SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE PERIOD ENDED:**

May 31, 1990

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

1-9119
(Commission File No.)

BEATRICE COMPANY

(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	**13-3327481** (I.R.S. Employer Identification Number)
Two North LaSalle St. **Chicago, Illinois** (Address of principal executive offices)	**60602** (Zip Code)

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

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 June 30, 1990, a total of 81,869,450 shares of Beatrice Company common stock was outstanding.

PART I. FINANCIAL INFORMATION

BEATRICE COMPANY

CONDENSED CONSOLIDATED BALANCE SHEET

(In millions, except share data)

	May 31, 1990 (Unaudited)	February 28, 1990
ASSETS		
Current assets:		
Cash and cash equivalents	$ 72	$ 107
Receivables, less allowance for doubtful accounts of $13	285	272
Inventories	455	467
Other current assets	43	49
Total current assets	855	895
Net property, plant and equipment, less accumulated depreciation of $370 and $351, respectively	709	710
Intangible assets, principally goodwill	1,758	1,770
Other noncurrent assets	150	151
	$3,472	$3,526
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 205	$ 275
Accrued expenses	332	397
Current maturities of long-term debt	15	23
Total current liabilities	552	695
Long-term debt	1,073	987
Noncurrent and deferred income taxes	422	419
Other noncurrent liabilities	561	552
Stockholders' equity:		
Preferred stock, par value $.01 per share; no shares issued and outstanding	—	—
Common stock, par value $.01 per share; 81,869,450 and 81,874,700 shares outstanding, respectively	1	1
Additional capital	420	420
Retained earnings	438	448
Cumulative foreign currency translation adjustment	5	4
Total stockholders' equity	864	873
	$3,472	$3,526

See Notes to Condensed Consolidated Financial Statements.

BEATRICE COMPANY

CONDENSED CONSOLIDATED STATEMENT OF EARNINGS
(Unaudited)

(In millions, except per share data)

	Quarter ended May 31, 1990	Quarter ended May 31, 1989
Net sales	$1,004	$ 956
Costs and expenses:		
Cost of sales	753	698
Selling and administrative expenses	189	196
Amortization of intangible assets	12	13
Total costs and expenses	954	907
Operating earnings	50	49
Interest income	5	5
Interest expense	(46)	(55)
Miscellaneous income (expense), net	(9)	2
Earnings before income taxes and extraordinary item	—	1
Income tax expense	(10)	(10)
Loss before extraordinary item	(10)	(9)
Extraordinary item	—	5
Net loss	$ (10)	$ (4)
Weighted-average common shares outstanding	82	82
Loss per share:		
Loss before extraordinary item	$ (.12)	$(.11)
Extraordinary item	—	.06
Net loss	$ (.12)	$(.05)

See Notes to Condensed Consolidated Financial Statements.

BEATRICE COMPANY

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(Unaudited)

(In millions)

	Quarter ended May 31, 1990	Quarter ended May 31, 1989
Cash flows from operating activities:		
Loss before extraordinary item	$ (10)	$ (9)
Adjustments to reconcile loss before extraordinary item to cash provided (used) by operating activities:		
Depreciation and amortization of intangibles	34	35
Other items, net	27	24
Change in working capital, excluding current debt	(131)	(54)
Cash used by operating activities	(80)	(4)
Cash flows from investing activities:		
Expenditures for property, plant and equipment	(23)	(23)
Proceeds from sale of miscellaneous assets	—	23
Collection of aircraft sale note receivable	—	18
Other items, net	2	3
Cash provided (used) by investing activities	(21)	21
Cash flows from financing activities:		
Borrowings of long-term debt	89	—
Repayments of long-term debt	(21)	(2)
Other items, net	(2)	(10)
Cash provided (used) by financing activities	66	(12)
Increase (decrease) in cash and cash equivalents	(35)	5
Cash and cash equivalents at beginning of period	107	95
Cash and cash equivalents at end of period	$ 72	$ 100

See Notes to Condensed Consolidated Financial Statements.

1. Background and Basis of Presentation

Beatrice Company ("Beatrice"), formerly BCI Holdings Corporation, acquired Beatrice Companies, Inc. on April 17, 1986 in a purchase transaction for approximately $6.2 billion (the "Merger"). Subsequent to the Merger, Beatrice has sold significant portions of its operating businesses. As a result of these sales, Beatrice is now primarily a producer and distributor of branded food products.

In the opinion of management, unaudited information reflects all adjustments necessary for a fair presentation of the interim financial information. Such adjustments consist only of normal recurring adjustments.

Intangible assets are amortized using the straight-line method over periods not in excess of 40 years. Accumulated amortization of intangible assets amounted to $199 million and $187 million as of May 31, 1990 and February 28, 1990, respectively.

2. Inventories

Inventories, in millions, consist of the following:

	May 31, 1990	February 28, 1990
Raw materials and supplies	$133	$120
Work in process	43	67
Finished goods	279	280
	$455	$467

3. Debt

Beatrice has a bank revolving credit agreement ("Bank Credit Agreement") which provides for up to $1.21 billion of revolving credit through at least October 18, 1992. Each year, Beatrice has the option to extend the Bank Credit Agreement for an additional year provided more than 66⅔% of the lenders under the Bank Credit Agreement consent. At Beatrice's option, borrowings under the Bank Credit Agreement bear interest at the prime rate plus ½%, a certificate of deposit based rate plus 1½% or a Eurodollar based rate plus 1¼% or, with lender agreement, borrowings may be made at bid or negotiated rates or via bankers' acceptances. Commitment fees ranging from ¼ of 1% to ⅜ of 1% of the unused credit are required. As of May 31, 1990, there were no borrowings outstanding under this agreement, however, approximately $115 million standby letters of credit were issued under this agreement, thus temporarily reducing availability for borrowings by a like amount.

On April 5, 1990 Beatrice borrowed $90 million under a term loan agreement. This loan matures on April 5, 1998 and bears interest at a floating rate based on three month LIBOR plus 1¾%, adjusted quarterly. The initial interest rate was 10 5/16% and was adjusted to 10 1/16% on July 5, 1990.

4. Legal Proceedings and Contingencies

Beatrice and its subsidiaries are engaged in various litigation proceedings incident to their respective businesses and in various environmental and other matters. Beatrice and various of its subsidiaries have agreed to indemnify divested businesses or the purchasers thereof for various legal proceedings and tax matters. The federal income tax returns of Beatrice and its predecessors for the fiscal years ended 1985 through 1987 are currently under audit by the Internal Revenue Service. Beatrice is currently negotiating with the Appellate Division of the Internal Revenue Service proposed deficiencies previously claimed for fiscal years ended prior to 1985 (principally fiscal years ended 1982 through 1984). Additionally, the federal income tax returns of Norton Simon, Inc. ("NSI"), a wholly-owned subsidiary of Beatrice, have been audited by the Internal Revenue Service for the fiscal years ended 1982 and 1983 and a report has been issued. NSI will timely protest the findings contained in the examining agent's report and will negotiate with the Appellate Division of the Internal Revenue Service in an attempt to resolve disputed items. Various state tax authorities are also examining tax returns of Beatrice and its predecessors for prior taxable years, including, in the case of one state, years back to fiscal 1978. Beatrice expects that additional claims will be asserted for additional taxes. It is not possible at this time to determine the ultimate liabilities that may arise from these matters. Beatrice has established substantial reserves for these matters which are reflected on its consolidated balance sheet. The liabilities include interest accrued for tax claims.

After taking into account accrued liabilities that have been recorded and possible recoveries from third parties, management is of the opinion that the disposition of the above matters will not have a material adverse effect on Beatrice's consolidated financial condition.

5. Income Taxes

The effective tax rate differs from the U.S. federal statutory rate primarily as a result of non-deductible amortization and depreciation related to the Merger and state income taxes. Beatrice's federal income tax liability for each of the past three fiscal years was determined under the alternative minimum tax ("AMT") system. As a result, at February 28, 1990, Beatrice had AMT credits of $82 million of which $21 million was recorded as recoverable U.S. federal income taxes. Beatrice expects its U.S. federal income tax liability for fiscal 1991 to be determined under the regular tax system and, accordingly, utilized $2 million of such recoverable U.S. federal income taxes in the quarter ended May 31, 1990 to reduce its U.S. federal income taxes currently payable. The remaining credits can be carried forward indefinitely to reduce the regular tax liabilities of future years.

6. Extraordinary Item

A net operating loss carryforward was utilized in the quarter ended May 31, 1989 to offset U.S. federal taxes otherwise payable, the benefit of which is reflected as an extraordinary item in the accompanying condensed consolidated statement of earnings for the period then ended.

7. Earnings Per Share

Common share equivalents are excluded from the computation of loss per share for the quarters ended May 31, 1990 and 1989 as the effect is antidilutive.

8. Subsequent Event

On June 7, 1990 a definitive Agreement and Plan of Merger ("Merger Agreement") was entered into by and among ConAgra, Inc. ("ConAgra"), CAGSUB, INC. ("CAGSUB"), a wholly-owned subsidiary of ConAgra, and Beatrice pursuant to which ConAgra will ultimately own all of the outstanding common stock of Beatrice ("ConAgra Merger"). Each share of Beatrice common stock outstanding at the effective time of the ConAgra Merger, other than shares held by Beatrice, ConAgra, CAGSUB or their subsidiaries (which will be canceled) and shares as to which appraisal rights are perfected under Delaware Law, will be converted into the right to receive (i) $5.75 in cash and (ii) a fraction of a share of ConAgra common stock, a fraction of a share of ConAgra Class E $2,500 Cumulative Convertible Voting Preferred Stock, Series 1, and possibly a fraction of a share of ConAgra Class E $2,500 Cumulative Exchangeable Voting Preferred Stock, Series 2, in each case pursuant to the conversion formulas set forth in the Merger Agreement (cumulatively, the "ConAgra Merger Consideration"). The ConAgra Merger Consideration is valued at approximately $1.3 billion.

9. Consolidating Financial Statements

The following condensed consolidating financial statements present the following:

- Condensed consolidated balance sheets and statements of earnings for NSI, Swift-Eckrich, Inc. ("Swift-Eckrich") and Beatrice U.S. Food Corp. ("Beatrice U.S. Food");
- Condensed consolidated balance sheet and statement of earnings for the parent company (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 May 31, 1990:					
Assets:					
Cash and cash equivalents	$ 8	$ 2	$ 9	$ 53	$ 72
Receivables, net	129	80	76	—	285
Inventories	256	140	59	—	455
Other current assets	53	3	3	(16)	43
Total current assets	446	225	147	37	855
Net property, plant and equipment	440	172	74	23	709
Intangible assets, principally goodwill	1,004	667	87	—	1,758
Other noncurrent assets	39	2	64	45	150
	$1,929	$1,066	$ 372	$ 105	$3,472
Liabilities and Stockholders' Equity:					
Accounts payable and accrued expenses	$ 216	$ 99	$ 74	$ 148	$ 537
Current maturities of long-term debt	13	—	1	1	15
Total current liabilities	229	99	75	149	552
Long-term debt	188	6	12	867	1,073
Noncurrent and deferred income taxes	60	—	—	362	422
Other noncurrent liabilities	89	13	9	450	561
Net intercompany investments and advances	1,363	948	276	(2,587)	—
Stockholders' equity	—	—	—	864	864
	$1,929	$1,066	$ 372	$ 105	$3,472
As of February 28, 1990:					
Assets:					
Cash and cash equivalents	$ 7	$ 1	$ 10	$ 89	$ 107
Receivables, net	137	68	67	—	272
Inventories	315	104	48	—	467
Other current assets	55	2	3	(11)	49
Total current assets	514	175	128	78	895
Net property, plant and equipment	439	172	75	24	710
Intangible assets, principally goodwill	1,011	671	88	—	1,770
Other noncurrent assets	39	2	64	46	151
	$2,003	$1,020	$ 355	$ 148	$3,526
Liabilities and Stockholders' Equity:					
Accounts payable and accrued expenses	$ 262	$ 107	$ 62	$ 241	$ 672
Current maturities of long-term debt	19	—	2	2	23
Total current liabilities	281	107	64	243	695
Long-term debt	190	5	11	781	987
Noncurrent and deferred income taxes	59	—	—	360	419
Other noncurrent liabilities	85	12	9	446	552
Net intercompany investments and advances	1,388	896	271	(2,555)	—
Stockholders' equity	—	—	—	873	873
	$2,003	$1,020	$ 355	$ 148	$3,526

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

	NSI	Swift-Eckrich	Beatrice U.S. Food	Beatrice	Consolidated
Quarter ended May 31, 1990:					
Net sales	$445	$313	$247	$ (1)	$1,004
Operating expenses	406	301	241	6	954
Operating earnings (loss)	39	12	6	(7)	50
Intercompany income (expense), net	(8)	(16)	16	8	—
Interest income	—	—	3	2	5
Interest expense	(6)	—	(1)	(39)	(46)
Miscellaneous income (expense), net	—	—	—	(9)	(9)
Earnings (loss) before income taxes	25	(4)	24	(45)	—
Income tax (expense) benefit	(13)	(2)	(8)	13	(10)
Net earnings (loss)	$ 12	$ (6)	$ 16	$(32)	$ (10)
Quarter ended May 31, 1989:					
Net sales	$435	$304	$218	$ (1)	$ 956
Operating expenses	399	287	214	7	907
Operating earnings (loss)	36	17	4	(8)	49
Intercompany income (expense), net	(7)	(18)	19	6	—
Interest income	—	—	2	3	5
Interest expense	(8)	—	—	(47)	(55)
Miscellaneous income (expense), net	—	—	—	2	2
Earnings (loss) before income taxes and extraordinary item	21	(1)	25	(44)	1
Income tax (expense) benefit	(11)	(2)	(15)	18	(10)
Earnings (loss) before extraordinary item	10	(3)	10	(26)	(9)
Extraordinary item	—	—	—	5	5
Net earnings (loss)	$ 10	$ (3)	$ 10	$(21)	$ (4)

RESULTS OF OPERATIONS

Beatrice's operations conduct business primarily in the processed food industry through the production and distribution of branded food products. These operations manufacture and distribute grocery, meat and cheese products throughout the U.S. and certain Canadian provinces. The following discussion addresses the results of operations for the quarters ended May 31, 1990 and 1989.

Quarters Ended May 31, 1990 and 1989

Net sales for the quarter increased $48 million, or 5%, over the prior year's quarter. The increased sales were due to volume gains, particularly in retail oil products, retail and foodservice tomato-based products, ethnic foods, microwave popcorn and consumer packaged poultry and deli meats. Also contributing to the increase were higher selling prices for foodservice oil products and cheese products which reflected the rising cost of raw materials. These sales increases were partially offset by volume declines in shelf stable puddings, snack products, peanut butter and processed turkey products, due primarily to competitive pressures, and lower selling prices for retail tomato-based products and whole bird turkeys. The sale of the Fisher Nut business line on October 13, 1989 and a decision late in fiscal 1990 to exit the industrial oil business also had an unfavorable impact as a result of the absence of sales from these business lines.

Operating earnings were $50 million versus $49 million in the prior year. The slight improvement was primarily due to the increased net sales as well as lower promotional expenditures. These improvements, however, were partially offset by lower profit margins due in large part to higher raw material costs for crude oil, red meat and milk.

A net loss of $10 million was realized versus a net loss of $4 million in the prior year. The difference was primarily the result of an unfavorable variance in the translation of foreign denominated debt offset by a reduction in interest expense, and the absence in the current quarter of a $5 million extraordinary credit realized in the prior year due to the utilization of a net operating loss carryforward.

FINANCIAL CONDITION

Beatrice had cash and cash equivalents of $72 million as of May 31, 1990. Management believes that funds available under the Bank Credit Agreement and cash flow from operations will continue to be sufficient to fund operating requirements, including capital expenditures, as well as service debt requirements. Management has continued to explore various additional financing alternatives in connection with the maturity of debt in the future and as a result, on April 5, 1990, Beatrice borrowed $90 million under a term loan agreement which will mature in 1998.

Capital expenditures planned for fiscal 1991 approximate $124 million, of which $23 million was expended during the quarter ended May 31, 1990.

On June 7, 1990 the Merger Agreement was entered into by and among ConAgra, CAGSUB, and Beatrice pursuant to which ConAgra will ultimately own all of the outstanding common stock of Beatrice. Each share of Beatrice common stock outstanding at the effective time of the ConAgra Merger, other than shares held by Beatrice, ConAgra, CAGSUB or their subsidiaries (which will be canceled) and shares as to which appraisal rights are perfected under Delaware Law, will be converted into the right to receive (i) $5.75 in cash and (ii) a fraction of a share of ConAgra common stock, a fraction of a share of ConAgra Class E $2,500 Cumulative Convertible Voting Preferred Stock, Series 1, and possibly a fraction of a share of ConAgra Class E $2,500 Cumulative Exchangeable Voting Preferred Stock, Series 2, in each case pursuant to the conversion formulas set forth in the Merger Agreement. The ConAgra Merger Consideration is valued at approximately $1.3 billion.

PART II. OTHER INFORMATION

Item 5—Other Information

On June 19, 1990, Frederick B. Rentschler, President and Chief Executive Officer and a director of Beatrice announced that he has accepted a position with another company and will resign from Beatrice upon the completion or termination of the Merger Agreement.

Item 6—Exhibits and Reports on Form 8-K

(a) Exhibits:

None

(b) Reports on Form 8-K:

On or about June 15, 1990 Beatrice filed a current report on Form 8-K regarding the Merger Agreement referred to in Note 8 of Notes to Condensed Consolidated Financial Statements and certain related matters.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned thereunto duly authorized.

BEATRICE COMPANY

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

By /s/ MICHAEL L. GOLDBERG
Michael L. Goldberg
Vice President and Controller

July 12, 1990

THIS PAGE INTENTIONALLY

LEFT BLANK