
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.

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.

BCI HOLDINGS CORPORATION

By /s/ ROGER T. BRIGGS
 Roger T. Briggs
*Executive Vice President and
 Chief Financial Officer*

By /s/ J. S. CORCORAN
 J. S. Corcoran
Vice President, Financial

April 22, 1987

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 indicated this 22nd day of April 1987.

<u>Signature</u>	<u>Title</u>
* _____ Donald P. Kelly	Chairman of the Board, Chief Executive Officer and Director (Principal Executive Officer)
/s/ ROGER T. BRIGGS _____ Roger T. Briggs	Executive Vice President, Chief Financial Officer and Director (Principal Financial Officer)
/s/ J. S. CORCORAN _____ J. S. Corcoran	Vice President, Financial (Principal Accounting Officer)
* _____ Kevin A. Bousquette	Director
_____ Jerome Kohlberg, Jr.	Director
* _____ Henry R. Kravis	Director
* _____ Paul E. Raether	Director
* _____ Frederick B. Rentschler	Director
_____ George R. Roberts	Director
* _____ Michael T. Tokarz	Director
*By <u>/s/ J. S. CORCORAN</u> _____ J. S. Corcoran <i>Attorney-in-Fact</i>	

BCI HOLDINGS CORPORATION

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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)
ASSETS		
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>
LIABILITIES AND STOCKHOLDERS' EQUITY		
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 (Successor)	To April 16 (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 operations12			
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					
	(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	Cumulative foreign currency translation adjustment
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 (Successor)	To April 16 (Predecessor)	(Predecessor)	(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	\$ 173	\$ 227	\$ 226	\$ 274

See Notes to Consolidated Financial Statements.

BCI HOLDINGS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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 $\frac{1}{25}$ 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.

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	<u>1,156</u>
	<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	<u>3,199</u>
	<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:

	<u>1987</u>	<u>1986</u>
	(Unaudited)	
Net sales	<u>\$8,926</u>	<u>\$8,300</u>
Loss before discontinued operations and extraordinary items	<u>\$ (31)</u>	<u>\$ (76)</u>
Loss before discontinued operations and extraordinary items per Holdings common share	<u>\$ (.38)</u>	<u>\$ (.93)</u>

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)

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:

	1987	1986
INVENTORIES:		
Raw materials and supplies	\$ 314	\$ 308
Work in process	178	166
Finished goods	608	634
	<u>\$1,100</u>	<u>\$1,108</u>
OTHER CURRENT ASSETS:		
Current deferred income taxes	\$ 6	\$ 197
Refundable federal income taxes	100	—
Other	63	76
	<u>\$ 169</u>	<u>\$ 273</u>
OTHER NONCURRENT ASSETS:		
Receivables	\$ 101	\$ 62
Investments in affiliated companies	31	42
Investments	86	29
Other	214	50
	<u>\$ 432</u>	<u>\$ 183</u>
ACCOUNTS PAYABLE:		
Outstanding drafts and checks and other in-transit cash items	\$ 106	\$ 166
Trade and other	692	651
	<u>\$ 798</u>	<u>\$ 817</u>
ACCRUED EXPENSES:		
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>
OTHER NONCURRENT LIABILITIES:		
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:

	1987	1986
Land	\$ 143	\$ 119
Buildings	578	672
Machinery and equipment	1,057	1,406
	<u>1,778</u>	<u>2,197</u>
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	<u>\$135</u>
Less:		
Estimated executory costs	1	
Amount representing interest	29	
Present value of net minimum lease payments	<u>\$ 47</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 \$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
	<u>\$ 137</u>	<u>\$ 672</u>	<u>\$1,407</u>
Weighted-average interest rate of short-term debt at year-end	<u>9.4%</u>	<u>8.9%</u>	<u>9.7%</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:

	1987	1986	1985
Maximum amount outstanding	<u>\$1,062</u>	<u>\$1,409</u>	<u>\$2,658</u>
Average amount outstanding	<u>\$ 242</u>	<u>\$ 689</u>	<u>\$1,366</u>
Weighted-average interest rate	<u>13.4%</u>	<u>12.0%</u>	<u>10.8%</u>

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 (<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
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
	1,302	\$ (231)	\$5,800	\$ (3,224)	\$817	4,464
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)

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.

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:

	1987	1986	1985
Currently payable provision:			
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>
Deferred provision:			
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:

	1987	1986	1985
Income tax expense (benefit) at 46%	\$ (8)	\$113	\$353
Effect of:			
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	\$ 2	\$(26)
Prepaid (accrued) pension cost classified as:		
Other noncurrent assets	\$ 17	\$ —
Accrued expenses	(6)	(3)
Other noncurrent liabilities	(9)	(23)
	\$ 2	\$(26)

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)

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
	3,534	4,669	4,400	279	316	608	184	152	132
Divested businesses.....	—	—	226	—	(65)	(107)	—	2	31
Total segments.....	3,534	4,669	4,626	279	251	501	184	154	163
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.....	\$7,903	\$7,611	\$8,597	\$298	\$275	\$535	\$265	\$206	\$210

*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
	\$8,926	\$702	\$3,534	\$4,369	\$7,903
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
	\$8,400	\$606	\$4,669	\$2,942	\$7,611
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
	\$9,428	\$391	\$4,626	\$3,971	\$8,597

BCI HOLDINGS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

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)

CONDENSED CONSOLIDATING INCOME STATEMENT (Fiscal 1987):

	NSI	Swift-Eckrich	Beatrice U.S. Food	BCI Products	BCI International	Parent Company (Holdings)	Eliminations	Holdings Consolidated
Net sales	\$1,712	\$1,318	\$1,811	\$1,243	\$2,866	\$ —	\$ (24)	\$8,926
Operating expenses	1,498	1,204	1,659	1,125	2,719	174	(24)	8,355
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)	(338)	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)	\$ 69	\$ 39	\$ 72	\$ 47	\$ 46	\$ (105)	\$ (273)	\$ (105)

CONDENSED CONSOLIDATING BALANCE SHEET (As of February 28, 1987):

Assets:								
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	\$ 992	\$ 371	\$1,060	\$ 773	\$1,148	\$3,559	\$ —	\$7,903
Liabilities and Stockholders' Equity:								
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	\$ 992	\$ 371	\$1,060	\$ 773	\$1,148	\$3,559	\$ —	\$7,903

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:

1987*	First	Second	Third	Fourth
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)
1986***	First	Second	Third	Fourth
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
Beatrice 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

Corporate Name**State or Country
of Incorporation***(BCI Beatrice Worldwide, Inc. subsidiaries continued)*

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
Cremo Limited (65.00% owned)	Jamaica
Cremo 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 Canarios 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 Chipi S.A. (93.05% owned)	Peru
Empac S.A. (3.40% owned)	Peru

Corporate Name**State or Country
of Incorporation***(BCI Beatrice Worldwide, Inc. subsidiaries continued)*

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
Eurosnax 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

Corporate Name**State or Country
of Incorporation***(Beatrice U.S. Food Corp. subsidiaries continued)*

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 Name	State or Country of Incorporation
<i>(Beatrice U.S. Food Corp. subsidiaries continued)</i>	
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 Bau-träger 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%.

