neth. Antilles
Beatrice Foods Finance Europe B.V. (50.00% owned*) ....	Neth. Antilles
BPS (Delaware), Inc. ....	Delaware
BCI Aviation, Inc. ....	Delaware
FRC Holding Inc., II ....	Delaware
FRC Holding Inc., III ....	Delaware
FRC Holding Inc., IV ....	Delaware
FRC Holding Inc., V ....	Delaware
Candy International S.A., Inc. ....	Delaware
Chitos International, Inc. ....	Illinois
Esmark Investments, Inc. ....	Delaware
FCIC Finance Company B.V. ....	Neth. Antilles
Georgetown Interstate Aviation Inc. ....	Delaware
Industrias Gran Colombia S.A. ....	Colombia
Norton Simon, Inc. ....	Delaware
Hunt Foods and Industries, Inc. ....	Delaware
Beatrice/Hunt-Wesson, Inc. ....	Delaware
Hunt-Wesson Foods International, Ltd. ....	Delaware
Hunt-Universal Robina Corp. (50.00% owned) ....	Philippines
Nippon B-K Foods, Ltd. (50.00% owned) ....	Japan
Valencia Advertising Co. ....	Delaware
Winters Canning Company ....	California
Rossbay, Inc. ....	Ohio
T.H.C. Inc. ....	California
Norton Simon Canada, Inc. (80.00% owned*) ....	Canada
Swift-Eckrich, Inc. ....	Delaware
Beatrice Meats, Inc. ....	Delaware
Blue Coach Foods, Inc. ....	Delaware
Commercial Research Foundation ....	Illinois
Swift & Company Packers ....	Nevada

<u>Corporate Name</u>	<u>State or Country of Incorporation</u>
Beatrice Foods Finance Europe B.V. (50.00% owned*)	Neth. Antilles
Norton Simon Canada, Inc. (20.00% owned*)	Canada
<i>(a) The subsidiaries of Beatrice Deutschland GmbH are as follows:</i>	
Adam Titz Vertrieb GmbH & Co. Kg (80.00% owned)	West Germany
Adam Titz Vertrieb GmbH (80.00% owned)	West Germany
Artigel GmbH (70.00% owned)	West Germany
Artigel GmbH & Co. Kg (70.00% owned)	West Germany
Atlantik GmbH	West Germany
Dietetic Products Beteiligungs GmbH (80.00% owned)	West Germany
Dietetic Products GmbH & Co. Kg (80.00% owned)	West Germany
H. Bourtzutschky Sohne GmbH & Co. Kg (80.00% owned)	West Germany
Jacobi—Scherbening GmbH & Co. Kg (80.00% owned)	West Germany
K-S-K Technische Betrieb. GmbH (80.00% owned)	West Germany
K-S-K Technische Betrieb. GmbH & Co. Kg (80.00% owned)	West Germany
Stute Kraftverkehrszentrale GmbH (80.00% owned)	West Germany
Stute Kraftverkehrszentrale Beteiligungs GmbH (80.00% owned)	West Germany
Schwab. Kons. Vert. GmbH (80.00% owned)	West Germany
Schwikkard GmbH & Co. Kg (80.00% owned)	West Germany
Stute Bautrager und Bet. GmbH & Co. Kg (80.00% owned)	West Germany
Stute Geschäftsführungs GmbH (80.00% owned)	West Germany
Stute GmbH & Co. Kg (80.00% owned)	West Germany
Stute Konserven GmbH & Co. Kg (80.00% owned)	West Germany
Stute Konserven GmbH (80.00% owned)	West Germany
Stute Nahrung. GmbH & Co. Kg (80.00% owned)	West Germany
Stute Verwaltungs GmbH (80.00% owned)	West Germany
Thur. Art. Schindler GmbH & Co. Kg (80.00% owned)	West Germany
Willy L. Ahrens GmbH & Co. Kg (80.00% owned)	West Germany
West. Nahrung. Prod. und Vert. GmbH (80.00% owned)	West Germany
Wilh. Kirberg GmbH & Co. Kg (80.00% owned)	West Germany
<i>(b) The subsidiaries of Beatrice Worldwide, Inc. are as follows:</i>	
Beatrice Foods Co. (Hong Kong) Limited	Hong Kong
Winner Food Products Limited (74.00% owned)	Hong Kong
Chun Chun Kitchen Ltd.	Hong Kong
Falowon Investment Ltd.	Hong Kong
Fanyo Food Products Ltd.	Hong Kong
Wintai Food Manufacturers Ltd. (8.80% owned*)	Hong Kong
Griffiths Laboratories (H.K.) Ltd. (33.30% owned)	Hong Kong
International Food Franchise Ltd.	Hong Kong
J&W Research & Development Ltd.	Hong Kong
Vecorn Food Products Ltd.	Hong Kong
Winston Noodle Products Ltd. (60.00% owned)	Hong Kong
Wintai Food Manufacturers Ltd. (91.20% owned*)	Hong Kong
Beatrice Nederland B.V.	Netherlands
Hannah Beheer B.V.	Netherlands
Frisdranken Industrie Winters B.V.	Netherlands
Bronwater Import Kantoor Eindhoven	Netherlands
Handelsmaats Winters B.V.	Netherlands
Seven-Up Bottling Company Het Zu	Netherlands
Choky S.A. (74.00% owned)	France

<u>Corporate Name</u>	<u>State or Country of Incorporation</u>
<i>(Beatrice Worldwide, Inc. subsidiaries continued)</i>	
I.D.A.L.A., S.A. ....	Uruguay
Novibras Comercio E Importacao Ltda .....	Brazil
Intercamp Inc.....	Delaware
Conservera Campofrio, S.A. (50.00% owned) .....	Spain
Internacional De Alimentacion Y Bebidas S.A. (50.00% owned) .....	Spain
Abella E Hijos S.A. (50.00% owned) .....	Spain
Comercializacion de Productos Agricolas, Ganaderos Y Forestales S.A. ....	Spain
Industrias Abella (50.00% owned) .....	Spain
International Foods (France) S.A.....	France
74.00% of various French entities (c)	
International Foods (Paris) S.A. (90.40% owned*) .....	France
Maxime Delrue S.A. (80.00% owned*) .....	France
Knightsbridge (Bermuda) Ltd. ....	Bermuda
Fenchurch (Bermuda) Ltd. ....	Bermuda
Softjam Holding GmbH.....	West Germany
Maxime Delrue S.A. (20.00% owned*) .....	France
Sunco N.V. (80.00% owned) .....	Belgium
Southfield (Bermuda) Ltd. (through trust agreement) .....	Bermuda
Vimex (Panama) Ltd.....	Panama
<i>(c) The French entities owned are as follows:</i>	
International Foods (France) et Cie .....	France
Minimarche Essone S.A.R.L.....	France
Minimarche Hauts de Seine S.A.R.L.....	France
Minimarche Marne S.A.R.L.....	France
Minimarche Paris S.A.R.L.....	France
Minimarche Seine et Marne S.A.R.L.....	France
Minimarche Seine St. Denis S.A.R.L.....	France
Minimarche Val D'Oise S.A.R.L.....	France
Minimarche Val de Marne S.A.R.L.....	France
Minimarche Yvelines S.A.R.L.....	France
Paris Libre Service S.A.R.L.....	France
Soc. de Dist. D'Ile S.A.R.L.....	France
Soc. de Dist. Parisienne S.A.R.L.....	France
Soc. de Gest. de Supermarches S.A.R.L.....	France
Soc. de Super. Moulin Chenne S.A.R.L.....	France
Superette Ile de France S.A.R.L.....	France
Superette Paris S.A.R.L.....	France
Superette Seine et Marne S.A.R.L.....	France
Superette Seine St. Denis S.A.R.L.....	France
Superette Yvelines S.A.R.L.....	France

NOTE: If the direct parent owns less than 100% of the subsidiary, its ownership percentage is indicated in parentheses. Percentages with one asterisk (\*) indicate the subsidiary is ultimately 100% owned by BCI Holdings Corporation or its subsidiaries. Those with two asterisks (\*\*) indicate a portion of the subsidiary is owned by BCI Holdings Corporation or another subsidiary but is not owned 100%.

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# SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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## FORM 10-Q

### QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarter ended August 31, 1987

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## BEATRICE COMPANY

(Exact name of registrant as specified in its charter)

1-9119

(Commission File No.)

Delaware

(State or other jurisdiction of  
incorporation or organization)

13-3327481

(I.R.S. Employer  
Identification Number)

Two North LaSalle St.  
Chicago, Illinois

(Address of principal executive offices)

60602

(Zip Code)

Registrants' telephone number, including area code: (312) 782-3820

**BCI Holdings Corporation**

(former name if changed since last report)

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

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As of September 30, 1987, a total of 81,700,000 shares of Beatrice Company common stock was outstanding.

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**PART I. FINANCIAL INFORMATION**

**BEATRICE COMPANY**  
**CONDENSED CONSOLIDATED BALANCE SHEET**  
(In millions)

	August 31, 1987 (Unaudited)	February 28, 1987
<b>ASSETS</b>		
Current assets:		
Cash and short-term investments .....	\$ 537	\$ 46
Receivables, less allowance for doubtful accounts of \$14 .....	327	384
Inventories .....	688	617
Net current assets of discontinued operations .....	255	409
Other current assets .....	132	129
Total current assets .....	1,939	1,585
Property, plant and equipment, less accumulated depreciation of \$132 and \$85, respectively .....	851	863
Intangible assets, principally goodwill and unallocated purchase cost, respectively ..	2,591	2,636
Net noncurrent assets of discontinued operations .....	227	1,492
Other noncurrent assets .....	311	348
	<u>\$ 5,919</u>	<u>\$6,924</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Short-term debt .....	\$ 3	\$ 4
Accounts payable and accrued expenses .....	1,026	1,101
Current maturities of long-term debt .....	126	125
Total current liabilities .....	1,155	1,230
Long-term debt .....	3,752	4,244
Noncurrent and deferred income taxes .....	461	459
Other noncurrent liabilities .....	677	683
Contingent liabilities .....	—	—
Stockholders' equity:		
Preferred stock .....	—	—
Common stock .....	1	1
Additional capital .....	418	418
Retained earnings (deficit) .....	(579)	(121)
Cumulative foreign currency translation adjustment .....	34	10
Total stockholders' equity .....	(126)	308
	<u>\$ 5,919</u>	<u>\$6,924</u>

See Notes to Condensed Consolidated Financial Statements.

**BEATRICE COMPANY**

**CONDENSED CONSOLIDATED INCOME STATEMENT**  
(Unaudited)

(In millions, except per share data)

	Periods ended August 31,			
	Quarter		Six Months	
	1987	1986	1987	1986
Net sales .....	\$1,117	\$1,103	\$2,192	\$2,161
Costs and expenses:				
Cost of sales .....	820	789	1,585	1,554
Selling and administrative expenses .....	211	232	439	463
Amortization of intangible assets .....	17	15	34	26
Total costs and expenses .....	<u>1,048</u>	<u>1,036</u>	<u>2,058</u>	<u>2,043</u>
Operating earnings .....	69	67	134	118
Interest expense .....	(94)	(85)	(182)	(127)
Change in control expenses .....	—	—	—	(84)
Miscellaneous income (expense), net .....	(19)	—	(19)	8
Loss from ongoing operations before income taxes .....	(44)	(18)	(67)	(85)
Income tax expense (benefit) .....	2	3	10	(22)
Loss from ongoing operations .....	(46)	(21)	(77)	(63)
Earnings (loss) from discontinued operations, net of income tax expense of \$27, \$15, \$36 and \$27, respectively .....	(12)	12	(35)	13
Extraordinary items, net of \$8 income tax benefit in the six months 1986 .....	(6)	—	(6)	(10)
Net loss .....	(64)	(9)	(118)	(60)
Preferred dividend requirements .....	—	(30)	—	(52)
Net loss of Predecessor .....	—	—	—	36
Net loss applicable to common stockholders .....	<u>\$ (64)</u>	<u>\$ (39)</u>	<u>\$ (118)</u>	<u>\$ (76)</u>
Weighted-average common shares outstanding .....	<u>82</u>	<u>81</u>	<u>82</u>	<u>81</u>
Loss per share:				
Ongoing operations .....	\$ (.56)	\$ (.63)	\$ (.94)	\$ (.93)
Discontinued operations .....	(.15)	.15	(.43)	(.01)
Extraordinary items .....	(.07)	—	(.07)	—
Net loss .....	<u>\$ (.78)</u>	<u>\$ (.48)</u>	<u>\$ (1.44)</u>	<u>\$ (.94)</u>

See Notes to Condensed Consolidated Financial Statements.

**BEATRICE COMPANY**

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION**  
**(Unaudited)**

**(In millions)**

	Periods ended August 31,			
	Quarter		Six Months	
	1987	1986	1987	1986
Cash provided (used) by operations:				
Loss from ongoing operations	\$ (46)	\$ (21)	\$ (77)	\$ (63)
Items not involving cash:				
Depreciation and amortization of intangibles	39	37	80	71
Interest payable in Exchange Debentures	—	16	—	16
Other items, net	3	11	6	(15)
Changes in working capital, excluding current debt	(44)	(178)	(135)	(119)
Cash used by ongoing operations	(48)	(135)	(126)	(110)
Net cash provided (used) by discontinued operations	7	112	(16)	56
Net cash used by extraordinary items	(4)	—	(4)	(10)
Cash used by operations	(45)	(23)	(146)	(64)
Cash provided (used) by investment activities:				
Net expenditures for property, plant and equipment	(29)	(16)	(49)	(35)
Net proceeds from divested operations and other asset sales	444	262	444	262
E-II Notes repayment	800	—	800	—
Effect of Merger	—	—	—	437
Other items, net	(17)	(17)	23	9
Cash provided by investment activities	1,198	229	1,218	673
Cash provided (used) by financing activities, excluding the Merger:				
Change in debt	(583)	(205)	(496)	(317)
Exchange Debentures issued upon exchange of Redeemable Preferred Stock	—	1,230	—	1,230
Redeemable Preferred Stock retired upon exchange of Exchange Debentures	—	(1,230)	—	(1,230)
Common stock issued upon conversion of preference stock and debentures	—	—	—	41
Preference stock and debentures retired upon conversion into common stock	—	—	—	(41)
Common stock issued for exercises of stock options and stock warrants	—	—	—	20
Redeemable Preferred Stock issued as dividends and upon conversion of convertible securities	—	60	—	74
Dividends paid in Redeemable Preferred Stock	—	(52)	—	(52)
Other items, net	(10)	(116)	(5)	(28)
Cash used by financing activities	(593)	(313)	(501)	(303)
Cash provided (used) before cash dividends	560	(107)	571	306
Cash dividends paid or accrued	(80)	—	(80)	(53)
Increase (decrease) in cash and short-term investments	480	(107)	491	253
Cash and short-term investments at beginning of period	57	360	46	—
Cash and short-term investments at end of period	\$ 537	\$ 253	\$ 537	\$ 253

See Notes to Condensed Consolidated Financial Statements.

## BEATRICE COMPANY

### NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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#### 1. Background and Basis of Presentation

In September 1987 BCI Holdings Corporation's name was changed to Beatrice Company ("BCI" or the "Company").

The Company and an investment banking firm are engaged in a process which may result in the sale of all of the outstanding stock of the Company. There is no certainty that this process will result in any offers for the Company or, if offers are received, that they will be acceptable to the Company's stockholders.

BCI acquired Beatrice Companies, Inc. ("Beatrice" or "Predecessor") on April 17, 1986 in a purchase transaction for approximately \$6.2 billion (the "Merger"). The allocation of purchase cost to Beatrice's net assets was completed during fiscal 1988 and, accordingly, was revised from that reflected in the February 28, 1987 condensed consolidated balance sheet. The revisions were made based upon asset appraisal reports and intangible asset allocations to discontinued operations (Note 2).

Unless otherwise stated, fiscal 1987 includes the periods both before and after the Merger. The accompanying condensed consolidated income statement for the six months ended August 31, 1986 includes the following amounts attributable to the Predecessor (in millions):

Net sales	\$525
Operating expenses	(498)
Operating earnings	27
Change of control expenses	(84)
Interest expense	(14)
Loss from ongoing operations before income tax benefit	(71)
Income tax benefit	31
Loss from ongoing operations	(40)
Discontinued operations	14
Extraordinary items	(10)
Net loss	<u>\$(36)</u>

Per share data for such period excludes amounts attributable to the Predecessor due to the significantly different capital structures existing before and after the Merger.

In the opinion of management, unaudited information reflects all adjustments necessary for a fair presentation of the interim financial information. Such adjustments consist only of normal recurring adjustments.

#### 2. Discontinued Operations

In August 1987 BCI entered into an agreement to sell substantially all of its non-U.S. food businesses. This sale is expected to be completed during the third quarter for anticipated net cash proceeds approximating \$970 million resulting in a gain of approximately \$500 million. In connection with the allocation of purchase cost (Note 1) these businesses were valued based upon the ratio of their aggregate fair market value to the aggregate fair market value of Beatrice as determined by an independent investment banking firm as of the Merger date, after reflecting the effects of businesses sold or under contract for sale as of May 1987. See also Note 8.

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## BEATRICE COMPANY

### NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

In July 1987 BCI sold its bottled water operations for net cash proceeds of \$444 million. These operations were under contract for sale in May 1987 and, in connection with the allocation of purchase cost (Note 1), were valued based upon the negotiated sales price. Therefore, no gain or loss was realized upon sale.

On July 2, 1987 BCI distributed its ownership in a newly formed subsidiary, E-II Holdings Inc. ("E-II"), to its stockholders and warrant holders (the "Distribution"). Concurrent with the Distribution BCI transferred 15 operating companies, comprising substantially all of its nonfood and food specialty businesses, to E-II in exchange for 41.1 million E-II common shares. Such shares were then distributed to BCI stockholders and warrant holders in the ratio of one E-II common share for every three BCI common shares held or entitled to be acquired under warrants. BCI option holders received one E-II common stock option for every three BCI common stock options held and the option price for each BCI common share under option was reduced from \$5 to \$4. The option price for E-II common shares is \$3. Intercompany indebtedness, aggregating \$800 million and evidenced by 11.25% senior promissory notes (the "E-II Notes"), remained payable to BCI after the Distribution and was repaid on July 9, 1987. All other intercompany amounts were capitalized or contributed to E-II. The net assets distributed reflect an allocation of purchase cost (Note 1) based upon the ratio of the aggregate fair market value of the E-II businesses to the aggregate fair market value of Beatrice as determined by an independent investment banking firm as of the Merger date, after reflecting the effects of businesses sold or under contract for sale as of May 1987. See also Notes 3, 5, 6 and 7.

In fiscal 1987 BCI sold its vehicle rental and leasing business; its personal products, knitwear and specialty printing operations; and its soft drink bottling, dairy and warehousing operations. In the allocation of purchase cost (Note 1), these operations were valued at net proceeds and, therefore, no gains or losses were recognized upon the sales.

Discontinued operations are segregated in the accompanying condensed consolidated financial statements. Summary income statement and balance sheet data for these operations follows (in millions):

	Periods ended August 31,			
	Quarter		Six Months	
	1987	1986	1987	1986
<b>INCOME STATEMENT*:</b>				
Net sales and operating revenues . . . . .	\$ 939	\$ 2,091	\$ 2,062	\$ 4,208
Costs and expenses . . . . .	(881)	(1,914)	(1,957)	(3,909)
Amortization of intangible assets . . . . .	(3)	(18)	(8)	(32)
Interest allocation** . . . . .	(40)	(132)	(96)	(227)
Earnings before income tax allocation . . . . .	15	27	1	40
Income tax expense allocation . . . . .	27	15	36	27
Net earnings (loss) . . . . .	\$ (12)	\$ 12	\$ (35)	\$ 13

\*Results of operations sold are included through the date of sale.

\*\*In the periods following the Merger, interest has been allocated based upon the actual or anticipated debt reductions resulting from the application of actual or estimated net proceeds received or to be received upon sale or the Distribution. Interest in the period prior to the Merger has been allocated based on the ratio of the estimated fair value of these operations relative to the estimated fair value of all operations as of the Merger date.

**BEATRICE COMPANY**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

	August 31, 1987	February 28, 1987
<b>BALANCE SHEET:</b>		
Current assets .....	\$ 732	\$1,151
Current liabilities .....	(477)	(742)
Net current assets of discontinued operations .....	255	409
Property, plant and equipment, net .....	358	817
Intangible assets, principally goodwill and unallocated purchase cost, respectively ..	5	863
Long-term debt .....	(35)	(84)
Other, net .....	(101)	(104)
Net noncurrent assets of discontinued operations .....	227	1,492
Net assets of discontinued operations .....	\$ 482	\$1,901

**3. Transactions With E-II**

In connection with the Distribution (Note 2), BCI and E-II entered into various agreements under which E-II leases office space and various operating assets from BCI and utilizes the services of certain BCI personnel. In addition, in the ordinary course of business, certain subsidiaries of E-II and BCI maintain supplier relationships with each other. These transactions do not involve amounts which are material to either E-II or BCI.

Included in accounts payable and accrued expenses as of August 31, 1987 are amounts, aggregating \$37 million, due to E-II for cash items which were in-transit as of the Distribution date and which have since been settled.

**4. Inventories**

Inventories, in millions, consist of the following:

	August 31, 1987	February 28, 1987
Raw materials and supplies .....	\$158	\$ 150
Work in process .....	139	138
Finished goods .....	391	329
	\$688	\$ 617

**5. Long-term Debt**

In October 1987 BCI redeemed all \$526 million of its outstanding 15.25% Junior Subordinated Exchange Debentures Due 2002 ("Exchange Debentures") at face value utilizing proceeds from the issuance of Increasing Rate Subordinated Debentures which are due in October 2002. The Increasing Rate Subordinated Debentures may be redeemed for face value at BCI's option at any time after December 1, 1987 upon 30 days notice subject to certain senior indenture restrictions. Through January 1, 1988, the annual interest rate is 11.625%. Subsequently, the annual interest rate is increased by .5% through 1988 and thereafter by .25% on each January 2, April 2, July 2 and October 2, until maturity.

Pursuant to a tender offer which expired on September 3, BCI purchased \$101 million principal amount of its 11% senior notes at an aggregate premium of \$4 million. Also in September an additional \$97 million principal amount of other debt securities was acquired at an aggregate premium of \$7 million. Had these transactions occurred during the second quarter, BCI would have realized an extraordinary expense, including associated deferred financing fees, of approximately \$14 million or \$.17 per share. See also Note 8.

**BEATRICE COMPANY**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

BCI also acquired \$99 million principal amount of its 11% senior notes on the open market during the second quarter of fiscal 1988 at an aggregate premium of \$4 million resulting in an extraordinary expense, including associated deferred financing fees, of \$6 million.

During July BCI repaid its borrowings under the Revolving Credit Agreement through the application of a portion of the proceeds received from the repayment of the E-II Notes (Note 2).

Certain provisions contained in the indentures for BCI's 11% senior notes, 12½% senior subordinated debentures, 12¾% subordinated debentures and floating rate junior subordinated debentures (collectively the "Indentures") prohibited the Distribution (Note 2). Modifications to the Indentures' provisions were made as of June 30, 1987, to allow for the Distribution. Modifications were also made regarding the retirement, repayment and defeasance of the various issues of debt. The modified provisions allow BCI more flexibility in retiring the outstanding indebtedness under the Indentures. Various other restrictions on payments with respect to capital stock were also modified. The cost of obtaining consents to these modifications was charged to miscellaneous income (expense), net in the second quarter and included payments aggregating approximately \$25 million to the Indentures' holders.

On June 25, 1987 BCI entered into a Revolving Credit Agreement with a group of banks which refinanced and replaced its former Bank Credit Agreement and Working Capital Credit Agreement. The new agreement provides for an initial aggregate commitment of up to \$1.2 billion which is subject to mandatory reductions in the event certain assets are sold. Borrowings bear interest, at BCI's option, at the prime rate plus ¼%, a certificate of deposit based rate plus 1¼%, a Eurodollar deposit based rate plus 1% or at a negotiated rate. Commitment fees of ⅓ of 1% of the unused credit are also required.

**6. Stockholders' Equity**

In addition to the E-II shares (Note 2), BCI stockholders and warrant holders also received \$.574 for each BCI common share held or entitled to be acquired under warrants. Payments, aggregating \$9 million, to BCI option holders of \$.574 for each BCI common share entitled to be acquired under options have also been accrued and will be paid in January 1988.

The following summarizes the changes in stockholders' equity since February 1987 (in millions):

	<u>Common Stock</u>	<u>Additional Capital</u>	<u>Retained Earnings (Deficit)</u>	<u>Cumulative Foreign Currency Translation Adjustment</u>
Balance at February 28, 1987 .....	\$ 1	\$ 418	\$ (121)	\$ 10
Net loss .....	—	—	(118)	—
Foreign currency translation adjustment .....	—	—	—	24
Stockholder distributions:				
E-II common shares .....	—	—	(260)	—
Cash .....	—	—	(80)	—
Balance at August 31, 1987 .....	<u>\$ 1</u>	<u>\$ 418</u>	<u>\$ (579)</u>	<u>\$ 34</u>

**7. Contingent Liabilities**

In connection with the Distribution (Note 2), BCI and E-II entered into indemnification agreements which provide for the settlement of claims or damages which may arise for periods prior to the Distribution. Neither BCI or E-II management is aware of any significant impending liabilities that would give rise to claims under these agreements. Also, in the opinion of BCI management there are no claims or litigation pending which are expected to have a materially adverse effect on the consolidated financial condition of BCI.

## BEATRICE COMPANY

### NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

#### 8. Summarized Pro Forma Balance Sheet

Had the sale of the non-U.S. food businesses (Note 2) and the September 1987 debt repurchases (Note 5) been completed on August 31, 1987, the summarized unaudited pro forma balance sheet would have been as follows (in millions):

	Historical	Adjustments		Pro Forma
		Divestiture	Debt Repurchases	
<b>ASSETS:</b>				
Cash and short-term investments	\$ 537	\$970	\$(215)	\$1,292
Other current assets	1,402	(255)	—	1,147
Total current assets	1,939	715	(215)	2,439
Property, plant and equipment, net	851	—	—	851
Intangible assets	2,591	—	—	2,591
Other noncurrent assets	538	(227)	(3)	308
Total assets	<u>\$5,919</u>	<u>\$488</u>	<u>\$(218)</u>	<u>\$6,189</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY:</b>				
Total current liabilities	\$1,155	\$—	\$(6)	\$1,149
Long-term debt	3,752	—	(198)	3,554
Other noncurrent liabilities	1,138	—	—	1,138
Total liabilities	6,045	—	(204)	5,841
Stockholders' equity	(126)	488	(14)	348
Total liabilities and stockholders' equity	<u>\$5,919</u>	<u>\$488</u>	<u>\$(218)</u>	<u>\$6,189</u>

#### 9. Income Taxes

BCI's effective tax rate for the periods presented differs from the U.S. federal statutory rate primarily as a result of state income taxes and non-deductible depreciation and amortization attributable to acquisitions and the Merger.

#### 10. Reorganization

Subsequent to the Merger, Beatrice's Board of Directors approved a Plan of Complete Liquidation and Dissolution ("Plan") for Beatrice. The Plan involved Beatrice exchanging substantially all of its net assets in return for Beatrice common stock and the cancellation of notes receivable from Beatrice held by BCI and the wholly-owned subsidiaries (collectively, "Second Tier Subsidiaries") of the First Tier Subsidiaries (comprised of Beatrice U.S. Food Corp. ("Beatrice U.S. Food"), Beatrice International Food Company ("Beatrice International") and BCI Consumer Products Corporation ("BCI Products")). Prior to being party to an exchange, the net assets of the Second Tier Subsidiaries generally consisted of investments in Beatrice common stock and intercompany notes receivable from Beatrice and payable to the First Tier Subsidiaries. The Plan was substantially completed on September 30, 1987.

The condensed consolidating income statement for the six months ended August 31, 1987 and balance sheet as of August 31, 1987 present the following:

- Condensed consolidated income statements and balance sheets for the First Tier Subsidiaries, Norton Simon, Inc. ("NSI") and Swift-Eckrich, Inc. ("Swift-Eckrich");
- Condensed income statement and balance sheet for the parent company only (BCI), including the elimination of its investments in its wholly-owned subsidiaries; and
- Condensed consolidated income statement and balance sheet for BCI.

For purposes of these financial statements, the Plan is assumed to have been completed on March 1, 1986.

**BEATRICE COMPANY**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Concluded)**

**CONDENSED CONSOLIDATING FINANCIAL STATEMENTS**  
(Unaudited)  
(In millions)

	<u>NSI</u>	<u>Swift-Eckrich</u>	<u>Beatrice U.S. Food</u>	<u>BCI Products</u>	<u>Beatrice International</u>	<u>BCI</u>	<u>Consolidated</u>
<b>INCOME STATEMENT (Six months ended August 31, 1987):</b>							
Net sales .....	\$ 720	\$ 639	\$ 777	\$ 56	\$—	\$ —	\$2,192
Operating expenses .....	651	598	730	58	—	21	2,058
Operating earnings .....	69	41	47	(2)	—	(21)	134
Intercompany interest income (expense), net ..	(22)	(36)	(33)	(34)	—	125	—
Interest expense .....	(13)	—	(2)	—	—	(167)	(182)
Other income (expense), net .....	—	—	2	6	—	(27)	(19)
Earnings (loss) from ongoing operations before income taxes .....	34	5	14	(30)	—	(90)	(67)
Income tax expense (benefit) .....	23	10	9	(12)	—	(20)	10
Earnings (loss) from ongoing operations ..	11	(5)	5	(18)	—	(70)	(77)
Loss from discontinued operations .....	—	—	(9)	(1)	(23)	(2)	(35)
Extraordinary items .....	—	—	—	—	—	(6)	(6)
Net earnings (loss) .....	<u>\$ 11</u>	<u>\$ (5)</u>	<u>\$ (4)</u>	<u>\$ (19)</u>	<u>\$ (23)</u>	<u>\$ (78)</u>	<u>\$ (118)</u>
<b>BALANCE SHEET (As of August 31, 1987):</b>							
<b>Assets:</b>							
Cash and short-term investments .....	\$ 6	\$ 2	\$ 8	\$ 1	\$—	\$ 520	\$ 537
Receivables, net .....	115	83	102	21	—	6	327
Inventories .....	383	125	160	20	—	—	688
Net current assets of discontinued operations ..	—	—	—	—	255	—	255
Other current assets .....	45	1	6	3	—	77	132
Total current assets .....	549	211	276	45	255	603	1,939
Property, plant and equipment, net .....	423	199	159	15	—	55	851
Intangible assets, principally goodwill .....	1,024	905	662	—	—	—	2,591
Net noncurrent assets of discontinued operations ..	—	—	—	—	227	—	227
Other noncurrent assets .....	18	1	72	71	—	149	311
Total assets .....	<u>\$2,014</u>	<u>\$1,316</u>	<u>\$1,169</u>	<u>\$ 131</u>	<u>\$482</u>	<u>\$ 807</u>	<u>\$5,919</u>
<b>Liabilities and Stockholders' Equity:</b>							
Short-term debt and current maturities of long-term debt .....	\$ 14	\$ —	\$ 6	\$ 1	\$—	\$ 108	\$ 129
Accounts payable and accrued expenses .....	260	160	261	27	—	318	1,026
Total current liabilities .....	274	160	267	28	—	426	1,155
Long-term debt .....	222	6	22	4	—	3,498	3,752
Noncurrent and deferred income taxes .....	35	—	5	—	—	421	461
Other noncurrent liabilities .....	10	4	11	107	—	545	677
Net intercompany investments and advances ..	1,473	1,146	864	(8)	482	(3,957)	—
<b>Stockholders' equity:</b>							
Common stock .....	—	—	—	—	—	1	1
Additional capital .....	—	—	—	—	—	418	418
Retained earnings (deficit) .....	—	—	—	—	—	(579)	(579)
Cumulative foreign currency translation adjustment .....	—	—	—	—	—	34	34
Total stockholders' equity .....	—	—	—	—	—	(126)	(126)
Total liabilities and stockholders' equity ..	<u>\$2,014</u>	<u>\$1,316</u>	<u>\$1,169</u>	<u>\$ 131</u>	<u>\$482</u>	<u>\$ 807</u>	<u>\$5,919</u>

## BEATRICE COMPANY

### MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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#### OPERATIONS

BCI's ongoing operations are concentrated in one segment, U.S. Food. The businesses of U.S. Food manufacture and distribute grocery, meat, fruit juice and cheese products throughout the U.S. and certain Canadian provinces. The following discussion addresses the results of BCI's ongoing operations for the quarter and six months ended August 31, 1987 and 1986.

#### Quarter Ended August 31, 1987 and 1986

Net sales in the second quarter increased slightly over the prior year's quarter. Volume gains were realized in fruit juice products due to new product introductions and other marketing efforts. Minor volume gains were also experienced in cheese and processed meat products. Offsetting these gains were volume declines in grocery and whole turkey products, decreased prices on oil-based products and increased grocery promotional allowances.

Operating earnings increased 3% over the prior year's quarter due primarily to the slight increase in net sales and lower product support and marketing costs for grocery products. Lower corporate administrative costs also contributed to the increase. The finalization of the allocation of purchase cost resulting from the Merger caused amortization of intangible assets to increase approximately \$2 million.

A loss of \$46 million from ongoing operations was realized versus a loss of \$21 million in the prior year's quarter. Interest expense increased due primarily to the Exchange Debentures which were outstanding for only a portion of the prior year's quarter. In addition, included in miscellaneous income (expense) in the current quarter is a charge of \$25 million for payments made in connection with obtaining modifications to certain of BCI's long-term debt agreements (See Note 5 of the Notes to Condensed Consolidated Financial Statements). Income tax expense in the current period reflects the lack of U.S. federal income tax benefits on losses due to uncertainties regarding realization.

In the current quarter an extraordinary charge of \$6 million resulted from the acquisition of \$99 million principal amount of previously outstanding 11% senior notes in the open market.

#### Six Months Ended August 31, 1987 and 1986

Net sales for the six months increased slightly over the prior year. Volume gains were realized in fruit juice products due to new product introductions and other marketing efforts. Minor volume gains were also experienced in cheese products. Offsetting these gains were volume declines in grocery products, decreased prices on oil-based products and the absence of sales from the Soup Starter line of grocery products which was disposed of earlier this year.

Operating earnings increased 14% over the prior year due primarily to the slight increase in net sales, increased margins and lower product support costs for grocery products and decreased corporate administrative costs. Volume increases in fruit juice product sales were offset in part by increased marketing expenses, while declines in grocery products sales were more than offset by improved margins and lower product support costs. Operating earnings were also impacted by lower margins on whole turkey products and increased intangible asset amortization of approximately \$8 million due to the finalization of the allocation of purchase cost resulting from the Merger.

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## BEATRICE COMPANY

### MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS—(Concluded)

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A loss of \$77 million from ongoing operations was realized versus a loss of \$63 million in the prior year. Interest expense increased due primarily to the Merger-related debt and Exchange Debentures which were outstanding for only a portion of the prior year. In addition, included in miscellaneous income (expense) in the current year is a charge of \$25 million for payments made in connection with obtaining modifications to certain of BCI's long-term debt agreements (See Note 5 of the Notes to Condensed Consolidated Financial Statements). Change of control expenses of \$84 million in the prior year relate to expenses incurred by Beatrice in connection with the Merger. Income tax expense in the current period reflects the lack of U.S. federal income tax benefits on losses due to uncertainties regarding realization.

In the current year an extraordinary charge of \$6 million resulted from the acquisition of \$99 million principal amount of previously outstanding 11% senior notes in the open market while the prior year includes an extraordinary charge of \$10 million related to debt redemptions and repayments made by Beatrice immediately prior to the Merger.

#### FINANCIAL CONDITION

By August 31, 1987 BCI had sold its bottled water operations, distributed its ownership in a newly formed company, E-II, which contained substantially all of its nonfood and food specialties operations and reduced long-term debt by \$492 million. Shortly after the end of the quarter an additional \$101 million of outstanding senior debt was repurchased pursuant to a tender offer which expired on September 3, 1987. As described in Note 2 of the Notes to Condensed Consolidated Financial Statements, net cash proceeds of \$444 million were received from the bottled water operations sale and \$800 million was received from E-II in repayment of the E-II Notes. An agreement to sell substantially all of the non-U.S. food businesses has also been reached and net cash proceeds of approximately \$970 million are expected to be received in the third quarter. The anticipated gain of approximately \$500 million on this transaction should more than offset the current deficit in stockholders' equity.

BCI currently intends to continue to reduce its long-term debt by utilizing excess cash balances to purchase certain of its outstanding debt issues in the open market. The refinancing of the Exchange Debentures with Increasing Rate Subordinated Debentures which occurred in October 1987 is expected to result in near-term savings in interest costs. Existing credit facilities and operating cash flows continue to be sufficient to meet operating working and other capital requirements.

**BEATRICE COMPANY**

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**PART II. OTHER INFORMATION**

**Item 6—Exhibits and Reports on Form 8-K**

(a) Exhibits

None

(b) Reports on Form 8-K.

None

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned thereunto duly authorized.

**BEATRICE COMPANY**

By           /s/           **WILLIAM P. CARMICHAEL**

**William P. Carmichael**  
*Vice President and*  
*Chief Financial Officer*

By           /s/           **MICHAEL FUNG**

**Michael Fung**  
*Vice President and Controller*

October 14, 1987

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**SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

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**Form 8-K**

**CURRENT REPORT**

Pursuant to Section 13 or 15(d) of  
the Securities Exchange Act of 1934

**July 2, 1987**

Date of Report (Date earliest event reported)

**BCI Holdings Corporation**  
(Exact name of registrant as specified in its charter)

**Delaware**  
(State of incorporation)

**1-9119**  
(Commission File Number)

**13-3327481**  
(IRS Employer Identification Number)

**Two North LaSalle Street, Chicago, IL**  
(Address of principal executive offices)

**60602**  
(Zip Code)

Registrant's telephone number, including area code: (312) 782-3820

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## **ITEM 2. ACQUISITION OR DISPOSITION OF ASSETS**

On July 2, 1987, a Form S-1 Registration Statement, Registration No. 33-14454, was declared effective by the Securities and Exchange Commission for an initial public offering of common stock in a newly formed company, E-II Holdings Inc. ("E-II"), which was previously a wholly owned subsidiary of the registrant. E-II owns substantially all of the nonfood and food specialty businesses previously owned by the registrant. Concurrent with the effectiveness of the Registration Statement for the E-II common stock, the registrant distributed all of the then outstanding E-II common stock to registrant's stockholders and warrant holders (the "Distribution"). Consents from the holders of a majority of the outstanding principal amount of each of four issues of registrant's debt securities were received in June 1987 which permitted the Distribution. Registrant retained \$800 million of principal amount of 11¼% notes issued by subsidiaries of E-II, which notes were repaid on July 9, 1987.

Separately, management has determined to dispose of substantially all of the registrant's non-U.S. food businesses and is currently seeking prospective buyers.

## **ITEM 7. FINANCIAL STATEMENTS AND EXHIBITS**

### **(c) Exhibits**

Exhibit 28.01, attached hereto, provides a restatement of the financial information contained in Items 6, 7 and 8 of the registrant's Form 10-K for the fiscal year ended February 28, 1987 reflecting the effects of the events described in Item 2.

**SIGNATURE**

**Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.**

July 13, 1987

BCI HOLDINGS CORPORATION

By:           /s/ MICHAEL FUNG            
*Vice President and Controller*

**INDEX TO EXHIBIT**

<u>Exhibit No.</u>	<u>Description of Exhibit</u>	<u>Page No.</u>
28.01	Restated Financial Information .....	5

## BCI HOLDINGS CORPORATION

## INDEX TO RESTATED FINANCIAL INFORMATION

Item 6. Selected Financial Data .....	6
Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations ...	6
Item 8. Financial Statements and Supplementary Data:	
Auditors' Report .....	9
Financial Statements:	
Consolidated Balance Sheet .....	10
Statement of Consolidated Earnings .....	11
Statement of Consolidated Stockholders' Equity .....	12
Statement of Consolidated Changes in Financial Position .....	13
Notes to Consolidated Financial Statements .....	14
Financial Statement Schedule:	
Schedule X—Supplementary Income Statement Information .....	31

All item references are to BCI Holdings Corporation's Annual Report on Form 10-K for the fiscal year ended February 28, 1987.

## ITEM 6. SELECTED FINANCIAL DATA

The following table provides selected financial data for BCI Holdings Corporation ("BCI") and its predecessor, Beatrice Companies, Inc. ("Beatrice").

	Year ended last day of February				
	1987*	1986	1985	1984	1983
	(In millions, except per share data)				
Net sales .....	\$4,588	\$4,752	\$6,015	\$4,620	\$4,725
Earnings (loss) before other items** .....	\$ (105)	\$ 25	\$ 357	\$ 370	\$ 33
Loss per share before other items*** .....	\$ (1.43)				
Total assets .....	\$6,924	\$6,894	\$8,050	\$3,694	\$3,837
Long-term debt .....	\$4,244	\$1,147	\$2,121	\$ 648	\$ 625

\*Fiscal 1987 includes the periods both before and after BCI's April 17, 1986 acquisition of Beatrice (the "Merger") and charges of \$84 million pre-tax (\$45 million after-tax) related to the change of control.

\*\*Fiscal 1985 includes gains from divestiture activities of \$700 million pre-tax (\$386 million after-tax) and charges of \$264 million pre-tax (\$149 million after-tax) for integration and restructuring of businesses. Fiscal 1984 includes gains from divestiture activities of \$163 million pre-tax (\$99 million after-tax). Fiscal 1983 includes losses from divestiture activities of \$140 million pre-tax (\$84 million after-tax), charges of \$23 million pre-tax (\$12 million after-tax) for a voluntary early retirement program and \$188 million for goodwill write-downs. Items that are excluded from the determination of "Earnings (loss) before other items" are earnings from E-II and discontinued operations and extraordinary items.

\*\*\*Due to the substantial effect which the Merger had upon Beatrice's capitalization, per share information is presented only for Holdings in the period subsequent to the Merger.

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

### Operations

The following table and discussion address the results of operations of BCI excluding the results of discontinued operations and operations to be distributed. Fiscal 1987 results include the periods both before and after the Merger. Additional business segment data is contained in Note 18 of the Notes to Consolidated Financial Statements.

### BUSINESS SEGMENT DATA

(In millions)

	Year ended last day of February					
	1987		1986		1985	
	Net sales	Earnings (loss)	Net sales	Earnings (loss)	Net sales	Earnings (loss)
U.S. Food .....	\$4,473	\$352	\$4,540	\$334	\$4,008	\$(85)
Corporate and other .....	115	(48)	212	(108)	2,007	117
	\$4,588	\$304	\$4,752	\$226	\$6,015	\$ 32

### Fiscal 1987 Compared With Fiscal 1986

U.S. Food net sales were slightly less than the prior period. Lower selling prices, particularly for oil and fruit juice products, were the primary reason for the decrease, offset in part by volume improvements for fruit juice. Heavy promotion of grocery products in the latter part of last year also shifted sales between fiscal years causing lower volumes early this year. The absence of sales from the fresh red meat business exited late in fiscal 1986 also contributed to the sales decrease. Fruit juice sales volume was stimulated by lower selling prices, promotions and new product introductions. U.S. Food earnings increased 5%, primarily due to improved oil product margins and lower segment overhead expenses.

Corporate and other, consisting principally of unallocated corporate expenses and BCI's remaining nonfood businesses, experienced a decline in net sales primarily due to the absence of certain businesses that were divested during fiscal 1986. Overall reductions in corporate activities and the phase-out of automobile racing program sponsorships more than offset the absence of earnings from certain divested operations resulting in a substantial improvement in the results of Corporate and other.

The aforementioned factors resulted in a 3% decrease in net sales and a 35% increase in operating earnings.

The capital structure of BCI is significantly different than that of Beatrice prior to the Merger which caused a significant increase in interest expense. Change in control expenses associated with the Merger also materially affected the comparison of fiscal years. As a result of these factors, coupled with those mentioned above, a loss before other items of \$105 million was incurred compared to earnings of \$25 million in the prior year.

### **Fiscal 1986 Compared With Fiscal 1985**

Two significant factors affect the comparison of fiscal 1986 to fiscal 1985; the June 1984 acquisition of Esmark, Inc. ("Esmark") and the divestiture of several businesses in fiscal 1985, notably Beatrice's chemical business. Improved results caused by the inclusion of Esmark operations for a full year in fiscal 1986 versus only eight months in fiscal 1985 and the absence of fiscal 1985 charges of \$264 million for integrating and restructuring the combined businesses were offset to a great degree by the absence of net sales and earnings from divested businesses.

Net sales for U.S. Food increased 13% primarily due to the impact of Esmark's grocery, meats and cheese operations for a full year in fiscal 1986. These gains were somewhat offset by the exit from the fresh red meat business late in fiscal 1986 and lower selling prices for cheese and fruit juice products as the benefits of lower raw material costs were passed in part on to the consumer. U.S. Food earnings were \$334 million compared to a loss of \$85 million primarily due to the absence of fiscal 1985 integration and restructuring charges of \$263 million. Improved margins and the impact of the Esmark food operations for a full year in fiscal 1986 also contributed to the increase in U.S. Food earnings. Margin improvements for fruit juice and processed meat products were primarily the result of lower product costs and reduced operating expenditures. Grocery margins improved as increased operating efficiencies reduced operating expenses.

The absence of net sales and earnings from divested businesses coupled with increased expenditures related to the sponsorship of automobile racing programs were the primary causes for the significant decline in the results of Corporate and other.

The aforementioned factors combined to cause net sales to decline by approximately \$1.3 billion and operating earnings to increase by \$194 million.

Earnings before income taxes and other items declined 88% due to a number of factors which more than offset the benefits of improved operating earnings and the decline in interest expense caused by reduced debt levels in fiscal 1986. The most significant factor was the absence of gains totaling \$700 million from business divestitures. Change in control expenses of \$17 million in fiscal 1986 also contributed to the decrease.

The provision for income taxes in fiscal 1985 was significantly affected by tax rate differentials related to divestiture gains and the reversal of \$17 million of deferred taxes on domestic sales corporations' earnings. Note 15 of Notes to Consolidated Financial Statements contains additional information regarding income taxes. As a result of this and the factors discussed previously, earnings before other items declined 93%.

### **Financial Condition**

Although BCI's financial condition is highly leveraged, management believes that its existing credit facilities, combined with cash flow from operations, are sufficient to meet anticipated working capital and

other capital requirements as well as scheduled debt payments. As further described in Note 9 of Notes to Consolidated Financial Statements, debt incurred to finance the Merger has been substantially reduced through the application of divestiture proceeds.

Since the Merger, BCI has sold operations representing over 50% of the total purchase price of Beatrice for net proceeds aggregating \$3.4 billion. These include the sales of the soft drink bottling operations in September 1986 for net proceeds amounting to \$982 million and the personal products businesses for net proceeds of \$1.2 billion in December 1986. BCI has contracted to sell its bottled water operation and intends to sell substantially all of its non-U.S. food businesses. Additionally, BCI distributed its ownership of a newly formed company, E-II Holdings Inc. ("E-II"), to its stockholders and warrant holders on July 2, 1987. E-II includes substantially all of the nonfood and food specialties businesses previously owned by BCI. On July 9, 1987, E-II used a portion of the proceeds from its public offerings of debt and equity securities to repay \$800 million of indebtedness to BCI. Further information concerning E-II and discontinued operations is contained in Note 3 of Notes to Consolidated Financial Statements.

Also during fiscal 1987, \$800 million principal amount of BCI's outstanding Exchange Debentures was redeemed at face value, Beatrice's preference stock was redeemed and BCI's Redeemable Preferred Stock was exchanged for Exchange Debentures. These events are further described in Notes 9, 10 and 11 of Notes to Consolidated Financial Statements.

During the third quarter of fiscal 1987 the Tax Reform Act of 1986 was signed into law and the Financial Accounting Standards Board issued an Exposure Draft proposing significant changes to current generally accepted accounting principles in the area of income taxes. With the exception of rate reductions, neither of these events are expected to materially impact BCI. Additional information is contained in Note 15 of Notes to Consolidated Financial Statements.

#### **Inflation**

Management continuously attempts to maintain profit margins and to counteract the effects of inflation with various productivity improvements, cost reduction programs and timely price increases within the constraints of highly competitive markets.

#### **ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

Financial statements and supplementary data filed herewith are listed in the Index to Restated Financial Information on page 5. Information regarding selected quarterly financial data can be found in Note 20 of Notes to Consolidated Financial Statements.

## AUDITORS' REPORT

The Board of Directors and Stockholders  
BCI Holdings Corporation

We have examined the consolidated balance sheet of BCI Holdings Corporation and subsidiaries (Successor) as of February 28, 1987 and of Beatrice Companies, Inc. and subsidiaries (Predecessor) as of February 28, 1986 and the related statements of consolidated earnings, stockholders' equity and changes in financial position for the periods from April 17, 1986 to February 28, 1987 (Successor period) and from March 1, 1986 to April 16, 1986 and for each of the years in the two-year period ended February 28, 1986 (Predecessor periods). Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

As more fully described in note 2 to the consolidated financial statements, BCI Holdings Corporation acquired Beatrice Companies, Inc. as of April 17, 1986 in a business combination accounted for as a purchase. As a result of the acquisition, the consolidated financial statements for the Successor period are presented on a different basis of accounting than that of the Predecessor periods and, therefore, are not comparable.

In our opinion, the aforementioned Successor consolidated financial statements present fairly the financial position of BCI Holdings Corporation and subsidiaries at February 28, 1987 and the results of their operations and changes in their financial position for the Successor period, in conformity with generally accepted accounting principles. Further, in our opinion, the aforementioned Predecessor consolidated financial statements present fairly the financial position of Beatrice Companies, Inc. and subsidiaries at February 28, 1986 and the results of their operations and changes in their financial position for the Predecessor periods, in conformity with generally accepted accounting principles applied on a consistent basis. Also in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

PEAT MARWICK MAIN & CO.

Chicago, Illinois

April 13, 1987, except as to  
notes 3 and 9 to the financial  
statements, which are as of  
July 9, 1987.

**BCI HOLDINGS CORPORATION**  
**CONSOLIDATED BALANCE SHEET**  
(In millions)

	As of February 28,	
	1987 (Successor)	1986 (Predecessor)
<b>ASSETS</b>		
Current assets:		
Cash .....	\$ 16	\$ 6
Short-term investments, at cost which approximates market .....	30	141
Receivables, less allowance for doubtful accounts of \$14 and \$16, respectively ..	384	346
Inventories .....	617	631
Net current assets of E-II and discontinued operations .....	409	656
Other current assets .....	129	238
Total current assets .....	1,585	2,018
Net property, plant and equipment .....	863	774
Intangible assets, principally unallocated purchase cost and goodwill, respectively .	2,636	1,171
Net noncurrent assets of E-II and discontinued operations .....	1,492	2,810
Other noncurrent assets .....	348	121
	<u>\$6,924</u>	<u>\$6,894</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Short-term debt .....	\$ 4	\$ 541
Accounts payable .....	450	502
Accrued expenses .....	651	636
Current maturities of long-term debt .....	125	38
Total current liabilities .....	1,230	1,717
Long-term debt .....	4,244	1,147
Noncurrent and deferred income taxes .....	459	501
Other noncurrent liabilities .....	683	388
Stockholders' equity:		
Preferred stock .....	—	—
Preference stock .....	—	100
Common stock .....	1	212
Additional capital .....	418	536
Retained earnings (deficit) .....	(121)	2,308
Common stock in treasury, at cost .....	—	(12)
Cumulative foreign currency translation adjustment .....	10	(3)
Total stockholders' equity .....	308	3,141
	<u>\$6,924</u>	<u>\$6,894</u>

See Notes to Consolidated Financial Statements.

**BCI HOLDINGS CORPORATION**

**STATEMENT OF CONSOLIDATED EARNINGS**

(In millions, except per share data)

	Year ended February 28,			
	1987		1986	1985
	From April 17 (Successor)	To April 16 (Predecessor)		
Net sales .....	\$4,063	\$525	\$4,752	\$6,015
Cost of sales .....	2,875	381	3,436	4,455
Gross earnings .....	1,188	144	1,316	1,560
Selling and administrative expenses .....	856	112	1,050	1,233
Amortization of intangible assets .....	55	5	40	31
Integration and restructuring .....	—	—	—	264
Operating earnings .....	277	27	226	32
Interest expense .....	(317)	(14)	(117)	(145)
Change in control expenses .....	—	(84)	(17)	—
Divestiture gains .....	—	—	—	700
Miscellaneous income (expense), net .....	11	—	(17)	28
Earnings (loss) before income taxes and other items ..	(29)	(71)	75	615
Income tax expense (benefit) .....	36	(31)	50	258
Earnings (loss) before other items .....	(65)	(40)	25	357
Earnings from E-II and discontinued operations, net of income tax expense of \$64, \$15, \$174 and \$94, respec- tively .....	32	14	207	122
Extraordinary items, net of income tax benefit of \$32 and \$8, respectively .....	(36)	(10)	—	—
Net earnings (loss) .....	(69)	<u>\$ (36)</u>	<u>\$ 232</u>	<u>\$ 479</u>
Preferred dividend requirements .....	(52)			
Net loss applicable to common stockholders .....	<u>\$ (121)</u>			
Weighted-average common shares outstanding .....	<u>82</u>			
Earnings (loss) per share:				
Before other items .....	\$ (1.43)			
E-II and discontinued operations .....	.39			
Extraordinary item .....	(.44)			
Net loss .....	<u>\$ (1.48)</u>			

See Notes to Consolidated Financial Statements.

**BCI HOLDINGS CORPORATION**

**STATEMENT OF CONSOLIDATED STOCKHOLDERS' EQUITY**

	Years ended February 28, 1987, 1986 and 1985									
	NUMBER OF SHARES*			STOCKHOLDERS' EQUITY						Cumulative foreign currency translation adjustment
	(In thousands)			(In millions)						
Preference stock	Issued common stock	Common stock in treasury	Preference stock	Issued common stock	Additional capital	Retained earnings (deficit)	Common stock in treasury	Common stock in treasury		
Balance, February 29, 1984	3,728	102,259	(10,819)	\$194	\$189	\$178	\$2,005	\$(353)	\$ (13)	
Net earnings	—	—	—	—	—	—	479	—	—	
Conversion of preference stock	(505)	—	941	(26)	—	(1)	(5)	32	—	
Conversion of debentures	—	—	287	—	—	—	(2)	10	—	
Exercise of stock options	—	—	203	—	—	—	(3)	7	—	
Stock contributed to employee stock benefit plans (net of forfeitures)	—	—	51	—	—	—	—	2	—	
Purchase of treasury stock	—	—	(1,393)	—	—	(1)	—	(46)	—	
Dividends paid on:	—	—	—	—	—	—	—	—	—	
Common stock	—	—	—	—	—	—	(155)	—	—	
Preference stock	—	—	—	—	—	—	(15)	—	—	
Foreign currency translation adjustment	—	—	—	—	—	—	—	—	11	
Preference stock issued to retire outstanding debt	1,500	—	—	75	—	—	—	—	—	
Debt redemption	—	—	126	—	—	(1)	—	4	—	
Common stock warrants issued	—	—	—	—	—	5	—	—	—	
<b>Balance, February 28, 1985</b>	<b>4,723</b>	<b>102,259</b>	<b>(10,604)</b>	<b>243</b>	<b>189</b>	<b>180</b>	<b>2,304</b>	<b>(344)</b>	<b>(2)</b>	
Net earnings	—	—	—	—	—	—	232	—	—	
Sale of common stock	—	4,738	9,662	—	9	134	(30)	321	—	
Conversion of preference stock	(2,787)	4,516	150	(143)	9	130	(1)	5	—	
Conversion of debentures	—	556	9	—	1	13	—	—	—	
Exercise of stock options	—	231	154	—	1	5	(2)	5	—	
Exercise of common stock warrants	—	2,200	—	—	3	73	—	—	—	
Stock contributed to employee stock benefit plans (net of forfeitures)	—	17	(1)	—	—	1	—	1	—	
Dividends paid on:	—	—	—	—	—	—	—	—	—	
Common stock	—	—	—	—	—	—	(181)	—	—	
Preference stock	—	—	—	—	—	—	(14)	—	—	
Foreign currency translation adjustment	—	—	—	—	—	—	—	—	(1)	
<b>Balance, February 28, 1986</b>	<b>1,936</b>	<b>114,517</b>	<b>(630)</b>	<b>100</b>	<b>212</b>	<b>536</b>	<b>2,308</b>	<b>(12)</b>	<b>(3)</b>	
Net loss	—	—	—	—	—	—	(36)	—	—	
Conversion of preference stock	(804)	1,304	191	(41)	2	35	—	4	—	
Conversion of debentures	—	17	10	—	—	—	—	—	—	
Exercise of stock options	—	191	212	—	—	8	—	4	—	
Exercise of common stock warrants	—	25	219	—	—	4	—	4	—	
Stock contributed to employee stock benefit plans (net of forfeitures)	—	(125)	(2)	—	—	(3)	—	—	—	
Dividends paid on:	—	—	—	—	—	—	—	—	—	
Common stock	—	—	—	—	—	—	(51)	—	—	
Preference stock	—	—	—	—	—	—	(2)	—	—	
Change stated value to par value	—	—	—	—	(213)	213	—	—	—	
<b>Balance, April 16, 1986</b>	<b>1,132</b>	<b>115,929</b>	<b>—</b>	<b>59</b>	<b>1</b>	<b>793</b>	<b>2,219</b>	<b>—</b>	<b>(3)</b>	
Effect of Merger:	—	—	—	—	—	—	—	—	—	
Retire Beatrice equity	(1,132)	(115,929)	—	(59)	(1)	(793)	(2,219)	—	3	
Issue Holdings equity	—	81,425	—	—	1	416	—	—	—	
<b>Balance, April 17, 1986</b>	<b>—</b>	<b>81,425</b>	<b>—</b>	<b>—</b>	<b>1</b>	<b>416</b>	<b>—</b>	<b>—</b>	<b>—</b>	
Net loss	—	—	—	—	—	—	(69)	—	—	
Sale of common stock	—	288	—	—	—	2	—	—	—	
Common stock reacquired	—	(8)	—	—	—	—	—	—	—	
Dividends paid on Redeemable Preferred Stock	—	—	—	—	—	—	(52)	—	—	
Foreign currency translation adjustment	—	—	—	—	—	—	—	—	10	
<b>Balance, February 28, 1987</b>	<b>—</b>	<b>81,705</b>	<b>—</b>	<b>\$—</b>	<b>\$ 1</b>	<b>\$418</b>	<b>\$(121)</b>	<b>\$—</b>	<b>\$ 10</b>	

\*Beatrice preference shares authorized on last day of February: fiscal 1986 and 1985—50 million.  
 Beatrice common shares authorized on last day of February: fiscal 1986 and 1985—300 million.  
 Holdings preferred shares authorized on the last day of February: fiscal 1987—250 million.  
 Holdings common shares authorized on last day of February: fiscal 1987—200 million.

See Notes to Consolidated Financial Statements.

**BCI HOLDINGS CORPORATION**

**STATEMENT OF CONSOLIDATED CHANGES IN FINANCIAL POSITION**

(In millions)

	Year ended February 28,			
	1987		1986	1985
	From April 17	To April 16		
	(Successor)	(Predecessor)	(Predecessor)	(Predecessor)
Cash provided (used) by operations:				
Earnings (loss) before other items	\$ (65)	\$ (40)	\$ 25	\$ 357
Items not involving cash:				
Depreciation and amortization of intangibles	141	16	129	139
Net charges due to integration and restructuring	—	—	—	274
Interest expense payable in Exchange Debentures	64	—	—	—
Deferred taxes	—	2	121	258
Other items, net	29	2	24	(6)
Changes in working capital, excluding current debt:				
Divestiture proceeds received in March 1985	—	—	855	(855)
Receivables	(72)	35	2	14
Inventories	(26)	14	42	(95)
Other current assets	52	(22)	6	(98)
Accounts payable and other current liabilities	(64)	(37)	(152)	90
Cash provided (used) by operations before other items	59	(30)	1,052	78
Net cash provided (used) by E-II and discontinued operations	(52)	(27)	11	(75)
Net cash used by extraordinary items	(36)	(10)	—	—
Cash provided (used) by operations	(29)	(67)	1,063	3
Cash provided (used) by investment activities:				
Net expenditures for property, plant and equipment	(94)	(9)	(127)	(61)
Noncurrent assets of purchased businesses	—	—	(7)	(58)
Net proceeds from divested operations and other asset sales	3,385	—	360	592
Other items, net	(11)	(4)	1	(6)
Cash provided (used) by investment activities	3,280	(13)	227	467
Cash provided (used) by financing activities, excluding the Merger:				
Change in debt	(3,770)	134	(1,778)	(455)
Exchange Debentures issued upon exchange of Redeemable Preferred Stock	1,230	—	—	—
Redeemable Preferred Stock retired upon exchange of Exchange Debentures	(1,230)	—	—	—
Proceeds from sale of Beatrice common stock	—	—	434	—
Refund of income taxes	—	—	176	—
Common stock issued upon conversion of preference stock and debentures	—	41	157	34
Preference stock and debentures retired upon conversion into common stock	—	(41)	(157)	(34)
Common stock issued for exercises of stock options and stock warrants	—	20	85	4
Redeemable Preferred Stock issued as dividends and upon conversion of convertible securities	74	—	—	—
Dividends paid in Redeemable Preferred Stock	(52)	—	—	—
Other items, net	106	(23)	(23)	42
Cash provided (used) by financing activities	(3,642)	131	(1,106)	(409)
Effect of Beatrice and Esmark acquisitions in fiscal 1987 and 1985, respectively:				
Funding	7,373	—	—	2,708
Purchase of equity securities	(6,183)	—	—	(2,708)
Debt repaid	(898)	—	—	—
Cash and short-term investments of acquired company	145	—	—	237
Increase in cash and short-term investments resulting from acquisitions	437	—	—	237
Cash provided before cash dividend payments	46	51	184	298
Cash dividends	—	(53)	(195)	(170)
Increase (decrease) in cash and short-term investments	46	(2)	(11)	128
Cash and short-term investments at beginning of period	—	147	158	30
Cash and short-term investments at end of period	<u>\$ 46</u>	<u>\$ 145</u>	<u>\$ 147</u>	<u>\$ 158</u>

See Notes to Consolidated Financial Statements.

## BCI HOLDINGS CORPORATION

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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#### 1. Summary of Significant Accounting Policies

*Principles of Consolidation* The consolidated financial statements include BCI Holdings Corporation ("BCI") and its significant subsidiaries. Included on the equity method are entities which are 20% to 50% owned.

*Fiscal Year* The fiscal year of BCI ends on the last day of February. Substantially all non-U.S. subsidiaries have fiscal years that end on December 31 and certain other subsidiaries have fiscal years ending on the last Saturday in February. Unless otherwise stated, fiscal 1987 includes the periods both before and after BCI's April 17, 1986 acquisition of Beatrice Companies, Inc. ("Beatrice") (the "Merger").

*Discontinued Operations* The underlying net assets and related operating results of operations sold or to be disposed of subsequent to the Merger are segregated in the financial statements as discontinued. Any prior period financial information presented is also restated.

*E-II Holdings Inc.* The underlying net assets and related operating results of the operating companies transferred to E-II Holdings Inc. ("E-II") are segregated in the financial statements as net assets of E-II and earnings of E-II, respectively, and are included with discontinued operations. Any prior period financial information is also restated.

*Inventories* Inventories are valued at the lower of cost or market. The last-in, first-out (LIFO) cost basis was used to determine 36% and 34% of inventories at the end of fiscal 1987 and 1986, respectively. The first-in, first-out (FIFO) cost basis is generally used for other inventories. The value of inventories would not have been significantly different had all inventories been accounted for on a FIFO basis.

*Net Property, Plant and Equipment* Depreciation is provided principally on the straight-line method.

*Intangible Assets* Intangible assets are amortized using the straight-line method over periods not in excess of 40 years.

*Income Taxes* Income taxes include deferred income taxes which result from reporting certain items of income and expense in different periods for income tax purposes than for financial reporting purposes.

*Per Share Data* Per share data for periods prior to the Merger have not been presented due to the significantly different capital structures of Beatrice and BCI.

*Postretirement Health Care Plans* Approximately 82% of U.S. postretirement health care expense is determined by an actuarial cost method which accrues expense over employees' service lives. The remaining U.S. postretirement health care expense is recognized as claims are incurred under BCI's self-insured programs and by expensing premiums paid to outside carriers over the policy periods. Substantially all U.S. postretirement health care is funded when claims are paid.

*Reclassification* Certain amounts for previous years in the consolidated financial statements have been reclassified to conform to the presentation used for fiscal 1987.

#### 2. Acquisition of Beatrice

BCI, Beatrice U.S. Food Corp. ("Beatrice U.S. Food"), BCI Consumer Products Corporation ("BCI Products") and BCI International Food Corporation ("BCI International") were formed solely for purposes relating to the acquisition of Beatrice. Beatrice U.S. Food, BCI Products, BCI International and Beatrice are collectively referred to as "First Tier Subsidiaries". The acquisition was completed on April 17, 1986, when a wholly-owned, direct and indirect, subsidiary of BCI was merged into Beatrice.

#### *Merger Consideration*

The total cost of the acquisition, including related expenses, was approximately \$6.2 billion. In the Merger, each of Beatrice's then outstanding shares of common stock was converted into the right to receive \$40 cash and  $\frac{1}{5}$  of a share of Holdings 15 $\frac{1}{4}$ % Cumulative Exchangeable Preferred Stock ("Redeemable Preferred Stock") with a liquidation preference of \$25 per share (collectively, "Merger Consideration"). In addition, Beatrice's then outstanding convertible preference stock, convertible debt securities and stock

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## BCI HOLDINGS CORPORATION

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

warrants became convertible into Merger Consideration based upon the number of common shares the holders thereof would have received had such rights been converted or exercised immediately prior to the Merger.

#### *Funding*

The following table, in millions, summarizes the sources used to fund the Merger. Further information is contained in Notes 9 and 10.

Bank borrowings .....	\$3,300
Debt securities issued .....	2,500
Common stock and Warrants issued .....	417
Redeemable Preferred Stock issued .....	1,156
	<u>\$7,373</u>

#### *Purchase Accounting*

BCI has accounted for the Merger as a purchase. BCI's purchase cost has been initially allocated to Beatrice's net assets based upon, among other things, the preliminary results of asset appraisals and disposals of certain operations (Note 3). Such allocation is summarized as follows, in millions:

Other current assets .....	\$1,109
Other current liabilities .....	(2,204)
Net current assets of E-II and discontinued operations .....	641
Other net noncurrent liabilities .....	(852)
Intangible assets, principally unallocated purchase cost .....	2,696
Net noncurrent assets of E-II and discontinued operations .....	4,793
	<u>\$6,183</u>

#### *Pro Forma Results of Operations*

Had the Merger, its related financing and the transactions described below occurred at the beginning of the periods presented, unaudited pro forma results of operations, in millions, would have been as follows:

	1987	1986
	(Unaudited)	
Net sales .....	\$4,588	\$4,652
Loss before other items .....	\$ (48)	\$ (82)
Loss before other items per BCI common share .....	\$ (.59)	\$ (1.01)

Pro forma information also reflects the following transactions as if each had occurred at the beginning of the periods presented, and as if any resultant proceeds had been applied to reduce debt:

- The exchange of Redeemable Preferred Stock for Exchange Debentures (Note 10)
- The redemption of \$800 million of Exchange Debentures (Note 9)
- The retirement of certain of Beatrice's existing debt (Note 9)
- Various Beatrice common stock issuances and business divestitures occurring during fiscal 1986
- Reduced debt levels and net corporate interest, assuming the net proceeds for businesses sold and the estimated net proceeds for the businesses which BCI intends to dispose of had been received (Note 3)
- The distribution of E-II (Note 3)

Pro forma information does not purport to be indicative of the results that would have been obtained had these events actually occurred at the beginning of the periods presented, and is not intended to be a projection of future results.

**BCI HOLDINGS CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

**3. E-II Holdings Inc., Discontinued Operations and Divestitures**

*E-II Holdings Inc.*

In May 1987 BCI's Board of Directors authorized the transfer of substantially all of BCI's nonfood and food specialty businesses to E-II Holdings Inc. and the distribution of all of E-II's common stock to the shareholders and warrant holders of BCI (the "Distribution"). Pursuant to this authorization, BCI transferred 15 operating companies to E-II in exchange for 41.1 million E-II common shares on July 2, 1987. These E-II shares were distributed to BCI shareholders and warrant holders in the ratio of one share of E-II common stock for every three BCI common shares held or entitled to be acquired under warrants. Also, \$800 million of intercompany indebtedness evidenced by 11¼% senior promissory notes due 1994 (the "E-II Notes"), remained payable to BCI. All other intercompany amounts were capitalized or contributed to E-II. On July 9, 1987, E-II repaid the E-II notes with a portion of the proceeds it received from the sales of 20.7 million shares of common stock and \$1.5 billion of debt securities. Of the proceeds BCI received from such repayments, \$497 million was used to repay outstanding borrowings under the Revolving Credit Agreement (Note 9) and \$71 million was distributed to BCI shareholders and warrant holders (\$.574 for each BCI common share held or entitled to be acquired under warrants). The remaining proceeds, approximately \$232 million, were invested in short-term investments. Of this, \$9 million will be distributed to option holders. As further described in Note 9, modifications of provisions of certain Merger-related debt agreements were made in June 1987 to permit the Distribution. In the allocation of purchase cost to the Beatrice net assets acquired, the operations which comprise E-II were valued based upon the ratio of their aggregate fair market value to the aggregate fair market value of Beatrice as determined by an independent investment banking firm.

The following unaudited table summarizes the pro forma effects, in millions, of the E-II Distribution, as if it had occurred on February 28, 1987:

Net assets of E-II .....	\$1,055
Less indebtedness to BCI remaining payable at date of Distribution .....	(800)
Net assets of E-II to be distributed .....	255
Cash to be distributed .....	80
Total to be distributed and charged to retained earnings (deficit) .....	\$ 335

*Discontinued Operations and Divestitures*

Since the Merger, operations representing over 50% of the total purchase cost of Beatrice have been sold for net proceeds aggregating \$3.4 billion. The businesses sold include the Avis vehicle rental and leasing business; the personal products, knitwear and specialty printing operations; and the soft drink bottling, dairy and warehousing operations. BCI also has entered into an agreement to sell its bottled water operation and intends to sell substantially all of its non-U.S. food businesses.

All of these businesses have been segregated in the accompanying consolidated financial statements as discontinued operations. In the allocation of purchase cost to the net assets acquired, the operations which have been sold or announced for sale prior to February 28, 1987, were valued at net proceeds and, therefore, no gains or losses were, or will be, recognized upon the sales. Operations which have been announced for sale subsequent to February 28, 1987, primarily non-U.S. food businesses, were valued consistent with the method used in valuing the E-II operations.

The use of proceeds received from the sales of these and certain other assets completed prior to June 30, 1987 were restricted to the repayment of senior Merger-related debt. On that date, modifications of these provisions in the underlying agreements were obtained which will provide more flexibility regarding the retirement, repayment and defeasance of the various issues of the Merger-related debt.

During fiscal 1986, Beatrice sold various businesses which it acquired as part of the June 1984 acquisition of Esmark, Inc. ("Esmark"). In the final allocation of the purchase cost, these businesses were valued at net sale proceeds; thus no gains or losses were recognized upon the sales.

**BCI HOLDINGS CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

In fiscal 1985, Beatrice identified certain businesses for divestiture. Net pre-tax gains amounting to \$700 million were recognized as a result of these divestiture activities, the most significant of which was the divestiture of Beatrice's chemical business. The net after-tax gain from divestitures totaled approximately \$386 million. Certain of these divestitures, resulting in proceeds of \$158 million and after-tax gains of \$18 million, were completed in March 1985 and are reflected as fiscal 1985 transactions in the accompanying financial statements.

*Summary Financial Data*

The following summarizes certain income statement and balance sheet data, in millions, for E-II and discontinued operations:

	1987	1986	1985
<b>INCOME STATEMENT DATA*:</b>			
Net sales and operating revenues .....	\$7,248	\$8,248	\$6,865
Costs and expenses .....	(6,695)	(7,650)	(6,440)
Amortization of intangible assets .....	(53)	(36)	(24)
Interest allocation** .....	(375)	(181)	(185)
Earnings before income taxes .....	125	381	216
Income tax expense .....	79	174	94
Net earnings .....	\$ 46	\$ 207	\$ 122

\*Results of operations sold are included through the date of sale.

\*\*In the Successor period, interest has been allocated based upon the actual or anticipated debt reductions resulting from the application of actual or estimated net proceeds received or to be received upon sale or the Distribution. Interest in the Predecessor period has been allocated based on the ratio of the estimated fair value of these operations relative to the estimated fair value of all operations as of the Merger date.

	1987	1986
<b>BALANCE SHEET DATA:</b>		
Current assets .....	\$1,151	\$1,172
Current liabilities .....	(742)	(743)
Net current assets of discontinued operations sold .....	—	227
Net current assets of E-II and discontinued operations .....	409	656
Property, plant and equipment, net .....	817	779
Intangible assets, principally unallocated purchase cost and goodwill, respectively .....	863	255
Long-term debt .....	(84)	(102)
Other, net .....	(104)	45
Net noncurrent assets of discontinued operations sold .....	—	1,833
Net noncurrent assets of E-II and discontinued operations .....	1,492	2,810
Net assets of E-II and discontinued operations .....	\$1,901	\$3,466

**4. Integration and Restructuring**

During fiscal 1985, following the acquisition of Esmark, Beatrice reorganized its business segments. Businesses serving specific market groups were integrated and restructured to better utilize combined resources for more efficient operations and effective marketing. The charge to earnings was for the anticipated cost of this integration and restructuring and pertained primarily to the U.S. Food businesses owned by Beatrice prior to the acquisition of Esmark.

**BCI HOLDINGS CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

**5. Balance Sheet Components**

The components of certain balance sheet accounts, in millions, are as follows:

	<b>1987</b>	<b>1986</b>
<b>INVENTORIES:</b>		
Raw materials and supplies .....	\$ 150	\$ 136
Work in process .....	138	125
Finished goods .....	329	370
	<b>\$ 617</b>	<b>\$ 631</b>
<b>OTHER CURRENT ASSETS:</b>		
Refundable U.S. federal income taxes .....	\$ 100	\$ —
Current deferred income taxes .....	—	193
Other .....	29	45
	<b>\$ 129</b>	<b>\$ 238</b>
<b>OTHER NONCURRENT ASSETS:</b>		
Receivables .....	\$ 90	\$ 44
Investments .....	85	28
Other .....	173	49
	<b>\$ 348</b>	<b>\$ 121</b>
<b>ACCOUNTS PAYABLE:</b>		
Outstanding drafts and checks and other in-transit cash items .....	\$ 106	\$ 166
Trade and other .....	344	336
	<b>\$ 450</b>	<b>\$ 502</b>
<b>ACCRUED EXPENSES:</b>		
Interest .....	\$ 144	\$ 59
Employee compensation and benefits .....	135	146
Restructuring costs .....	99	96
Advertising and sales promotion .....	85	86
Income taxes .....	24	113
Other .....	164	136
	<b>\$ 651</b>	<b>\$ 636</b>
<b>OTHER NONCURRENT LIABILITIES:</b>		
Postretirement health care and pensions .....	\$ 159	\$ 241
Deferred credits .....	22	27
Other .....	502	120
	<b>\$ 683</b>	<b>\$ 388</b>

**6. Net Property, Plant and Equipment**

The components of net property, plant and equipment, in millions, are as follows:

	<b>1987</b>	<b>1986</b>
Land .....	\$ 89	\$ 77
Buildings .....	274	337
Machinery and equipment .....	585	730
	948	1,144
Less accumulated depreciation .....	85	370
	<b>\$ 863</b>	<b>\$ 774</b>

Included in net property, plant and equipment are assets under capital leases aggregating \$21 million and \$25 million at February 28, 1987 and 1986, respectively. Depreciation expense amounted to \$97 million, \$89 million and \$108 million in fiscal 1987, 1986 and 1985, respectively.

**BCI HOLDINGS CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

**7. Leases**

Future minimum payments under non-cancellable leases, in millions, are:

	<u>Capital leases</u>	<u>Operating leases</u>
1988 .....	\$ 7	\$ 18
1989 .....	4	15
1990 .....	3	11
1991 .....	2	9
1992 .....	2	8
Later years .....	<u>20</u>	<u>13</u>
Total minimum lease payments .....	38	<u>\$ 74</u>
Less:		
Estimated executory costs .....	1	
Amount representing interest .....	<u>14</u>	
Present value of net minimum lease payments .....	<u>\$23</u>	

Future minimum rental receipts under capital subleases at the end of fiscal 1987 are \$6 million.

Future minimum rental receipts under non-cancellable operating subleases at the end of fiscal 1987 are \$4 million.

Rent expense for operating leases in fiscal 1987, 1986 and 1985 amounted to \$23 million, \$20 million and \$23 million, respectively.

**8. Short-term Debt**

Short-term debt, in millions of dollars, is comprised of:

	<u>1987</u>	<u>1986</u>	<u>1985</u>
U.S. borrowings .....	\$ —	\$ 506	\$1,321*
Non-U.S. borrowings .....	<u>4</u>	<u>35</u>	<u>6</u>
	\$ 4	\$ 541	\$1,327
Weighted-average interest rate of short-term debt at year-end ....	<u>13.8%</u>	<u>8.2%</u>	<u>8.8%</u>

\*Includes \$855 million of short-term debt retired in March 1985 with proceeds received from divestiture transactions (Note 3).

U.S. borrowings principally consisted of commercial paper in fiscal 1986 and 1985. Non-U.S. borrowings are primarily bank debt.

Information regarding short-term debt activities, in millions of dollars, during the periods follows:

	<u>1987</u>	<u>1986</u>	<u>1985</u>
Maximum amount outstanding .....	<u>\$ 915</u>	<u>\$1,327</u>	<u>\$2,571</u>
Average amount outstanding .....	<u>\$ 100</u>	<u>\$ 582</u>	<u>\$1,286</u>
Weighted-average interest rate .....	<u>10.5%</u>	<u>10.3%</u>	<u>10.4%</u>

In connection with the Merger, BCI entered into a Working Capital Facility with certain of the banks associated with the Bank Credit Agreement (Note 9). The Working Capital Facility provided revolving lines of credit aggregating \$600 million to April 1988 bearing interest, at BCI's option, at a Eurodollar deposit-

**BCI HOLDINGS CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

based rate plus 1¼%, the prime rate plus ½% or a certificate of deposit-based rate plus 1½%. Letters of credit and bankers acceptances were also available under this facility at comparable rates. Commitment fees of ½ of 1% of the unused portion of the facility were required. Beatrice's short-term domestic credit facilities which existed at February 28, 1986 were repaid in the Merger and subsequently cancelled. At February 28, 1987, letters of credit totaling \$287 million were outstanding under the Working Capital Facility. As further described in Note 9, the Bank Credit Agreement and the Working Capital Facility were refinanced and replaced in June 1987.

In addition to the Working Capital Facility, informal lines of credit exist to support non-U.S. businesses, amounting to \$4 million (1986—\$17 million) of which none (1986—\$8 million) was available.

**9. Long-term Debt**

Long-term debt at February 28, 1986 and 1987 and the major changes during fiscal 1987 are as follows:

	<u>1986</u>	<u>Activity to April 16</u>	<u>Merger</u>	<u>Proceeds from asset sales</u>	<u>Other</u>	<u>1987</u>
<b>Merger-related:</b>						
Term Loan due 1987 to 1993 .....	\$ —	\$ —	\$3,100	\$(3,100)	\$—	\$ —
Revolving Loan due to 1992 (8.1%*) .....	—	—	200	(124)	319	395
11% senior notes due to 1996 .....	—	—	600	—	—	600
12½% senior subordinated debentures due to 1998 .....	—	—	800	—	—	800
12¾% subordinated debentures due to 2001 .....	—	—	950	—	—	950
Floating rate junior subordinated debentures due to 2001 (13.9%*) .....	—	—	150	—	—	150
15.25% Exchange Debentures due to 2002 .....	—	—	—	—	521	521
7.7% sinking fund debentures due to 1996 .....	14	—	—	—	—	14
9½% sinking fund debentures due to 1999 .....	32	—	—	—	—	32
9¼% sinking fund debentures due to 2000 .....	41	(41)	—	—	—	—
8½% sinking fund debentures due 1989 to 2008 .....	34	(34)	—	—	—	—
10¾% sinking fund debentures due 1991 to 2010 .....	98	(98)	—	—	—	—
12.85% due 1987 .....	100	—	—	—	—	100
12% notes due 1989 .....	100	—	—	—	—	100
8¼% notes due 1989 ( <i>denominated in Dutch Guilders</i> ) .....	38	1	—	—	10	49
12½% notes due 1991 .....	51	2	—	—	33	86
10¼% notes due 1992 ( <i>denominated in European Currency Units</i> ) .....	46	1	—	—	9	56
7¾% notes due 1994 ( <i>denominated in Deutsche Marks</i> ) .....	55	2	—	—	14	71
10½% notes due 1994 .....	120	(9)	—	—	(62)	49
11¾% notes due to 1995 .....	45	(45)	—	—	—	—
8.3% notes due 1997 .....	67	—	—	—	(5)	62
9% notes due to 2004 .....	103	—	—	—	(5)	98
<b>Zero coupon note payments due:</b>						
1992—\$250 million (14.6%*) .....	111	2	—	—	14	127
2014—\$114 million (12.2%*) .....	4	—	—	—	1	5
Industrial revenue bonds, due various dates through 2014 (7.5%*) .....	24	—	—	—	1	25
Other, due various dates through 2007 (7.0%*) .....	76	(18)	—	—	(2)	56
Capitalized lease obligations, due various dates through 2037 (8.2%*) .....	26	(1)	—	—	(2)	23
	<u>1,185</u>	<u>\$(238)</u>	<u>\$5,800</u>	<u>\$(3,224)</u>	<u>\$846</u>	<u>4,369</u>
Current maturities .....	(38)					(125)
	<u>\$1,147</u>					<u>\$4,244</u>

\*Represents weighted-average effective rate.

## BCI HOLDINGS CORPORATION

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

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Aggregate annual maturities and sinking fund requirements of long-term debt for fiscal 1989 through 1992 are \$27 million, \$171 million, \$22 million and \$230 million, respectively.

Immediately prior to the Merger, Beatrice redeemed or repaid certain debt issues at prices in excess of the stated values through direct redemptions or payments to trustee escrow accounts. These payments were financed through short-term bank borrowings which were repaid following the Merger. For purposes of financing the Merger and these repayments on a long-term basis, BCI obtained \$2.5 billion through the issuance of the 11% senior notes, 12½% senior subordinated debentures, 12¾% subordinated debentures and floating rate junior subordinated debentures described in the preceding table. Also, BCI and a group of banks entered into a Bank Credit Agreement initially aggregating \$3.5 billion, of which \$3.1 billion was committed under a 7½ year term loan ("Term Loan") and \$400 million was committed under a two year revolving loan ("Revolving Loan"). Effective December 8, 1986, the Revolving Loan commitment was increased to \$800 million and the term extended to April 1992. The initial borrowings of \$200 million under the Revolving Loan were repaid shortly after the Merger and, through the application of proceeds received from asset sales, the Term Loan was extinguished in January 1987. In August 1986, in exchange for Redeemable Preferred Stock (Note 10), BCI issued \$1.2 billion of Exchange Debentures upon which interest may, through April 1992, be paid in additional Exchange Debentures or cash, at the option of Holdings. In December 1986, BCI used the Revolving Loan to redeem \$800 million principal amount of the Exchange Debentures at face value. At February 28, 1987, the outstanding amount under the Revolving Loan had been reduced to \$395 million through application of proceeds received from asset sales and through various other voluntary reductions. The amounts outstanding under the Bank Credit Agreement were refinanced on June 30, 1987 and the Bank Credit Agreement terminated. Borrowings under the Bank Credit Agreement bore interest, at BCI's option, at a Eurodollar deposit-based rate plus 1¼%, the prime rate plus ½ of 1% or a certificate of deposit-based rate plus 1½%. Commitment fees of ½ of 1% of the unused credit were also required.

Merger-related debt, including the Working Capital Facility (Note 8), was guaranteed by the First Tier Subsidiaries. Substantially all of the U.S. assets of BCI and the First Tier Subsidiaries were pledged as collateral. The agreements required the maintenance of certain financial ratios and restricted the (a) payment of dividends, (b) incurrence of indebtedness and guarantees, (c) creation of liens and (d) types of business activities and investments. The terms of the Merger-related debt agreements required that the net cash proceeds received from asset sales, as defined, be applied to repay the borrowings under the Bank Credit Agreement and that an offer be made to prepay the 11% senior notes. The first \$1 billion of net proceeds were allocated entirely to repaying the Term Loan. Net proceeds in excess of \$1 billion were allocated equally between the Term Loan and the 11% senior notes until the ratio of (i) the amount allocated (or reallocated) to repay the Term Loan to (ii) the amount allocated to the senior notes was 85.366% to 14.634%. Thereafter, net proceeds were to be allocated 85.366% to repay the Term Loan and 14.634% to the senior notes. Any amounts allocated to the 11% senior notes which were not accepted upon expiration of the offer had to be applied to the Term Loan. Since the Term Loan was repaid, any amounts allocated to the Term Loan had to be used to reduce the outstanding Revolving Loan. The amount of Revolving Loan commitment was also reduced by the amount of these payments. At February 28, 1987, the Revolving Loan commitment had been reduced to \$676 million. In April 1987 an offer was made to purchase \$45 million of the 11% senior notes. In connection with that offer, approximately \$25 million of this amount was held as cash in an escrow account at February 28, 1987 and is classified in other noncurrent assets.

As disclosed in Note 3, modifications of certain provisions of certain of the Merger-related debt agreements were approved by the debt holders in June 1987. Such modifications permitted the Distribution described in Note 3 and provide more flexibility regarding the retirement, repayment and defeasance of the

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## BCI HOLDINGS CORPORATION

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

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various issues of certain Merger-related debt. Various other operating restrictions were also modified to provide BCI with additional operating alternatives, however, substantially all of the U.S. assets of BCI and the First Tier Subsidiaries remain pledged as collateral under the modified agreements. In consideration for consents to such modifications, note holders who consented on a timely basis became entitled to receive \$12.50 and \$10.00 for each \$1,000 in principal amount of Senior and certain other Merger-related notes, respectively. Such payments amounted to approximately \$25 million and will be charged to the earnings of BCI in the second quarter of fiscal 1988.

Additionally, on June 25, 1987 BCI entered into a revolving credit agreement (the "Revolving Credit Agreement") with a group of banks which refinanced and replaced its former Bank Credit Agreement and Working Capital Facility. The new agreement provides for an initial aggregate commitment of \$1.2 billion which is subject to mandatory reductions in the event certain assets are sold. Borrowings under the Revolving Credit Agreement bear interest, at BCI's option, at the prime rate plus  $\frac{1}{4}\%$ , a certificate of deposit based rate plus  $1\frac{1}{4}\%$ , a Eurodollar deposit based rate plus 1% or at a negotiated rate. Commitment fees of  $\frac{3}{8}$  of 1% of the unused credit are also required.

#### 10. Redeemable Preferred Stock

In the Merger, approximately 48.5 million shares of Redeemable Preferred Stock were reserved for issuance as a portion of the Merger Consideration. In August 1986, the Redeemable Preferred Stock was exchanged for Exchange Debentures. Approximately 49.2 million shares were exchanged, including shares issued in payment of the dividend for the period April 17 to July 31, 1986.

#### 11. Stockholders' Equity

##### *Preferred Stock*

BCI has 250 million shares of authorized and unissued preferred stock with a par value of \$.01 per share.

##### *Preference Stock*

In August 1986, any shares of Beatrice's Series A Cumulative Convertible Preference Stock which remained outstanding after the Merger were redeemed for \$52.845 per share.

##### *Common Stock*

Beatrice's outstanding common stock at April 17, 1986, was converted in the Merger into the right to receive Merger Consideration and cancelled.

BCI common stock, with a par value of \$.01 per share, is owned primarily by entities formed by Kohlberg Kravis Roberts & Co. for purposes of effecting the acquisition of Beatrice. The remaining shares are held by certain present or former executive employees of Holdings or its subsidiaries. The Merger-related debt agreements (Note 9) restrict payment of dividends to common stockholders.

At the end of fiscal 1987, 17.6 million common shares were reserved for sale to employees and for employee stock options. As of February 28, 1987, 15.9 million stock options had been granted to employees at an exercise price of \$5 per share. No stock options were exercisable as of February 28, 1987.

BCI has also reserved 41.7 million shares of common stock for warrants sold in connection with the Merger ("Warrants"). The Warrants are exercisable at any time through April 17, 2001, and have an exercise price of \$5 per share, subject to certain anti-dilution adjustments.

##### *Retained Earnings (Deficit)*

As of February 28, 1987, had the Distribution described in Note 3 occurred, retained earnings (deficit) would have been reduced by \$335 million.

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## BCI HOLDINGS CORPORATION

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Retained earnings (deficit) includes \$1 million and \$49 million at February 28, 1987 and 1986, respectively, representing undistributed earnings of affiliated companies. Currency controls over the remittance of dividends from certain non-U.S. subsidiaries are not significant. As previously stated, Merger-related debt agreements restrict the payment of cash dividends on common stock. As of February 28, 1987, there were no retained earnings available for cash dividends on common stock.

#### 12. Contingent Liabilities

In the opinion of management, there are no claims or litigation pending at the end of fiscal 1987 to which BCI is a party which are expected to have a materially adverse effect on its consolidated financial condition.

#### 13. Change in Control Expenses

Change in control expenses, in millions, for the Predecessor periods consist of:

	<u>1987</u>	<u>1986</u>
Accelerated compensation . . . . .	\$39	\$ —
Fees and other expenses . . . . .	31	17
Employee stock option plans . . . . .	<u>14</u>	<u>—</u>
	<u>\$84</u>	<u>\$ 17</u>

Accelerated compensation resulted from provisions contained in employee incentive plans and executive compensation agreements concerning any changes in the control of Beatrice which were activated by the Merger. Fees and other expenses relate to investment banking and legal fees, proxy costs and other expenses incurred by Beatrice in connection with the Merger. In addition, certain unexercised employee stock options were acquired prior to the Merger.

#### 14. Miscellaneous Income (Expense), Net

Miscellaneous income (expense), net includes expense in fiscal 1986 of \$20 million relating to the phase-out of automobile racing sponsorships and income in fiscal 1985 of \$19 million from the non-taxable exchange of sinking fund debentures for 1.5 million shares of convertible adjustable preference stock.

#### 15. Income Taxes

In connection with the preliminary allocation of purchase cost (Note 2), deferred income tax benefits in excess of those expected to be realized were not recognized as tax assets. To the extent deferred income tax benefits and net operating loss carryforwards exist to reduce future income taxes, deferred income tax liabilities have been reduced.

Substantially all ongoing operations are subject only to U.S. taxes. A portion of the fiscal 1987 losses are allocable to Beatrice and available for carryback to prior years' U.S. federal income tax returns. The remainder, amounting to approximately \$129 million, is available to BCI to carryforward to future U.S. federal income tax returns. This carryforward expires in fiscal 2002. State income tax benefits are generally not expected to be realized on a significant portion of these losses.

**BCI HOLDINGS CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

Income tax expense (benefit), in millions, consists of:

	<u>1987</u>	<u>1986</u>	<u>1985</u>
Currently payable provision:			
U.S. federal .....	\$ (18)	\$ (71)	\$ (15)
U.S. state and local .....	18	(11)	(3)
Non-U.S. ....	3	11	18
	3	(71)	—
Deferred provision:			
U.S. federal:			
Accelerated depreciation .....	—	14	1
Debt related .....	—	2	32
Reserves and accruals .....	—	85	195
Other .....	—	2	(11)
U.S. state and local .....	1	19	41
Non-U.S. ....	1	(1)	—
	2	121	258
	\$ 5	\$ 50	\$ 258

The following is a reconciliation of the income tax expense (benefit) from that computed at the U.S. statutory rate of 46%, in millions:

	<u>1987</u>	<u>1986</u>	<u>1985</u>
Income tax expense (benefit) at 46% .....	\$ (46)	\$ 35	\$ 283
Effect of:			
Non-deductible amortization and depreciation .....	43	24	12
Rate differential on non-U.S. earnings .....	(5)	(1)	(11)
State taxes, net of U.S. federal benefit .....	10	4	20
Non-deductible compensation .....	4	—	—
Investment tax credit .....	—	(5)	(6)
Rate differential on divestiture gains and integration and restructuring ..	—	—	(37)
Other .....	(1)	(7)	(3)
Income tax expense .....	\$ 5	\$ 50	\$ 258

**16. Extraordinary Items**

In connection with the Bank Credit Agreement described in Note 9, BCI incurred financing fees that were to be amortized to expense over the term of the Bank Credit Agreement. By February 28, 1987, the initial borrowings under the agreement had been repaid through the application of the net cash proceeds received from the disposal of various businesses (Note 3). As a result, unamortized costs amounting to \$68 million pre-tax were charged to earnings as an extraordinary expense in the statement of consolidated earnings.

## BCI HOLDINGS CORPORATION

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

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Immediately prior to the Merger, Beatrice redeemed or repaid certain debt issues at prices in excess of the stated values through direct redemptions or payments to trustee escrow accounts. The excess amount paid resulted in a pre-tax charge of \$18 million.

#### 17. Pension and Postretirement Plans

In fiscal 1987, BCI adopted Statement of Financial Accounting Standards No. 87, Employers' Accounting for Pensions ("SFAS No. 87") and Statement of Financial Accounting Standards No. 88, Employers' Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits.

##### *Pension Plans*

In conjunction with the adoption of SFAS No. 87 for U.S. defined benefit pension plans, BCI's purchase cost allocation included the recognition of an asset for plans which had plan assets in excess of the projected benefit obligation and the recognition of a liability for plans which had a projected benefit obligation in excess of plan assets.

##### *U.S. defined benefit pension plans*

BCI has defined benefit pension plans which cover substantially all U.S. salaried employees and certain groups of U.S. hourly-paid employees. Plans covering salaried employees generally provide pension benefits to employees who complete ten or more years of service. Pension benefits are generally based upon years of service and compensation during the final years of employment. Plans covering hourly-paid employees generally provide pension benefits of fixed amounts for each year of service.

Fiscal 1987 net periodic pension cost under SFAS No. 87 for U.S. defined benefit plans was \$15 million. Pension expense in fiscal 1986 and fiscal 1985 was \$18 million and \$17 million, respectively. SFAS No. 87 does not permit the restatement of expense in years prior to the adoption of SFAS No. 87.

Net periodic pension cost, in millions, for fiscal 1987 consists of the following components:

Service cost—benefits earned during the period .....	\$ 15
Interest cost on the projected benefit obligation .....	25
Actual return on plan assets .....	(75)
Net deferral due to higher than expected returns on plan assets .....	<u>50</u>
Net periodic pension cost .....	<u>\$ 15</u>

**BCI HOLDINGS CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

The following table sets forth the U.S. defined benefit pension plans' funded status and amounts recognized in the consolidated balance sheet, in millions:

	At February 28, 1987	
	Assets Exceed Accumulated Benefits	Accumulated Benefits Exceed Assets
Actuarial present value of benefit obligations:		
Vested benefit obligation .....	\$(339)	\$(26)
Nonvested benefit obligation .....	(18)	(1)
Accumulated benefit obligation .....	(357)	(27)
Value of future pay increases .....	(43)	(4)
Projected benefit obligation .....	(400)	(31)
Plan assets at fair value .....	444	11
Projected benefit obligation (in excess of) or less than plan assets . . .	44	(20)
Unrecognized net gain from past experience different from that assumed .....	(50)	(2)
Prepaid (accrued) pension cost .....	<u>\$ (6)</u>	<u>\$(22)</u>
Prepaid (accrued) pension cost classified as:		
Other noncurrent assets .....	\$ 7	\$ —
Accrued expenses .....	(6)	(3)
Other noncurrent liabilities .....	(7)	(19)
	<u>\$ (6)</u>	<u>\$(22)</u>

The valuation of the projected benefit obligation at February 28, 1987, assumed an 8.1% weighted-average discount rate and a 5.8% weighted-average rate of increase in the compensation level. Net periodic pension cost in fiscal 1987 assumed an 8.5% expected long-term rate of return on assets.

Plan assets are primarily invested in equity securities and fixed income instruments. The plans do not have significant liabilities other than benefit obligations. BCI's funding policy is to contribute amounts equal to the minimum funding requirements of the Employee Retirement Income Security Act of 1974.

*U.S. defined contribution pension plans*

BCI sponsors a defined contribution pension plan, the Beatrice Employee Savings Trust ("BEST"). BEST is qualified under Section 401(a) and 401(k) of the Internal Revenue Code and is offered to salaried employees and certain groups of hourly-paid employees of substantially all U.S. operations. BEST allows employees to defer up to 17% of their eligible compensation. BCI and participating operations provide matching contributions of up to 50% of the amount of employee salary deferral contributions (up to 6% of compensation). Employees are partially vested in the matching company contributions after three years of service and are fully vested after five years of service. Expense for employer-sponsored U.S. defined contribution pension plans was \$6 million, \$5 million and \$8 million in fiscal 1987, 1986 and 1985, respectively.

**BCI HOLDINGS CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

*U.S. multiemployer pension plans*

BCI contributes to several multiemployer pension plans. These plans generally provide pension benefits to certain groups of U.S. hourly-paid employees not covered by an employer-sponsored defined benefit pension plan. Expense amounted to \$5 million in fiscals 1987 and 1986 and \$7 million in fiscal 1985.

**Postretirement Plans**

BCI provides postretirement health care benefits to certain groups of U.S. retirees. Approximately 58% of all current U.S. personnel may become eligible for such benefits if they were to retire from BCI. The cost of providing these benefits in fiscal 1987, 1986 and 1985 was \$14 million, \$16 million and \$12 million, respectively. The effect on earnings of postretirement life insurance and non-U.S. postretirement health care is immaterial.

**18. Information by Business Segment**

Subsequent to the Distribution and the sales of businesses as described in Note 3, BCI will operate primarily in one industry—food products. The Corporate and other segment includes BCI's remaining nonfood businesses as well as unallocated corporate expense. Substantially all of the activities of BCI are conducted in the United States. Business segment information for net sales and operating earnings is contained in Item 7. Sales to any single customer are not material. Export sales to unaffiliated customers are an immaterial percentage of net sales. Corporate and other assets are cash, short-term investments, investments in affiliated companies and other corporate assets. Corporate and other assets in fiscal 1985 also include \$855 million of divestiture proceeds received in March 1985.

Information by business segment, in millions, for fiscal years ended and as of February 28, 1987, 1986 and 1985 is as follows:

	Identifiable assets			Net property, plant and equipment additions*			Depreciation and amortization of intangible assets*		
	1987	1986	1985	1987	1986	1985	1987	1986	1985
U.S. Food . . . . .	\$4,383	\$2,857	\$2,882	\$150	\$194	\$439	\$145	\$114	\$ 90
Corporate and other . . . . .	640	571	1,811	21	23	38	12	13	15
E-II, discontinued and divested operations . . . . .	1,901	3,466	3,357	—	(65)	(107)	—	2	34
Total . . . . .	<u>\$6,924</u>	<u>\$6,894</u>	<u>\$8,050</u>	<u>\$171</u>	<u>\$152</u>	<u>\$370</u>	<u>\$157</u>	<u>\$129</u>	<u>\$139</u>

\*Includes preliminary purchase cost allocation in fiscal 1987 for property, plant and equipment.

## BCI HOLDINGS CORPORATION

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

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#### 19. Reorganization

Subsequent to the Merger, Beatrice's Board of Directors approved a Plan of Complete Liquidation and Dissolution ("Plan") for Beatrice. The Plan involves Beatrice exchanging substantially all of its net assets in return for Beatrice common stock and the cancellation of notes receivable from Beatrice held by BCI and the wholly-owned subsidiaries (collectively, "Second Tier Subsidiaries") of the First Tier Subsidiaries. Prior to being party to an exchange, the net assets of the Second Tier Subsidiaries generally consisted of investments in Beatrice common stock and intercompany notes receivable from Beatrice and payable to the First Tier Subsidiaries. The Plan is expected to be completed during fiscal 1988.

The condensed consolidating income statement for fiscal 1987 (including both Predecessor and Successor periods) and balance sheet as of February 28, 1987 present the following:

- Condensed consolidated income statements and balance sheets for the First Tier Subsidiaries, Norton Simon Inc. ("NSI") and Swift-Eckrich, Inc. ("Swift-Eckrich") (once the Plan is complete both NSI and Swift-Eckrich will be directly owned by BCI);
- Condensed income statement and balance sheet for the parent company only (BCI), with its investments in its wholly-owned subsidiaries accounted for under the equity method;
- Eliminations necessary to consolidate the subsidiaries and the parent company, including the allocation of corporate net interest to discontinued operations and to operating companies transferred to E-II (see Note 3); and
- Condensed consolidated income statement and balance sheet for BCI.

For purposes of these financial statements, the Plan is assumed to have been completed on March 1, 1986.

**BCI HOLDINGS CORPORATION**  
**CONDENSED CONSOLIDATING FINANCIAL STATEMENTS**  
(In millions)

	NSI	Swift-Eckrich	Beatrice U.S. Food	BCI Products	BCI International	Parent Company (BCI)	Eliminations	BCI Consolidated
<b>CONDENSED CONSOLIDATING INCOME STATEMENT (Fiscal 1987):</b>								
Net sales	\$1,712	\$1,318	\$1,467	\$ 115	\$ —	\$ —	\$ (24)	\$4,588
Operating expenses	1,498	1,204	1,348	102	—	156	(24)	4,284
Operating earnings	214	114	119	13	—	(156)	—	304
Intercompany interest income (expense), net	(46)	(31)	(23)	(19)	—	256	(137)	—
Interest expense	(25)	(1)	(67)	(41)	—	(572)	375	(331)
Other income (expense)	5	—	11	3	—	168	(260)	(73)
Earnings (loss) before income taxes and other items	148	82	40	(44)	—	(304)	(22)	(100)
Income tax expense (benefit)	83	43	22	(19)	—	(239)	115	5
Earnings (loss) before other items	65	39	18	(25)	—	(65)	(137)	(105)
Earnings (loss) from E-II and discontinued operations	4	—	51	61	47	6	(123)	46
Extraordinary items	—	—	—	—	—	(46)	—	(46)
Net earnings (loss)	<u>\$ 69</u>	<u>\$ 39</u>	<u>\$ 69</u>	<u>\$ 36</u>	<u>\$ 47</u>	<u>\$ (105)</u>	<u>\$(260)</u>	<u>\$ (105)</u>
<b>CONDENSED CONSOLIDATING BALANCE SHEET (As of February 28, 1987):</b>								
<b>Assets:</b>								
Cash and short-term investments	\$ 7	\$ 1	\$ 18	\$ 2	\$ —	\$ 18	\$ —	\$ 46
Receivables, net	167	59	101	23	—	34	—	384
Inventories	353	101	148	15	—	—	—	617
Net current assets of E-II and discontinued operations	—	—	19	233	157	—	—	409
Other current assets	42	1	12	2	—	72	—	129
Total current assets	569	162	298	275	157	124	—	1,585
Property, plant and equipment, net	432	208	153	16	—	54	—	863
Intangible assets, principally unallocated purchase cost	—	—	—	—	—	2,636	—	2,636
Net noncurrent assets of E-II and discontinued operations	—	—	556	672	264	—	—	1,492
Other noncurrent assets	18	1	81	71	—	177	—	348
Total assets	<u>\$1,019</u>	<u>\$ 371</u>	<u>\$1,088</u>	<u>\$1,034</u>	<u>\$ 421</u>	<u>\$2,991</u>	<u>\$ —</u>	<u>\$6,924</u>
<b>Liabilities and Stockholders' Equity:</b>								
Short-term debt and current maturities of long-term debt	\$ 15	\$ —	\$ 4	\$ 2	\$ —	\$ 108	\$ —	\$ 129
Accounts payable and accrued expenses	306	163	280	41	—	311	—	1,101
Total current liabilities	321	163	284	43	—	419	—	1,230
Long-term debt	228	5	23	5	—	3,983	—	4,244
Noncurrent and deferred income taxes	90	—	(1)	—	—	370	—	459
Other noncurrent liabilities	37	4	10	88	—	544	—	683
Net intercompany investments and advances	343	199	772	898	421	(2,633)	—	—
Stockholders' equity:								
Common stock	—	—	—	—	—	1	—	1
Additional capital	—	—	—	—	—	418	—	418
Retained earnings (deficit)	—	—	—	—	—	(121)	—	(121)
Cumulative foreign currency translation adjustment	—	—	—	—	—	10	—	10
Total stockholders' equity	—	—	—	—	—	308	—	308
Total liabilities and stockholders' equity	<u>\$1,019</u>	<u>\$ 371</u>	<u>\$1,088</u>	<u>\$1,034</u>	<u>\$ 421</u>	<u>\$2,991</u>	<u>\$ —</u>	<u>\$6,924</u>

**BCI HOLDINGS CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Concluded)**

**20. Quarterly Results of Operations (Unaudited)**

The following is a summary, in millions except per share data, of the unaudited quarterly results of operations for fiscal 1987 and 1986:

<u>1987*</u>	<u>First</u>	<u>Second</u>	<u>Third</u>	<u>Fourth</u>
Net sales . . . . .	\$1,058	\$1,103	\$1,264	\$1,163
Cost of sales . . . . .	\$ 765	\$ 789	\$ 897	\$ 805
Earnings (loss) before other items . . . . .	\$ (43)	\$ (23)	\$ (2)	\$ (37)
Net earnings (loss) . . . . .	\$ (51)	\$ (9)	\$ 28	\$ (73)
Earnings (loss) per share (Successor)**:				
Before other items . . . . .	\$ (.31)	\$ (.65)	\$ .01	\$ (.45)
Net earnings (loss) . . . . .	\$ (.45)	\$ (.48)	\$ .23	\$ (.89)
<u>1986***</u>	<u>First</u>	<u>Second</u>	<u>Third</u>	<u>Fourth</u>
Net sales . . . . .	\$1,222	\$1,121	\$1,255	\$1,154
Cost of sales . . . . .	\$ 911	\$ 822	\$ 938	\$ 765
Earnings (loss) before other items . . . . .	\$ 13	\$ (2)	\$ 5	\$ 9
Net earnings . . . . .	\$ 58	\$ 70	\$ 88	\$ 16

\*In the first quarter of fiscal 1987, loss before other items and net loss included after-tax change in control expenses of \$45 million (Note 13). Net loss in the first quarter also included a charge for an extraordinary item, net of income taxes, of \$10 million for costs incurred in the redemption or repayment of Beatrice debt immediately prior to the Merger (Note 16).

In the fourth quarter of fiscal 1987, loss before other items and net loss included additional amortization of intangibles of \$10 million due to changes in the allocation of BCI's purchase cost, and also included the effects of a reduction in state income tax benefits in the provision for income taxes. Net loss in the fourth quarter also included a charge of \$36 million for an extraordinary item, net of income taxes, primarily related to financing fees which were incurred in connection with the Bank Credit Agreement (Note 16).

\*\*The sum of the quarterly earnings (loss) per share for the Successor period is more than the loss per share shown for the Successor period on the statement of consolidated earnings because the assumed conversion of the stock options and Warrants (Note 11) is dilutive in the third quarter, but is anti-dilutive in the first, second and fourth quarters, as well as the full Successor period. This anti-dilutive effect results from a loss before other items and a net loss in the Successor period, as well as the first, second and fourth quarters.

\*\*\*In the third quarter of fiscal 1986, earnings before other items and net earnings included charges, net of income taxes, of \$3 million for expenses related to the change in control (Note 13). Fourth quarter earnings before other items and net earnings included charges, net of income taxes, of \$6 million for expenses related to the change in control (Note 13) and \$10 million related to Beatrice's phase-out of its sponsorship of automobile racing programs (Note 14).

## BCI HOLDINGS CORPORATION

## SUPPLEMENTARY INCOME STATEMENT INFORMATION

Three Years Ended February 28, 1987

(In millions)

<u>Description</u>	<u>1987</u>	<u>1986</u>	<u>1985</u>
Maintenance and repairs .....	<u>\$ 73</u>	<u>\$ 64</u>	<u>\$ 62</u>
Advertising costs .....	<u>\$259</u>	<u>\$324</u>	<u>\$322</u>