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, 1989 **Commission file number: 1-9119**

BEATRICE COMPANY

(Exact Name of Registrant as Specified in its Charter)

Delaware	**13-3327481**
(State of Incorporation)	(I.R.S. Employer Id. No.)
Two North LaSalle Street,	**60602**
Chicago, Illinois	**(Zip Code)**
(Address of Principal Executive Offices)	

Registrant's telephone number, including area code: (312) 558-4000

Securities registered pursuant to Sections 12(b) or 12(g) of the Securities Exchange Act of 1934:

None

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. **Yes ✓ No___.**

As of May 1, 1989, a total of 81,700,000 shares of Beatrice Company common stock was outstanding. The common stock is not traded.

Form 10-K Annual Report

For the Fiscal Year Ended February 28, 1989

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.

"Beatrice" refers to Beatrice Company, formerly BCI Holdings Corporation, a Delaware corporation formed in 1985.

"Old Beatrice" refers to Beatrice Companies, Inc.

"E-II" refers to E-II Holdings Inc. E-II was comprised of substantially all of the nonfood and food specialties businesses of Beatrice at the time of the Distribution.

"Beatrice U.S. Food" refers to Beatrice U.S. Food Corp.; "Beatrice International" refers to Beatrice International Food Company, and "BCI Products" refers to BCI Consumer Products Corporation. "First Tier Subsidiaries" collectively refers to these entities which were formed by Beatrice to effect its acquisition of Old Beatrice.

"Esmark" refers to Esmark, Inc. Esmark was acquired by Old Beatrice in June 1984. In July 1986, Esmark was sold by subsidiaries of Old Beatrice.

"Beatrice/Hunt-Wesson" refers to Beatrice/Hunt-Wesson, Inc., "Beatrice Cheese" refers to Beatrice Cheese, Inc., "NSI" refers to Norton Simon, Inc. and "Swift-Eckrich" refers to Swift-Eckrich, Inc., each a wholly-owned, direct or indirect subsidiary of Beatrice.

"Merger" refers to the acquisition of Old Beatrice by Beatrice on April 17, 1986.

"Distribution" refers to Beatrice's distribution on July 2, 1987 of its ownership in E-II to Beatrice's stockholders and warrant holders.

"Predecessor" refers to consolidated Old Beatrice in periods prior to the Merger and "Successor" refers to consolidated Beatrice in periods subsequent to the Merger.

PART I

ITEM 1. BUSINESS.

Beatrice is primarily a food company with three principal operations—Beatrice/Hunt-Wesson, Swift-Eckrich and Beatrice Cheese.

On April 17, 1986 Beatrice acquired Old Beatrice in the Merger. At the time Old Beatrice was a worldwide producer and marketer of food and food-related products as well as a broad range of nonfood products for use in various consumer, commercial and industrial markets. At the time of the Merger, Old Beatrice had manufacturing operations in more than 30 countries and marketed products and services in more than 100 countries under a variety of well recognized brand names. In May 1986 Old Beatrice adopted a plan of liquidation which was completed in September 1987. Pursuant to that plan of liquidation, Old Beatrice's operating companies were distributed to subsidiaries of the First Tier Subsidiaries or in the case of certain operations, such as Swift-Eckrich and NSI, the parent of Beatrice/Hunt-Wesson, directly to Beatrice.

In order to reduce Beatrice's indebtedness, Beatrice has sold significant portions of its operations including, in fiscal 1989, Tropicana Products, Inc. ("Tropicana"), a producer and distributor of juice and juice based products, for $1.2 billion, BCI Products, which comprised Beatrice's remaining nonfood businesses, and the parent of Southern Bakeries, Inc. ("Southern Bakeries") , a baked goods producer and distributor. Significant portions of the Beatrice U.S. Food businesses were sold in fiscal 1988 and fiscal 1987 and Beatrice International was sold in fiscal 1988. BCI Products sold substantial operations in fiscal 1987 and in fiscal 1988 substantially all of its then remaining operations were distributed to Beatrice's stockholders and warrant holders in the Distribution.

As a result of these various restructuring activities Beatrice has repaid its bank debt and most of the other indebtedness incurred in connection with the financing of the Merger. Beatrice is currently negotiating a new bank revolving credit agreement and anticipates borrowing under that agreement or elsewhere to redeem at par all or a substantial portion of the $526.3 million principal amount outstanding of Increasing Rate Subordinated Debentures due 2002. Management expects that, following the execution of such new revolving credit agreement and the redemption of all such Increasing Rate Subordinated Debentures, Beatrice will have greater flexibility to make acquisitions and/or to make distributions to its equity holders. While various alternatives have been considered, no decisions have been made regarding acquisitions or the amount of any distribution to equity holders.

The operating results and net assets of all businesses sold or distributed are presented throughout this report as discontinued and are further described in Note 3 of Notes to Consolidated Financial Statements, contained elsewhere herein. Unless otherwise stated, the descriptions and discussions contained in this Form 10-K address Beatrice's continuing operations as further described below. All of the brand names appearing below in capital letters are trademarks or trade names of Beatrice.

Beatrice/Hunt-Wesson

Beatrice/Hunt-Wesson is one of the leading packaged food companies in the United States. Beatrice/Hunt-Wesson manages its business through the following five basic groups which reflect the company's marketing and distribution channels: (i) Consumer Marketing, (ii) Food Service and Specialty Foods, (iii) Non-Grocery, Military and Fisher Nuts, (iv) Industrial and (v) International Foods.

The Consumer Marketing group manufactures and distributes branded grocery food products. Major brands are HUNT'S tomato products, including tomato sauce and paste, canned tomatoes, ketchup, spaghetti sauce and barbecue sauce, WESSON cooking and salad oils, MANWICH sloppy joe sauce, ORVILLE REDENBACHER'S popcorn, PETER PAN peanut butter, SNACK PACK puddings and fruits, SWISS MISS puddings and cocoa mixes, LA CHOY canned and frozen oriental food products, ROSARITA refried beans and GEBHARDT chili. These products are sold primarily by a network of approximately 600 direct sales people to food retailers nationwide. Frozen and refrigerated products are sold through a broker network. Most of the products are distributed nationally although ROSARITA brand products are sold primarily in the West and Southwest and GEBHARDT is primarily sold in the Southwest.

Beatrice/Hunt-Wesson introduced more than 40 new line items in each of fiscal 1989 and fiscal 1988. The company's new line items reflect a shift in emphasis from ingredient products to more value-added, convenience products which appeal to consumers' changing lifestyles. These new products include six varieties of HUNT'S MINUTE GOURMET, a microwavable add-meat product, three lines of HUNT'S spaghetti sauce, 12 premium quality LA CHOY FRESH 'N LITE entrees and egg roll entrees, SWISS MISS layered pudding and SWISS MISS European Creme Cocoa. Line extensions include four new flavors of ORVILLE REDENBACHER'S microwave popcorn and new packaging includes new plastic containers for HUNT'S ketchup.

The Food Services and Specialty Foods group sells through a separate direct sales force of approximately 220 people to major food distributors, fast-food chains, restaurants and institutions. In addition to selling institutional sizes of the grocery products described above, dessert toppings are marketed under the J. HUNGERFORD SMITH and JUBILEE brands, particularly to customers in the ice cream industry. The sales force also brokers food products of other manufacturers. Tomato products, popcorn and oriental sauces are also marketed to grocery customers in Canada.

The Non-Grocery, Military and Fisher Nut group sells grocery products to outlets such as drug stores, mass merchandisers and military commissaries. FISHER nuts are sold to grocery stores but are included in this group because more than 50% of sales are to the non-grocery market. Sales are primarily through broker networks.

The Industrial group sells bulk quantities of vegetable oil, tomato paste and spices to food manufacturing customers. The International Group sells various grocery food products to foreign markets other than Canada, particularly the Caribbean and the Philippines.

Swift-Eckrich

Swift-Eckrich is a leading United States manufacturer of high quality refrigerated and frozen prepared meats. The company operates through seven groups: (i) Retail Consumer Products, (ii) Deli, (iii) Food Service, (iv) Retail Broker Sales Products, (v) Food Ingredients, (vi) Berliner & Marx and (vii) International. Swift-Eckrich is pursuing a marketing strategy which emphasizes higher margin, value-added, differentiated products keyed to consumer needs and lifestyles.

The Retail Consumer Products group accounts for more than 50% of Swift-Eckrich's revenues. Principal products include: SWIFT PREMIUM BROWN 'N SERVE sausages and breakfast sandwiches; ECKRICH cold cuts, franks, smoked sausage and breakfast sausages; BUTTERBALL turkeys and turkey line extensions; and a complete line of BUTTERBALL turkey cold cuts, turkey franks, turkey smoked sausage and SLICE 'N SERVE turkey portions. The SWIFT PREMIUM and BUTTERBALL product lines are distributed nationally to retail outlets while ECKRICH products are distributed primarily in the North Central, Midwestern and Southwestern regions of the United States. Several new products have been or are in the process of being introduced such as a line of "all meal" BROWN 'N SERVE SANDWICH SENSATIONS, a line of ECKRICH "LITE" franks, smoked sausage and cold cuts and a line of BROWN 'N SERVE sausages in a microwave-easy tray.

The Deli group represents one of Swift-Eckrich's fastest growing product lines. Deli products consist of dry sausage, bologna, turkey breast, roast beef and hams sold under the SWIFT PREMIUM, ECKRICH, MARGHARITA and BUTTERBALL brands. Currently these products are available throughout the United States and represent the leading share within the very large deli meats category.

The Food Service group sells products such as precooked sausage, dry sausage, cooked bacon, deli breasts, gourmet poultry entrees and cooked beef products to food service operators. In addition, commodity type products are sold so that the company may maintain its status as a "full line" prepared meats supplier. The Retail Broker Sales Products group sells products such as SIZZLEAN breakfast strips and SWIFT PREMIUM franks, bacon and non-deli hams to the retail trade. Food Ingredients sells dry sausage to pizza manufacturers and diced cooked chicken to manufacturers of soups, salads and frozen entrees. Berliner & Marx is a vertically integrated premium veal business which markets its products under the PLUME DE VEAU label. The International operations consist of a sales and distibution unit in Puerto Rico, an export sales unit, a licensing operation and a processed meats operation in Panama.

Products are sold by an in-house direct sales force of approximately 800 people serving various classes of trade. This sales force is supplemented by a broker network for sales to food service and food ingredient customers and retail customers in certain geographic areas. Brokers are also used nationally for the sale of certain retail commodity products.

Beatrice Cheese

Beatrice Cheese, one of the largest cheese producers in the United States, is primarily engaged in manufacturing, distributing and marketing a broad line of natural cheese, cream cheese and processed cheese products for sale nationally to retail, food service and industrial customers. Retail brands include COUNTY LINE natural cheese, TREASURE CAVE bleu cheese and numerous private label brands. Major customers are supermarkets. Food service products include processed cheese, mozzarella, cream cheese, shredded and large block natural cheeses. PAULY is the major brand name. The industrial market consists of manufacturers who purchase bulk mozzarella, processed, cheddar and cream cheeses as well as by-products.

Beatrice Cheese also markets imported cheeses through its SWISSROSE division, supplies pizza parlors and Mexican food restaurants through its California based Alum Rock distribution business and manufactures and sells REDDI-WIP aerosol dessert toppings.

Sales are made through a series of brokers who are managed by 14 regional supervisors and by Beatrice Cheese's own direct sales force.

Raw Materials

Various agricultural commodities constitute the principal raw materials used in the manufacture of food products. Farmers, contract growers and meat packers are the major sources of the principal raw materials. Generally, the raw materials for significant products are readily available from a wide variety of independent suppliers. Prices of agricultural commodities tend to fluctuate widely due to various seasonal, climatic, governmental and economic factors which generally affect competitors of Beatrice's operating companies as well. The availability of raw materials was adequate in fiscal 1989 and is expected to remain adequate throughout fiscal 1990 although prices are expected to rise more significantly in fiscal 1990 than in fiscal 1989.

Competition

Beatrice's operating companies face substantial competition throughout their product lines from numerous large well-established businesses operating nationally or regionally with single or multiple product lines. Beatrice/Hunt-Wesson has six major brands ranking number one nationally in their categories, including HUNT'S tomato sauce, ORVILLE REDENBACHER'S popcorn, MANWICH sloppy joe sauce and LA CHOY shelf stable oriental foods. Several of Beatrice/Hunt-Wesson's products hold a number two market share. Swift-Eckrich holds the number one share nationally with its BUTTERBALL whole bird turkeys and in precooked breakfast sausage and breakfast strips with SWIFT PREMIUM BROWN 'N SERVE and SIZZLEAN. ECKRICH smoked sausage is the number one brand in its marketing area. TREASURE CAVE cheese is the leading retail bleu cheese while COUNTY LINE is one of the nation's largest natural cheese brands. REDDI-WIP is the number one aerosol desert topping brand in the country. Regional competition is important to several brands and many of the products compete with generic or private label products. Principal competitive factors in addition to brand name recognition are price, quality, nutrition, convenience and service. Competition for shelf space is becoming more intense and resulting in increased demands from retailers for concessions.

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. Senior management of the operating companies has had substantial experience with their operations. For example, the presidents of Beatrice/Hunt-Wesson, Swift-Eckrich and Beatrice Cheese have had 26, 35 and 18 years of experience with their companies, respectively.

As of February 28, 1989, Beatrice had approximately 16,400 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

The operating companies have registered and unregistered trademarks for most of their retail products. Trademarks are important to Beatrice because brand name recognition is very important to the operating companies. Beatrice is not aware of any factor which would significantly affect the operating companies' ability to utilize their major trademarks domestically. Principal trademarks are mentioned in the discussion of the major businesses.

Certain operating companies own or license a number of patents and patent applications which are important to aspects of their individual businesses, but the patents and licenses are not considered material to the conduct of Beatrice's business as a whole. Beatrice does not believe that the positions of any of its operating companies are substantially dependent on patent protection.

Research and Development

The operating companies' research and development activities are directed toward improvement of quality control standards, improvements in existing products and processes and the development of new products and new packaging. Beatrice/Hunt-Wesson and Swift-Eckrich have staffs of approximately 150 and 50, respectively, scientists, nutritionists and packaging and other professionals engaged in its research and development activities. Beatrice's research and development expenses were approximately $16 million in fiscal 1989, $15 million in fiscal 1988 and $13 million in fiscal 1987.

Seasonality

Various raw materials and finished products are seasonal; the most significant are whole bird turkeys and tomatoes. The sale of whole bird turkeys is greatest prior to the Thanksgiving and Christmas holiday season. Tomato products are sold year round but raw materials are harvested and processed primarily from June through September.

Customers, Sales and Backlog

No material portion of Beatrice's 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 Beatrice's businesses.

Government Regulation

Beatrice's operating businesses 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. Prices paid for dairy products used in the manufacture of cheese products are controlled by Federal Milk Marketing Orders or state regulatory agencies. Support prices for cheese products set by the Commodity Credit Corporation act as a floor price for these products.

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 Beatrice. No material capital expenditures were made in fiscal 1989 or are anticipated for the succeeding fiscal year for existing facilities to comply with current environmental regulations.

Item 2. Properties.

Beatrice's 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 businesses involved. In general, adequate productive capacity is provided by such facilities. Of the approximately 159 facilities operated as of February 28, 1989, substantially all of which are located in the U.S., 113 were owned and 46 were leased.

Item 3. Legal Proceedings.

Beatrice and its subsidiaries are engaged in various litigation proceedings incident to their respective businesses, including the income tax matter described in Note 3 of Notes to Consolidated Financial Statements and various environmental matters. Beatrice and various of its subsidiaries have agreed to indemnify divested businesses or the purchasers thereof for various legal proceedings and are subject to tax audits for various years. It is not possible at this time to determine the ultimate liabilities that may arise from these matters. However, after taking into account accrued liabilities that have been recorded and possible recoveries from third parties, management is of the opinion that the resolution of these matters will not have a material adverse effect on Beatrice's consolidated financial condition.

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

Reference is made to Item 5(a) of Beatrice's Form 10-Q for the quarter ended November 30, 1988 for a report on a consent solicitation that began on December 2, 1988 to holders of various Beatrice debt securities.

PART II

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

There is no public market for the common stock of Beatrice. Common stock of Beatrice is held of record by 34 persons or entities.

ITEM 6. SELECTED FINANCIAL DATA.

The following table provides selected financial data for Beatrice and its Predecessor.

	Year ended last day of February				
	1989	1988	1987*	1986	1985
	(In millions, except per share data)				
Net sales	$4,066	$3,899	$3,835	$4,035	$5,338
Earnings (loss) from continuing operations**	$ 5	$ (93)	$ (119)	$ 12	$ 391
Earnings (loss) per share from continuing operations***	$ .20	$ (.52)	$(1.55)		
Total assets	$3,786	$5,551	$6,682	$6,761	$7,949
Long-term debt	$1,252	$3,341	$4,238	$1,146	$2,120

* *Fiscal 1987 includes the periods both before and after the Merger and charges of $84 million pre-tax ($45 million after-tax) related to the change of control.*

** *Fiscal 1985 includes gains from divestiture activities of $700 million pre-tax ($386 million after-tax) and charges of $220 million pre-tax ($121 million after-tax) for integration and restructuring of businesses.*

*** *Due to the substantial effect which the Merger had upon Beatrice's capitalization, per share information is presented only for the periods subsequent to the Merger. The loss per share from continuing operations in fiscal 1988 is required to reflect the effects of common share equivalents as a result of Beatrice having net earnings. The loss per share from continuing operations excluding the effects of these anti-dilutive common share equivalents would have been $1.13.*

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

Operations

The following discussion addresses the results of operations of Beatrice and its Predecessor. Information regarding net sales and operating earnings excludes the results of discontinued operations. Fiscal 1987 results include the periods both before and after the Merger.

Fiscal 1989 Compared With Fiscal 1988

Net sales for 1989 increased $167 million or 4.3% over the prior year. Volume gains were experienced in all grocery product lines, particularly in ketchup, spaghetti sauce and microwave popcorn products, and in packaged poultry products and deli meats. Volume gains in these products were partially offset by volume decreases compared to prior year for whole bird turkeys and the loss of a cheese food service account.

Operating earnings increased $26 million or 10.0% over the prior year, primarily due to the increased grocery product sales described above and lower corporate administrative costs. An increase in product support costs partially offset these gains, as did increased milk costs in relation to finished product cheese retail prices.

Also contributing to the increase in operating earnings was a $5 million decrease in amortization of intangible assets due to a $143 million reduction in intangible assets. This reduction was a result of realizing a previously unrecognized tax benefit related to a transaction occurring during the purchase allocation period.

Earnings from continuing operations of $5 million were realized versus a loss of $93 million in fiscal 1988. The components that make up the favorable variance include the $26 million increase in operating earnings, as described above, the fiscal 1989 gain on sale of investment in Playtex ($105 million, Note 11 of Notes to Consolidated Financial Statements), a decrease in net interest expense ($41 million) and favorable translation adjustments on foreign denominated debt ($21 million), partially offset by increased consent payment expense in fiscal 1989 ($41 million, Note 7 of Notes to Consolidated Financial Statements). Also, primarily as a result of these items, income tax expense from continuing operations increased $59 million.

Net earnings decreased to $325 million from $529 million in fiscal 1988 primarily as a result of recording a $256 million net reduction of estimated liabilities for income taxes and related interest in February 1988. This resulted from a favorable U.S. Tax Court decision regarding a 1980 Esmark transaction (Note 3 of Notes to Consolidated Financial Statements). Net earnings were also affected by a $63 million increase in after-tax extraordinary charges in fiscal 1989. In both years the extraordinary charges resulted from early retirement of debt.

Fiscal 1988 Compared With Fiscal 1987

Net sales for fiscal 1988 increased $64 million, or 1.7% over the prior year. Volume gains were experienced in cheese, grocery and turkey products, offset by decreased volumes in processed meat products. Offsetting these gains were higher sales allowances for certain grocery products, decreased prices on whole turkey products and the absence of sales from certain lines of grocery and meat products which were phased-out.

Operating earnings increased $33 million, representing a 14.6% increase over fiscal 1987. Contributing factors to these favorable results were the increase in net sales, substantially lower promotional expenses and a reduction in corporate-wide administrative expenses. These improvements were partially offset by lower margins on whole turkey products and a $6 million increase in amortization of intangible assets, primarily as a result of the full-year effect of the Merger in fiscal 1988.

A loss of $93 million from continuing operations was realized versus a loss of $119 million in fiscal 1987. The factors contributing to each of the year's losses from continuing operations were substantially different. The increase in operating earnings in fiscal 1988 was more than offset by an increase in interest expense, although debt levels were reduced significantly in fiscal 1988. This is primarily due to the fact that interest bearing debt was outstanding for the entire fiscal year 1988, while Redeemable Preferred Stock, bearing paid-in-kind dividends, was outstanding for a portion of fiscal 1987 before being exchanged for interest bearing debt. Other income (expense) in fiscal 1988 includes $25 million of payments made in connection with obtaining consents to modify certain indenture agreements. In fiscal 1987, change of control expenses amounting to $84 million were incurred by Old Beatrice in connection with the Merger.

Net earnings of $529 million in fiscal 1988, as compared to a net loss of $105 million in fiscal 1987, was caused primarily by the $387 million net gain realized on the sale of Beatrice International and the $256 million net reduction of estimated liabilities for income taxes and related interest described above. Net earnings were also affected by a $62 million decrease in net earnings from discontinued operations and a $27 million decrease in after-tax extraordinary charges. In both years the extraordinary charges result from the early retirement of debt.

Financial Condition

The financial condition of Beatrice was significantly strengthened in fiscal 1989 as a result of the highly successful acceptance of the Tender Offer (Note 7 of Notes to Consolidated Financial Statements) in the fourth quarter and the successful completion of the sale of Tropicana in the first quarter for net cash proceeds of approximately $1.1 billion after taxes currently payable.

Prior to the initiation of the Tender Offer and primarily as a result of the sales of discontinued operations, Beatrice had a significant amount of cash and cash equivalents that, due to restrictive covenants in its credit agreements, could not be used to repay its subordinated indebtedness. Beatrice was, at the time, investing this cash in high quality short-term investments which yielded substantially less than the interest payable on most of its indebtedness. The Tender Offer was initiated to eliminate this negative investment spread, provide greater financial flexibility and enhance shareholder value. The Tender Offer was highly successful, with over 96%, or $1,389 million principal amount, of the long-term debt being tendered pursuant to such offer. An additional $543 million principal amount of long-term debt was repurchased or redeemed during fiscal 1989 for a total cost of $589 million, including premiums and accrued interest.

Beatrice had cash and cash equivalents of $95 million as of February 28, 1989. Management believes that existing credit facilities, a new revolving credit agreement that is currently being negotiated and cash flow from operations will continue to be able to adequately fund operating requirements as well as service debt requirements.

Expenditures for capital projects for Beatrice's operating companies in fiscal 1989 aggregated $96 million, while various non-utilized corporate assets with a net book value of $40 million were sold for approximately $50 million. Capital expenditures planned for fiscal 1990 approximate $125 million.

Inflation

Management continuously attempts to maintain profit margins and to counteract the effects of inflation with various productivity improvements, cost reduction programs and timely price increases within the constraints of highly competitive markets.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

Financial statements 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 22 of Notes to Consolidated Financial Statements.

ITEM 9. CHANGES IN AND 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 Beatrice are set forth below. Unless otherwise indicated, each occupation set forth opposite an individual's name refers to Beatrice as Successor and Old Beatrice as Predecessor.

Name	Age	Present Principal Occupation or Employment and Five Year Employment History
Karl M. Becker	45	Senior Vice President and General Counsel since March 1988 and from September 1986 to June 1987. Senior Vice President and General Counsel of E-II from May 1987 to March 1988. 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. Previously, Associate General Counsel of Esmark.
Kevin A. Bousquette	31	Director since April 1986. Associate, Kohlberg Kravis Roberts & Co. since 1985. Previously, Investment Banker, Morgan Stanley & Co. Incorporated.

Name	Age	Present Principal Occupation or Employment and Five Year Employment History
William P. Carmichael	45	Senior Vice President and Chief Financial Officer since October 1988, Senior Vice President and Treasurer from March 1988 to October 1988, Vice President and Chief Financial Officer from June 1987 to March 1988 and Vice President, Taxes from April 1986 to June 1987. Vice President, Taxes of E-II from May 1987 to March 1988. Vice President, Taxes, of First Chicago Corp. from September 1985 to April 1986. Vice President, Taxes, of Old Beatrice from June 1984 to August 1985. Previously, Vice President, Taxes and Insurance, of Esmark.
William L. Chambers	51	Senior Vice President, Human Resources and Corporate Relations since February 1989. Senior Vice President, Human Resources from March 1988 to February 1989 and from July 1986 to June 1987. Senior Vice President, Human Resources of E-II from May 1987 to March 1988. 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.
Michael L. Goldberg	38	Vice President and Controller since March 1988 and Director of Tax Research and Planning from September 1986 to March 1988. Director of Taxes and Assistant Treasurer of Beatrice U.S. Food from June 1984 to September 1986. Previously, Director, Tax Administration of Esmark.
Raymond V. Hartman	48	Vice President, Taxes since August 1987. Director of Taxes from October 1985 to August 1987 and Manager of Federal Taxes prior thereto.
Lee R. Keenan	40	Vice President, Human Resources since February 1989. Vice President, Compensation, Benefits and Staffing from March 1988 to February 1989. Director of Compensation from July 1985 to March 1988. Director of Compensation and Benefits of Northwest Industries, Inc. from November 1984 to July 1985. Previously, Director of Compensation for Northwest Industries, Inc.
Donald P. Kelly	67	Director since April 1986. President and Chief Executive Officer, D. P. Kelly & Associates, L.P. since October 1988. Chairman of the Board of Beatrice from April 1986 to September 1988 and Chief Executive Officer from April 1986 to June 1987. Chairman of the Board and Chief Executive Officer of E-II from May 1987 to March 1988. President, Kelly, Briggs & Associates Inc. from June 1984 to April 1986. Previously, Chairman of the Board, President and Chief Executive Officer of Esmark.

Name	Age	Present Principal Occupation or Employment and Five Year Employment History
Jerome Kohlberg, Jr.	63	Director since April 1986. General Partner, Kohlberg & Company since May 1987. Previously, General Partner, Kohlberg Kravis Roberts & Co.
Gail J. Loveman	39	Vice President and Treasurer since November 1988. Assistant Vice President and Assistant Treasurer since 1987. Previously, Senior Director, from November 1986 to October 1987, and Associate Director, from March 1986 to November 1986, of Capital Markets of Continental Illinois National Bank and Trust Company of Chicago ("Continental Bank"). Previously, Vice President of Continental Bank.
Robert I. MacDonnell	51	Director since February 1989. General Partner, Kolberg Kravis Roberts & Co.
Arthur J. McGivern	41	Vice President, Associate General Counsel and Secretary since October 1986. Vice President, Associate General Counsel and Secretary of E-II from May 1987 to March 1988. Prior to October 1986, Partner, Vedder, Price, Kaufman & Kammholz.
Michael W. Michelson	38	Director since December 1988. General Partner, Kohlberg Kravis Roberts & Co. since January 1987. Previously, Associate, Kohlberg Kravis Roberts & Co.
Frederick B. Rentschler	49	Director since April 1986, President and Chief Executive Officer since June 1987 and President and Chief Operating Officer from March 1987 to June 1987. Executive Vice President of Beatrice and President, Beatrice U.S. Food from April 1986 to February 1987. Consultant from June 1984 to April 1986. Previously, President and Chief Executive Officer of Swift/Hunt-Wesson Foods, Inc.
Lizabeth G. Sode	39	Vice President, Corporate Relations since March 1988 and Vice President from June 1986 to June 1987. Vice President of E-II from May 1987 to March 1988. Director of Corporate Communications of The Quaker Oats Company from September 1985 to June 1986. Assistant Vice President and Director of Public Affairs of Old Beatrice from July 1984 to May 1985. Previously, Assistant Vice President, Corporate Affairs of Esmark.
Michael T. Tokarz	39	Director since April 1986. Associate, Kohlberg Kravis Roberts & Co. since 1985. Vice President and Manager, New York and Philadelphia offices, Continental Bank from 1984 to 1985. Previously, Vice President and Manager, Miami office, Continental Bank.

Mr. Bousquette is a director of Duracell Holdings Corporation. Mr. Kohlberg is a director of Fred Meyer, Inc., Motel 6, G. P., Inc. and Union Texas Petroleum Holdings, Inc. Mr. MacDonnell is a director of Motel 6, G. P., Inc., Owens-Illinois, Inc., Safeway Stores Holdings Corporation and The Vons Companies, Inc. Mr. Michelson is a director of Fred Meyer, Inc., Owens-Illinois, Inc., Red Lion Properties, Inc. and Union Texas Petroleum Holdings, Inc. Mr. Rentschler is a director of Escagenetics Corporation. Mr. Tokarz is a director of Idex Corporation, Safeway Stores Holdings Corporation and Walter Industries.

ITEM 11. EXECUTIVE COMPENSATION.

Cash Compensation

The following table sets forth the cash compensation paid by Beatrice to each of its current five most highly compensated executive officers and to all executive officers as a group (including six persons who ceased to be officers on October 1, 1988) for services rendered during the fiscal year ended February 28, 1989. No information is included in the table for the portion of the fiscal year during which an individual was not an executive officer of Beatrice.

Name of Individuals or Number in Group	Capacities in Which Served	Cash Compensation*
Frederick B. Rentschler	President and Chief Executive Officer	$ 877,556
Karl M. Becker	Senior Vice President and General Counsel	404,793
William L. Chambers	Senior Vice President, Human Resources and Corporate Relations	404,793
William P. Carmichael	Senior Vice President and Chief Financial Officer	402,453
Arthur J. McGivern	Vice President, Associate General Counsel and Secretary	287,902
All executive officers as a group (16 persons, including those listed above)		$5,139,135

* Includes cash bonuses, including those paid for fiscal 1989 under Beatrice's Management Incentive Plan.

Directors of Beatrice who are not employees receive fees of $30,000 per year. Such fees aggregated $179,500 during fiscal 1989.

Employee Benefit Plans

Employee benefit plans sponsored by Beatrice and in which executive officers participate are described below:

Management Incentive Plan. A Management Incentive Plan provides for annual bonuses to key 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 Beatrice's executive officers participate in this plan.

Beatrice Retirement Income Plan. Certain officers and salaried employees 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 33⅓ years. "Final average monthly earnings" means average monthly cash compensation and 401(k) deferrals (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 compensation was highest. BRIP also provides early retirement benefits and a surviving spouse benefit if a participant dies after satisfying certain requirements. Participants become fully vested in BRIP after completing 5 years of service.

The Code imposes certain limitations 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 these limitations. 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. The following table reflects annual life annuity benefit payments to participants at specified salary levels and with specified lengths of service, using estimated social security benefit levels and disregarding the Code limitations noted above:

Final Average Annual Covered Earnings	Years of Benefit Service at Retirement			
	10	20	30	40
$ 100,000	$ 13,382	$ 26,764	$ 40,146	$ 54,606
200,000	28,382	56,764	85,146	114,606
300,000	43,382	86,764	130,146	174,606
400,000	58,382	116,764	175,146	234,606
500,000	73,382	146,764	220,146	294,606
600,000	88,382	176,764	265,146	354,606
700,000	103,382	206,764	310,146	414,606
800,000	118,382	236,764	355,146	474,606
900,000	133,382	266,764	400,146	534,606
1,000,000	148,382	296,764	445,146	594,606
1,100,000	163,382	326,764	490,146	654,606

Effective March 1, 1988 Beatrice adopted the Beatrice Executive Supplemental Pension Plan ("Supplemental Pension Plan"). This non-qualified plan includes only executive officers of Beatrice whose pension benefits under BRIP for periods prior to their employment by E-II were assumed by E-II. The Supplemental Pension Plan provides for payment of the difference between what a participant would have received had the participant participated continuously in BRIP and SRIP and the actual amount received from BRIP, SRIP and corresponding plans of E-II.

As of March 1, 1989, Messrs. Rentschler, Becker, Chambers, Carmichael and McGivern had 8, 1, 1, 1 and 1 years, respectively, of benefit service for purposes of BRIP and SRIP. Messrs. Becker, Chambers, Carmichael and McGivern have earned pensions from E-II based on 7, 2, 15 and 1 years, respectively, of service.

Beatrice Employee Savings Trust. Officers and salaried employees are eligible to participate in the Beatrice Employee Savings Trust ("BEST"), a profit sharing plan with a salary deferral feature designed to qualify under Sections 401(a) and 401(k) of the Code as a profit sharing plan. BEST allows employees to contribute up to 17% of their eligible compensation on a pre-tax or after-tax basis, except that pre-tax contributions are limited to $7,627 annually and total employee and employer contributions are limited to $30,000 annually to conform with the Tax Reform Act of 1986. Matching contributions are made in amounts equal to 50% of the amount of employee contributions (up to 6% of eligible 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. Accordingly, Beatrice has reduced the 17% maximum for all plan participants with annual compensation in excess of $50,000.

Amounts contributed for a participant are held in trust until distributed in a lump sum, or in installments pursuant to the provisions of the plan. All employee contributions are 100% vested. The matching employer contributions vest at a rate of 20% per year of employment with 100% vesting after five years. Employee contributions and employer contributions are invested at the employee's discretion in investment alternatives offered by the plan.

For fiscal 1989 matching contributions were made to BEST on behalf of Messrs. Rentschler, Becker, Chambers, Carmichael and McGivern in the amounts of $5,875, $1,200, $4,327, $1,200 and $4,238, respectively, and on behalf of all executive officers as a group in the amount of $47,336.

Effective January 1, 1989, BEST must restrict eligible compensation to $200,000 per year. This limits the employer contribution to a maximum of $6,000 per year for any individual.

Beatrice Stock Option Plan. Beatrice's Stock Option Plan for Key Employees provides for the discretionary granting to key employees of Beatrice and its subsidiaries of options to purchase Beatrice common stock. Incentive stock options intended to qualify for 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 Beatrice and its subsidiaries, including officers and directors who are employees, are eligible to receive options granted under the plan. The Board of Directors has limited to 17,700,000 the aggregate number of Beatrice shares which employees may acquire by direct purchase from Beatrice and pursuant to option grants. Current and former employees and members of their families hold 1,700,000 Beatrice shares and options to acquire an additional 15,822,000 shares. The shares and options currently held were acquired prior to fiscal 1988. The total number of Beatrice shares covered by options held by executive officers of Beatrice are: Mr. Rentschler, 1,260,000; Mr. Becker, 67,500; Mr. Chambers, 67,500; Mr. Carmichael, 90,000; Mr. McGivern, 36,000; and all current executive officers as a group, 1,557,000 shares. All options have an exercise price of $4.00 per share.

Beatrice Long Term Growth Plan. The Beatrice Long Term Growth Plan (the "Long Term Growth Plan") is a long term incentive plan for key employees who do not hold options on Beatrice shares. The Long Term Growth Plan provides for the grant of award units which, after a performance period (two years for the Long Term Growth Plan's fiscal 1987 and 1988 grants), become vested and may be converted into cash by multiplying the number of units owned by the greater of $6.00 or the after-tax operating earnings per Beatrice share. The units have a life span of five years after which the units must be converted into cash. Four executive officers of Beatrice participate in the Long Term Growth Plan. Such executive officers received during fiscal 1989 an aggregate $61,819 for the exercise of an aggregate 9,690 units and continue to hold a total of 54,845 units, all of which are vested and had a value of $6.50 per unit as of February 28, 1989.

Financial Counseling Plan. All executive officers of Beatrice are covered by a plan providing financial counseling services. Each participant is entitled to annual services having a value of $3,000 to $10,000, depending on his or her office, $20,000 in the case of Mr. Rentschler and $50,000 in the case of Mr. Kelly during his employment. The financial counseling services include tax and estate planning, tax return preparation assistance and personal financial management advice. Fiscal 1989 expenses for such services provided to Messrs. Rentschler, Becker, Chambers and Carmichael were $19,119, $5,000, $3,000 and $1,850, respectively, and to all executive officers as a group were $89,145.

Severance Plan. Beatrice has a severance pay policy ("Severance Pay Policy") applicable to corporate office employees of the parent company including executive officers. The Severance Pay Policy provides for maximum severance payments for executive officers equal to two times the sum of their then current annual salary plus their maximum annual bonus under the Beatrice Management Incentive Plan for involuntary terminations other than as a result of death, disability, retirement or willful misconduct and for certain constructive terminations. The Severance Pay Policy also provides for payment of certain amounts to replace amounts forfeited under BRIP and BEST, continuation of medical, dental and life insurance for up to 18 months after such termination and outplacement services. Mr. Kelly and five other former executive officers of Beatrice became entitled to severance payments commencing upon their October 1, 1988 termination. One such former executive officer received that portion of his severance payment equal to two times the sum of his salary plus maximum annual bonus in a lump sum on October 1, 1988. Mr. Kelly and four other terminated officers are receiving that portion of their severance payments equal to salary in 24 equal monthly installments that commenced October 1, 1988 and that portion of their severance payments equal to two times their maximum annual bonus in installments on April 1, 1989, 1990 and 1991.

Personal Benefits. In fiscal 1989 Beatrice provided executive officers with certain personal benefits, such as life insurance, use of an automobile and use of certain leased property. The costs of such benefits were less than reporting requirement thresholds except in the case of Mr. Rentschler where they were $54,558.

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

As of May 1, 1989, there were 81,700,000 shares of Beatrice common stock outstanding. An additional 54,031,281 shares of Beatrice common stock are issuable under currently exercisable warrants and options.

The following table sets forth the beneficial owners of more than five percent of Beatrice common stock as of May 1, 1989. 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.

Name and Address	Number of Shares	% of Shares Outstanding(5)
KKR Associates(1) 9 West 57th Street Suite 4200 New York, NY 10019	51,947,989(3)	38.3%
BCI Partners, L.P.(2) 9 West 57th Street Suite 4200 New York, NY 10019	69,791,142(4)	51.4%

(1) KKR Associates is a limited partnership of which Messrs. Henry R. Kravis, George R. Roberts, Paul E. Raether, Robert I. MacDonnell and Michael W. Michelson 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. MacDonnell and Michelson are directors of Beatrice.

(2) BCI Partners, L.P., is a limited partnership of which Messrs. 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. Mr. MacDonnell is a director of Beatrice.

(3) Includes 4,867,630 shares of Beatrice common stock issuable on the exercise of currently exercisable warrants.

(4) Includes 36,871,501 shares of Beatrice common stock issuable on the exercise of currently exercisable warrants.

(5) 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 Beatrice common stock by each director of Beatrice who beneficially owns shares as of May 1, 1989 and by all current directors and officers of Beatrice as a group.

Name	Number of Shares
Donald P. Kelly	4,160,000(1)
Frederick B. Rentschler	707,000(1)
All directors and officers as a group	5,036,650(1)(2)

(1) Includes 3,120,000, 567,000 and 3,831,650 shares of Beatrice common stock issuable to Messrs. Kelly and Rentschler and to all current directors and officers as a group, respectively, on the exercise of currently exercisable options.

(2) Excludes shares of Beatrice common stock which may be deemed to be beneficially owned by Messrs. MacDonnell and Michelson as general partners of KKR Associates or BCI Partners, L.P.

None of the directors or officers beneficially owns more than 1% of Beatrice common stock except Mr. Kelly who beneficially owns 3.1% and the directors and officers as a group who beneficially own 3.7%. 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.

Kohlberg Kravis Roberts & Co. ("KKR") has an unwritten agreement with Beatrice that became effective April 17, 1986 to render management, consulting and financial services to Beatrice and its affiliates. Such services include, but are not limited to, advice and assistance concerning the operations, planning and financing of Beatrice and its affiliates as is needed from time to time. For fiscal 1989, Beatrice paid KKR $1,100,000 for services provided under the agreement and reimbursed KKR $108,083 for expenses. Management believes that the fees charged to Beatrice are less than the fees that would be charged by a major investment banking firm for comparable services.

KKR on occasion during fiscal 1989 used certain Beatrice aircraft. For such usage KKR paid Beatrice $601,744 which was comparable to intercompany charges made by Beatrice to its operating companies for use of the aircraft.

On November 2, 1988, Beatrice completed the sale of BCI Products, which comprised Beatrice's then remaining nonfood businesses, to C & G Holdings II Inc. ("C & G II") for a purchase price and non-compete payments aggregating $25.9 million. On November 30, 1988 Beatrice Holdings Inc. ("Beatrice Holdings") completed the sale of 60% of the outstanding stock of Beatrice Bakeries Inc. ("Beatrice Bakeries") to C & G Holdings I Inc. ("C & G I") for a purchase price and non-compete payment aggregating $1.5 million. At the time of such sale Beatrice Bakeries owned all of the outstanding common stock and Series A preferred stock of Southern Bakeries. Beatrice Bakeries (then named E-II Bakeries) had been acquired from E-II in February 1988 for $8.75 million. Prior to the closing of the sale to C & G I, Beatrice Bakeries dividended $6 million principal amount of Southern Bakeries subordinated promissory notes then held by it to Beatrice Holdings, Beatrice U.S. Food invested $5 million in Series B preferred stock of Southern Bakeries and a capital contribution of $1.2 million was made to Southern Bakeries. On February 13, 1989 C & G I purchased the remaining 40% of the outstanding stock of Beatrice Bakeries from Beatrice Holdings for a purchase price of $0.9 million. C & G I and C & G II are owned by Donald P. Kelly, a partnership in which his adult children are the general partners, J. S. Corcoran and F. Edward Gustafson. Messrs. Corcoran and Gustafson were executive officers of Beatrice and a Beatrice subsidiary, respectively, until October 1, 1988.

On February 22, 1989, Beatrice completed the sale of a Grumman G-III aircraft to a corporation owned by Robert I. MacDonnell for a purchase price of $10.85 million. On February 28, 1989 a subsidiary of Beatrice completed the sale of all the outstanding stock of FRC Holding Inc., III (the principal asset of which was a Cessna Citation III aircraft) to C & G II for a purchase price of $4.7 million.

Management believes that each of the transactions described in the preceding two paragraphs were on terms that are at least comparable to those that could be obtained from third parties and Beatrice (or the subsidiary involved) has received an opinion from an investment banker with respect to each such transaction stating that it was fair to Beatrice from a financial point of view.

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.

(b) Reports on Form 8-K.

None.

(c) Exhibits:

Exhibit Number	Description of Exhibits
3.1	Restated Certificate of Incorporation of Beatrice Company effective September 6, 1987 (incorporated herein by reference to Exhibit 3.1 to Beatrice Company's report on Form 10-K for the fiscal year ended February 29, 1988).
3.2	By-laws of Beatrice Company (incorporated herein by reference to Exhibit 3.2 to Beatrice Company's report on Form 10-K for the fiscal year ended February 29, 1988).
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 The 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	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 (incorporated herein by reference to Exhibit 4.5 to BCI Holdings Corporation's report on Form 10-K for the fiscal year ended February 28, 1987).
4.5	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 (incorporated herein by reference to Exhibit 4.6 to BCI Holdings Corporation's report on Form 10-K for the fiscal year ended February 28, 1987).

Exhibit Number	Description of Exhibits
4.6	First Supplement to Indenture dated as of April 15, 1986 between BCI Holdings Corporation, as Issuer, and The 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 4.7 to BCI Holdings Corporation's report on Form 10-K for the fiscal year ended February 28, 1987).
4.7	Second Supplement to Indenture dated as of June 30, 1987 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 BCI Holdings Corporation's report on Form 10-Q for the quarter ended May 31, 1987).
4.8	Second Supplement to Indenture dated as of June 30, 1987 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 BCI Holdings Corporation's report on Form 10-Q for the quarter ended May 31, 1987).
4.9	Second Supplement to Indenture dated as of June 30, 1987 between BCI Holdings Corporation, as Issuer, and The 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 BCI Holdings Corporation's report on Form 10-Q for the quarter ended May 31, 1987).
4.10	Third Supplement to Indenture dated as of December 22, 1988 between Beatrice Company (formerly named BCI Holdings Corporation), as Issuer, and Irving Trust Company, as Trustee, relating to the 11% Ten Year Senior Notes of BCI Holdings Corporation.
4.11	Third Supplement to Indenture dated as of December 29, 1988 between Beatrice Company (formerly named 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.
4.12	Third Supplement to Indenture dated as of December 30, 1988 between Beatrice Company (formerly named BCI Holdings Corporation), as Issuer, and The Citizens and Southern National Bank, as Trustee, relating to the 12¾% Fifteen Year Subordinated Debentures of BCI Holdings Corporation.
4.13	Execution Form of Indenture dated as of September 30, 1987 between Beatrice Company, as Issuer, and Wilmington Trust Company, as Trustee, relating to Increasing Rate Subordinated Debentures Due 2002 (incorporated herein by reference to Exhibit 4.13 to Post-Effective Amendment No. 1 to Form S-1 (No. 33-22400) of Beatrice Company).
4.14	Form of First Supplement to Indenture dated as of August 29, 1988 between Beatrice Company, as Issuer, and Wilmington Trust Company, as Trustee, relating to Increasing Rate Subordinated Debentures Due 2002 (incorporated herein by reference to Exhibit 4.17 to Post-Effective Amendment No. 1 to Form S-1 (No. 33-22400) of Beatrice Company).
4.15	Purchase Agreement dated as of September 30, 1987 relating to the sale of $526,285,000 principal amount of the Beatrice Company Increasing Rate Subordinated Debentures Due 2002 (incorporated herein by reference to Exhibit 4.14 to Post-Effective Amendment No. 1 to Form S-1 (No. 33-22400) of Beatrice Company).
4.16	Registration Rights Agreement dated as of September 30, 1987 relating to the registration of the Beatrice Company Increasing Rate Subordinated Debentures Due 2002 (incorporated herein by reference to Exhibit 4.15 to Post-Effective Amendment No. 1 to Form S-1 (No. 33-22400) of Beatrice Company).

Exhibit Number	Description of Exhibits
10.1	Revolving Credit Agreement dated as of June 25, 1987 among BCI Holdings Corporation and Financial Institutions listed therein and Bankers Trust Company, as Agent (incorporated herein by reference to Exhibit 10.1 to Beatrice Company's report on Form 10-K for the fiscal year ended February 29, 1988).
10.2	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).
10.3	Corporate Office Severance Pay Policy (as Amended and Restated April 1, 1988) (incorporated herein by reference to Exhibit 10.7 to Beatrice Company's report on Form 10-K for the fiscal year ended February 29, 1988).
10.4	Beatrice Retirement Income Plan (Restated January 1, 1987), as amended.
10.5	Beatrice Executive Supplemental Pension Plan (incorporated herein by reference to Exhibit 10.9 to Beatrice Company's report on Form 10-K for the fiscal year ended February 29, 1988).
10.6	Beatrice Supplemental Retirement Income Plan (Restated January 1, 1987) (incorporated herein by reference to Exhibit 10.14 to BCI Holdings Corporation's report on Form 10-K for the fiscal year ended February 28, 1987).
10.7	Beatrice Employee Savings Trust (Restated January 1, 1989).
10.8	Beatrice Company Management Incentive Plan (effective as of March 1, 1988) (incorporated herein by reference to Exhibit 10.17 to Post-Effective Amendement No. 1 to Form S-1 (No. 33-22400) of Beatice Company).
10.9	Stock Option Plan For Key Employees of BCI Holdings Corporation (incorporated herein by reference to Exhibit 10.22 to BCI Holdings Corporation's report on Form 10-K for the fiscal year ended February 28, 1987).
10.10	Long Term Growth Plan, as amended.
10.11	Financial Counseling Plan (Restated November 1, 1988).
11.	Historical Computation of Earnings (Loss) Per Share.
22.	Subsidiaries of Beatrice Company.
25.	Powers of Attorney.

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

SIGNATURES

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

BEATRICE COMPANY

By /s/ WILLIAM P. CARMICHAEL
William P. Carmichael
Senior Vice President and Chief Financial Officer

May 10, 1989

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 10th day of May 1989.

Signature	Title
* Frederick B. Rentschler	Director, President and Chief Executive Officer (Principal Executive Officer)
/s/ WILLIAM P. CARMICHAEL William P. Carmichael	Senior Vice President and Chief Financial Officer
/s/ MICHAEL L. GOLDBERG Michael L. Goldberg	Vice President and Controller (Principal Accounting Officer)
* Kevin A. Bousquette	Director
* Donald P. Kelly	Director
* Jerome Kohlberg, Jr.	Director
* Robert I. MacDonnell	Director
* Michael W. Michelson	Director
* Michael T. Tokarz	Director

*By /s/ WILLIAM P. CARMICHAEL
William P. Carmichael
Attorney-in-Fact

BEATRICE COMPANY

INDEX TO FINANCIAL STATEMENTS

Note:

Financial statement schedules are omitted as not applicable or because the information required is included in the consolidated financial statements or the notes thereto.

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
Beatrice Company

We have audited the accompanying consolidated balance sheet of Beatrice Company and subsidiaries ("Beatrice") as of February 28, 1989 and February 29, 1988 and the related consolidated statements of earnings, stockholders' equity, and cash flows of Beatrice for the years ended February 28, 1989 and February 29, 1988 and for the period from April 17, 1986 to February 28, 1987 ("Successor Periods") and of Beatrice Companies, Inc. and subsidiaries ("Old Beatrice") for the period from March 1, 1986 to April 16, 1986 ("Predecessor Period"). These consolidated financial statements are the responsibility of Beatrice's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Beatrice at February 28, 1989 and February 29, 1988 and the results of its operations and its cash flows for the Successor Periods in conformity with generally accepted accounting principles. Also, in our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the results of operations and cash flows of Old Beatrice for the Predecessor Period in conformity with generally accepted accounting principles.

As more fully described in Note 2 to the consolidated financial statements, Beatrice acquired Old Beatrice on 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 Periods are presented on a different basis of accounting than that of the Predecessor Period and, therefore, are not comparable.

PEAT MARWICK MAIN & CO.

Chicago, Illinois
April 21, 1989

BEATRICE COMPANY

CONSOLIDATED BALANCE SHEET

(In millions)

	February 28, 1989	February 29, 1988
ASSETS		
Current assets:		
Cash and cash equivalents	$ 95	$ 967
Receivables, less allowance for doubtful accounts of $13 and $16, respectively	288	266
Inventories	464	476
Net current assets of discontinued operations	—	85
Other current assets	157	152
Total current assets	1,004	1,946
Net property, plant and equipment	759	783
Intangible assets, principally goodwill	1,883	2,077
Net noncurrent assets of discontinued operations	—	482
Other noncurrent assets	140	263
	$3,786	$5,551
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 310	$ 320
Accrued expenses	421	522
Current maturities of long-term debt	163	19
Total current liabilities	894	861
Long-term debt	1,252	3,341
Noncurrent and deferred income taxes	368	370
Other noncurrent liabilities	456	490
Stockholders' equity:		
Preferred stock	—	—
Common stock	1	1
Additional capital	418	418
Retained earnings	393	68
Cumulative foreign currency translation adjustment	4	2
Total stockholders' equity	816	489
	$3,786	$5,551

See Notes to Consolidated Financial Statements.

BEATRICE COMPANY

CONSOLIDATED STATEMENT OF EARNINGS

(In millions, except per share data)

	Year ended last day of February			
			1987	
	1989 (Successor)	1988 (Successor)	From April 17 (Successor)	To April 16 (Predecessor)
Net sales	$4,066	$3,899	$3,393	$ 442
Costs and expenses:				
Cost of sales	2,969	2,876	2,459	328
Selling and administrative expenses	761	708	679	93
Amortization of intangible assets	51	56	46	4
Total costs and expenses	3,781	3,640	3,184	425
Operating earnings	285	259	209	17
Interest income	114	41	37	2
Interest expense	(379)	(347)	(271)	(12)
Gain on sale of investment in Playtex	105	—	—	—
Change in control expenses	—	—	—	(84)
Other income (expense), net	(59)	(44)	(29)	(2)
Earnings (loss) from continuing operations before income taxes	66	(91)	(54)	(79)
Income tax (expense) benefit	(61)	(2)	(21)	35
Earnings (loss) from continuing operations	5	(93)	(75)	(44)
Discontinued operations:				
Earnings (loss) from operations, net of income tax expense of nil, $29, $79 and $19, respectively	(3)	(2)	42	18
Gains on sales, net of income tax expense of $190 and $95, respectively	405	387	—	—
Reduction of estimated liabilities for income taxes and related interest, net of income tax expense of $23	—	256	—	—
Extraordinary items, net of income tax benefit of $20, $11, $32 and $8, respectively	(82)	(19)	(36)	(10)
Net earnings (loss)	$ 325	$ 529	$ (69)	$ (36)
Net earnings (loss) applicable to Beatrice common stockholders:				
Net earnings (loss)	$ 325	$ 529	$ (69)	
Deduct: preferred dividend requirements	—	—	(52)	
	$ 325	$ 529	$ (121)	
Weighted-average common shares outstanding	82	82	82	
Common share equivalents	57	57	—	
	139	139	82	
Earnings (loss) per share:				
Continuing operations	$ .20	$ (.52)	$(1.55)	
Discontinued operations	2.89	4.61	.51	
Extraordinary items	(.59)	(.14)	(.44)	
Net earnings (loss)	$ 2.50	$ 3.95	$(1.48)	

See Notes to Consolidated Financial Statements.

BEATRICE COMPANY

STATEMENT OF CONSOLIDATED STOCKHOLDERS' EQUITY

	Years ended last day of February 1989, 1988 and 1987								
	NUMBER OF SHARES* (In thousands)			STOCKHOLDERS' EQUITY (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 28, 1986	1,936	114,517	(630)	$100	$212	$536	$2,308	$(12)	$(3)
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	—	—	—	—	—	—	(53)	—	—
Change stated value to par value	—	—	—	—	(213)	213	—	—	—
Balance, April 16, 1986	1,132	115,929	—	59	1	793	2,219	—	(3)
Effect of Merger:									
Retire Old Beatrice equity	(1,132)	(115,929)	—	(59)	(1)	(793)	(2,219)	—	3
Issue Beatrice 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
Net earnings	—	—	—	—	—	—	529	—	—
Foreign currency translation adjustment	—	—	—	—	—	—	—	—	(8)
Common stock reacquired	—	(5)	—	—	—	—	—	—	—
Distributions:									
E-II	—	—	—	—	—	—	(260)	—	—
Cash	—	—	—	—	—	—	(80)	—	—
Balance, February 29, 1988	—	81,700	—	—	1	418	68	—	2
Net earnings	—	—	—	—	—	—	325	—	—
Foreign currency translation adjustment	—	—	—	—	—	—	—	—	2
Balance, February 28, 1989	—	81,700	—	$—	$ 1	$418	$ 393	$—	$ 4

* *Old Beatrice preference shares authorized on February 28, 1986—50 million.*
Old Beatrice common shares authorized on February 28, 1986—300 million.
Beatrice preferred shares authorized on the last day of February: fiscal 1989, 1988 and 1987—250 million.
Beatrice common shares authorized on last day of February: fiscal 1989, 1988 and 1987—200 million.

See Notes to Consolidated Financial Statements.

BEATRICE COMPANY

CONSOLIDATED STATEMENT OF CASH FLOWS

(In millions)

	Year ended last day of February			
			1987	
	1989 (Successor)	1988 (Successor)	From April 17 (Successor)	To April 16 (Predecessor)
Cash flows from operating activities:				
Earnings (loss) from continuing operations	$ 5	$ (93)	$ (75)	$ (44)
Adjustments to reconcile earnings from continuing operations to cash provided (used) by operating activities:				
Depreciation and amortization of intangibles	134	133	114	15
Interest expense payable in Exchange Debentures	—	—	64	—
Other noncash items, net	52	63	57	8
Gain on sale of investment in Playtex	(105)	—	—	—
Consent expenses	66	25	—	—
Changes in working capital, excluding current debt:				
Receivables	(7)	49	(49)	32
Inventories	12	18	9	14
Other current assets	(5)	(11)	71	(25)
Accounts payable and accrued expenses	(174)	(165)	(109)	(41)
Refund of income taxes	—	106	—	—
Cash provided (used) by continuing operations	(22)	125	82	(41)
Net cash used by discontinued operations	(40)	(72)	(25)	(23)
Cash provided (used) by operating activities	(62)	53	57	(64)
Cash flows from investing activities:				
Expenditures for property, plant and equipment	(106)	(102)	(81)	(9)
Proceeds from sales of property, plant and equipment	32	17	18	3
Proceeds from divested operations	1,182	1,327	3,385	—
Proceeds from sale of Playtex stock	171	—	—	—
Repayment to Beatrice of the E-II Notes	—	800	—	
Increase in cash and cash equivalents resulting from the Merger	—	—	292	—
Cash and cash equivalents acquired from Predecessor	—	—	143	—
Other items, net	19	47	(57)	(4)
Cash provided (used) by investing activities	1,298	2,089	3,700	(10)
Cash flows from financing activities:				
Short-term borrowings (repayments), net	—	(4)	(73)	367
Borrowings of long-term debt	3	638	838	2
Repayments of long-term debt	(2,015)	(1,700)	(4,520)	(247)
Consent payments	(66)	(25)	—	—
Exercise of options and warrants	—		—	20
Cash distribution in 1988 and cash dividends in 1987	—	(80)	—	(53)
Other items, net	(30)	(47)	41	(16)
Cash provided (used) by financing activities	(2,108)	(1,218)	(3,714)	73
Increase (decrease) in cash and cash equivalents	(872)	924	43	(1)
Cash and cash equivalents at beginning of period	967	43	—	144
Cash and cash equivalents at end of period	$ 95	$ 967	$ 43	$ 143

See 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 Beatrice and its significant subsidiaries in the Successor Periods and Old Beatrice and its significant subsidiaries in the Predecessor Period.

Beatrice adopted Statement of Financial Accounting Standards No. 95, "Statement of Cash Flows", in fiscal 1989 and restated prior periods to be consistent with the current year's presentation. This standard requires the reporting of cash flows separately for operating, investing and financing activities. This presentational change has no impact on Beatrice's financial position or results of operations.

Beatrice has not yet adopted Statement of Financial Accounting Standards No. 96, Accounting for Income Taxes ("FAS 96"). Note 15, Income Taxes, contains further information regarding the future adoption of FAS 96.

Fiscal Year The fiscal year of Beatrice ends on the last day of February. Certain subsidiaries have fiscal years ending on the last Saturday in February. Unless otherwise stated, financial information for fiscal 1987 includes the periods both before and after the Merger.

Industry Beatrice's continuing operations conduct business primarily in the processed food industry through the production and distribution of branded food products.

Discontinued Operations The underlying net assets and related operating results of operations sold, distributed or disposed of are segregated in the financial statements as discontinued. Accordingly, prior period financial information presented is also restated.

Cash Equivalents Cash equivalents are highly liquid, low risk investments generally maturing within 90 days that are readily convertible into known amounts of cash.

Inventories Inventories are valued at the lower of cost or market. The last-in, first-out (LIFO) cost basis was used to determine 16% and 19% of inventories at the end of fiscal 1989 and 1988, 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. Amortized amounts are not accumulated but are deducted directly from the related asset.

Income Taxes Income taxes include deferred income taxes which result from reporting certain items of income and expense in different periods for income tax purposes than for financial reporting purposes.

Postretirement Health Care Approximately 84% 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 Beatrice's self-insured programs and by expensing premiums paid to outside carriers over the policy periods. Substantially all U.S. postretirement health care is funded when claims are paid.

Reclassification Certain amounts for previous years in the consolidated financial statements have been reclassified to conform to the presentation used for fiscal 1989.

2. Acquisition of Old Beatrice

Beatrice, Beatrice U.S. Food, BCI Products and Beatrice International were formed solely for purposes relating to the acquisition of Old Beatrice. The acquisition was completed on April 17, 1986, when a wholly-owned, direct and indirect, subsidiary of Beatrice was merged into Old Beatrice.

Merger Consideration

The total cost of the acquisition, including related expenses, was approximately $6.2 billion. In the Merger, each of Old Beatrice's then outstanding shares of common stock was converted into the right to receive $40 cash and 10/25 of a share of Beatrice 15¼% Cumulative Exchangeable Preferred Stock ("Redeemable Preferred Stock") with a liquidation preference of $25 per share (collectively, "Merger Consideration"). In addition, Old 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 Merger.

Funding

The following table, in millions, summarizes the sources and applications of funds to effect the Merger. Further information is contained in Notes 7 and 8.

Sources:	
Bank borrowings	$3,300
Debt securities issued	2,500
Common stock and warrants issued	417
Redeemable Preferred Stock issued	1,156
	7,373
Applications:	
Purchase of equity securities	(6,183)
Debt repaid	(898)
Increase in cash and cash equivalents resulting from the Merger	$ 292

Purchase Accounting

Beatrice accounted for the Merger as a purchase. A preliminary allocation of purchase cost to Old Beatrice's net assets was made in fiscal 1987 and finalized in fiscal 1988. The final allocation, after giving effect to, among other things, the results of asset appraisals and the disposals of the businesses described in Note 3, is summarized as follows, in millions:

Current assets of continuing operations	$ 962
Current liabilities of continuing operations	(2,099)
Net current assets of discontinued operations	679
Net noncurrent assets of discontinued operations	5,368
Intangible assets, principally goodwill	2,209
Other net noncurrent liabilities	(936)
	$6,183

3. Discontinued Operations

On November 2, 1988, Beatrice completed the sale of BCI Products which comprised Beatrice's remaining nonfood businesses. On November 30, 1988, the sale of 60% of the outstanding common stock of Beatrice Bakeries, Inc. ("Beatrice Bakeries"), the parent of Southern Bakeries, Inc. ("Southern Bakeries"), a baked goods producer and distributor, was completed. The remaining 40% was sold to the same buyer on February 13, 1989. Cash proceeds from such transactions approximated $28 million.

On April 8, 1988, the sale of Tropicana Products, Inc., a producer and distributor of juice and juice based products, was completed for net cash proceeds of $1.1 billion after taxes currently payable resulting in a net gain of $334 million.

In November 1987, Beatrice completed the sale of Beatrice International, consisting of substantially all of Beatrice's non-U.S. food businesses, for cash proceeds of $985 million resulting in a net gain of $387 million.

In July 1987, the bottled water operations were sold for cash proceeds of $453 million. These operations were under contract for sale in May 1987 and, in connection with the allocation of purchase cost (Note 2), were valued based upon net proceeds. Therefore, no gain or loss was realized upon the sale.

Also in July 1987, Beatrice distributed its ownership in E-II to its stockholders and warrant holders. Concurrent with the Distribution, Beatrice transferred 15 operating companies, comprising substantially all of its nonfood and food specialties businesses, to E-II in exchange for 41.1 million E-II common shares. Such shares were then distributed to Beatrice stockholders and warrant holders in the ratio of one E-II common share for every three Beatrice common shares held or entitled to be acquired under warrants. Beatrice option holders received one E-II common stock option for every three Beatrice common stock options held and the option price for each Beatrice common share under option was reduced from $5 to $4. Intercompany indebtedness, aggregating $800 million and evidenced by 11.25% senior promissory notes (the "E-II Notes"), remained payable to Beatrice after the Distribution and was repaid in July 1987. All other intercompany amounts were capitalized or contributed to E-II. The net assets distributed reflect an allocation of purchase cost (Note 2) based upon the ratio of the aggregate fair market value of the E-II businesses to the aggregate fair market value of Old Beatrice as determined by an independent investment banking firm as of the Merger date, after reflecting the effects of businesses sold or under contract for sale through May 1987.

In fiscal 1987, Beatrice's vehicle rental and leasing business, and its personal products, knitwear, specialty printing, soft drink bottling, dairy and warehousing operations were sold. In the allocation of purchase cost (Note 2), these operations were valued at net proceeds and, therefore, no gains or losses were recognized upon the sales.

The businesses described in the preceding paragraphs are segregated in the accompanying consolidated financial statements as discontinued operations. Summary financial data for these operations follows (in millions):

	1988
BALANCE SHEET DATA:	
Current assets	$261
Current liabilities	(176)
Net current assets of discontinued operations	85
Net property, plant and equipment	139
Intangible assets, principally goodwill	467
Long-term debt	(31)
Other, net	(93)
Net noncurrent assets of discontinued operations	482
Net assets of discontinued operations	$567

	1989	1988	1987
STATEMENT OF EARNINGS DATA*:			
Net sales and operating revenues	$ 213	$3,606	$8,001
Costs and expenses	(207)	(3,388)	(7,358)
Amortization of intangible assets	(2)	(20)	(63)
Interest allocation**	(7)	(171)	(422)
Earnings (loss) before income tax allocation	(3)	27	158
Income tax expense allocation	—	(29)	(98)
Earnings (loss) from discontinued operations	$ (3)	$ (2)	$ 60

* *Results of operations sold are included through the date of sale.*

** *Interest has been allocated based upon the actual or anticipated debt reductions resulting from the application of proceeds received upon sale or the Distribution. To the extent that proceeds received from sales of discontinued operations were not and were not expected to be used to reduce debt at the date of sale or distribution, interest was allocated based upon the ratio of net assets of the discontinued operations to Beatrice's consolidated capitalization.*

In the fiscal year ended February 29, 1988, the consolidated statement of earnings reflected credits of $256 million due to a reduction of estimated liabilities for income taxes and related interest resulting from a favorable U.S. Tax Court decision on February 2, 1988. A deposit of $119 million made in July 1986 by Esmark to the Internal Revenue Service ("IRS"), which is expected to be refunded to Beatrice upon ultimate disposition of the case, is included in other current assets as of February 28, 1989. The decision related to a transaction in 1980 between Mobil-TransOcean Company ("Mobil") and Esmark, wherein Esmark transferred the outstanding shares of Vickers Energy Corporation ("Vickers"), a wholly-owned subsidiary whose sole asset at the time was its investment in TransOcean Oil, Inc., to Mobil in exchange for Esmark common stock and cash. Mobil had previously acquired the Esmark shares in a cash tender offer. Esmark believed that the exchange of its shares for Vickers shares constituted a nontaxable redemption and, therefore, Esmark was not required to recognize a taxable gain on the exchange. In March 1983, the IRS issued a revenue ruling which indicated that it might challenge Esmark's position. In June 1984, the IRS assessed a deficiency in connection with the exchange of approximately $115 million, exclusive of interest. Esmark and, subsequently, Beatrice believed the position taken by the IRS had no merit and vigorously contested the case. The favorable

U.S. Tax Court decision on February 2, 1988 upheld that position and found Esmark to be free of any tax liability on the exchange. The IRS filed an appeal of the U.S. Tax Court decision with the U.S. Court of Appeals on October 17, 1988. The ultimate liabilities, if any, which may result from the appeal cannot be predicted with certainty. However, in the opinion of Beatrice's management, which is supported by special legal counsel, the probability of the IRS prevailing in the appeal is not likely.

4. Balance Sheet Components

The components of certain balance sheet accounts, in millions, are as follows:

	1989	1988
INVENTORIES:		
Raw materials and supplies	$108	$128
Work in process	58	62
Finished goods	298	286
	$464	$476
OTHER CURRENT ASSETS:		
Refundable U.S. federal income taxes	$124	$119
Other	33	33
	$157	$152
OTHER NONCURRENT ASSETS:		
Receivables	$ 88	$ 84
Investments	16	83
Other	36	96
	$140	$263
ACCOUNTS PAYABLE:		
Outstanding drafts and checks and other in-transit cash items	$ 53	$ 52
Trade and other	257	268
	$310	$320
ACCRUED EXPENSES:		
Interest	$ 53	$127
Employee compensation and benefits	117	120
Restructuring costs	26	48
Advertising and sales promotion	66	61
Income taxes	49	46
Other	110	120
	$421	$522
OTHER NONCURRENT LIABILITIES:		
Postretirement health care and pensions	$153	$155
Deferred credits	25	21
Other	278	314
	$456	$490

5. Net Property, Plant and Equipment

The components of net property, plant and equipment, in millions, are as follows:

	1989	1988
Land	$ 53	$ 62
Buildings	299	266
Machinery and equipment	638	611
	990	939
Less accumulated depreciation	(231)	(156)
	$ 759	$ 783

Included in net property, plant and equipment are assets under capital leases aggregating $13 million and $17 million at the end of fiscal 1989 and 1988, respectively. Depreciation expense amounted to $83 million, $77 million and $79 million in fiscal 1989, 1988 and 1987, respectively.

6. Leases

Future minimum payments under non-cancellable leases, in millions, are:

	Capital leases	Operating leases
1990	$ 5	$21
1991	5	18
1992	4	17
1993	2	11
1994	1	7
Later years	14	7
Total minimum lease payments	31	$81
Less:		
Estimated executory costs	(1)	
Amount representing interest	(11)	
Present value of net minimum lease payments	$19	

Future minimum rental receipts under capital subleases and non-cancellable operating subleases at the end of fiscal 1989 are $5 million and $9 million, respectively.

Rent expense for operating leases in fiscal 1989, 1988 and 1987 amounted to $23 million, $20 million and $18 million, respectively.

7. Long-term Debt

Long-term debt, in millions of dollars, is comprised of:

	1989	1988
11% senior notes due to 1996	$ 19	$ 399
12½% senior subordinated debentures due to 1998	23	629
12¾% subordinated debentures due to 2001	14	810
Increasing Rate Subordinated Debentures due 2002	526	526
Floating rate junior subordinated debentures due to 2001	—	150
$250 million zero coupon notes due 1992 (discounted at 14.6%)	167	146
7.7% sinking fund debentures due to 1996	14	14
9½% sinking fund debentures due to 1999	33	33
12% notes due 1989	100	100
8¼% notes due 1989 (*denominated in Dutch Guilders*)	48	52
12⅛% notes due 1991	96	93
10¼% notes due 1992 (*denominated in European Currency Units*)	57	60
7¾% notes due 1993 (*denominated in Deutsche Marks*)	71	76
10½% notes due 1994	44	45
8.3% notes due to 1997	52	57
9⅞% notes due to 2004	88	93
6% notes due 1998	10	10
Industrial revenue bonds, due various dates through 2014 (7.7%*)	19	20
Other, due various dates through 2014 (4.4%*)	15	27
Capitalized lease obligations, due various dates through 2037 (8.8%*)	19	20
	1,415	3,360
Current maturities	(163)	(19)
	$1,252	$3,341

**Represents weighted-average effective rate.*

Aggregate annual maturities and sinking fund requirements of long-term debt for fiscal 1991 through 1994 are $23 million, $361 million, $70 million and $83 million, respectively.

During the period June 30, 1988 through September 27, 1988, Beatrice repurchased $118 million principal amount of its outstanding 11% Ten Year Senior Notes (the "Senior Notes") and $322 million principal amount of its 12½% Twelve Year Senior Subordinated Debentures (the "Senior Subordinated Debentures"), 12¾% Fifteen Year Subordinated Debentures (the "Subordinated Debentures") and Fifteen Year Floating Rate Junior Subordinated Debentures (the "Junior Debentures"), for a total cost of $478 million, including premiums and accrued interest.

On December 2, 1988, Beatrice began a solicitation (the "Solicitation") to obtain consents from the holders of record as of November 28, 1988, of Beatrice's Senior Notes, Senior Subordinated Debentures and Subordinated Debentures (collectively, the "Securities") to provide for certain amendments to the indentures under which the Securities were issued. The amendments, which became effective December 1988, eliminated almost all of the restrictive covenants in the indentures and will provide Beatrice with greater financial flexibility.

Concurrently, Beatrice made an Offer to Purchase for Cash (the "Tender Offer") any and all of the Securities. Purchase prices for the Securities included accrued interest.

Consents were received on $257 million, $500 million and $583 million principal amount of the Senior Notes, Senior Subordinated Debentures and Subordinated Debentures, respectively, resulting in consent payments of $6 million, $28 million and $32 million, respectively.

Tenders were received on approximately $262 million, $509 million and $618 million aggregate principal amount of Senior Notes, Senior Subordinated Debentures and Subordinated Debentures, respectively, resulting in a total cost of $271 million, $531 million, and $650 million, respectively, including premiums and accrued interest.

On February 24, 1989, Beatrice redeemed all $103 million principal amount of its then outstanding Junior Debentures, for a total cost of $111 million, including premiums and accrued interest.

During fiscal 1988, Beatrice purchased $102 million principal amount of its Senior Notes through tender offers and another $99 million through open market purchases. In addition, $311 million of other Securities were acquired through open market purchases. In October 1987, Beatrice redeemed all $526 million of its outstanding 15.25% Junior Subordinated Exchange Debentures Due 2002 ("Exchange Debentures") at face value utilizing proceeds from the issuance of Increasing Rate Subordinated Debentures due 2002. The Increasing Rate Subordinated Debentures may be redeemed at face value at Beatrice's option at any time upon 30 days notice. Through January 1, 1988, the annual interest rate was 11.625%. Subsequently, the annual interest rate increased by .5% per quarter in 1988 and increases thereafter by .25% per quarter until maturity. As of April 2, 1989 the interest rate had increased to 14.125%.

The stock of all U.S. first tier subsidiaries of Beatrice and certain second tier subsidiaries is pledged as collateral. In addition, dividends to common stockholders are prohibited unless Beatrice meets specified financial requirements defined in the indentures.

In June 1987, Beatrice entered into a revolving credit agreement (the "Revolving Credit Agreement") with a group of banks which refinanced and replaced its former Bank Credit Agreement and Working Capital Facility which, at the time of refinancing, had provided revolving lines of credit aggregating $1.2 billion. The new agreement provided for an initial aggregate commitment of $1.2 billion which was subject to mandatory reductions in the event certain assets were sold. The sale of Tropicana (Note 3) resulted in a $300 million mandatory reduction. Borrowings under the Revolving Credit Agreement bear interest, at Beatrice's option, at the prime rate plus ¼%, a certificate of deposit based rate plus 1¼%, a Eurodollar deposit based rate plus 1% or a negotiated rate. Commitment fees of ⅜ of 1% of the unused credit are also required. At the end of fiscal 1989 there were no borrowings outstanding under this agreement, however, approximately $228 million of standby letters of credit were issued under the agreement, thus temporarily reducing availability for borrowings by a like amount.

8. 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 (Note 7). Approximately 49.2 million shares were exchanged, including shares issued in payment of dividends for the period April 17 to July 31, 1986.

9. Stockholders' Equity

Preferred Stock

Beatrice has 250 million shares of authorized and unissued preferred stock with a par value of $.01 per share.

Common Stock

Beatrice 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 Old Beatrice. The remaining shares are held by certain present or former executive employees of Beatrice or its subsidiaries.

Through the end of fiscal 1988, 17.7 million common shares had been reserved for sale to employees and for employee stock options. During fiscal 1987, 1.7 million of these shares were sold and options to acquire 15.8 million shares were granted, of which 11.0 million were exercisable as of February 28, 1989. Concurrent with the Distribution, the original grant price of $5 for each share under option was reduced to $4.

Beatrice has also reserved 41.7 million shares of common stock for warrants sold in connection with the Merger. Such 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

The terms of the Increasing Rate Subordinated Debentures (Note 7) restrict the payment of dividends on common stock. As of February 28, 1989, approximately $56 million of retained earnings was available for dividends on common stock.

10. Contingent Liabilities

Beatrice and its subsidiaries are engaged in various litigation proceedings incident to their respective businesses, including the income tax matter described in Note 3, and various environmental matters. Beatrice and various of its subsidiaries have agreed to indemnify divested businesses or the purchasers thereof for various legal proceedings and are subject to tax audits for various years. It is not possible at this time to determine the ultimate liabilities that may arise from these matters. However, after taking into account accrued liabilities that have been recorded and possible recoveries from third parties, management is of the opinion that the resolution of these matters will not have a material adverse effect on Beatrice's consolidated financial condition.

11. Gain on Sale of Investment in Playtex

On December 30, 1988, Playtex Holdings, Inc. ("Playtex") completed a transaction wherein it redeemed its existing preferred stock and its common stock was sold for $9.60 in cash and $1.00 of a new 14% pay-in-kind preferred stock for each common share. Beatrice's investment in Playtex consisted of 10 million common shares as well as 3 million shares of preferred stock with an aggregate redemption value of $75 million. Beatrice tendered its securities to Playtex for payment on such date pursuant to the terms of the sale, resulting in a gain of $105 million.

12. Change in Control Expenses

The following change in control expenses, in millions, were incurred in fiscal 1987 in the period prior to the Merger:

Accelerated compensation	$39
Fees and other expenses	31
Employee stock option plans	14
	$84

Accelerated compensation resulted from provisions contained in employee incentive plans and executive compensation agreements concerning any changes in the control of Old Beatrice which were activated by the Merger. Fees and other expenses related to investment banking and legal fees, proxy costs and other expenses incurred by Old Beatrice in connection with the Merger. In addition, certain unexercised employee stock options were acquired prior to the Merger.

13. Other Income (Expense), Net

Other income (expense), net includes expense in fiscal 1989 and 1988 of $66 million and $25 million, respectively, relating to payments made in connection with obtaining consents to modifications of certain debt agreements (Note 7).

14. Supplemental Statement of Earnings Information

Supplemental statement of earnings information, in millions, is as follows:

	1989	1988	1987
Maintenance and repairs	$ 52	$ 56	$ 56
Advertising costs	$196	$157	$201

15. Income Taxes

During fiscal 1988, FAS 96 was issued which significantly affects methods of accounting for income tax expense and related deferred income tax liabilities. The adoption of FAS 96, which is not required of Beatrice until fiscal 1991, may be done retroactively through restatement of previously issued financial statements or prospectively by recognizing the cumulative effect of the change in accounting principle on income. Also, special transition rules for business combinations completed prior to the year of adoption can significantly affect the amounts to be reported upon initial adoption. Beatrice is currently evaluating the effect of adopting FAS 96; however, due to its complexity and various alternatives regarding implementation, Beatrice has not yet reached a decision as to when the new accounting standard will be adopted or whether its application will be retroactive. Accordingly, it is not possible to reasonably estimate the impact on Beatrice's financial statements at this time.

In connection with the allocation of purchase cost (Note 2), deferred income tax benefits in excess of those expected to be realized were not recognized as assets. In fiscal 1989, Beatrice realized $168 million of such previously unrecognized tax benefits attributable to differences between the tax bases of certain assets and liabilities as of the date of the Merger and the amounts allocated to those assets and liabilities under purchase accounting. Tax benefits amounting to $143 million relate to a fiscal 1987 transaction (occurring during the purchase cost allocation period) and have been used to reduce goodwill. The remaining tax benefits, amounting to $25 million, relate to fiscal 1989 transactions and have been used to reduce the income tax expense applicable to the gain on the sale of Tropicana. In fiscal 1988, Beatrice realized similar tax benefits amounting to $95 million. Tax benefits amounting to $30 million, which relate to fiscal 1987 transactions, have been used to reduce goodwill. Tax benefits amounting to $65 million, which relate to fiscal 1988 transactions, have been used to reduce the income tax expense applicable to the gain on sale of Beatrice International. The tax expense applicable to the gain has also been reduced by $23 million for the effect of foreign tax credits that arose from and were available to reduce U.S. federal income taxes on the gain.

Substantially all continuing operations are subject only to U.S. federal, state and local income taxes. State and local income tax benefits may not be realized on a portion of Beatrice's pre-tax losses.

Income tax expense (benefit), in millions, consists of:

	1989	1988	1987
Currently payable provision:			
U.S. federal	$ 39	$(33)	$(35)
U.S. state and local	16	17	17
Non-U.S.	5	4	3
	60	(12)	(15)
Deferred provision:			
U.S. federal:			
Accelerated depreciation	4	10	—
Reserves and accruals	(3)	4	—
Non-U.S.	—	—	1
	1	14	1
	$ 61	$ 2	$(14)

The following is a reconciliation of the income tax expense (benefit) from that computed at the U.S. statutory rate of 34% in fiscal 1989, 38% in fiscal 1988 and 46% in fiscal 1987, in millions:

	1989	1988	1987
Income tax expense (benefit) at U.S. statutory rate	$ 22	$(35)	$(61)
Effect of:			
Non-deductible amortization and depreciation	22	26	42
Rate differential on non-U.S. earnings	—	—	(5)
State taxes, net of U.S. federal benefit	11	11	8
Other	6	—	2
	$ 61	$ 2	$(14)

16. Extraordinary Items

In connection with the retirement of Securities and Junior Debentures (Note 7), Beatrice incurred pre-tax extraordinary charges in fiscal 1989 of $56 million for premiums paid, $35 million for the write-off of unamortized deferred financing fees and $11 million for loss on early retirement of debt and other repurchase fees. The income tax benefit of $20 million is less than the benefit computed at the U.S. statutory tax rate of 34%, primarily because the early retirement of certain notes resulted in the recapture of prior deductions relating to such notes.

Beatrice also acquired amounts of Securities during fiscal 1988 at an aggregate premium of $21 million and wrote-off associated deferred financing fees of $9 million.

In connection with the Bank Credit Agreement referred to in Note 7, Beatrice incurred financing fees that were to be amortized to expense over the term of the Bank Credit Agreement. By February 28, 1987, the initial borrowings under the agreement had been repaid through the application of the net cash proceeds received from the disposal of various businesses (Note 3). As a result, unamortized financing fees and other related costs amounting to $68 million pre-tax were charged to earnings as an extraordinary expense in fiscal 1987. Also in fiscal 1987, Old 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 extraordinary charge of $18 million.

17. Earnings Per Share

Earnings per share in fiscal 1989 are computed assuming the proceeds from the exercise of common share equivalents are applied to reduce long-term debt, resulting in a reduction of interest expense, net of related taxes, of $23 million.

Earnings per share in fiscal 1988 were computed assuming the proceeds from the exercise of common share equivalents are applied to reduce long-term debt, resulting in a reduction of interest expense, net of related income taxes, of $20 million. The loss per share from continuing operations in fiscal 1988 is also required to reflect the effects of these common share equivalents as a result of Beatrice having net earnings. The loss per share from continuing operations excluding the effects of these anti-dilutive common share equivalents would have been $1.13. The loss per share computation for the Successor Period ended February 28, 1987 excludes common share equivalents as the effect is anti-dilutive. Per share data for the Predecessor Period have not been presented due to the significantly different capital structures of Beatrice and Old Beatrice.

18. Supplemental Statement of Cash Flows Information

Supplemental consolidated statement of cash flows information, in millions, is as follows:

Cash paid during the year for:	1989	1988	1987
Interest (net of amounts capitalized):			
Continuing operations	$415	$331	$258
Discontinued operations	$ 7	$160	$296
Income taxes	$ 93	$ 28	$ 73
Noncash investing and financing activities:			
Additions to property, plant and equipment financed primarily through new leases	$ 9	$ 17	$ 14

In addition, late in fiscal 1989, Beatrice completed the sale of an aircraft in exchange for an $18 million note receivable which was collected in April 1989. In fiscal 1987, $1,230 million of Exchange Debentures were issued upon exchange of Redeemable Preferred Stock, $52 million of dividends were paid in Redeemable Preferred Stock and $41 million of Old Beatrice common stock was issued upon conversion of preference stock and debentures.

19. Pension and Postretirement Plans

In fiscal 1987, Beatrice adopted Statements of Financial Accounting Standards No. 87, Employers' Accounting for Pensions ("FAS 87") and 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 FAS 87 for U.S. defined benefit pension plans, the allocation of purchase cost to Old Beatrice's net assets 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

Beatrice 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 full pension benefits to employees who complete five 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.

Net periodic pension cost under FAS 87 for U.S. defined benefit pension plans, in millions, consists of the following components:

	1989	1988	1987
Service cost—benefits earned during the period	$ 12	$ 13	$ 12
Interest cost on the projected benefit obligation	26	26	23
Actual return on plan assets	(31)	(10)	(51)
Net amortization and deferral	4	(16)	29
Net periodic pension cost	$ 11	$ 13	$ 13

The following table sets forth the U.S. defined benefit pension plans' funded status and amounts recognized in the accompanying consolidated balance sheet, in millions:

	1989		1988	
	Assets Exceed Accumulated Benefits	Accumulated Benefits Exceed Assets	Assets Exceed Accumulated Benefits	Accumulated Benefits Exceed Assets
Actuarial present value of benefit obligations:				
Vested benefit obligation	$(235)	$(20)	$(235)	$(19)
Nonvested benefit obligation	(13)	(2)	(11)	(2)
Accumulated benefit obligation	(248)	(22)	(246)	(21)
Value of future pay increases	(41)	(3)	(39)	(3)
Projected benefit obligation	(289)	(25)	(285)	(24)
Plan assets at fair value	326	12	316	11
Projected benefit obligation less than (in excess of) plan assets	37	(13)	31	(13)
Prior service cost not yet recognized in net periodic pension cost	3	1	3	1
Unrecognized net gain from past experience different from that assumed	(65)	(3)	(52)	(2)
Accrued pension cost	$ (25)	$(15)	$ (18)	$(14)
Accrued pension cost classified as:				
Other noncurrent assets	$ 1	$ —	$ 1	$ —
Accrued expenses	(4)	(1)	(2)	(1)
Other noncurrent liabilities	(22)	(14)	(17)	(13)
	$ (25)	$(15)	$ (18)	$(14)

The valuation of the projected benefit obligation at the end of fiscal 1989 and 1988 assumed a weighted-average discount rate of 9.0% and 8.6%, respectively, and a weighted-average rate of increase in the compensation level of 5.8% in each year. Net periodic pension cost in fiscal 1989 and 1988 assumed an expected long-term rate of return on assets of 8.5%. Benefit obligation and plan asset information at February 29, 1988 has been revised to reflect final valuation information provided by Beatrice's consulting actuaries and plan trustees.

Plan assets are primarily invested in equity securities and fixed income instruments. The plans do not have significant liabilities other than benefit obligations. Beatrice's funding policy is to contribute amounts equal to the minimum funding requirements of the Employee Retirement Income Security Act of 1974.

U.S. Defined Contribution Pension Plans

Beatrice sponsors a defined contribution pension plan, the Beatrice Employee Savings Trust ("BEST"). BEST is qualified under Sections 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 contribute up to 17% of their eligible compensation. Beatrice and participating operations provide matching contributions of up to 50% of the amount of employee contributions (up to 6% of the first $200,000 of compensation). The matching employer contributions vest at a rate of 20% per year of employment with 100% vesting after five years. Expense for employer-sponsored U.S. defined contribution pension plans was approximately $5 million in each of fiscal 1989, 1988 and 1987.

U.S. Multiemployer Pension Plans

Beatrice 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 was approximately $5 million in each of fiscal 1989, 1988 and 1987.

Postretirement Plans

Beatrice provides postretirement health care benefits to certain groups of U.S. retirees. Approximately 58% of all current U.S. personnel may become eligible for such benefits if they were to retire from Beatrice. The cost of providing these benefits in fiscal 1989, 1988 and 1987 was $18 million, $16 million and $14 million, respectively. The effect on earnings of postretirement life insurance and non-U.S. postretirement health care is immaterial.

20. Related Party Transactions

On November 2, 1988 Beatrice completed the sale of BCI Products, which comprised Beatrice's then remaining nonfood businesses, to C & G Holdings II Inc. ("C & G II") for a purchase price and non-compete payments aggregating $25.9 million. On November 30, 1988 Beatrice Holdings completed the sale of 60% of the outstanding common stock of Beatrice Bakeries to C & G Holdings I Inc. ("C & G I") for a purchase price and non-compete payment aggregating $1.5 million. Prior to the closing of the sale to C & G I, Beatrice Bakeries dividended $6 million principal amount of Southern Bakeries subordinated promissory notes then held by it to Beatrice Holdings, Beatrice U.S. Food invested $5 million in Series B preferred stock of Southern Bakeries and a capital contribution of $1.2 million was made to Southern Bakeries. On February 13, 1989 C & G I purchased the remaining 40% of the outstanding stock of Beatrice Bakeries from Beatrice Holdings for a purchase price of $0.9 million. C & G I and C & G II are owned by Donald P. Kelly, a partnership in which his adult children are the general partners, J. S. Corcoran and F. Edward Gustafson. Mr. Kelly is a director and until October 1, 1988 was an executive officer of Beatrice. Messrs. Corcoran and Gustafson were executive officers of Beatrice and a Beatrice subsidiary, respectively, until October 1, 1988.

On February 22, 1989 Beatrice completed the sale of a Grumman G-III aircraft to a corporation owned by Robert I. MacDonnell for a purchase price of $10.85 million. On February 28, 1989 a subsidiary of Beatrice completed the sale of all the outstanding stock of FRC Holding Inc., III (the principal asset of which was a Cessna Citation III aircraft) to C & G II for a purchase price of $4.7 million.

Management believes that each of the transactions described in the preceding two paragraphs were on terms that are at least comparable to those that could be obtained from third parties and Beatrice (or the subsidiary involved) has received an opinion from an investment banker with respect to each such transaction stating that it was fair to Beatrice from a financial point of view.

21. Reorganization

Subsequent to the Merger, Old Beatrice's Board of Directors approved a Plan of Complete Liquidation and Dissolution ("Plan") for Old Beatrice which was completed during fiscal 1988. The Plan involved Old Beatrice exchanging substantially all of its net assets in return for Old Beatrice common stock and the cancellation of notes receivable from Old Beatrice held by Beatrice 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 Old Beatrice common stock and intercompany notes receivable from Old Beatrice and payable to the First Tier Subsidiaries.

The following condensed consolidating financial statements as of and for the years ended the last day of February 1989 and 1988 present:

- Condensed consolidated balance sheets and statements of earnings for NSI, Swift-Eckrich and the Beatrice U.S. Food first tier subsidiary;
- Condensed balance sheet and statement of earnings for the parent company only (Beatrice), including the elimination of its investments in its wholly-owned subsidiaries and intercompany sales; and
- Condensed consolidated balance sheet and statement of earnings for Beatrice.

CONDENSED CONSOLIDATING BALANCE SHEET
(Unaudited)
(In millions)

	NSI	Swift-Eckrich	Beatrice U.S. Food	Beatrice	Consolidated
As of February 28, 1989:					
Assets:					
Cash and cash equivalents	$ 11	$ 2	$ 8	$ 74	$ 95
Receivables, net	141	65	63	19	288
Inventories	319	98	47	—	464
Other current assets	52	2	6	97	157
Total current assets	523	167	124	190	1,004
Net property, plant and equipment	457	191	75	36	759
Intangible assets, principally goodwill	1,088	703	92	—	1,883
Other noncurrent assets	15	3	96	26	140
	$2,083	$1,064	$ 387	$ 252	$3,786
Liabilities and Stockholders' Equity:					
Current maturities of long-term debt	$ 12	$ —	$ 1	$ 150	$ 163
Accounts payable and accrued expenses	345	111	56	219	731
Total current liabilities	357	111	57	369	894
Long-term debt	209	5	14	1,024	1,252
Noncurrent and deferred income taxes	28	—	—	340	368
Other noncurrent liabilities	11	6	6	433	456
Net intercompany investments and advances	1,478	942	310	(2,730)	—
Stockholders' equity	—	—	—	816	816
	$2,083	$1,064	$ 387	$ 252	$3,786
As of February 29, 1988:					
Assets:					
Cash and cash equivalents	$ 8	$ 2	$ 8	$ 949	$ 967
Receivables, net	142	56	60	8	266
Inventories	318	111	47	—	476
Net current assets of discontinued operations	—	—	72	13	85
Other current assets	53	1	6	92	152
Total current assets	521	170	193	1,062	1,946
Net property, plant and equipment	439	205	67	72	783
Intangible assets, principally goodwill	1,200	776	101	—	2,077
Net noncurrent assets of discontinued operations	—	—	553	(71)	482
Other noncurrent assets	16	1	114	132	263
	$2,176	$1,152	$1,028	$1,195	$5,551
Liabilities and Stockholders' Equity:					
Current maturities of long-term debt	$ 12	$ —	$ 2	$ 5	$ 19
Accounts payable and accrued expenses	281	128	82	351	842
Total current liabilities	293	128	84	356	861
Long-term debt	219	5	13	3,104	3,341
Noncurrent and deferred income taxes	71	—	—	299	370
Other noncurrent liabilities	42	5	6	437	490
Net intercompany investments and advances	1,551	1,014	925	(3,490)	—
Stockholders' equity	—	—	—	489	489
	$2,176	$1,152	$1,028	$1,195	$5,551

CONDENSED CONSOLIDATING STATEMENT OF EARNINGS
(Unaudited)
(In millions)

	NSI	Swift-Eckrich	Beatrice U.S. Food	Beatrice	Consolidated
Fiscal year ended February 28, 1989:					
Net sales	$1,913	$1,306	$ 853	$ (6)	$4,066
Operating expenses	1,698	1,222	826	35	3,781
Operating earnings	215	84	27	(41)	285
Intercompany interest income (expense), net	(36)	(100)	56	80	—
Interest expense	(29)	(1)	(1)	(348)	(379)
Other income (expense), net	2	—	11	147	160
Earnings (loss) from continuing operations before income taxes	152	(17)	93	(162)	66
Income tax (expense) benefit	(72)	(4)	(30)	45	(61)
Earnings (loss) from continuing operations	80	(21)	63	(117)	5
Discontinued operations	—	—	329	73	402
Extraordinary items	—	—	—	(82)	(82)
Net earnings (loss)	$ 80	$ (21)	$ 392	$ (126)	$ 325
Fiscal year ended February 29, 1988:					
Net sales	$1,735	$1,313	$ 853	$ (2)	$3,899
Operating expenses	1,540	1,227	823	50	3,640
Operating earnings	195	86	30	(52)	259
Intercompany interest income (expense), net	(57)	(74)	(2)	133	—
Interest expense	(28)	(1)	(2)	(316)	(347)
Other income (expense), net	1	—	15	(19)	(3)
Earnings (loss) from continuing operations before income taxes	111	11	41	(254)	(91)
Income tax (expense) benefit	(67)	(19)	(17)	101	(2)
Earnings (loss) from continuing operations	44	(8)	24	(153)	(93)
Discontinued operations	—	—	(6)	647	641
Extraordinary items	—	—	—	(19)	(19)
Net earnings (loss)	$ 44	$ (8)	$ 18	$ 475	$ 529

22. 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 1989 and 1988:

1989*	First	Second	Third	Fourth
Net sales	$ 914	$ 973	$1,152	$1,027
Cost of sales	$ 672	$ 724	$ 842	$ 731
Earnings (loss) from continuing operations	$ (30)	$ 4	$ (1)	$ 32
Net earnings (loss)	$ 303	$ (19)	$ 59	$ (18)
Earnings (loss) per share:				
Continuing operations	$(.17)	$ .07	$ .04	$ .26
Net earnings (loss)	$2.22	$(.10)	$ .47	$ (.09)

1988**	First	Second	Third	Fourth
Net sales	$ 862	$ 906	$1,106	$1,025
Cost of sales	$ 628	$ 681	$ 828	$ 739
Earnings (loss) from continuing operations	$ (35)	$ (61)	$ (6)	$ 9
Net earnings (loss)	$ (54)	$ (64)	$ 455	$ 192
Earnings (loss) per share:				
Continuing operations	$(.43)	$(.74)	$ .02	$ .11
Net earnings (loss)	$(.66)	$(.78)	$ 3.33	$ 1.42

**In the first quarter of fiscal 1989, net earnings included an after-tax gain of $334 million from the sale of Tropicana and in the third quarter of fiscal 1989, net earnings included an after-tax gain of $71 million from the sales of BCI Products and Beatrice Bakeries (Note 3).*

The earnings (loss) per share for all quarters and the full year is required to include the effects of common share equivalents as a result of Beatrice having either earnings from continuing operations or net earnings. For the first and third quarters the loss per share from continuing operations excluding the effects of these common share equivalents, would have been $.37 and $.01, respectively. For the second and fourth quarters the net loss per share, excluding the effects of these common share equivalents, would have been $.23 and $.22, respectively.

***In the third quarter of fiscal 1988, net earnings included an after-tax gain of $422 million from the sale of Beatrice International (Note 3). The after-tax gain was reduced by $35 million in the fourth quarter as a result of a final review of Beatrice's overall tax position.*

In the fourth quarter of fiscal 1988, net earnings included credits of $256 million due to a reduction in estimated liabilities for taxes and related accrued interest (Note 3).

The sum of the quarterly earnings (loss) per share is less than the earnings per share shown on the consolidated statement of earnings because the assumed conversion of stock options and warrants (Note 9) is dilutive in the third and fourth quarters, as well as the full year, but is anti-dilutive in the first and second quarters. This anti-dilutive effect results from a loss from continuing operations and a net loss in the first and second quarters. The loss per share from continuing operations in the third quarter, as well as the full year, is required to reflect the effects of common share equivalents as a result of Beatrice having net earnings in each of these periods. The loss per share from continuing operations for the third quarter and the full year, excluding the effects of these common share equivalents, would have been $.07 and $1.13, respectively.

HISTORICAL
COMPUTATION OF EARNINGS (LOSS) PER SHARE

(In millions, except per share data)

	Year Ended Last Day of February		
	1989	1988	1987(A)
Earnings (loss) from continuing operations	$ 5	$ (93)	$ (75)
Less dividends on preferred stock	—	—	(52)
Reduction of interest expense resulting from application of proceeds from exercise of common share equivalents	23	20	—
Earnings (loss) from continuing operations applicable to common shares and common share equivalents	28	(73)	(127)
Earnings from discontinued operations	402	641	42
Extraordinary items	(82)	(19)	(36)
Net earnings (loss) applicable to common shares and common share equivalents	$ 348	$ 549	$ (121)
Average common shares outstanding during the period	82	82	82
Common share equivalents	57	57	—
Total average common shares and common share equivalents	139	139	82
Earnings (loss) per share:			
Continuing operations (B)	$ .20	$ (.52)	$(1.55)
Discontinued operations	2.89	4.61	.51
Extraordinary items	(.59)	(.14)	(.44)
Net earnings (loss)	$ 2.50	$ 3.95	$(1.48)

(A) Per share data for the Predecessor Period has not been presented due to the significantly different capital structures of Beatrice and Old Beatrice.

(B) The loss per share from continuing operations in fiscal 1988 is required to reflect the effects of common share equivalents as a result of Beatrice having net earnings. The loss per share from continuing operations excluding the effects of these common share equivalents for 1988 would have been $1.13.

Exhibit 22

BEATRICE COMPANY

SUBSIDIARIES AS OF APRIL 14, 1989

Corporate Name	State or Country of Incorporation
Beatrice Foods Co. (name holding company)	Delaware
Beatrice Foods Finance Europe B.V. (50% owned)	Neth. Antilles
Beatrice Foods Overseas Finance N.V.	Neth. Antilles
Beatrice Foods Finance Europe B.V. (50% owned)	Neth. Antilles
Beatrice Holdings Inc.	Delaware
Beatrice Properties Inc.	Delaware
BFEL Indemnitor, Inc.	Delaware
Beatrice U.S. Food Corp.	Delaware
BCI Divestiture, Inc.	Delaware
American Industries Insurance Co. Ltd.	Bermuda
Elite Sounds, Inc.	New York
Eschem Canada Inc.	Canada
Estech Investments, Inc.	Delaware
Radial Credit Services, Inc.	Delaware
Risk Resources, Ltd.	Bermuda
Verglass Corporation	California
Estronics, Inc.	Delaware
Comark, Inc.	Oklahoma
Gam Fashions, Inc.	New York
Jan-U-Wine Foods, Inc. (name holding company)	California
M-ROC, Inc.	Delaware
Norton Simon Properties, Inc.	Delaware
Scoco, Inc.	Delaware
Swift & Company (name holding company)	Delaware
Swift & Company (KY)	Kentucky
Swift & Company (NJ)	New Jersey
Tansi Productions, Inc.	New York
Beatrice Cheese, Inc.	Delaware
County Line Cheese Co., Inc.	Indiana
Swissrose International, Inc.	New Jersey
L.L. Cheese Co., Inc.	Delaware
Berliner & Marx, Inc.	Delaware
BPS (Delaware), Inc.	Delaware
BCI Aviation, Inc.	Delaware
FRC Holding Inc., II	Delaware
Esmark Investments, Inc.	Delaware
FRC Holding Inc., VI	Delaware
FRC Holding Inc., V	Delaware
Georgetown Interstate Aviation, Inc.	Delaware
Norton Simon, Inc.	Delaware
Hunt Foods and Industries, Inc.	Delaware
Beatrice/Hunt-Wesson, Inc.	Delaware

SUBSIDIARIES AS OF APRIL 14, 1989
(continued)

Corporate Name	State or Country of Incorporation
(Beatrice/Hunt-Wesson, Inc. Subsidiaries continued)	
CUSF Company	Delaware
677901 Ontario Ltd.	Ontario
Aliments Beatrice Quebec Inc.	Canada
Food Producers (Canada) Ltd.	Ontario
Food Producers Europe B.V. (50% owned)	Neth. Antilles
Food Producers Japan Limited (50% owned)	Japan
Hunt-Universal Robina Corp. (50% owned)	Philippines
Hunt-Wesson Foods International, Ltd.	Delaware
Nippon B-K Foods, Ltd. (50% owned)	Japan
Norton Simon Canada Inc.	Canada
Valencia Advertising Co.	Delaware
Winters Canning Company	California
Rossbay, Inc.	Ohio
The Hunt Center, Inc.	California
Swift-Eckrich, Inc. (formerly Swift & Company)	Delaware
Beatrice Meats, Inc.	Delaware
Blue Coach Foods, Inc.	Delaware
Commercial Research Foundation	Illinois
Swift & Company Packers	Nevada
Swift Meats Poultry & Feed Co. Ltd.	Canada