Prospectus

5,000,000 Shares

E-II Holdings Inc.

Common Stock

($.01 par value)

In addition to the shares being offered by the Company hereby, in a concurrent U.S. Offering 15,700,000 shares (plus up to 2,355,000 additional shares to cover over-allotments) of Common Stock are being issued and sold by the Company and 7,300,000 shares (plus up to 1,095,000 additional shares to cover over-allotments) are being sold by the Selling Shareholders. The Company will not receive any of the proceeds from the sale of shares by the Selling Shareholders. The closing of the U.S. Offering is a condition to the closing of the International Offering made hereby. See "Principal and Selling Shareholders" and "Underwriting."

The Common Stock has been accepted for listing on the New York Stock Exchange. Prior to the Offerings, there has been no public market for the Common Stock. See "Underwriting" for a discussion of the factors considered in determining the initial public offering price.

The Company is concurrently offering by a separate prospectus $750,000,000 principal amount of 12.85% Senior Subordinated Notes due 1997 and $750,000,000 principal amount of 13.05% Subordinated Debentures due 1999. The closing of the Debt Offerings is not a condition to the closing of the International Offering made hereby. See "Financing."

See "Certain Investment Considerations" for a discussion of certain factors that should be considered in connection with an investment in the securities offered hereby.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION NOR HAS THE COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

	Price to Public	Underwriting Discount	Proceeds to Company(1)
Per Share	$15.00	$ .79	$14.21
Total(2)	$75,000,000	$3,950,000	$71,050,000

(1) Before deducting expenses payable by the Company estimated to be $200,000.
(2) The Company has granted to the Managers a 30-day option to purchase up to 750,000 additional shares of Common Stock at the Price to Public, less the Underwriting Discount, to cover over-allotments, if any. If all such additional shares are purchased by the Managers, the total Price to Public, Underwriting Discount and Proceeds to Company will be increased by $11,250,000, $592,500 and $10,657,500, respectively. See "Underwriting."

The Common Stock is offered subject to receipt and acceptance by the Managers, to prior sale and to the Managers' right to reject any order in whole or in part and to withdraw, cancel or modify the offer without notice. It is expected that delivery of the shares of Common Stock will be made at the office of Salomon Brothers Inc, One New York Plaza, New York, New York, or through the facilities of The Depository Trust Company, on or about July 9, 1987.

Salomon Brothers International Limited

Credit Suisse First Boston Limited

Drexel Burnham Lambert International Limited

Morgan Stanley International

The date of this Prospectus is July 2, 1987.

IN CONNECTION WITH THE INTERNATIONAL AND U.S. OFFERINGS, THE MANAGERS OF THE INTERNATIONAL OFFERING AND THE UNDERWRITERS OF THE U.S. OFFERING MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE COMMON STOCK OF THE COMPANY AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH TRANSACTIONS MAY BE EFFECTED ON THE NEW YORK STOCK EXCHANGE, IN THE OVER-THE-COUNTER MARKET OR OTHERWISE. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

In this Prospectus, references to "dollar" and "$" are to United States dollars, and the terms "United States" and "U.S." mean the United States of America, its territories, its possessions and all areas subject to its jurisdiction.

Offers of Common Stock may not be made in Great Britain except to persons whose business is to buy or sell shares or debentures, whether as principal or agent, and this document may not be distributed, in preliminary or final form, in or from Great Britain, except to persons whose ordinary business involves the acquisition and disposal, or the holding, of securities, whether as principal or agent.

As used herein, the offering made hereby is referred to as the "International Offering" and the concurrent offering of Common Stock within the United States is referred to as the "U.S. Offering." The International Offering and the U.S. Offering are collectively referred to herein as the "Offerings."

ADDITIONAL INFORMATION

The Company has filed a Registration Statement on Form S-1 (the "Registration Statement") under the Securities Act of 1933, as amended, with respect to the shares of Common Stock offered in the Offerings and with respect to shares of Common Stock to be distributed to the current shareholders and warrant holders of BCI Holdings Corporation ("BCI"), the current owner of all of the outstanding Common Stock, and by certain of such shareholders and warrant holders to their respective partners. This Prospectus does not contain all the information set forth in the Registration Statement, certain items of which are omitted in accordance with the rules and regulations of the Securities and Exchange Commission (the "Commission"). For further information pertaining to the Company and the Common Stock, reference is made to the Registration Statement and exhibits thereto, which may be inspected without charge at the office of the Commission at 450 Fifth Street, N.W., Washington D.C. 20549, and copies of which may be obtained from the Commission at prescribed rates.

The Company intends to furnish its shareholders with annual reports containing audited consolidated financial statements examined by independent certified public accountants and with quarterly reports containing unaudited consolidated financial statements for the first three quarters of each fiscal year.

PROSPECTUS SUMMARY

The following summary is qualified in its entirety by the more detailed information and combined financial statements and notes thereto appearing elsewhere in this Prospectus.

The Company

E-II Holdings Inc. (the "Company") is a newly formed holding company that will manage a portfolio of businesses and will seek to enhance its value through leveraged acquisitions, improved management of operations, selective dispositions and corporate restructurings. The Company's experienced management team is headed by Donald P. Kelly, former Chief Executive Officer of Esmark, Inc. and BCI Holdings Corporation ("BCI"). Mr. Kelly will continue to serve as Chairman of the Board of, and hold an equity interest in, BCI.

In April 1986 BCI acquired Beatrice Companies, Inc. ("Beatrice") in a $6.2 billion leveraged acquisition (the "Merger") led by Mr. Kelly and representatives of Kohlberg Kravis Roberts & Co., a private merchant banking firm. In May 1987 the Board of Directors of BCI approved (i) a reorganization pursuant to which certain operating units formerly owned by Beatrice were transferred to the Company, and (ii) the concurrent distribution to BCI shareholders and warrant holders of all 41,146,377 of the shares of Company Common Stock outstanding prior to the Offerings. Various contractual arrangements exist between the Company and BCI principally relating to the sharing of management and support services and office facilities. See "Arrangements and Transactions with BCI."

The Company's initial portfolio consists of 15 independently operated businesses, nine of which manufacture and market consumer products including SAMSONITE luggage and CULLIGAN water treatment systems and six of which manufacture and market food specialty and ingredient products such as MARTHA WHITE flour and baking mixes and LOWREY'S meat snacks. For the fiscal year ended February 28, 1987 the companies comprising the consumer products and food specialties segments had net sales of $1.1 billion and $343.8 million, respectively, and segment operating earnings of $111 million and $34.1 million, respectively.

The Company has been structured to facilitate major leveraged acquisitions that may involve one or more targets with discrete groups of assets in multiple industries, as well as midsized leveraged acquisitions of operations compatible with or complementary to the Company's existing businesses. After repayment of indebtedness to BCI, the Company expects to have approximately $937 million in combined net proceeds from the Offerings and the Debt Offerings described herein available for acquisitions and general corporate purposes.

The Offerings (1)

Common Stock Offered in the U.S. Offering by:	
The Company	15,700,000 shares
Selling Shareholders	7,300,000 shares
Common Stock Offered by the Company in the International Offering	5,000,000 shares
Common Stock Outstanding After the Offerings	61,846,377 shares
Use of Proceeds	Financing of acquisitions, repayment of $80 million of subsidiary indebtedness owed to BCI and general corporate purposes. See "Use of Proceeds."
NYSE symbol	EII

Concurrent Debt Offerings

The Company is concurrently offering by a separate prospectus $750 million principal amount of 12.85% Senior Subordinated Notes due 1997 and $750 million principal amount of 13.05% Subordinated Debentures due 1999 (the "Debt Offerings"). The closing of the Debt Offerings is not a condition to the closing of the Offerings.

(1) Assumes no exercise of over-allotment options. If the over-allotment options are exercised in full, 64,951,377 shares will be outstanding after the Offerings.

Summary Financial Data
(In thousands)

The following table summarizes certain historical information from the combined financial statements of the Company and certain pro forma financial data. The historical financial data may not necessarily reflect the financial position or results of operations that would have been obtained had the Company been operated as a separate stand-alone entity during the periods presented. Results for the fiscal year ended February 28, 1987 include data for the periods before and after the Merger.

	Fiscal year ended last day of February				
	1987	1986	1985	1984	1983
INCOME STATEMENT DATA:					
Net sales	$1,471,589	$1,393,116	$1,290,357	$1,164,210	$1,053,863
Cost of sales	(947,639)	(903,032)	(844,724)	(763,432)	(698,893)
Gross earnings	523,950	490,084	445,633	400,778	354,970
Selling and administrative costs	(386,717)	(358,474)	(315,554)	(282,551)	(244,469)
Amortization of intangible assets(a)	(12,166)	(1,760)	(1,611)	(1,630)	(1,237)
Operating earnings(a)	$ 125,067	$ 129,850	$ 128,468	$ 116,597	$ 109,264
Net earnings(a)	$ 16,800	$ 66,514	$ 65,754	$ 57,615	$ 53,746
Pro forma earnings (loss) before extraordinary items per share(b):					
Assuming completion of the Offerings	$ .21				
Assuming completion of the Offerings and the Debt Offerings	$(1.45)				
FINANCIAL POSITION DATA:					
Working capital	$ 274,064	$ 278,192	$ 248,820	$ 206,159	$ 171,233
Intangible assets(a)	508,972	43,650	43,190	44,746	47,189
Total assets(a)	1,330,973	741,416	644,295	572,301	518,804
Long-term debt, excluding current portion	39,587	40,329	40,626	43,846	48,212
Indebtedness to BCI(c)	800,000	—	—	—	—
E-II Equity(d)	269,879	477,297	438,163	375,937	337,148

(a) In fiscal 1987 the increased amortization of intangible assets and the decrease in combined operating earnings and net earnings is attributable to the Merger. The increase in intangible assets and total assets is primarily attributable to the Merger. See Notes 2 and 3 of Notes to Combined Financial Statements.

(b) Pro forma earnings before extraordinary items, assuming the Merger occurred at the beginning of fiscal 1987, were $9.3 million. Assuming further that the Offerings had been completed at that date and that a portion of the proceeds were used to repay the $80 million BCI Note (as hereinafter defined), pro forma earnings before extraordinary items would have been $13.8 million. Additionally, had the Debt Offerings been completed at the beginning of fiscal 1987 and a portion of the proceeds used to repay the $720 million BCI Note (as hereinafter defined), the pro forma loss before extraordinary items would have been $89.6 million (based on a weighted-average interest rate of 12.95% on the securities issued in the Debt Offerings). Upon repayment of the BCI Notes, deferred financing costs approximating $26 million will be charged against the Company's earnings as extraordinary items, $2.6 million upon completion of the Offerings and $23.4 million upon completion of the Debt Offerings. See also Notes 2 and 3 of Notes to Combined Financial Statements. Neither case assumes any earnings from investing anticipated excess cash balances, approximately $937 million, resulting from the Offerings and Debt Offerings. Per share pro forma data are computed based upon 66.1 million common equivalent shares, assuming completion of the Offerings (and no exercise of the over-allotment options) and 61.8 million common shares, assuming further the completion of the Debt Offerings. Common stock equivalents (options) are excluded in the latter case as the effect is anti-dilutive. Pro forma data, which are unaudited, do not purport to be indicative of the results which would have been obtained had these events actually occurred at the beginning of fiscal 1987 and are not intended to be a projection of future results.

(c) See "Reorganization," "Use of Proceeds" and Notes 2 and 3 of Notes to Combined Financial Statements.

(d) See Notes 1 and 10 of Notes to Combined Financial Statements.

THE COMPANY

The Company is a newly formed holding company that will manage a portfolio of businesses and will seek to enhance the Company's value through leveraged acquisitions, improved management of operations, selective dispositions and corporate restructurings. Management, headed by Donald P. Kelly, has substantial experience in managing diverse businesses, in negotiating and implementing acquisitions and divestitures and in raising and managing significant amounts of capital. The Company's initial portfolio of businesses consists of 15 distinct operating companies divided into two segments, nine in a consumer products segment and six in a food specialties segment. The consumer products companies manufacture and market such well-known products as SAMSONITE luggage and CULLIGAN water treatment systems. The food specialties companies produce and distribute food items and food ingredients and flavorings. Several of the food specialties companies market their products primarily on a regional basis, such as MARTHA WHITE flour and baking mixes in the Southeastern United States, and others produce niche food items, such as LOWREY'S meat snacks. All of the brand names appearing in solid capital letters in this Prospectus are trademarks or trade names of the Company's operating units.

Two subsidiaries have been formed to facilitate future acquisitions. Management currently contemplates that one of the subsidiaries will serve as a vehicle for major leveraged acquisitions most likely involving one or more targets with discrete groups of assets in multiple industries and preferably involving branded consumer products. The other subsidiary will serve as a vehicle for midsized leveraged acquisitions of operations that might be compatible with or complementary to companies in either the food specialties or consumer products segment.

It is estimated that approximately $937 million in net proceeds to the Company will result from the Offerings and from concurrent offerings of $1.5 billion of subordinated debt (the "Debt Offerings"). These funds, after repayment by subsidiaries of the Company of $800 million of indebtedness to BCI Holdings Corporation ("BCI") from the proceeds of the Offerings and the Debt Offerings, will be available for acquisitions and general corporate purposes. See "Reorganization" and "Use of Proceeds."

For the fiscal year ended February 28, 1987 the consumer products segment had sales of $1.1 billion and segment earnings of $111 million. Each of the consumer products companies is profitable and several have well established brand names, such as SAMSONITE, CULLIGAN, DAY-TIMERS, STIFFEL and LOUVERDRAPE. The companies are Samsonite Corporation ("Samsonite"), a manufacturer of luggage and attaché cases; Culligan International Company ("Culligan"), a producer of water softening equipment and water treatment systems; Home Fashions, Inc. ("Home Fashions"), a manufacturer of non-drapery fashion window coverings; Waterloo Industries, Inc. ("Waterloo"), a manufacturer of tool storage products; Aristokraft, Inc. ("Aristokraft"), a manufacturer of kitchen and bath cabinets; Day-Timers, Inc. ("Day-Timers"), a direct mail marketer of diary planners and time management aids; Samsonite Furniture Co. ("Samsonite Furniture"), a manufacturer of folding and leisure and casual furniture; Twentieth Century Companies, Inc. ("Twentieth Century"), a manufacturer and distributor of plumbing supply items; and The Stiffel Company ("Stiffel"), a manufacturer of high quality lamps.

For fiscal 1987 the food specialties segment had sales of $343.8 million and segment earnings of $34.1 million. Each of the food specialties companies is profitable and each concentrates in a specialized area of food production and marketing. Brand names such as BEATREME, MARTHA WHITE and LOWREY'S are important to several of the companies. Martha White Foods, Inc. ("Martha White") processes corn meal and grits, packages flour, distributes baking mixes and manufactures and distributes economy pet food; Beatreme Food Ingredients, Inc. ("Food Ingredients") produces ingredients and food flavorings used by large food manufacturers; Aunt Nellie's Farm Kitchens, Inc. ("Aunt Nellie's") cans and glass packs fruits and vegetables; Lowrey's Meat Specialties, Inc. ("Lowrey's") produces meat snacks; Pet Specialties, Inc. ("Pet Specialties") produces pet foods; and Frozen Specialties, Inc. ("Frozen Specialties") produces private label and branded frozen pizza.

BCI acquired Beatrice Companies, Inc. ("Beatrice") in April 1986 in a $6.2 billion leveraged acquisition (the "Merger"). Prior to that time each of the Company's operating units was owned by Beatrice. In May 1987 the Board of Directors of BCI approved a reorganization that took place concurrently with the effectiveness of the Registration Statement, pursuant to which ownership of such operating units was transferred to the Company (the "Reorganization"). Concurrently with the Reorganization, BCI distributed to holders of BCI common stock and warrants one-third share of Company Common Stock, plus the right to receive cash in the amount of $.574 for each BCI share they held or were entitled to acquire pursuant to the exercise of their warrants (the "Distribution").

The Company's principal executive offices are located at Two North LaSalle Street, Chicago, Illinois 60602 (telephone 312-558-4000). The Company was incorporated in Delaware in 1987 and has no prior history as an independent publicly-held entity. See "Reorganization." The Company's management team includes twelve experienced individuals who have worked with Mr. Kelly at BCI. See "Management—Directors and Executive Officers."

As used in this Prospectus, the "Company" means E-II Holdings Inc. and its subsidiaries unless the context otherwise requires.

REORGANIZATION

The Company has been structured to provide an investment vehicle through which Mr. Kelly and his management team may exercise their skills in managing and building a portfolio of operating businesses. Prior to the Reorganization, Mr. Kelly and representatives of Kohlberg Kravis Roberts & Co. ("KKR"), a private merchant banking firm whose principals are general partners of the four partnerships that control BCI and a fifth partnership that holds warrants to purchase BCI shares (together, the "Partnerships"), agreed upon the operating companies that initially would comprise the Company. See "Principal and Selling Shareholders." They selected certain companies from BCI's U.S. food segment and most of BCI's consumer products segment. Certain units of BCI's consumer products segment that were experiencing operating difficulties or were being considered for divestiture were not included in the Company. BCI's management estimated that the Company's operating subsidiaries constituted approximately 20% of BCI's total net assets exclusive of funded debt on a fair market value basis as of February 28, 1987. Based on this estimate BCI's management determined that it would be appropriate for subsidiaries of the Company to remain indebted to BCI following the Reorganization for $800 million which, when added to such subsidiaries' $43 million of other long-term debt, including current maturities, is approximately 20% of BCI's consolidated indebtedness at February 28, 1987. This $800 million of indebtedness is evidenced by 11¼% senior promissory notes to BCI from the 15 operating companies (the "BCI Notes") which were issued by such companies as intercompany debt in connection with the Merger. BCI Notes aggregating $80 million in principal amount (collectively, the "$80 million BCI Note") are expected to be repaid with a portion of the proceeds of the Offerings. BCI intends to use these funds to pay the cash portion of the Distribution. The remaining BCI Notes, aggregating $720 million in principal amount (collectively, the "$720 million BCI Note"), are expected to be repaid with a portion of the proceeds of the Debt Offerings. See "Use of Proceeds" and "Financing—BCI Notes."

In the Distribution, all 41,146,377 of the shares of Company Common Stock outstanding prior to the Offerings were distributed to BCI shareholders and warrant holders. Holders of options to acquire BCI shares received, in accordance with the anti-dilution provisions of such options, options for one share of Company Common Stock for each three shares of BCI common stock covered by their BCI options and certain other consideration. See "Management—Beatrice and BCI Employee Benefit Plans—Replacement Options." Upon completion of the Distribution, the shareholders of record of the Company consisted of the Partnerships and 30 individuals (the "Management Investors") who were or had been executives of BCI and its subsidiaries. The thirteen executive officers of the Company (including eleven Management Investors) and members of their families received an aggregate of 427,500 shares in the Distribution and hold options to acquire an additional 3,871,500 shares, constituting approximately 6.4% of the outstanding Common Stock on a fully-diluted basis after consummation of the Offerings. The Partnerships have advised the Company that as soon as practicable after consummation of the Offerings, they intend to distribute the shares of Company Common Stock owned by them after the Offerings and cash received by them pursuant to the Distribution to their limited and general partners in accordance with their respective partnership agreements. Following such distribution of shares by the Partnerships, KKR Associates and BCI Partners, L.P., the general partners of the Partnerships, will own a maximum of approximately 4.7 million shares, constituting approximately 7.6% of the outstanding Common Stock of the Company, and the limited partners will own in the aggregate approximately 28.6 million shares, constituting approximately 46% of the outstanding Common Stock (in each case without giving effect to possible further reduction through the exercise of the Underwriters' and Managers' over-allotment options). To the knowledge of the Company, no limited partner will beneficially own 5% or more of the outstanding Common Stock, nor are there any agreements among any of the limited partners with respect to the voting or disposition of shares of Common Stock, except in each case as set forth under "Principal and Selling Shareholders." The Distribution constitutes a taxable transaction for BCI shareholders and warrant holders. Four of the Partnerships are selling 7,300,000 shares of Common Stock being offered in the U.S. Offering (exclusive of shares covered by an over-allotment option) in part to provide funds to meet the tax obligations of certain partners. No Management Investor is selling any shares. See "Principal and Selling Shareholders."

CERTAIN INVESTMENT CONSIDERATIONS

Prospective investors should consider the following factors regarding the Company and the Offerings.

Return to BCI Investors, Management and one of the Underwriters. In April 1986 certain of the Partnerships and the Management Investors purchased 80 million and 1.7 million shares of BCI common stock, respectively, for $5.00 per share, or an aggregate cash consideration of $400 million and $8.5 million, respectively. In addition, certain of the Partnerships purchased warrants (which entitle them to purchase up to 41.7 million shares of BCI common stock at a price of $5.00 per share) for an aggregate cash consideration of $10.0 million, or approximately $.24 per share of BCI common stock purchasable upon exercise of such warrants. The Management Investors and certain other employees of BCI or the Company also received options, granted in 1986 and 1987, to acquire an aggregate of 15.8 million shares of BCI common stock at an exercise price of $5.00 per share.

In the Distribution, the Partnerships and the Management Investors received an aggregate of 40,579,710 and 566,667 shares, respectively, of Company Common Stock valued (based on the initial public offering price) at $608.7 million and $8.5 million, respectively, plus the right to receive cash in the aggregate amounts of $69.9 million and $1.0 million, respectively ($.574 for each BCI share held or entitled to be acquired under warrants).

The Partnerships have advised the Company that as soon as practicable after consummation of the Offerings, they intend to distribute the shares and cash received by them to their respective partners. As a result, such limited and general partners will receive approximately 28.6 million and 4.7 million shares, respectively, of Company Common Stock valued (based on the initial public offering price) at $428.3 million and $70.9 million, respectively, plus net proceeds from the sale of shares being offered by the Partnerships hereby of approximately $86.7 million and $22.8 million, respectively, and approximately $59.1 million and $10.8 million, respectively, from the amounts to be received by the Partnerships pursuant to the cash portion of the Distribution. In the distribution by one of the Partnerships, one of its limited partners, of which Drexel Burnham Lambert Incorporated, one of the underwriters of the Offerings and the sole underwriter of the Debt Offerings, and certain of its employees and officers are the primary limited partners, will receive approximately 10.6 million shares of Company Common Stock valued (based on the initial public offering price) at $158.6 million, plus approximately $18.2 million pursuant to the cash portion of the Distribution. See "Principal and Selling Shareholders" and "Underwriting."

In addition, the Management Investors and other holders of BCI options received, in accordance with the anti-dilution provisions of such options, options to purchase an aggregate of 5,274,000 shares of Company Common Stock at an exercise price of $3.00 per share and a reduction in the exercise price of their BCI options to $4.00 per share. The Management Investors and other holders of BCI options will also receive cash in the aggregate amount of $9.1 million ($.574 per BCI share subject to option). See "Dilution," "Arrangements and Transactions with BCI—Security Holdings of Management in BCI," "Management—Esmark and BCI Experience" and "Management—Beatrice and BCI Employee Benefit Plans—Replacement Options" and "Principal and Selling Shareholders."

The value of the Company Common Stock received by the Partnerships in the Distribution (including those shares sold in the Offerings, but without giving effect to the underwriting discount), based upon the initial public offering price, will be $198.7 million greater than the amount invested in BCI by the Partnerships. Included in this amount is approximately $151 million, which is the amount by which the value of the shares of the Company Common Stock received by the limited partnership of which Drexel Burnham Lambert Incorporated is a limited partner exceeds the purchase price of the warrants held by that limited partnership. The value of the Company Common Stock received by the Management Investors in the Distribution, based upon the initial public offering price, will approximate the amount invested in BCI by the Management Investors. Management Investors and other Company option holders will have options to acquire Company Common Stock for an aggregate option price which is $63.3 million less than the aggregate value of the Company Common Stock subject to such options based on the initial public offering price. In addition, as set forth above, the shareholders, warrant holders and option holders of BCI will receive an aggregate of $80 million in the cash portion of the Distribution and will continue to own their BCI common stock and their warrants and options to acquire BCI common stock.

Relative Financial Risk; Dilution. Purchasers of Company Common Stock offered in the Offerings will pay a substantially higher price per share than that paid by persons who acquired their shares by virtue of their investment in BCI, and consequently, will assume a substantial portion of the financial risks of the Company's operations. In addition, the initial public offering price for the Common Stock substantially exceeds the Company's net tangible book value per share, resulting in immediate dilution to purchasers in the Offerings. See "Dilution."

Leverage. Upon completion of the Offerings and the Debt Offerings the Company will be highly leveraged with $1.5 billion of subordinated debt outstanding. It may thereafter incur substantial bank and other senior debt (the amount of which is not currently limited by any agreements or indentures to which the Company is party), primarily in connection with acquisitions. Funds generated by existing operations (without giving effect to potential earnings from the investment of the net proceeds of the Offerings and the Debt Offerings) would not be sufficient to enable the Company to meet its debt service obligations on the debt offered in the Debt Offerings and cover its other fixed charges. See "Future Conduct of the Business—Acquisitions and Dispositions—Use of Leverage," "Use of Proceeds," "Selected Historical and Pro Forma Financial Data" and "Financing."

Interest and Amortization Expense. The Merger significantly affected the capital structure of BCI, and therefore the Company, resulting in an increase of $78.8 million in interest expense. Net earnings were $16.8 million for the fiscal year ended February 28, 1987 compared to $66.5 million in the prior year reflecting the impact of increased interest expense and amortization of intangibles. See "The Company" and "Management's Discussion and Analysis of Financial Condition and Results of Operations—Operations—Fiscal 1987 Compared with Fiscal 1986."

No Specific Use of Proceeds. The Company expects to have approximately $937 million in combined net proceeds from the Offerings and the Debt Offerings available for acquisitions and general corporate purposes. The Company does not currently have any firm plans, commitments or understandings to invest in or acquire any particular business or to dispose of any of its existing businesses. Consequently, in view of management's intention to engage in significant purchases and sales of businesses, investors face the possibility that the Company might ultimately have a risk profile which differs in material respects from that which it had at the date hereof. In addition, there can be no assurance that portions of the proceeds from the Offerings and Debt Offerings will not be used in such a way as to dilute the earnings or equity of the Company. See "Future Conduct of the Business."

Potential Conflicts of Interest. Mr. Kelly, Chairman of the Board and Chief Executive Officer of the Company, is also Chairman of the Board (but not an officer) of BCI, and four other executive officers of the Company are also executive officers of BCI. The Company and BCI render various services to each other pursuant to a Services Agreement. Accordingly, potential conflicts of interest may arise from time to time.

The Company's Restated Certificate of Incorporation contains provisions which relate to corporate opportunities presented to an officer or director of the Company who is also an officer or director of BCI and which limit the liability of persons who act in conformity therewith. See "Arrangements and Transactions with BCI—Services Agreement," "Management—Directors and Executive Officers" and "Description of Capital Stock—Certain Special Charter Provisions—Corporate Opportunities."

Reliance on Management. The Company's success will depend in large part on the skill of Donald P. Kelly, its Chief Executive Officer, and his management team in building and improving the Company's portfolio of businesses. The Company could be adversely affected if Mr. Kelly were to withdraw from its management in the near future. See "Management of the Company" and "Management."

Dividends. The Company does not currently intend to pay regular cash dividends on the Common Stock. The Indentures pursuant to which the debt securities in the Debt Offerings are being issued contain certain limitations on the payment of dividends. See "Dividends" and "Financing—Debt Securities."

Future Sales of Shares. Prior to the Offerings there has been no market for the Common Stock. Upon completion of the Offerings the Company will have approximately 61.8 million shares outstanding (assuming no exercise of the over-allotment options), of which approximately 33.8 million will be held by current shareholders of the Company or partners therein. Such persons have agreed not to sell or otherwise dispose of such shares, subject to certain exceptions, prior to March 1, 1988 without the consent of Salomon Brothers Inc. After such period, such shares will be freely tradeable (unless owned by an affiliate of the Company) without restrictions or further registration. Sales of substantial amounts of Common Stock in the public market or the perception that such sales may occur could adversely affect prevailing market prices. See "Description of Capital Stock—Shares Eligible for Future Sale."

MANAGEMENT OF THE COMPANY

The Company's Chief Executive Officer, Donald P. Kelly, was the Chief Executive Officer of BCI until June 30, 1987. Mr. Kelly and certain others participated with principals of KKR in negotiating and structuring BCI's $6.2 billion leveraged acquisition of Beatrice in 1986. Mr. Kelly was the President of Esmark, Inc. ("Esmark") at its formation in 1973 and became its Chief Executive Officer in 1977, a position he held until Esmark was acquired by Beatrice in 1984. During those years Esmark was involved in more than 60 acquisitions and dispositions. A share of Esmark common stock purchased for $24.625 in 1973 when Esmark was formed would have been worth, after adjustment for stock splits and stock dividends and assuming reinvestment of quarterly cash dividends, $385.625 in the sale to Beatrice.

Promptly following BCI's acquisition of Beatrice, Mr. Kelly assembled an experienced management team consisting of continuing Beatrice employees, former Esmark employees and other selected individuals. Since then this team has accomplished a major restructuring and rationalization of Beatrice's operations that has resulted in an approximate $100 million reduction in annual corporate and segment administrative expenses to approximately $90 million, the disposition of six major and several smaller Beatrice businesses for net proceeds of approximately $3.4 billion, the repayment of approximately $3.6 billion of BCI's indebtedness incurred in the acquisition and the replacement of operating company management in several instances.

The Company's success will depend in large part on the skill of the management team in building and improving the Company's portfolio of businesses. The Company could be adversely affected if Mr. Kelly were to withdraw from its management in the near future. In addition, there are numerous economic, financial, competitive, legislative and political factors that will or may impact the future of the Company. Consequently, the accomplishments at Esmark and BCI should not be viewed as providing any assurance that Mr. Kelly and the management team will be successful in managing the Company.

FUTURE CONDUCT OF THE BUSINESS

Management Philosophy

In 1983 Mr. Kelly wrote the following to the shareholders of Esmark:

> "Constantly reviewing areas of opportunity in keeping with the realities of everchanging markets is considered an ongoing management responsibility. At Esmark there will continue to be changes as management and the Board strive to improve the overall value of your investment.

Changes are not made for the sake of change, but rather as an extension of management's philosophy that a holding company must constantly review its investment mix. As a consequence, no serious proposal for possible acquisitions, dispositions, joint ventures, etc., regardless of size, will be passed without full and careful consideration."

The Company intends to follow this philosophy.

In addition, management believes that a substantially decentralized approach to managing operating companies is the best way to maximize a holding company's returns from such companies. Under the Company's decentralized system, management of each individual operating company is responsible for attaining financial and other goals established jointly with and then monitored by the holding company and segment managements.

Existing Businesses

Each of the Company's existing 15 operating companies is a separate entity. The manager of each operating company has primary responsibility for its day-to-day operations and for the development and implementation of its operating business plans. Each manager reports to a division head or directly to the President of his respective segment. The President of each segment reports to the Company's Chief Executive Officer.

In general, operating company presidents will be given substantial authority to run their businesses. Subject to review and approval by the segment and holding company managements, each operating company will be expected to set annual financial and other objectives for its business. Management's performance in meeting those objectives will be monitored and evaluated by the segment and holding company managements. A significant portion of operating company managements' total compensation will be determined by their achievement of these objectives.

Each segment has a small staff to provide its operating units with various services such as assistance in the human resources and employee benefits areas, coordination of financial reporting and controls, financial analysis, financial planning and legal services. The segment Presidents are responsible for selecting and monitoring senior management of the operating companies and will assist in identifying acquisition targets compatible with or complementary to their segments.

Holding company management has responsibility for arranging external financing, reviewing and coordinating long range business planning, monitoring and evaluating financial performance and preparing financial reports. It also provides financial controls, handles investor relations and determines broad policy matters. Holding company management allocates capital among the operating companies and, together with segment management, evaluates the utilization of capital resources. Working capital needs are expected to be satisfied from operations and with the proceeds of the Offerings. See "Use of Proceeds."

Several of the existing businesses have had significant management changes since BCI's acquisition of Beatrice. Management of the Company believes that performance at various of these businesses should improve as new managements implement their business strategies and as various capital improvements, authorized since the acquisition of Beatrice, are completed. There can be no assurance, however, that performance of any existing business will be improved by such management changes or capital improvements. See "Business."

Acquisitions and Dispositions

Management of the Company expects to devote substantial time and resources to analyzing the possibility of investing in additional businesses, making and monitoring investments in publicly-owned companies, acquiring companies, rationalizing the operations of acquired businesses with those of the

Company's existing businesses and disposing of businesses or parts of businesses as opportunities arise to enhance shareholder value. Although management is continuously reviewing and evaluating various businesses as possible acquisition candidates, the Company does not currently have any firm plans, commitments or understandings to invest in or acquire any particular business or to dispose of any of its existing businesses.

Interim Investments. Management anticipates that the Company may invest certain of its funds in equity securities of publicly-held companies believed to be attractive investments and possible acquisition candidates. As management evaluates and monitors these investments, all or a portion of the investments may be sold and such sales may be at prices which are higher or lower than the prices paid for these securities. See under this heading "Investment Company Act" and see "Use of Proceeds."

Acquisition Subsidiaries. The Company has formed one subsidiary which it expects to use as a vehicle for one or more major leveraged acquisitions and a second subsidiary which it expects to use as a vehicle for midsized leveraged acquisitions. The Company currently contemplates that the first acquisition subsidiary will consider acquiring major companies that have several discrete groups of assets, are involved in more than one industry, are not capital intensive and, preferably, are involved in producing and distributing branded consumer products. The other acquisition subsidiary may focus initially on midsized companies that would be compatible with or complementary to companies in either the food specialties or consumer products segment, that need financial help, that might benefit from marketing expertise and/or that might benefit from staff services that could be provided at the segment level. The Company does not currently contemplate acquiring companies primarily engaged in financial services businesses, the selling of commodity products or "high technology" activities dependent upon continuous substantial research and development efforts. However, management does not have any firm criteria for acquisition candidates; future acquisitions will depend on then current financial considerations and numerous other factors, many of which cannot currently be foreseen, and may well be inconsistent with what is currently contemplated. Management believes that it is important to be flexible and opportunistic in considering possible acquisitions.

Use of Leverage. The aggregate net proceeds to the Company of the Offerings and the Debt Offerings, after repayment of the BCI Notes, will be available to provide subordinated debt or equity financing to the acquisition subsidiaries at a future date. See "Use of Proceeds." Management believes that the presence of such capital will greatly facilitate the ability of the acquisition subsidiaries to obtain the potentially substantial amounts of additional senior borrowings that may be required for major acquisitions. See "Financing—Bank Financing." In certain cases such borrowings may be made at the Company level and may be by means of bank financings or the public or private sale of debt. The ability of the Company or its subsidiaries to engage in future borrowings will depend on then prevailing market conditions, the Company's and its subsidiaries' results of operations, the borrower's financial condition, the attractiveness of the acquisition candidate and the terms of the acquisition. There can be no assurance that the Company or its subsidiaries will be able to borrow on terms that are not disadvantageous to the Company. If the Company needs funds and decides not to borrow, it may be able to raise funds through the sale of businesses or the sale of equity securities. Such sales will also depend on then prevailing market conditions and the performance of the Company or the business being sold, and there is no assurance that such sales may be effected on terms that are not disadvantageous to the Company.

Funds generated by existing operations (without giving effect to potential earnings from the investment of the net proceeds of the Offerings and the Debt Offerings) are not presently at a level sufficient to enable the Company to meet its debt service obligations on the debt offered in the Debt Offerings and other fixed charges. The Company believes that cash generated from existing operations and from the investment of the net proceeds of the Offerings and the Debt Offerings will be sufficient to meet such obligations. See "Use of Proceeds." However, there can be no assurance that earnings from future operations of the Company (including potential earnings from the investment of the net proceeds of the Offerings and the Debt Offerings) will be sufficient to meet its debt service obligations and other fixed charges. The Company's ability to meet such obligations will depend upon its ability to make suitable investments, through acquisitions of businesses or otherwise, and to realize sufficient earnings and cash flow from such acquired businesses.

Acquisition Techniques. The Company anticipates that acquisitions may be effected through negotiated purchases, unsolicited tender offers or other means. The Company may seek to acquire control of a business without acquiring the entire equity interest of such business. Efforts of the Company to acquire a business by an unsolicited tender offer or similar means may be more costly and time consuming than a negotiated acquisition because the target company's management may pursue various defensive tactics, such as issuing additional equity securities, making a tender or exchange offer for its own securities, selling assets deemed desirable by the Company or triggering "poison pill" provisions. The Company also may become involved in litigation with resulting incremental costs which may be substantial. The use of any particular acquisition technique will be determined on a case by case basis depending on management's assessments of, and judgments with respect to, the facts and circumstances then existing and the risk/reward analysis of the acquisition in a manner similar to the evaluation of any major capital investment.

Rationalization of Acquired Businesses. Once a business has been acquired, management of the Company will have the opportunity, if deemed advisable, to restructure it, sell off certain assets, combine operations with other operations of the Company, make changes in management, combine staffs, seek a reduction in administrative and operating expenses and, in general, attempt to increase value. There is no assurance that any such changes will be successful or will enhance the value of an acquired business. In any acquisition there is a risk that the values perceived by the buyer may not be fully realized. In addition, in hostile acquisitions the buyer is generally limited to publicly available information and, as a consequence, may be less fully apprised of difficulties and risks associated with the target company than if the acquisition were made on a negotiated basis.

Dispositions. Management anticipates reviewing the Company's portfolio of companies and investments on a regular basis. Such periodic reviews of the operating performance over time, the need for capital, general market, economic and business conditions, the perceived ability to further improve the operating company, the availability of buyers and values ascribed by the market will be among the factors considered in deciding whether to dispose of a business. When a business is disposed of, the Company may retain an equity interest in it or in the acquiring company. The Company expects to retain cash proceeds from dispositions and use such cash to reduce debt, to make further investments or for other corporate purposes. The Company may from time to time distribute to its shareholders equity interests in its portfolio companies or equity interests received in connection with a disposition.

Character of Investment. In view of management's intention to engage in significant purchases and sales of businesses, investors face the risk, in addition to that inherent in the ownership of any security, that the Company might ultimately have a risk profile which differs in material respects from that which it had at the date hereof.

Government Regulation of Acquisitions. The Company's purchase of interests in companies will be subject to various federal and state legislation which may have the effect of delaying or precluding the Company from realizing its objectives. The existence of state anti-takeover laws which have recently been held constitutional and as a consequence are expected to proliferate could hinder the Company in its pursuit of acquisition opportunities.

Under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the "HSR Act"), in the case of transactions involving parties which meet certain minimum total assets or net sales tests the acquiring entity is required to make certain filings with the Antitrust Division of the Department of Justice and the Federal Trade Commission, and to observe certain minimum waiting periods, prior to crossing certain specified share ownership thresholds. Application of the HSR Act could result in delays in the Company's purchase of interests in target companies.

Management anticipates that Congress may enact legislation that will impose additional restrictions and regulations on acquisitions of businesses. Such legislation may make it more difficult, more costly in terms of regulatory compliance and/or more time consuming to acquire businesses, particularly in unfriendly transactions.

Investment Company Act. The Company does not propose to engage in investment activities in a manner or to an extent which would require it to register as an investment company under the Investment Company Act of 1940 (the "Investment Company Act"). The Investment Company Act places restrictions on the capital structure and business activities of companies registered thereunder and application of its provisions would have a material adverse effect on the Company. Generally, an issuer is deemed to be an investment company subject to registration if its holdings of "investment securities" (securities other than (i) securities issued by majority owned non-investment company subsidiaries and (ii) government securities) exceed 40% of the value of its total assets exclusive of government securities and cash items. The Investment Company Act permits a company to avoid becoming subject to such Act for a period of up to one year despite the holding of investment securities in excess of such amount if, among other things, its board of directors has adopted a resolution which states that it is not the company's intention to become an investment company. The Company's Board of Directors has adopted such a resolution. If necessary, the Company may invest portions of excess funds in government securities rather than other higher yielding securities in order to avoid investment company status.

USE OF PROCEEDS

The net proceeds to the Company from its sale of Common Stock in the Offerings are estimated to be approximately $293 million ($337 million if the over-allotment options are exercised in full), of which a portion will be used to repay the $80 million BCI Note. The Company anticipates receiving additional net proceeds of approximately $1.4 billion from the Debt Offerings, of which a portion will be used to repay the $720 million BCI Note. See "Financing—BCI Notes." The indebtedness of the operating companies to BCI evidenced by the BCI Notes was originally issued by such companies as intercompany debt in connection with the Merger. Current plans call for the balance of the net proceeds to the Company of approximately $937 million to be available to capitalize either or both of the Company's acquisition subsidiaries with equity, subordinated or other debt, or both, to finance acquisitions and for general corporate purposes. However, the amount to be applied to any such purpose cannot be determined at this time.

Pending such uses the Company anticipates it will invest such proceeds in marketable interest bearing securities and, in part, in marketable equity securities of businesses that management may wish to consider as possible acquisition candidates. These securities are likely to provide interest and dividend income lower than the interest expense relating to the securities issued in the Debt Offerings. See "Future Conduct of the Business—Acquisitions and Dispositions," "Selected Historical and Pro Forma Financial Data" and "Financing."

The net proceeds to the Company of the Offerings and the Debt Offerings, together with funds from bank and other debt financing expected to be available, should provide the Company with the ability to respond quickly to attractive acquisition opportunities as they arise and should forestall the need to make any but the very largest acquisitions contingent upon obtaining additional financing. Preliminary discussions indicate an interest and ability on the part of more than ten major commercial banks to provide more than $3 billion of senior financing. See "Financing—Bank Financing."

Although management is continuously reviewing and evaluating various businesses as possible acquisition candidates, the Company does not currently have any firm plans, commitments or understandings to invest in or acquire any particular business. There can be no assurance that portions of the proceeds of the Offerings and the Debt Offerings available for acquisitions will not be used in such a way as to dilute the earnings or equity of the Company.

The Company will not receive any proceeds from the shares of Common Stock being sold by the Selling Shareholders in the U.S. Offering.

DILUTION

The Company's pro forma net tangible book value per share of Common Stock as of February 28, 1987 was a negative $6.44, based on the 41,146,377 shares of Common Stock outstanding immediately prior to the Offerings after giving effect to the Reorganization. After giving effect to the issuance by the Company of the 20,700,000 shares of Common Stock offered for sale in the Offerings (assuming no exercise of the over-allotment options), the pro forma net tangible book value of Common Stock at February 28, 1987 would have been $.45 per share. This amount represents an immediate increase in pro forma net tangible book value of $6.89 per share to the Company's present shareholders and an immediate dilution (the difference between the initial public offering price of the shares and the pro forma net tangible book value after the Offerings) of $14.55 per share to a new investor. The following table illustrates the dilution per share of Common Stock as of February 28, 1987:

Initial public offering price		$15.00
Pro forma net tangible book value before the Offerings	$(6.44)	
Increase attributable to purchase of Common Stock by new investors	6.89	
Pro forma net tangible book value after the Offerings		.45
Dilution to new investors		$14.55

Assuming the over-allotment options granted by the Company in the Offerings are exercised in full, the Company's pro forma net tangible book value per share after the Offerings would be $1.11, the increase in net tangible book value per share to the Company's present shareholders would be $7.55 and the dilution to new investors would be $13.89 per share.

Twenty-two employees of the Company and 16 employees of BCI hold options to purchase an aggregate of 5,274,000 shares of Company Common Stock at an exercise price of $3.00 per share. See "Management—Beatrice and BCI Employee Benefit Plans—Replacement Options." In 1986 BCI shareholders purchased their BCI shares for $5.00 each and BCI warrant holders purchased their BCI warrants (which entitle them to purchase BCI shares at a price of $5.00 per share) for an amount equivalent to approximately $.24 per BCI share purchaseable upon the exercise of such warrants. In the Distribution BCI shareholders and warrant holders received one-third share of Company Common Stock plus the right to receive $.574 cash for each BCI share they held or were entitled to acquire under such warrants.

DIVIDENDS

The Company does not currently intend to pay regular cash dividends on the Common Stock. It intends to retain future earnings for the operation and expansion of its businesses. Any future determination to pay cash dividends will be in the sole discretion of the Board of Directors. A change in the cash dividend policy would be dependent upon the Company's results of operations, financial condition, cash requirements, contractual restrictions and other factors deemed relevant by the Board of Directors. There can be no assurance that the Company will ever pay any cash dividends. See "Financing" for a discussion of dividend restrictions contained in certain debt instruments of the Company.

CAPITALIZATION

February 28, 1987
(In thousands of dollars)

The following table sets forth the historical combined capitalization at February 28, 1987 of the operating units which comprise the Company and the pro forma combined capitalization at such date after reflecting the effects of (i) the Reorganization, (ii) the Offerings and (iii) the Debt Offerings, as if each had occurred on February 28, 1987. This statement should be read in conjunction with the combined financial statements, including the notes thereto, included elsewhere in this Prospectus.

		Adjustments for			
	Historical	Reorganization(d)	Offerings(e)	Debt Offerings(f)	Pro forma
SHORT-TERM DEBT:					
Short-term bank borrowings	$ 15,171				$ 15,171
Current maturities of long-term debt	3,661				3,661
Total short-term debt	$ 18,832				$ 18,832
LONG-TERM DEBT:					
12.85% Senior Subordinated Notes due 1997	$	$	$	$ 750,000	$ 750,000
13.05% Subordinated Debentures due 1999				750,000	750,000
Industrial revenue bonds, due various dates through 2006 (8.5%(a))	26,257				26,257
Capitalized lease obligations, due various dates through 2037 (9.2%(a))	11,105				11,105
Other, due various dates through 1994 (8.5%(a))	5,886				5,886
Subtotal	43,248			1,500,000	1,543,248
Less current maturities	3,661				3,661
Total long-term debt	39,587			1,500,000	1,539,587
INTERCOMPANY INDEBTEDNESS TO BCI	800,000		(80,000)	(720,000)	—
E-II EQUITY(b)	269,879	(269,879)			—
STOCKHOLDERS' EQUITY:					
Preferred stock(c)					
Common stock(c)		411	207		618
Additional capital		259,512	292,820		552,332
Retained earnings (deficit)(g)			(2,600)	(23,400)	(26,000)
Cumulative foreign currency translation adjustment		9,956			9,956
Total stockholders' equity		269,879	290,427	(23,400)	536,906
TOTAL CAPITALIZATION	$1,109,466	$ —	$210,427	$ 756,600	$2,076,493

(a) Percentage represents weighted-average interest rate.
(b) See Notes 1 and 10 of Notes to Combined Financial Statements.
(c) Authorized capital stock consists of 100 million shares of Preferred Stock and 300 million shares of Common Stock. See "Description of Capital Stock."
(d) As part of the Reorganization, the Company issued 41.1 million shares of Common Stock. In addition, options to acquire 5.3 million shares of Common Stock were issued to BCI option holders in accordance with anti-dilution provisions of their options.
(e) In connection with the Offerings, the Company is issuing 20.7 million shares of $.01 par value Common Stock with net proceeds of $14.21 per share to the Company and will repay the $80 million BCI Note with a portion of the net proceeds.
(f) In connection with the concurrent Debt Offerings, the Company is issuing $1.5 billion of debt securities and will repay the $720 million BCI Note.
(g) Upon repayment of the BCI Notes, deferred financing costs will be charged against the Company's earnings as extraordinary items and, thus, are reflected herein as adjustments to retained earnings (deficit). See also Notes 2 and 3 of Notes to Combined Financial Statements.

Segment Results

Consumer products net sales increased 6% due primarily to volume increases and favorable exchange rates from non-U.S. operations. Sales volume increased in all product categories except furniture, lamps and U.S. luggage and was especially strong at Day-Timers and Aristokraft. The sales increases at Day-Timers and Aristokraft were 13% and 18%, respectively. The increases at Day-Timers resulted primarily from improved response rates to mailings and, to a lesser extent, from increased order sizes, expanded telemarketing and the introduction of several new products while those at Aristokraft were due to increased volume in semi-custom products. A seven week work stoppage in early fiscal 1987 at Samsonite Furniture negatively impacted sales by approximately $5 million. Segment earnings decreased 4% due to increased charges for amortization of intangible assets which offset increased earnings caused by volume gains and favorable exchange rates from non-U.S. operations. Amortization of intangible assets increased significantly as a result of the Merger.

Food specialties net sales and segment earnings increased 5% and 1%, respectively, as a result of volume gains and improved margins caused by lower raw material costs and productivity savings offset by increased charges for amortization of intangible assets. Sales volume gains at Food Ingredients, particularly in cheese seasonings and powders, and Lowrey's expansion into mass merchandising and club stores more than offset decreased sales at Martha White. Sales at Martha White were affected by increased trade allowances and reduced flour sales. Frozen Specialties sales increased as its major competitor repositioned itself to an economy branded label business. Segment earnings increased 1%, the net result of increased earnings from additional volume in higher margin products at Food Ingredients and improved volume as well as lower raw material costs at Lowrey's and Frozen Specialties offset by increased charges for amortization of intangible assets. Segment earnings were also aided by plant productivity improvements which improved margins at Pet Specialties while Martha White's gains due to lower raw material costs were offset by higher promotional spending. Amortization of intangible assets increased significantly as a result of the Merger.

Other Results

The Merger significantly affected the capital structure of the Company resulting in an increase of $78.8 million in interest expense. Net earnings were $16.8 million for the year compared to $66.5 million in the prior year reflecting the impact of increased interest expense and amortization of intangibles.

Fiscal 1986 Compared With Fiscal 1985

Summary

Net sales rose 8% while segment earnings were slightly ahead of the preceding fiscal year. Volume increases from new products, market growth and increased sales promotion were responsible for much of the sales increase. However, the earnings contribution from higher volumes and the benefit of lower product costs and lower selling and administrative expenses at the food businesses were offset by increased marketing costs and competitive pricing pressures at several of the non-food companies.

Segment Results

Consumer products net sales increased 10% as most of the segment's businesses had strong sales performances. New product offerings, market growth and increased sales promotions accounted for a significant portion of the sales increase. However, segment earnings decreased 8% as a result of higher marketing costs and competitive pressure on selling prices at several companies, primarily Home Fashions and Twentieth Century. Culligan reported better results due to higher selling prices and the contribution of recent acquisitions and non-U.S. distributors. Aristokraft had strong gains on higher volume and increased operating efficiencies. Although Samsonite's sales were higher, segment earnings were negatively impacted by restructuring costs of a Canadian operation.

Food specialties net sales and segment earnings increased 1% and 55%, respectively. Sales were generally flat throughout all operating units as the benefit of lower raw material costs were in part passed on to the consumer through lower selling prices. Increased segment earnings were attributable to increased margins at all divisions. Food Ingredients sales gains were due principally to increased volume, offset somewhat by lower selling prices caused by lower raw material costs. Additionally, volume increases at Martha White, Lowrey's and Frozen Specialties offset a decline at Pet Specialties resulting from its departure from the clinical diet pet food business and the costs of a change in its mode of distribution. Frozen Specialties and Pet Specialties also benefited from improvements in plant productivity. Additionally, Pet Specialties reduced its future distribution costs significantly by changing its mode of distribution from regional warehouse direct to master distributors.

Financial Condition

Throughout the periods presented, substantially all capital requirements of the Company's U.S. operations were funded through the BCI or Beatrice centralized cash management system. Individual operating units outside the U.S. utilize informal lines of bank credit, aggregating $31.7 million of which $16.5 million was available at February 28, 1987, to meet their operating and other capital requirements. As a result of the transactions described in this Prospectus, the Company will be responsible for its own financing. The Offerings are expected to provide approximately $213 million after repayment of the $80 million BCI Note and the concurrent Debt Offerings are expected to provide approximately $724 million after repayment of the $720 million BCI Note. These funds are expected to be available for future acquisitions and general corporate purposes. See "Capitalization" and "Use of Proceeds." Additionally, although definitive bank financing has not yet been arranged, representatives of the Company have met with more than ten major commercial banks to discuss its formation and the anticipated future conduct of its business, including acquisitions. Based on these meetings management believes that it will be able to obtain additional financing on commercially reasonable terms if and when needed. However, the ability to borrow in the future will depend, among other things, on then prevailing market conditions and the Company's financial condition. See "Financing—Bank Financing."

As a result of the transactions described in this Prospectus the Company is highly leveraged. On a pro forma basis, before giving effect to any potential bank financing, the Company has a debt to total capital ratio of approximately 74%. In addition, and also on a pro forma basis, before giving effect to any additional bank financing requirements, had the Merger, the Offerings and the Debt Offerings occurred at the beginning of fiscal 1987 and assuming no investment of any excess cash balances, the Company's earnings before extraordinary items would have been insufficient by approximately $76.6 million to cover its fixed charges. Management believes that cash generated from existing operations plus the interim investment of excess cash balances will be sufficient to meet such obligations as they become due. However, there can be no assurance that earnings from future operations, including those generated from interim investments, will be sufficient to meet its debt service obligations. The Company's ability to meet such obligations in the long term will depend upon its ability to make suitable investments, through the acquisitions of businesses or otherwise, in order to realize sufficient earnings and cash flow.

The Company anticipates capital expenditures of approximately $70 million, $65 million and $55 million for fiscal 1988 through 1990, respectively. See "Business—Capital Expenditures." Aggregate annual maturities and sinking fund requirements on existing long-term debt are approximately $3.7 million, $2.9 million, $2.5 million, $1.2 million and $1.6 million for fiscal 1988 through 1992, respectively. Annual interest expense on existing long-term debt will approximate $3.7 million, $3.4 million, $3.2 million, $3.0 million and $2.9 million for fiscal 1988 through 1992, respectively. See Note 9 of Notes to Combined Financial Statements included elsewhere herein for additional information regarding existing long-term debt. There are no annual maturities or sinking fund requirements on the securities to be issued in the Debt Offerings for fiscal 1988 through 1992. Interest expense, exclusive of amortization of debt issuance costs, on such securities will amount to approximately $125 million in fiscal 1988 and $194 million in each of fiscal 1989 through 1992. See "Financing—Debt Securities."

Inflation

Inflation is not as significant a concern in the U.S. as it was several years ago. However, it continues to have an effect on economies worldwide. Management continually 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 competitive markets both in the U.S. and abroad.

BUSINESS

The Company is a holding company that currently conducts business through its portfolio of 15 operating companies. These operating companies have been grouped into two segments, consumer products, consisting of nine companies, and food specialties, consisting of six companies. The Company's consumer products and food specialties operating companies are wholly-owned by the Company's first tier consumer products and food specialties subsidiaries, which in turn are wholly-owned by the Company. The Company is headquartered in Chicago, Illinois and the segments are headquartered in Oak Brook, Illinois, a suburb of Chicago. Prior to the Reorganization the operating companies were divisions or subsidiaries of BCI and its predecessor, Beatrice.

This section describes the acquisition subsidiaries and the two business segments of the Company and their principal operations and products. For financial information by business segment and geographic location, see "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Note 14 of Notes to Combined Financial Statements. For information concerning the future management of the Company's businesses, see "Future Conduct of the Business."

Acquisition Subsidiaries

The Company has formed two subsidiaries to facilitate acquisitions. Each subsidiary has nominal capital at the present time. Acquisition Sub I is currently intended to serve as a vehicle for leveraged acquisitions of one or more major companies. Acquisition Sub II is currently expected to serve as a vehicle for leveraged acquisitions of midsized companies. The net proceeds of the Offerings and the Debt Offerings, after repayment of the BCI Notes, will be available to capitalize either or both subsidiaries with equity, subordinated and/or other debt, or both. It is contemplated that additional funds will be borrowed by the subsidiaries, if and to the extent needed, from outside sources. See "Future Conduct of the Business—Acquisitions and Dispositions—Acquisition Subsidiaries," "Future Conduct of the Business—Acquisitions and Dispositions—Use of Leverage" and "Financing."

Consumer Products

The Company's consumer products segment consists of nine independently operated companies that market luggage, water treatment systems, fashion window coverings, diary planners and time management aids and other home products. Ranked in order of fiscal 1987 sales, these companies are: Samsonite Corporation, Culligan International Company, Home Fashions, Inc., Waterloo Industries, Inc., Aristokraft, Inc., Day-Timers, Inc., Samsonite Furniture Co., Twentieth Century Companies, Inc. and The Stiffel Company. During each of the last three fiscal years none of such operating units accounted for 20% or more of the Company's sales. Samsonite accounted for more than 15% and Culligan and Home Fashions each accounted for more than 10% in each such year. Each of the remaining operating units accounted for less than 10% of the Company's sales in each such year.

Samsonite. Samsonite is the world's largest manufacturer of luggage and attaché cases and is significantly larger than its nearest competitor. Products are sold under the SAMSONITE brand name to specialty stores, department stores, catalog show rooms, mass merchandisers, warehouses and other retail outlets around the world. Premium products are sold under the LARK brand name to specialty stores and top department stores in the United States. In Canada the company has an exclusive license to produce and distribute the Lego™ brand of toy blocks and toy products. The company has a direct sales force of over 110 employees that sells products in the United States, Canada and Europe. Sales representatives and distributors are also used in parts of Europe. Sales in most other foreign countries are through distributors. Samsonite's manufacturing operations are conducted principally at plants located in Colorado, Mexico, Belgium, Italy, France, Spain and Canada.

The United States market for hard-sided luggage, Samsonite's historical base, has declined significantly in recent years as many consumers have switched to soft-sided products. However, demand for Samsonite's hard-sided luggage has remained strong in Europe, Samsonite's other principal market. Samsonite has responded to the changed United States luggage market by developing new products, increasing its presence in the soft-sided market and expanding its marketing and promotional efforts. THE WORLD'S GREATEST garment bag, part of the SYSTEM 4 line of hard- and soft-sided luggage introduced into the United States and Canada during fiscal 1986, has a number of innovative features designed to address consumer problems with the traditional garment bag. A companion item, THE WORLD'S GREATEST carry-on bag, was introduced during fiscal 1987. These and other new products accounted for over 30% of Samsonite's United States revenues in fiscal 1987. In February 1987 Samsonite introduced a new line of hard- and soft-sided products in the United States market under the OYSTER brand name. This line, which is expected to be available to consumers this summer, features an innovative design and look, several technological developments and a high value to price relationship.

Culligan. Culligan manufactures and sells water treatment equipment worldwide. CULLIGAN is the leading national consumer brand in its industry. Its products remove impurities from and otherwise improve the quality of water. Sales have benefited from growing consumer awareness of water quality. Culligan manufactures water softeners, reverse osmosis drinking water purification systems, portable ion exchange water conditioners and other filtration units which are marketed, primarily through a network of approximately 840 franchised dealers, to household, industrial and commercial customers in the United States. These same products are sold internationally through seven subsidiaries in Europe and through 78 licensees in more than 90 foreign countries.

Culligan's Arrowhead Industrial Water, Inc. subsidiary primarily manufactures high purity water treatment systems and equipment for direct sale and provides on-site water treatment services primarily to industrial customers in the United States. Culligan's Everpure, Inc. subsidiary manufactures and sells patented specialized filtration units and related products and other water treatment equipment used primarily by commercial customers such as fast food restaurants and food service equipment users. These products purify water used for coffee, soft drinks and other beverages. Everpure products are sold in the United States, Japan and Europe.

Culligan has recently commenced a pilot program in Florida under which qualified Culligan franchisees have been licensed to sell sodium free, natural and distilled bottled water under the CULLIGAN brand name to residential and other route-delivery customers. Similar licenses for the sale of the same products through grocery and convenience stores in Florida have been granted to a local bottled water company.

The relationships between Culligan and its franchisees in certain states are subject to various registration and regulatory requirements.

Home Fashions. Home Fashions manufactures and markets non-drapery fashion window coverings primarily for the custom market throughout the United States and Canada under the LOUVERDRAPE and DEL MAR brand names. Vertical blinds and pleated shades, among the fastest growing categories of the custom window coverings market, accounted for over 75% of its fiscal 1987 sales.

Operations are conducted through two units. The Louverdrape unit has plants located in California and Tennessee which manufacture vertical blinds and pleated shades for distribution through three channels: retail, through fabricators/distributors; private label, through department and chain stores; and commercial, primarily through direct sales to building owners and building project general contractors. The Louverdrape unit also has a plant in Canada which fabricates horizontal and vertical blinds and pleated shades for direct sale to retailers. The Del Mar unit fabricates horizontal blinds, pleated shades and vertical blinds, manufactures mini-blinds and imports woven wood blinds, all of which are sold directly to department and chain stores, mass merchandisers, paint stores and window covering dealers. Del Mar's operations are conducted from plants located in California and Georgia.

Waterloo. Waterloo is the leading manufacturer of tool storage products in the United States. Its products consist primarily of a broad line of high quality steel tool boxes, tool chests, workbenches and related products manufactured for private label sale by the country's largest national retailer. Similar products are sold under the WATERLOO and ALL AMERICAN brand names to specialty industrial and automotive dealers, local mass merchants, home centers and hardware stores. Waterloo also manufactures and markets a line of carts and storage units for hospital use. Operations are conducted from plants located in Iowa, Missouri and Arkansas.

Waterloo has received several supplier awards for quality and service. It has invested significantly over the years in computerized manufacturing and other state-of-the-art equipment to become and remain a very efficient, high quality, low cost producer. These efficiencies have enabled Waterloo to compete successfully with foreign imports.

Aristokraft. Aristokraft manufactures a product line consisting of middle to high quality kitchen cabinets and bathroom vanities. It has a national presence in this highly fragmented industry. Stock cabinets are sold under the ARISTOKRAFT brand name while semi-custom products are sold under the DECORA brand name. Most products are shipped to stocking distributors for resale to kitchen and bath specialty dealers, lumber and building materials wholesalers, builders and do-it-yourself home centers. Products are also sold directly by Aristokraft sales personnel to builders and dealers. Remodeling and new home construction each account for approximately 50% of sales. Operations are conducted from ten plants located in Indiana, Pennsylvania, Texas and Minnesota. Aristokraft plans to backward integrate by acquisition or otherwise in certain areas in order to achieve greater control over supply sources and costs.

Day-Timers. Management estimates that Day-Timers, a manufacturer of diaries and appointment books, is the leading United States direct marketer of time management aids. These products are sold primarily under the DAY-TIMERS brand name through direct mail advertising and catalogs to consumers and businesses. Operations are conducted primarily from a facility located in Pennsylvania; there is also a facility in Canada. Day-Timers' Sax Arts and Crafts, Inc. subsidiary markets art and craft supplies primarily to schools. Its plants are located in Wisconsin, Georgia and Texas.

Samsonite Furniture. Samsonite Furniture is a manufacturer of folding furniture. It also offers a wide range of leisure and casual furniture. Stacking and folding chairs, banquet and other folding tables for residential and commercial use, bar and counter stools and steel frame patio furniture products are sold under the SAMSONITE brand name. A direct sales force of approximately 25 employees sells patio, folding furniture and bar stools to patio dealers, catalog showrooms and mass merchandisers. Commercial products, including conference tables and folding and stacking chairs, are sold to catalog wholesalers and office products dealers through a national network of independent representatives. Samsonite Furniture's principal plant is located in Tennessee and another plant is located in Arkansas.

The United States patio furniture market has shifted somewhat in recent years from steel to aluminum frame products, adversely affecting Samsonite Furniture's sales of patio furniture and resulting in excess capacity at its principal plant. New management is in the process of reducing manufacturing costs through reductions in personnel and productivity improvement programs while at the same time attempting to increase sales through the introduction of new products in selected high growth categories.

Twentieth Century. Twentieth Century manufactures and distributes a variety of plumbing supply and repair products in the United States and Canada. Packaged plumbing repair products and tools used by consumers in plumbing installation or repair are sold under the CHICAGO SPECIALTY and STEP X STEP brand names to mass merchandisers, hardware stores and plumbing supply houses. Plumbing products under the DEARBORN BRASS name and specialty tools used by professional plumbers are sold to plumbing supply houses. Twentieth Century primarily packages and distributes products manufactured by others, although certain products are manufactured internally. Sales are primarily through manufacturers' representatives.

Operations are conducted at manufacturing and assembly plants located in Illinois, Colorado and Texas. Five Illinois facilities are scheduled to be consolidated during fiscal 1988 into a new 250,000 square foot office and plant facility to be located in Wheeling, Illinois.

Stiffel. Stiffel is a leading manufacturer and marketer of high quality brass table and floor lamps for residential and commercial use. The STIFFEL name is one of the most highly recognized consumer brand names in its industry. A direct sales force of approximately 25 people sells Stiffel products to department stores, furniture stores and specialty lighting stores throughout the United States. Operations are conducted from a single plant in Illinois and focus on meticulous manufacturing and quality control.

Management. Since the acquisition of Beatrice by BCI, numerous management changes have been made within the consumer products segment. James M. Snodgrass was brought in as President and Chief Executive Officer and Steven E. Lindblad was brought in as Senior Vice President—Administration, Chief Financial Officer and Treasurer. Both had been with Esmark from its inception until June 1985, a year after its acquisition by Beatrice. In their later years at Esmark they were responsible for managing a diverse group of manufacturing and consumer marketing companies.

The consumer products segment operating company presidents have all had significant experience managing manufacturing and marketing operations. The Presidents of Samsonite, Culligan, Waterloo, Aristokraft and Stiffel had successfully managed these or other businesses for Beatrice prior to their acquisition by BCI. The Presidents of Home Fashions and Twentieth Century have been transferred and promoted from positions with other operating companies within the Beatrice organization. The President of Day-Timers has been recruited from the outside.

Reporting directly to Mr. Snodgrass are Samsonite's President, Malcolm Candlish, age 51, who joined Beatrice in 1983 after serving as President of Wilson Sporting Goods, Inc. and as a principal at the management consulting firm of McKinsey & Company, Inc.; Culligan's President, I. Donald Rosuck, age 47, who has been president and vice president of several Beatrice operations since 1971; Home Fashions' President, William Heimerdinger, age 44, who had extensive experience with International Playtex, Inc. before coming to Home Fashions in 1986; James Fischer, age 43, head of the home products division (that includes the Waterloo, Aristokraft, Samsonite Furniture, Twentieth Century and Stiffel operations), who joined Beatrice in 1984 and was previously a vice president of McGraw Edison; and Day-Timers' President, Stephen T. Rowley, age 43, who was recently recruited from his position as Senior Vice President for the mail order business of General Mills' Eddie Bauer, Inc. subsidiary.

Raw Materials. Products sold by the consumer products operating companies are manufactured from a wide variety of fabrics, plastics, metals, minerals, wood, paper and chemicals. None is in short supply and all are readily available from multiple sources.

Competition. The operating companies face substantial competition across their product lines from firms in the United States and elsewhere, some of which market other well-known branded products and some of which are larger and have greater financial and other resources than the Company. Principal competitive factors include price, quality, service (including timely delivery) and brand loyalty.

Food Specialties

The food specialties segment is comprised of six distinct food businesses that manufacture, distribute and market products for the food service industry, and branded and grocery products for the retail food industry. Ranked in order of fiscal 1987 sales, these companies are: Martha White Foods, Inc., Beatreme Food Ingredients, Inc., Aunt Nellie's Farm Kitchens, Inc., Lowrey's Meat Specialties, Inc., Pet Specialties, Inc. and Frozen Specialties, Inc. During each of the last three fiscal years none of such operating units accounted for 10% or more of the Company's sales.

Martha White. Martha White manufactures and distributes corn meal, grits and corn bread mix, packages flour and fruit muffin mixes and distributes convenience baking mixes. Martha White also manufactures and distributes a line of economy pet foods. The company's business is concentrated in the Southeastern United States where sales are handled by a direct sales force of more than 100 persons. Sales are primarily to wholesalers and retail grocery stores including major grocery chains. Outside the Southeast products are sold through brokers. The company operates three processing facilities in Tennessee and one in Florida. Selected products are also manufactured to the company's specifications by contract producers.

Martha White's consumer food products are principally marketed under the MARTHA WHITE brand name. Brand recognition is important; and management believes the MARTHA WHITE brand name is very strong in the regions in which it competes. Certain product categories, such as flour, corn meal and grits, are experiencing general declines due to consumers switching from "scratch baking" to convenience prepared foods. Martha White plans to initiate a marketing program to heighten brand awareness in an effort to offset these category declines with increased market share. Additionally, the company is embarking upon an aggressive new product development program which will focus on value added convenience prepared foods. Management believes that Martha White could further capitalize on its strong brand name through acquisitions of higher growth product lines such as convenience foods.

Food Ingredients. Food Ingredients is a leading supplier in the United States of specialty dehydrated food ingredients and flavorings which are sold to most major food manufacturers. Specific products include dairy powders, shortening and emulsifier powders, milk replacers, creamers, snack seasonings, natural colors, hydrolized vegetable protein and dehydrated fruits and vegetables. Major brand names are: BEATREME spray dried powders; WIP-TREME whipping agents; DELL seasonings; and CHEES-TREME powdered cheeses. The market for dehydrated food ingredients has grown in recent years, reflecting the expanding markets for convenience food products. This business is continuously developing new ingredients and new uses for existing ingredients through a significant research and development program with annual expenditures of approximately $1 million. Production facilities are located in the Midwest and products are sold primarily through brokers. A state-of-the-art spray dryer costing approximately $6 million is currently being installed. This equipment which converts liquids into powder form will increase capacity by 33% and will reduce costs by replacing a smaller, less efficient spray dryer. Management believes that this business is particularly suited for growth through acquisitions.

Aunt Nellie's. Aunt Nellie's' principal products are canned and glass packed vegetables such as beets, corn and onions. Other products include olives, maraschino cherries, glacee fruit, sauces and canned juices. Aunt Nellie's buys fresh produce from growers for canning or packing at one of its five production facilities. Products are sold through a broker network and are distributed nationally, primarily to retail food outlets, with the greatest concentration in the Midwest. Approximately 30% of its retail products are sold under the AUNT NELLIE'S and LIBERTY labels while the remainder are private label.

Lowrey's. Lowrey's produces and nationally markets consumer-packaged retail meat snacks, which are primarily dehydrated meats and fermented sausages with a variety of flavors. Approximately 80% of the products are sold under the LOWREY'S brand name. Products are processed and packed at plants in Colorado and Pennsylvania. The market for these products has expanded steadily. Sales are through brokers to a wide range of retail outlets including food stores, mass merchandisers and convenience, drug, discount and military commissary outlets. The greatest concentration of sales is in the Western United States.

Pet Specialties. Pet Specialties manufactures a line of premium quality dry pet food products for dogs and cats. The products are sold through distributors or wholesalers to specialty outlets such as pet food stores, feed stores, veterinarians, breeders and kennels. All products are marketed under the ANF (advanced nutrition formula) label and are directed to pet owners who seek extra features and benefits in the food they feed their pets. Products are manufactured in one facility located in Alabama. Major capital improvements are currently being made which should significantly improve production efficiencies and allow the company to compete with a broader range of products. The company also has new management.

Frozen Specialties. Frozen Specialties produces and markets controlled label and private label frozen pizzas. Two major food chains account for approximately 25% of sales. The company also manufactures for a major contract purchaser. Sales are handled through brokers principally in the Eastern two-thirds of the United States. The primary product is a nine-inch, ten-ounce pizza which comes in a variety of flavors including pepperoni, cheese, Italian sausage, hamburger and Canadian bacon. The company manufactures its own crust and cheese toppings, while all other ingredients are purchased. The company has one plant in Ohio, which is currently being expanded to increase capacity by 33%. In addition, production is being increased through more efficient utilization of existing facilities.

Management. After BCI's acquisition of Beatrice, F. Edward Gustafson was hired by BCI to oversee the management of certain BCI food companies including most of the food specialties operating companies, Tropicana Products, Inc. and, prior to its sale by BCI, the Beatrice dairy operations. Mr. Gustafson is President of the food specialties segment. Prior to joining BCI, he worked 19 years for Miles Laboratories, Inc., a large ethical and over-the-counter drug company, and was responsible for national marketing programs.

The Presidents of the food specialties operating companies have all had extensive experience managing manufacturing and marketing operations. Each of the Presidents of Martha White, Aunt Nellie's and Lowrey's has over 17 years of experience with his respective company and is related to the founder of the business. One person is the President of both Pet Specialties and Frozen Specialties. Although he has managed these businesses for only a year, he has managed other Beatrice businesses for 18 years. The Food Ingredients President comes from the research and development side of the business and has been with the company for 18 years.

Raw Materials. Raw materials include basic food commodities such as grains, dairy products, soybean oil, emulsifiers, sugar, corn syrup, fresh fruits and vegetables, poultry by-products and meat. Farmers, contract growers, crushing mills, meat packers and other food processors are the major sources of the principal raw materials for most of the segment's businesses. The availability and prices of such raw materials are subject to substantial variation. They are affected by production costs, weather, demand, import and export supply, governmental controls and others factors within the agricultural and general economy. The availability of raw materials was adequate in fiscal 1987 and is expected to remain adequate throughout fiscal 1988.

Competition. Each of the operating companies experiences substantial competition from numerous large well-established businesses operating nationally or regionally with single or multiple product lines. Martha White maintains a number one or number two position in its geographical markets in each consumer food product category in which it competes. Major competitors include national food companies, and advertising and brand name promotions are the principal means of competition. Food Ingredients is a leading supplier in the United States of specialty dehydrated food ingredients; its principal competitors are dairy cooperatives and the principal means of competition are technology, quality, service and price. Aunt Nellie's has a minor market position compared to that of much larger national canners against whom it competes. Principal competitive factors are breadth of product line, production capacity, service and price. Lowrey's has two major national competitors and several regional competitors; brand name is important to Lowrey's. Pet Specialties holds a number three market share position in the specialty dry pet food market which is dominated by two major competitors. Frozen Specialties' principal competitive factor is price and it believes it has approximately 25% of the economy segment of the frozen pizza market.

Government Regulation. The food specialties operating companies, like most food companies, are subject to regulation and inspection by various federal, state and local governmental agencies which enforce strict standards of sanitation, product composition, packaging and labeling.

Capital Expenditures

Set forth below is a table of net capital expenditures, in thousands, made by the operating units in each of the Company's segments during the last three fiscal years.

	Year Ended February 28,		
	1987	1986	1985
Consumer products	$35,455	$42,307	$36,037
Food specialties	5,402	2,081	4,771
Total	$40,857	$44,388	$40,808

The Company anticipates capital expenditures of approximately $70 million, $65 million and $55 million in fiscal 1988, 1989 and 1990, respectively. Significant expenditures are planned, among others, for: Waterloo for increased automation; Home Fashions for the purchase of a new facility that will consolidate several existing leased facilities; Day-Timers for expansion of facilities; Samsonite for equipment to manufacture new products; Food Ingredients for a new spray drier; Martha White for equipment to manufacture new products; and Frozen Specialties and Pet Specialties for plant expansion. These expenditures are expected to be funded from cash generated by operations and credit facilities expected to be available.

Employees

As of February 28, 1987 the Company and its subsidiaries had approximately 16,000 employees, many of whom are represented by unions. Except for a seven week strike in fiscal 1987 at Samsonite Furniture, there have been no significant interruptions or curtailments of operations due to labor disputes. Labor relations are generally considered satisfactory.

Trademarks, Patents and Licenses

Most of the operating companies have registered and unregistered trademarks for many of their products. Trademarks are important to the Company because brand name recognition is very important to several of the operating companies. The more significant trademarks include SAMSONITE, LARK, CULLIGAN, EVERPURE, DAY-TIMERS, STIFFEL, LOUVERDRAPE, DEL MAR, ARISTOKRAFT, DECORA, WATERLOO, ALL AMERICAN, CHICAGO SPECIALTY, STEP X STEP, MARTHA WHITE, BEATREME, AUNT NELLIE'S and LOWREY'S. The Company is not aware of any factor which would affect its ability to utilize any of its major trademarks.

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

Customers, Sales and Backlog

No customer accounted for 10% of the Company's combined sales in fiscal 1987. In general, the backlog of orders is not deemed to be significant or material to either of the Company's business segments. See "Arrangement and Transactions with BCI—Other Transactions" for a description of sales between the Company and BCI.

Legal Proceedings

There are no legal proceedings pending against the Company or any of its operating companies which management expects to have a material adverse effect on the Company's financial condition.

Government Regulation

The Company's operating businesses are subject to a wide variety of governmental regulations in addition to those specifically mentioned above. 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 the Company and its operating companies. No material capital expenditures for existing facilities are anticipated for the remainder of the current or the succeeding fiscal year to comply with current environmental regulations.

Foreign Operations

The operating companies' foreign operations contributed 14.5% of net sales and 15.5% of segment earnings in fiscal 1987. The operating companies' foreign business is subject to the usual risks attendant upon investments in foreign countries, including nationalization, expropriation, limitations on repatriation, restrictive action by local governments and changes in currency exchange rates.

Properties

The 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 for the conduct of the business involved. Although certain of the operating facilities such as those used by Stiffel and Food Ingredients are quite old, they are satisfactory for operations at current levels and are not scheduled for replacement. See "Capital Expenditures" under this heading. In general, adequate productive capacity is provided by such facilities. The following table sets forth information with respect to the approximate number and location of facilities operated as of February 28, 1987.

	Approximate Number of Facilities				
	United States		Outside United States		
	Owned	Leased	Owned	Leased	Total
Consumer products	61	90	12	42	205
Food specialties	31	26	—	—	57
	92	116	12	42	262

Leases are of varying duration (30 days to 55 years). The Company expects to be able to renew those leases expiring during the next year at satisfactory rates.

The Company subleases office space from BCI for its holding company offices. See "Arrangements and Transactions with BCI—Sublease."

ARRANGEMENTS AND TRANSACTIONS WITH BCI

The following descriptions of the terms of the agreements referred to in this section do not purport to be complete and are qualified in their entirety by reference to such agreements, copies of which have been filed as exhibits to the Registration Statement.

Services Agreement

Prior to the Reorganization, the Company's operating companies were indirect subsidiaries of BCI. As described under "Management—Directors and Executive Officers," twelve present and former senior officers of BCI are full-time employees and executive officers of the Company. Four of these individuals will continue to act as executive officers of BCI. In order to ensure that both the Company and BCI will continue to have access to such of the other's personnel as may be necessary or appropriate, particularly during the initial period immediately following the Reorganization, the Company and BCI have entered into a Services Agreement (the "Services Agreement") pursuant to which BCI will provide certain staff and other services to the Company and the Company will provide certain management and other services to BCI. Given the companies' separate ownership, such services will be provided by each to the other on a fee basis. As the Company's needs grow and its personnel requirements are clarified, the Company and BCI will have the obligation to see that BCI's ongoing requirements are met by then current BCI employees, or, if necessary, outside personnel will be recruited by BCI at its expense.

Pursuant to the terms of the Services Agreement, certain employees of the Company are responsible for directing accounting, financial, legal, tax, corporate development, cash management, employee benefits, human resources, insurance and public relations activities at both the Company and BCI; however, serving the Company will be the first priority of these employees.

BCI's corporate staff will provide support and certain other, primarily staff, services and resources to the Company in all of the above-referenced areas. The Services Agreement obligates BCI to utilize its best efforts to make such support staff personnel available to the Company on an "as needed" basis.

The Services Agreement obligates BCI to compensate the Company for services supplied to BCI by Company employees. The Services Agreement also obligates the Company to compensate BCI for services supplied to the Company by BCI employees. These fees are designed to reimburse the Company or BCI, as the case may be, for an allocable portion of each employee's compensation and related overhead based on a reasonable estimate of the time spent by such employee on matters relating to the other entity. The Company estimates that the annual net cost to the Company of such services should be approximately $2.9 million and that because any fees paid or received will be based on cost to the provider they should compare favorably to fees that would be charged by third parties.

The Company and BCI believe that they will be able to agree readily to fair and equitable compensation for the services provided by each other. However, the Services Agreement provides that in case of any dispute involving fees for services rendered, either party may demand that it be submitted to binding arbitration.

Subject to any further agreement by the parties, the initial term of the Services Agreement will expire on February 28, 1989 (the "Initial Term"). Prior to that time BCI and the Company each will remain obligated to compensate the other for services provided by the other. BCI and the Company are obligated to provide the services described above throughout the term of the Services Agreement. However, the Company may at any time seek support services from a source other than BCI. In the event a party is sold, it may elect to terminate the Services Agreement upon four months notice, provided that such termination may not become effective prior to March 1, 1988. The Services Agreement will continue in existence past the Initial Term unless terminated by either BCI or the Company on at least one year's notice. For example, if BCI desires to terminate the Services Agreement at the conclusion of the Initial Term, it must give notice of termination by February 28, 1988. If no termination notice has been given and BCI desires to terminate the Services Agreement on June 30, 1989, it must give notice of such termination no later than June 30, 1988.

In no event will the Company or BCI be liable to the other for direct, consequential or incidental damages, including, without limitation, loss of profits or damage to or loss of use of any property. In addition, the Company has agreed to indemnify BCI and BCI has agreed to indemnify the Company, and in each case the other's respective directors, officers and employees, with respect to any and all claims, losses, damages, liabilities, costs and expenses which arise from or are based upon their providing services to the other under the Services Agreement; provided, however, that the liability of the Company to BCI or BCI to the Company, as the case may be, will be limited to the portion of the fee reasonably allocable to the particular service which gave rise to the loss or damage.

Indemnification Agreement

The Company and BCI have entered into an Indemnification Agreement (the "Indemnification Agreement") under which the Company is obligated to indemnify and hold harmless BCI from and against any and all claims, losses, damages, liabilities, costs and expenses, other than in connection with taxes, which arise from or are based upon those operations of BCI transferred to the Company, regardless of whether such claims, losses, damages, liabilities, costs and expenses arose as a result of events occurring before or after the date of transfer. Under the Indemnification Agreement BCI is obligated to indemnify and hold harmless the Company from and against any and all claims, losses, damages, liabilities, costs and expenses, other than in connection with taxes, which arise from or are based upon BCI's remaining operations, regardless of whether such claims, losses, damages, liabilities, costs and expenses arose as a result of events occurring before or after the date of transfer. Management is not aware of any significant impending liabilities that would give rise to claims under the Indemnification Agreement.

Tax Allocation Agreement

The Company and BCI have entered into a Tax Allocation Agreement (the "Tax Allocation Agreement"), under which BCI is obligated to indemnify the Company for any federal income taxes and any state combined, consolidated and unitary taxes imposed on the Company or its subsidiaries subsequent to the date of the Reorganization in respect of any period ending on or prior to that date. If any adjustment in tax liabilities in respect of any period ending on or prior to the date of the Reorganization results in a tax benefit to the Company or its subsidiaries, the Company is obligated to pay BCI an amount in cash equal to such benefit as and when such benefit is realized. To the extent that the Company or any of its subsidiaries uses any carryforward of losses or credits which arose in respect of any period ending on or prior to the date of the Reorganization, the Company is obligated to pay BCI an amount in cash equal to the tax saving arising from use of such carryforward but such carryforward will be deemed used only after the Company and its subsidiaries have used all other available deductions or credits. Under the Tax Allocation Agreement, liabilities and benefits with respect to other state, local or foreign taxes are to be borne or used, as the case may be, by the entity upon which such liabilities and benefits fall.

Sublease

The Company and BCI have entered into a sublease (the "Sublease") under which the Company has sublet one floor of office space from BCI at 2 North LaSalle Street, Chicago, Illinois 60602 for use as the Company's principal executive offices. The Sublease will expire on May 31, 1994, subject to an earlier termination of the underlying lease. The Company's rent will be $521,000 per year ($18.85 per square foot, the same as BCI's rate), payable in equal monthly installments, plus 16.7% (a proportionate share) of all additional rent and other charges (such as for operating expenses and taxes) payable by BCI to the landlord. These terms are believed to be comparable to those available from third parties for similar space. If BCI extends the term of the underlying lease beyond its current May 31, 1994 expiration date, BCI may, but will be under no obligation to, offer the Company the option to extend the term of the Sublease. The Company is obligated to indemnify BCI with respect to any and all claims, losses, damages, liabilities, costs and expenses which arise from or are based upon the Company's failure to perform or observe any of the terms and conditions of the underlying lease.

Other Transactions

The Company has entered into an Airplane Services Agreement with BCI to obtain, as needed, airplane maintenance and crew services for the Company's aircraft. The term, renewal and cancellation provisions of the Airplane Services Agreement are the same as the Services Agreement. The Company will pay BCI an hourly rate for work performed by BCI's mechanics plus the cost of parts and expenses. The maintenance charges are comparable in amount to what BCI charges a nonaffiliated company to which BCI provides similar services. The Company will pay BCI for each crew member's services an allocable portion of such person's compensation based on a reasonable estimate of the time spent by such person for the Company and will reimburse BCI for crew expenses while traveling and for any training expenses associated with the Company's airplanes.

BCI and the Company have entered into a Hangar License Agreement under which BCI will provide hangar space to the Company. The term of the Hangar License Agreement is one year, renewable at the Company's option and cancellable under certain circumstances by BCI. The annual rent is $104,000 plus a proportionate share of operating expenses and real estate taxes and any additional expenses assessed to BCI by its landlord. These terms are believed to be comparable to those available from third parties for similar space.

In fiscal 1987 the Company's operating companies in the ordinary course of business had sales of approximately $9 million to subsidiaries of BCI and purchases of approximately $8.4 million from subsidiaries of BCI.

The Company's operating companies lease motor vehicles from a subsidiary of BCI. In fiscal 1987 these companies paid BCI lease payments of approximately $2.5 million with respect to these vehicles. Rates are the same as those paid by other operating subsidiaries of BCI and are believed to be comparable to those available from third parties. The Company also leases with options to purchase one aircraft and a conference center from subsidiaries of BCI. The leases provide for payments of $1.2 million and $240,000, respectively, per year.

See "Financing—BCI Notes" for a description of the $720 million BCI Note and the $80 million BCI Note.

Security Holdings of Management in BCI

Twenty-two employees of the Company hold an aggregate of 1,307,500 shares of BCI common stock. They or members of their families hold options to purchase 11,947,500 shares of BCI common stock. Of the shares described above, Mr. Kelly holds 1,040,000 shares and he or members of his family hold options to acquire 9,360,000 shares. Sixteen employees of BCI and one former employee of BCI, who is not affiliated with the Company, hold an aggregate of 130,833 shares of Company Common Stock and options to purchase 1,291,500 shares of Company Common Stock. Such options have the same terms as the options held by Company employees. See "Management—Beatrice and BCI Employee Benefit Plans—Replacement Options."

MANAGEMENT

Directors and Executive Officers

Directors

Donald P. Kelly is currently the sole director of the Company. Immediately after the completion of the Offerings, the four other persons named below, none of whom is an employee of the Company, will be elected as directors. One or more additional non-employee directors may be added shortly thereafter. Directors will be elected at each annual meeting of shareholders. In the case of a vacancy, a director will be elected by the directors then in office, to serve until the next annual meeting or until a successor is elected and qualified. Information relating to Mr. Kelly and the four persons who have agreed to serve as directors after completion of the Offerings is set forth below.

Mr. Kelly was elected Chairman of the Board and Chief Executive Officer of the Company in May 1987. From April 1986 to June 1987 he was Chairman of the Board and Chief Executive Officer of BCI. He continues to be the Chairman of the Board and a director of BCI. From June 1984 to April 1986 he was President of Kelly, Briggs & Associates Inc. From November 1982 to June 1984 he was Chairman of the Board, President and Chief Executive Officer of Esmark. Prior to November 1982 he was President and Chief Executive Officer of Esmark. Mr. Kelly is a director of Inland Steel Company.

Frank W. Considine, age 65, has been the Chairman of the Board since 1983 and President and Chief Executive Officer since 1973 of American National Can Company (an international packaging company that manufactures metal, glass and plastic containers and closures) and is currently Vice Chairman and director of Triangle Industries, Inc., the parent company of American National Can Company. He is also a director of Allis-Chalmers Corporation, First Chicago Corp., International Minerals and Chemical Corporation, Maytag Co. and Tribune Co.

Leander (Lee) W. Jennings, age 58, has been the Chief Executive Officer since June 1985 of Jennings & Associates, an investment management and consulting firm specializing in mergers and acquisitions for owner-managed or closely held businesses. Prior thereto he was a Managing Partner and a senior member of the Operating Committee of Peat, Marwick, Mitchell & Co. He is a director of A.O. Smith Corp., Continental Illinois Holding Corp. and Prime Capital Corporation.

John J. Schmidt, age 59, is an independent consultant. From December 1983 to April 1987 he was Chairman and Chief Executive Officer of Santa Fe Southern Pacific Corporation, a holding company for railway operations, commercial construction, oil and gas production and real estate businesses. Prior thereto he served in various capacities with Santa Fe Industries, Inc. He is a director of Harris Bancorp., Inc. and Textron Inc.

James R. Wolfe, age 57, has been the Chairman of the Board, President and Chief Executive Officer since June 1985 of CNW Corporation, a holding corporation for Chicago and Northwestern Transportation Company, a railway. Prior to the formation of the holding company he was President and Chief Executive Officer of Chicago and Northwestern Transportation Company. He is a director of Continental Illinois Holding Corp., Nalco Chemical Co. and NICOR Inc.

Executive Officers

The officers of the Company are elected by and serve at the pleasure of the Board of Directors. Each officer was elected as such in May 1987. The executive officers of the Company and their respective positions, ages and backgrounds are as follows (except for Mr. Kelly's background which is described under the subsection "Directors" above):

Name	Position	Age
Donald P. Kelly	Chairman of the Board and Chief Executive Officer	65
James M. Snodgrass	President of E-II Consumer Products Company, Inc.	49
F. Edward Gustafson	President of E-II Food Specialties Company, Inc.	45

Name	Position	Age
Roger T. Briggs	Executive Vice President and Chief Financial Officer	58
Richard J. Pigott	Executive Vice President and Chief Administrative Officer	47
Karl M. Becker	Senior Vice President and General Counsel	44
William L. Chambers	Senior Vice President, Human Resources	49
William E. Reidy	Senior Vice President, Planning and Strategy	55
Chance Bahadur	Vice President and Treasurer	44
William P. Carmichael	Vice President, Taxes	43
J. S. Corcoran	Vice President, Financial	44
Arthur J. McGivern	Vice President, Associate General Counsel and Secretary	40
Lizabeth G. Sode	Vice President	37

James M. Snodgrass is President of E-II Consumer Products Company, Inc. From December 1986 to June 1987 he was Executive Vice President of BCI and from April 1986 to June 1987 he was President of BCI's consumer products segment. From June 1985 to April 1986 he was an independent consultant. From November 1983 to June 1985 he was President of Estronics, Inc., then a subsidiary of Esmark. Prior to November 1983 he was President of Eschem Inc., then a subsidiary of Esmark. Mr. Snodgrass is a director of Patrick Petroleum Company.

F. Edward Gustafson is President of E-II Food Specialties Company, Inc. From July 1986 to June 1987 he was Executive Vice President of Beatrice U.S. Food Corp. From January 1983 to July 1986 he was President of the Consumer Healthcare Division of Miles Laboratories, Inc. Prior thereto, he was Vice President, Marketing of Miles Laboratories, Inc., Household Products Division.

Roger T. Briggs is Executive Vice President and Chief Financial Officer. From April 1986 to June 1987 he was Executive Vice President and Chief Financial Officer of BCI. He was Vice President of Kelly, Briggs & Associates Inc. from June 1984 to April 1986. Prior to June 1984 Mr. Briggs was Vice Chairman and Chief Financial Officer of Esmark. He is and will continue as a director of BCI.

Richard J. Pigott is Executive Vice President and Chief Administrative Officer. He also serves as Executive Vice President and Chief Administrative Officer of BCI, a position he has held at BCI and Beatrice for more than five years.

Karl M. Becker is Senior Vice President and General Counsel. From September 1986 to June 1987 he was Senior Vice President and General Counsel of BCI. He was Senior Vice President, General Counsel and Secretary of Swift Independent Packing Company from April to August 1986 and Vice President, General Counsel and Secretary of Swift Independent Packing Company from January 1985 to April 1986. He was Associate General Counsel of Esmark from December 1983 to September 1984 and prior thereto he was Assistant General Counsel of Esmark.

William L. Chambers is Senior Vice President, Human Resources. From July 1986 to June 1987 he was Senior Vice President, Human Resources of BCI. He was Executive Vice President, Human Resources and Organization of Ogden-Allied Services Corporation from September 1985 to June 1986 and prior thereto he was Vice President, Human Resources of Ogden Corporation.

William E. Reidy is Senior Vice President, Planning and Strategy. From April 1986 to June 1987 he was Senior Vice President, Planning and Strategy of BCI. He was a consultant from July 1985 to April 1986. He served as Senior Vice President (Corporate Strategy) of Beatrice from January 1983 to July 1985 and prior thereto he was Senior Vice President, Corporate Strategy and Development of Dart & Kraft, Inc.

Chance Bahadur is Vice President and Treasurer. He also serves as Vice President and Treasurer of BCI, a position he has held at BCI and Beatrice since August 1984. He was Treasurer of Esmark from 1982 to 1984 and prior thereto he was Assistant Treasurer of Esmark.

William P. Carmichael is Vice President, Taxes. He also serves as Vice President and Chief Financial Officer of BCI, a position he has held since June 1987. He was Vice President, Taxes of BCI from April 1986 to June 1987. He was Vice President, Taxes of First Chicago Corp. from September 1985 to April 1986. He was Vice President, Taxes of Beatrice from June 1984 to August 1985 and prior thereto he was Vice President, Taxes and Insurance of Esmark.

J. S. Corcoran is Vice President, Financial. From August 1984 to June 1987 he was Vice President, Financial of BCI and its predecessor Beatrice. Prior thereto he was Controller of Esmark.

Arthur J. McGivern is Vice President, Associate General Counsel and Secretary of the Company. He also serves as Vice President, Associate General Counsel and Secretary of BCI, a position he has held since October 1986. Prior thereto he was a partner of the law firm of Vedder, Price, Kaufman and Kammholz.

Lizabeth G. Sode is Vice President. From June 1986 to June 1987 she was Vice President of BCI. She was Director of Corporate Communications of The Quaker Oats Company from September 1985 to June 1986. She served as Assistant Vice President and Director of Public Affairs of Beatrice from July 1984 to May 1985. Prior thereto she was Assistant Vice President, Corporate Affairs of Esmark.

The Company and BCI have entered into a Services Agreement pursuant to which BCI will provide certain staff and other services to the Company and the Company will provide certain management and other services to BCI, each on a fee basis. In connection with the rendering of these services, four of the executive officers of the Company will continue to act as executive officers of BCI. See "Arrangements and Transactions with BCI—Services Agreement."

Esmark and BCI Experience

In view of the fact that the Company has no operating history and that Mr. Kelly and the other members of the management team have only recently assumed their roles with the Company, certain aspects of the prior business experience of Mr. Kelly and his management team are presented below. However, despite their accomplishments at Esmark and BCI, there can be no assurance that these individuals will be able to achieve favorable results in managing the Company's portfolio of businesses or in making future acquisitions.

Mr. Kelly started his employment with Swift & Company ("Swift") in the early 1950's. By the early 1970's he was the financial vice president of Swift and as such was one of the persons primarily responsible for the creation of Esmark, which in 1973 became a holding company for Swift's operations. At the end of 1972, Swift was primarily a commodities business with food sales, principally fresh meats, accounting for 80% of Swift's revenues. The holding company structure provided a means for diversification. Mr. Kelly became President and Chief Operating Officer of Esmark at the time of its formation and he became Chief Executive Officer in 1977.

During its 11 year history Esmark engaged in more than 60 acquisitions and dispositions. Prior to 1980, major acquisitions included International Playtex, Inc., TransOcean Oil, Inc., an oil and gas exploration firm, STP Corporation and International Jensen Incorporated. In the same period numerous food related facilities, including many meat processing plants, were sold or closed.

In 1980 Esmark adopted a restructuring plan which resulted in the disposition of its entire energy segment for in excess of $1 billion and the acquisition of more than half of Esmark's outstanding common stock at a price that was more than twice the low stock price in the quarter in which the restructuring plan was announced. As part of the restructuring, Swift was divided into two separate corporations, a fresh meats company and a processed meats company. In 1981, Esmark sold 65% of the equity of Swift Independent Packing Company, the fresh meats company, in an initial public offering.

In 1983 Esmark acquired Norton Simon, Inc. for slightly in excess of $1 billion. This acquisition was initially financed primarily with short-term borrowings. Management of the Company believes that the Esmark and Norton Simon operations were rationalized smoothly and in a very short period of time. In 1984 Esmark initially agreed to be acquired for $2.3 billion in a leveraged buyout transaction with KKR, but Esmark was subsequently acquired by Beatrice for $2.6 billion.

Subsequent to the Beatrice acquisition of Esmark, Mr. Kelly and Mr. Briggs formed a private investment company, Kelly, Briggs & Associates Inc. In late 1984 they led a group that agreed to acquire Northwest Industries, Inc. for in excess of $750 million, subject to satisfactory financing. Satisfactory financing was not arranged and the transaction was terminated in 1985.

Later in 1985 Mr. Kelly and certain others teamed up with KKR and offered to acquire Beatrice. This transaction, the largest leveraged buyout in history, was completed for $6.2 billion in April 1986. Immediately thereafter Mr. Kelly began to assemble an experienced management team made up of continuing Beatrice employees, former Esmark employees and other selected individuals. Management commenced a major restructuring and rationalization of Beatrice. To date, this program has resulted in the following:

- Corporate and segment administrative costs have been reduced by approximately $100 million on an annual basis to approximately $90 million;

- Six major and several smaller units have been sold in a variety of transactions for net proceeds of approximately $3.4 billion. These transactions have included the sale of BCI's International Playtex unit for $1.15 billion cash and $100 million liquidation value of preferred stock in a management led leveraged buyout in which BCI purchased a 20% common stock interest in the acquiring company for $2 million; the sale of various soft drink bottling companies to The Coca-Cola Company for over $990 million; and the sale of BCI's Americold refrigerated warehouse unit for $480 million cash;

- Bank debt related to the Merger has been reduced to $496 million at April 30, 1987 from $3.3 billion;

- Debentures in the principal amount of $800 million have been redeemed; and

- Operating company management has been replaced in several instances.

BCI shareholders purchased their BCI shares for $5.00 per share in 1986. In the Distribution BCI shareholders and warrant holders received one-third share of Company Common Stock plus the right to receive $.574 cash for each BCI share which such holder owns or is entitled to purchase upon exercise of such warrants. After the Distribution and the divestitures described above, BCI shareholders continue to own one of the largest food companies in the world with pro forma total net sales and operating earnings before amortization of intangibles of approximately $7.5 billion and $506 million, respectively, for the fiscal year ended February 28, 1987. Despite BCI's pro forma negative equity of $27 million for accounting purposes as of February 28, 1987 as a result of the Distribution, BCI's Board of Directors believes that the fair market value of BCI's remaining assets substantially exceeds its liabilities and that BCI's cash flow will be more than adequate to meet its obligations in a timely fashion.

Committees of the Board

After the election to the Board of Directors of the four persons who have agreed to serve as directors after completion of the Offerings, the Board of Directors will establish an Audit Committee and a Compensation and Benefits Committee, each composed entirely of directors who are not employees of the Company.

Audit Committee. The Audit Committee will recommend to the Board a firm of independent public accountants to audit the Company's financial statements; review the scope and results of audits made by such firm; review the adequacy of internal accounting and auditing procedures; direct and supervise special audit inquiries; and take such other action as it may deem appropriate.

Compensation and Benefits Committee. The Compensation and Benefits Committee will review and approve matters involving executive compensation; review the structure of any long-term management incentive plans and approve grants to officers under such plans; review and approve all employment and consulting agreements between the Company and any of its officers; and review the retirement plans in which Company officers participate.

Compensation of Directors

Directors who are employees of the Company will not receive any special compensation for their services as directors. Outside directors will be paid an annual fee of $30,000 and an attendance fee of $1,000 per meeting, plus expenses of attendance. Committee members attending more than one meeting in a day will receive $700 for each additional meeting. Committee Chairmen will receive an additional $3,000 annual fee.

Compensation of Executives

The key policy making members of management include the executive officers of the Company and the Presidents of the Company's consumer products and food specialties segment holding companies. The initial annual salaries for such executive officers having the five highest salaries and for all such executive officers as a group are as follows:

Name of Individual or Number in Group	Capacities in Which Served	Salary
Donald P. Kelly	Chairman of the Board and Chief Executive Officer	$ 750,000
Roger T. Briggs	Executive Vice President and Chief Financial Officer	375,000
Richard J. Pigott	Executive Vice President and Chief Administrative Officer	320,000
William E. Reidy	Senior Vice President, Planning and Strategy	250,000
James M. Snodgrass	President—E-II Consumer Products Company, Inc.	250,000
All executive officers as a group (13 persons, including those named above)		3,408,000

The Company's Management Incentive Plan provides for annual bonuses to key employees of the Company and its subsidiaries 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 the Company's executive officers participate in such plan. Target bonuses for Messrs. Kelly, Briggs, Pigott, Reidy and Snodgrass are $475,050, $212,572, $181,344, $125,000 and $125,000, respectively, and aggregate $1,802,837 for all executive officers as a group.

Company Employee Benefit Plans

The Company sponsors the following employee benefit plans.

Long Term Incentive Compensation Plan. The purpose of the Long Term Incentive Compensation Plan is to further the long term growth of the Company by strengthening its ability to attract, retain and motivate key employees. Under the Long Term Incentive Compensation Plan the Compensation and Benefits Committee may grant long term incentive compensation awards in the form of Non-Qualified Stock Options or Incentive Stock Options (collectively, the "Options"), Stock Appreciation Rights ("SARs"), Restricted Stock Rights, Performance Units and Performance Shares. No awards have been granted and there are no plans to grant any awards prior to the completion of the Offerings other than the Replacement Options referred to under "Beatrice and BCI Employee Benefit Plans—Replacement Options." No awards may be granted under the Long Term Incentive Compensation Plan after July 1, 1997 and the maximum number of shares of Common Stock that may be issued thereunder is 6.1 million.

The following description of the Long Term Incentive Compensation Plan does not purport to be complete and is qualified in its entirety by reference to such plan, a copy of which has been filed as an exhibit to the Registration Statement.

Non-Qualified Stock Options. Under the Long Term Incentive Compensation Plan, Non-Qualified Stock Options may be granted to eligible employees either alone or with attached SARs. The number of shares and other terms of the grant of Non-Qualified Stock Options are determined at the time of grant; provided, however, that in no event will the term of any such option be more than ten years from the date of grant and, except for the Replacement Options, no option will be exercisable less than one year from the date of grant. Except for the Replacement Options, the price payable upon exercise will not be less than the fair market value of the Common Stock at the time of grant, and may be paid in cash or, at the discretion of the Compensation and Benefits Committee, in shares of Common Stock valued at the then fair market value of such shares or by a combination of cash and shares of Common Stock. If a Non-Qualified Stock Option is granted with an attached SAR, the features of the SAR will be as set out below under "Stock Appreciation Rights."

Incentive Stock Options. Under the Long Term Incentive Compensation Plan, Incentive Stock Options which are intended to qualify for tax treatment under Section 422A of the Internal Revenue Code of 1986, as amended (the "Code") may be granted either alone or with an attached SAR. The terms of the grant of Incentive Stock Options are subject to the same parameters which apply to a grant of Non-Qualified Stock Options. The aggregate fair market value (determined at the time the option is granted) of shares with respect to which Incentive Stock Options are exercisable for the first time by an employee during any calendar year may not exceed $100,000. If an Incentive Stock Option is granted with an attached SAR, the features of the SAR will be as set out below under "Stock Appreciation Rights."

Stock Appreciation Rights. Under the Long Term Incentive Compensation Plan, SARs may be awarded to eligible employees, either separately or attached to an Option. At the time an SAR is granted the Compensation and Benefits Committee will determine if the related Option must be surrendered for the holder to exercise the SAR or if the holder may simultaneously exercise the SAR and the related Option. Upon exercise of an SAR requiring the surrender of the related Option the holder will be entitled to payment of an amount equal to the appreciation in value of the shares subject to the surrendered Option (the excess of the fair market value of such shares subject to the Option, at the time of surrender, over the aggregate Option price of such shares). Upon the simultaneous exercise of an SAR and the related Option, the holder will be entitled to payment with respect to the SAR of an amount equal to the product of a percentage factor assigned by the Compensation and Benefits Committee multiplied by the appreciation in value of the shares subject to the exercised Option (the excess of the fair market value of said shares subject to Option at the time of exercise over the aggregate Option price for such shares).

An SAR granted in conjunction with an Option is exercisable only to the extent the related Option is exercisable, but if an SAR is granted with respect to a previously granted Option the SAR will not be exercisable for a period of 12 months from the date of grant of such SAR. The exercise of any Option will result in the cancellation of a related SAR which is not simultaneously exercised.

With respect to each stand-alone SAR the Compensation and Benefits Committee will set a "base price" that will be at least the fair market value of one share of Common Stock on the date on which such SAR is granted. Each stand-alone SAR entitles the holder, upon exercise, to payment of an amount equal to the difference between the base price of such SAR and the fair market value on the date of exercise of a share of Common Stock.

Restricted Stock Rights. Under the Long Term Incentive Compensation Plan, the Compensation and Benefits Committee may grant Restricted Stock Rights that will entitle an employee to receive a stated number of shares of Common Stock subject to forfeiture of such Restricted Stock Rights (with certain exceptions in the event of death or permanent and total disability) if such employee fails to remain continuously an employee of the Company for the period established by the Compensation and Benefits Committee.

Performance Units and Performance Shares. Under the Long Term Incentive Compensation Plan, Performance Unit awards and Performance Share awards may be awarded to eligible employees. Each Performance Unit award and Performance Share award will specify a performance goal or goals for performance during an incentive period determined by the Compensation and Benefits Committee. Performance Unit awards will entitle the holder thereof to receive payment in cash of an amount based on the achievement of the performance targets for the performance period. A Performance Share award will entitle the holder thereof to receive a number of shares of Common Stock based on the performance targets for the performance period.

Financial Counseling Plan. All executive officers of the Company 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. The financial counseling services include tax and estate planning, tax return preparation assistance and personal financial management advice.

Other. In addition, the Company intends to adopt additional benefit plans as discussed below under "Beatrice and BCI Employee Benefit Plans."

Beatrice and BCI Employee Benefit Plans

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

Beatrice Retirement Income Plan. Officers and certain salaried employees of the Company are currently covered by the Beatrice Retirement Income Plan ("BRIP"), which is a defined benefit plan designed to qualify under the Internal Revenue Code of 1954. BRIP provides for an unreduced retirement benefit in the form of an annuity beginning at age 60 that is based on a participant's years of benefit service and final average monthly earnings. Reduced benefits are available at age 55. The following table reflects annual life annuity benefit payments to participants at specified salary levels and with specified lengths of service, as reduced by estimated social security benefits. As of December 31, 1986 Messrs. Pigott, Reidy and Snodgrass had 10, 4 and 13 years, respectively, of credited benefit services for purposes of BRIP. Messrs. Kelly and Briggs do not accrue benefits under BRIP. However, they receive benefits under a former Esmark pension plan that had been merged into BRIP.

Final Average Annual Covered Earnings	Years of Benefit Service at Retirement			
	10	20	30	40
$ 50,000	$ 6,080	$ 12,160	$ 18,239	$ 25,266
100,000	13,580	27,160	40,739	55,266
200,000	28,580	57,160	85,739	115,266
300,000	43,580	87,160	130,739	175,266
400,000	58,580	117,160	175,739	235,266
500,000	73,580	147,160	220,739	295,266
600,000	88,580	177,160	265,739	355,266
700,000	103,580	207,160	310,739	415,266

The Code imposes a limitation on the benefits that may be paid under BRIP. Beatrice has a non-qualified Supplemental Retirement Income Plan ("Beatrice Supplemental Plan") to provide benefits that participants would have been entitled to receive under BRIP were it not for the limitation. The Beatrice Supplemental Plan 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 Company intends to adopt a new retirement plan that initially will provide pension benefits equal to BRIP ("BRIP Mirror Plan") and a supplemental plan that will provide benefits equal to the Beatrice Supplemental Plan (the "Company Supplemental Plan"). Upon the effective date of the BRIP Mirror Plan, assets of BRIP in an amount equal to the ratio of the Company's projected benefit obligation to BRIP's total projected benefit obligation will be transferred to the BRIP Mirror Plan (see Note 13 of Notes to Combined Financial Statements). Similarly, any liabilities of the Beatrice Supplemental Plan attributable to present, former and retired employees of the Company and its subsidiaries will be transferred to and assumed by the Company Supplemental Plan.

The Company may freeze the BRIP Mirror Plan or may possibly terminate the plan. The Company contemplates replacing the BRIP Mirror Plan with a defined contribution retirement plan designed to qualify under Section 401(a) of the Code. The Company would then contribute to the new plan on behalf of each participant an amount equal to a percentage of his or her compensation. The precise percentage would be determined in the future but cannot exceed 15%. Participants in the new plan would vest over a period of not more than 5 years in the Company's contributions and would likely have several investment alternatives. Since the Code imposes a limitation on the contributions an employer may make to the new plan, the Company contemplates creating a non-qualified supplemental retirement plan to provide benefits to participants that exceed the Code limitation.

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. BEST allows participants to defer up to 17% of their eligible compensation on a pre-tax basis, except that pre-tax contributions are limited to $7,000 annually to conform with the Tax Reform Act of 1986. Matching contributions are made in amounts equal to 50% of the amount of employee contributions (up to 6% of compensation) elected by a BEST participant. Under the Tax Reform Act of 1986 BEST must comply with certain tests of discrimination for deferred percentages between various groups of employees. Accordingly, it has become necessary to reduce the 17% maximum for plan participants with annual compensation in excess of $50,000.

Amounts contributed for a participant are held in trust until distributed either in a lump sum or installments, pursuant to the provisions of BEST. All employee contributions are 100% vested. Fifty percent of the employer contribution vests after three years of employment and 100% is vested after five years of employment. Employee contributions and employer matching contributions are invested at the employee's discretion in investment alternatives offered by BEST.

BCI is currently making matching contributions to BEST on behalf of Messrs. Kelly, Briggs, Pigott, Reidy and Snodgrass at an annual rate of $4,500, $5,625, $4,800, $9,900 and $3,750, respectively, and on behalf of all executive officers as a group at the annual rate of $68,636.

The Code imposes a limitation on the contributions that may be made to BEST. The Supplemental Beatrice Employee Savings Trust ("Supplemental BEST"), a non-qualified plan, provides benefits which participants would have been entitled to receive under BEST were it not for the limitation on contributions imposed by the Code. In addition, in the event of a "change in control" (as defined in the plan) employer contributions to Supplemental BEST become 100% vested. During fiscal 1987 Supplemental BEST was amended such that no further benefits other than interest and dividend equivalents will be credited under the plan after December 31, 1986.

The Company intends to introduce a new savings plan similar to BEST. Upon the effective date of such plan, all plan balances for participants of the Company and its subsidiaries under BEST will be transferred to the Company's savings plan. Similarly, any liabilities of Supplemental BEST attributable to such employees will be transferred to and assumed by the Company.

Replacement Options. Various executives of BCI and its subsidiaries were awarded options under the BCI Stock Option Plan for Key Employees to acquire shares of BCI common stock at an exercise price of $5.00 per share. The BCI Stock Option Plan contains an anti-dilution provision which required the BCI Stock Option Committee to make an appropriate and equitable adjustment in the outstanding options "to the end that after such event [the Distribution] the optionees' proportionate interest shall be maintained as before the occurrence of such event." BCI management estimated that approximately 20% of BCI's total net assets exclusive of funded debt on a fair market value basis would be distributed in the Distribution. Based on this estimate, the BCI Stock Option Committee reduced the BCI option price by 20%, or $1.00, and caused a replacement option ("Replacement Option") to be granted to each of the BCI optionees. BCI also will distribute $.574 for each share to which an option holder is entitled.

The Replacement Option provides the optionee the right to acquire one share of Company Common Stock at an option price of $3.00 for each three shares of BCI common stock to which he or she is entitled under his or her BCI option. The Replacement Options were distributed prior to the Distribution and, except for Mr. Kelly, were issued under the Company's Long Term Incentive Compensation Plan described above. Mr. Kelly's Replacement Option was issued under a separate option agreement the substantive terms of which are substantially the same as the other Replacement Options except that Mr. Kelly's Replacement Option is transferable in certain limited circumstances during his lifetime while those issued under the Long Term Incentive Compensation Plan are transferable only after an option holder's death. The Replacement Options are fully vested, non-qualified options. The number of shares covered by such Replacement Options are: Mr. Kelly, 3,120,000 shares; Mr. Briggs, 315,000 shares; Mr. Pigott, 60,000 shares; Mr. Reidy, 127,500 shares; Mr. Snodgrass, 60,000 shares; and all executive officers as a group (13 persons in total) 3,871,500 shares. On June 29, 1987 Mr. Kelly transferred his right to acquire 2,080,000 shares under his Replacement Option to a partnership of which his adult children are the general partners.

FINANCING

Debt Securities

The Company has entered into an agreement with Drexel Burnham Lambert Incorporated for the underwritten public offering of $1.5 billion aggregate principal amount of 12.85% Senior Subordinated Notes due 1997 (the "Senior Subordinated Notes") and 13.05% Subordinated Debentures due 1999 (the "Subordinated Debentures") (collectively, the "Debt Securities"), the terms of which are summarized below. The closing of the Debt Offerings is not a condition to the closings of the Offerings.

Senior Subordinated Notes. The Company is offering by separate prospectus $750 million principal amount of Senior Subordinated Notes. The Senior Subordinated Notes will be unsecured obligations of the Company, will mature on March 1, 1997 and will bear interest payable semi-annually. The Senior Subordinated Notes will be redeemable at the option of the Company, at a premium declining to par, in whole or in part, at any time on or after March 1, 1992, in each case plus accrued interest through the redemption date. Pursuant to a sinking fund, the Senior Subordinated Notes will be subject to mandatory redemption payments of $250 million on each of March 1, 1995 and 1996 which are calculated to retire 66⅔% of the total principal amount of Senior Subordinated Notes prior to maturity.

Subordinated Debentures. The Company is offering by separate prospectus $750 million principal amount of Subordinated Debentures. The Subordinated Debentures will be unsecured obligations of the Company, will mature on March 1, 1999 and will bear interest payable semi-annually. The Subordinated Debentures will be redeemable at the option of the Company, at a premium declining to par, in whole or in part, at any time on or after March 1, 1992, in each case plus accrued interest through the redemption date.

Pursuant to a sinking fund, the Subordinated Debentures will be subject to a mandatory redemption payment of $375 million on March 1, 1998 which is calculated to retire 50% of the total principal amount of Subordinated Debentures prior to maturity.

Ranking. The indebtedness evidenced by the Debt Securities will be subordinate to the prior payment when due of the principal of, premium, if any, and interest on all "Senior Indebtedness." In the Senior Subordinated Note Indenture "Senior Indebtedness" is defined as the following obligations of the Company: (1) any indebtedness (A) for borrowed money, capitalized lease obligations or purchase money obligations or (B) evidenced by a note, debenture, letter of credit or similar instrument given in connection with the acquisition other than in the ordinary course of business, of any property or assets, (2) any indebtedness of others described in the preceding clause which the Company has guaranteed or for which it is otherwise liable, (3) any other indebtedness, liability or obligation, contingent or otherwise, of the Company and any guaranty, endorsement or other contingent obligation in respect of any indebtedness, liability or obligation of another created, assumed or incurred by the Company after the date of the indentures, which is, when created, assumed or incurred, specifically designated by the Company as Senior Indebtedness with respect to the Debt Securities and (4) any amendment, renewal, extension or refunding of any such indebtedness. Notwithstanding the foregoing, "Senior Indebtedness" does not include (a) accounts payable or any other indebtedness to trade creditors created or assumed by the Company, any subsidiary or any joint venture in which the Company has an interest, in the ordinary course of business in connection with the obtaining of materials or services, (b) any liability for federal, state, local or other taxes owed or owing by the Company, (c) indebtedness to a subsidiary or joint venture of the Company or (d) any indebtedness which is expressly subordinated to any other indebtedness of the Company. The Subordinated Debentures will be subordinated to the Senior Subordinated Notes. Certain qualifying refinancings of the Senior Subordinated Notes also will rank on a similar basis as the indebtedness refinanced.

Conditions to the Purchase of the Debt Securities. The obligations of the underwriter to purchase the Senior Subordinated Notes and the Subordinated Debentures under its underwriting agreement with the Company will be subject to certain conditions, including without limitation the effectiveness of the registration statement relating to the Debt Securities, the receipt of certain opinions of counsel, receipt by the underwriter of certain letters from independent public accountants, the continuing accuracy of representations and warranties contained in such underwriting agreement and the compliance by the Company with the covenants contained therein, and the closing of the U.S. Offering.

Covenants. Covenants and provisions contained in the indentures relating to each of the Debt Securities (collectively, the "Debt Securities Indentures") will, among other things, (a) limit the payment of dividends and payments or other distributions on or the purchase of capital stock (other than dividends or distributions payable in capital stock of the Company) to 25% of Cumulative Net Income (defined generally in the indentures as cumulative consolidated net income plus amortization of intangibles after February 28, 1987) up to $200 million, 50% of Cumulative Net Income in excess of $200 million and 75% of Cumulative Net Income in excess of $400 million (100% of Cumulative Net Income if the Debt Securities are Investment Grade (as defined in the indentures) and are reasonably anticipated to remain such after such transaction), plus (ii) the aggregate net proceeds from sales of stock other than in the Offerings, and (b) prohibit the Company from merging with or into (or transferring all or substantially all of its assets to) another entity unless requirements regarding Consolidated Net Worth and Consolidated Interest Expense Ratio (as those terms are defined in the indentures) are met. The Debt Securities Indentures will not restrict the indebtedness of the Company or its subsidiaries.

BCI Notes

Notes of the Company's operating units comprising the $720 million BCI Note and the $80 million BCI Note are held by BCI. The $80 million BCI Note is expected to be repaid with a portion of the proceeds from the Offerings and the $720 million BCI Note is expected to be repaid with a portion of the proceeds from the Debt Offerings. See "Use of Proceeds."

The BCI Notes mature on July 1, 1994 and bear interest at the rate of 11¼% per annum, payable semi-annually. They may be prepaid, in whole or in part, at any time. The Company has agreed with BCI to cause the BCI Notes to be prepaid in full immediately after the consummation by the Company and/or its subsidiaries of one or more stock and/or long-term debt offerings and/or other long-term financings that result in aggregate net cash proceeds to the issuer(s) of $80 million or more in the case of the $80 million BCI Note and $1.25 billion or more in the case of the $720 million BCI Note. Each note comprising the BCI Notes is unsecured but BCI will have a prior claim on the assets of the operating subsidiary that issued such note over the claims of the creditors of the Company.

The BCI Notes do not restrict the indebtedness of the Company or its subsidiaries. Events of default under the BCI Notes issued by an operating company include (a) failure of such operating company to pay principal when due or interest for a period of ten days after the date when due, and (b) subject to certain exceptions, the declaring to be due and payable prior to its stated maturity any indebtedness of the operating company for borrowed money having an outstanding principal amount of $5 million or more individually or $10 million or more in the aggregate. Upon the occurrence of any such event of default the entire principal amount of and accrued interest on the BCI Notes issued by the defaulting operating company may be declared due and payable immediately.

Bank Financing

The Company has not arranged any bank financing. However, representatives of the Company have conferred with representatives of more than ten major commercial banks and discussed the formation of the Company and the anticipated future conduct of its business, including acquisitions. Preliminary indications from these banks reflect an interest and an ability to provide more than $3 billion of senior financing. Based on those discussions, management of the Company expects that it or its acquisition subsidiaries will be able to arrange significant amounts of bank financing for acquisitions in the future on commercially reasonable terms. The ability to borrow in the future will depend, however, on then prevailing market conditions, the borrower's financial condition, the attractiveness of an acquisition candidate, the absence of conflicts of interest on the part of lending institutions and the terms of any proposed acquisition.

PRINCIPAL AND SELLING SHAREHOLDERS

Prior to the Distribution all of the Company's Common Stock was owned of record by BCI. Approximately 87.4% of BCI's common stock on a fully-diluted basis is owned by five Partnerships of which either KKR Associates or BCI Partners, L.P. ("BCI Partners"), both of which are limited partnerships, is the general partner. Henry R. Kravis, George R. Roberts, Robert I. MacDonnell, Paul E. Raether and Michael W. Michelson are the general partners of KKR Associates and Messrs. Kravis, Roberts and MacDonnell are the general partners of BCI Partners. The remaining shares of BCI's common stock are held by current and former executives of BCI and the Company. See "Arrangements and Transactions with BCI—Security Holdings of Management in BCI." Concurrently with the effectiveness of the Registration Statement, BCI distributed in the Distribution all of the outstanding shares of Common Stock of the Company to its shareholders on the basis of one share of Common Stock for each three shares of BCI common stock held and to holders of BCI warrants on the basis of one share of Common Stock for each three shares of BCI common stock purchasable upon exercise of such warrant.

Four of the Partnerships are offering an aggregate of 7,300,000 shares for sale in the Offerings (not including an aggregate of 1,095,000 shares subject to an over-allotment option). The Distribution constitutes a taxable transaction for BCI's shareholders and warrant holders and the Partnerships are selling shares in part to meet tax obligations of certain of their partners. KKR Associates and BCI Partners have advised the Company that as soon as practicable after the consummation of the Offerings, they intend to distribute the shares of Common Stock and cash received in the Distribution to the limited and general partners of the Partnerships in accordance with their respective partnership agreements. As indicated in Note 6 to the table below, following the Offerings and the distribution to the limited partners, KKR Associates and BCI Partners will in the aggregate own a maximum of approximately 4.7 million shares, constituting approximately 7.6% of the outstanding Common Stock of the Company, and the limited partners (which consist primarily of pension funds, insurance companies and other institutional investors and certain individuals related to or associated with the principals of KKR) will own in the aggregate a maximum of approximately 28.6 million shares, constituting approximately 46% of the outstanding Common Stock of the Company (in each case without giving effect to possible further reduction through the exercise of the over-allotment options). To the knowledge of the Company, no limited partner will beneficially own 5% or more of the outstanding Common Stock, except as indicated below. There are no agreements between the Company and any of the limited partners, nor is the Company aware of any agreements among any of the limited partners, concerning the voting or disposition of shares received from the Partnerships, except for the restrictions on transfers prior to March 1, 1988 entered into with the Underwriters and Managers. See "Underwriting." Following the distribution of shares by the Partnerships to their respective partners, the general partners will not share voting or investment authority over shares distributed to the limited partners. KKR Associates and BCI Partners have advised the Company that they will further distribute shares of Company Common Stock and cash which they receive as general partners of the Partnerships to partners and associates of KKR.

The fifth Partnership, BCI Equity Associates, L.P., is the holder of warrants representing, on a fully diluted basis, ownership of approximately 24% of BCI's common stock. The Company has been advised that the principal limited partner of BCI Equity Associates, L.P. (holding approximately 95% of its partnership interests) is BCP Capital Partners, L.P., a limited partnership (the "BCP Partnership") whose limited partners are primarily Drexel Burnham Lambert Incorporated and certain of its employees and officers. Messrs. Richard Bergman, Robert A. Davidow and Frederick W. McCarthy, the general partners of the BCP Partnership, will possess sole voting and investment power with respect to the shares of Company Common Stock to be owned by the BCP Partnership following the distribution by BCI Equity Associates, L.P. The shares to be owned by the BCP Partnership will constitute approximately 17% of the Company's Common Stock to be outstanding following the Offerings (assuming that the over-allotment options are not exercised).

The table below sets forth the beneficial ownership (expressed in number of shares and as a percentage of class) of the Common Stock, on a fully diluted basis, of (i) persons who beneficially own at least 5% of the Common Stock, (ii) each director of the Company and (iii) all officers and directors of the Company as a group:

Name and Address of Owner	Number of Shares Owned Prior to Offerings	% of Class Owned Prior to Offerings	Number of Shares Offered Hereby(5)	Number of Shares Owned After Offerings	% of Class Owned After Offerings(7)
KKR Associates(1) .... 9 West 57th Street New York, NY 10019	17,315,996(2)	37.3%	4,296,083	13,019,913(6)	17.3%(6)
BCI Partners, L.P.(1) .... 9 West 57th Street New York, NY 10019	23,263,714(3)	50.1	3,003,917	20,259,797(6)	27.0(6)
Donald P. Kelly .... 2 North LaSalle Street Chicago, IL 60602	3,466,667(4)	7.5	—	3,466,667(4)	4.6
All officers and directors as a group (13 persons, including Mr. Kelly) . .	4,299,004(4)	9.3	—	4,299,004(4)	5.7

(1) Messrs. Kravis, Roberts, MacDonnell, Raether and Michelson, as the general partners of KKR Associates, and Messrs. Kravis, Roberts and MacDonnell, as the general partners of BCI Partners, L.P., may be deemed to share beneficial ownership of the shares shown as beneficially owned by KKR Associates and BCI Partners, L.P., respectively.

(2) Shares shown as owned by KKR Associates are owned of record by BCI Associates, L.P., BCI Associates II, L.P. and KKR Partners II, L.P. KKR Associates is the sole general partner of these three Partnerships and possesses sole voting and investment power as to these Partnerships.

(3) Shares shown as owned by BCI Partners are owned of record by BCI Equity Associates, L.P. and BCI Securities, L.P. BCI Partners is the sole general partner of these two Partnerships and possesses sole voting and investment power as to these Partnerships.

(4) Includes 3,120,000 and 3,871,500 shares of Common Stock issuable to Mr. Kelly and to all officers and directors of the Company as a group, respectively, upon the exercise of Replacement Options issued as a result of the Distribution as an adjustment to outstanding BCI stock options. On June 29, 1987 Mr. Kelly transferred his right to acquire 2,080,000 shares under his Replacement Option to a partnership of which his adult children are the general partners. Mr. Kelly disclaims beneficial ownership of these 2,080,000 shares. Excluding these shares, Mr. Kelly's percentage ownership prior to and after

the Offerings would be reduced to 3.0% and 2.1%, respectively, and that of all officers and directors as a group would be reduced to 4.8% and 3.3%, respectively. See "Management—Beatrice and BCI Employee Benefit Plans—Replacement Options."

(5) Does not include 1,095,000 shares subject to an over-allotment option in the U.S. Offering.

(6) Does not reflect the distribution following the Offerings by KKR Associates and BCI Partners of Common Stock to the limited and general partners of the Partnerships in accordance with their respective partnership agreements. Following such distribution, KKR Associates and BCI Partners expect to be the beneficial owners of an aggregate of a maximum of approximately 4.7 million shares of Common Stock. To the knowledge of the Company, no limited partner will beneficially own 5% or more of the outstanding shares of Common Stock of the Company following the Offerings and the distribution of shares by the Partnerships, except for the BCP Partnership, the principal limited partner of BCI Equity Associates, L.P., which will beneficially own approximately 17% of the Common Stock of the Company, and the Washington State Investment Board, which initially will beneficially own approximately 7.2% of the Common Stock of the Company.

(7) Assumes the sale of 20,700,000 shares of Common Stock by the Company and 7,300,000 shares of Common Stock by the Selling Shareholders in the Offerings.

DESCRIPTION OF CAPITAL STOCK

Authorized Capital Stock

The Company's authorized capital stock consists of 300 million shares of Common Stock, par value $.01 per share, and 100 million shares of Preferred Stock, par value $.01 per share ("Preferred Stock"). Immediately after the Reorganization, 41,146,377 shares of Common Stock, options to purchase 5,274,000 shares of Common Stock and no shares of Preferred Stock were issued and outstanding. As a result of the Distribution, not considering the effect of the Offerings or the subsequent distribution to the limited and general partners of the Partnerships, there are 35 record holders of the Common Stock. The following summary description of the Company's capital stock is qualified in its entirety by reference to the Company's Restated Certificate of Incorporation and its By-Laws, copies of which have been filed as exhibits to the Registration Statement.

Common Stock

Each holder of Common Stock is entitled to one vote for each share of Common Stock held of record on all matters on which shareholders generally are entitled to vote. Shareholders do not have cumulative voting rights. Subject to provisions of law and the rights of any class or series of stock having a preference as to dividends over the Common Stock then outstanding, dividends may be paid on the Common Stock at such times and in such amounts as the Board of Directors shall determine. See "Dividends" and "Financing." The holders of Common Stock are entitled upon dissolution or liquidation to share ratably in the net assets of the Company available for distribution to shareholders after payment of the liquidation preferences of any Preferred Stock then outstanding.

Holders of Common Stock have no preemptive rights. All the outstanding shares are, and the shares of Common Stock offered in the Offerings will upon issuance be, fully paid and nonassessable. Harris Trust and Savings Bank is the transfer agent and registrar for the Common Stock.

Preferred Stock

The Board of Directors has the authority by resolution to issue up to 100 million shares of Preferred Stock in one or more series and to fix the number of shares constituting any such series, the voting powers, designations, preferences and relative, participating, optional or other special rights and qualifications, limitations or restrictions thereof, including the dividend rights, terms of redemption (including sinking fund provisions), conversion rights and liquidation preferences, without any further vote or action by shareholders. The Company has no current plans to issue any shares of Preferred Stock but may issue Preferred Stock in connection with future acquisitions. See "Future Conduct of the Business."

Certain Special Charter Provisions

The Company's Restated Certificate of Incorporation contains certain provisions, in addition to authorizing a reserve of 100 million shares of undesignated Preferred Stock, pertaining to requirements for shareholder action and higher voting requirements for the approval of certain transactions ("fair price" provisions). Certain of these provisions could reduce the vulnerability of the Company to an unsolicited proposal for a take-over of the Company that does not contemplate the acquisition of all of its outstanding shares.

Shareholder Action. Any action by holders of Common Stock must be taken at an annual or special meeting of shareholders and shareholder action may not be taken by written consent except at such a meeting. Only the Board of Directors and the Chief Executive Officer may call a special meeting.

Fair Price Provisions. The "fair price" provisions require that certain business combinations and significant transactions with an interested shareholder (defined, generally, as a person or company which owns or has owned within the past two years, directly or indirectly, 25% or more of the Company's outstanding voting stock) be approved by a majority of the votes able to be cast as a single class by all holders, other than the interested shareholder, of voting stock (defined as Common Stock and any series of Preferred Stock having voting rights). These provisions are designed to deter an acquiring party from utilizing two-tier pricing or similar tactics in an attempt to take over the Company. The higher vote requirements do not apply to proposed transactions which meet certain price criteria. For instance, one such price criteria is that the aggregate consideration to be paid for each share of Common Stock must be at least equal to the highest per share price paid by the interested shareholder to acquire any share of Common Stock during a specified period. Additionally, the higher voting requirements do not apply to transactions approved by a majority of the "disinterested directors." Generally, a director is deemed to be disinterested with respect to any transaction subject to a higher vote if he is not affiliated with the interested shareholder who is party to the transaction and he has been serving as a director since a date prior to the date such shareholder became an interested shareholder. The affirmative vote of a majority of the votes able to be cast as a single class by all holders, other than any interested shareholder(s), of shares of voting stock is required to amend or repeal the fair price provisions.

Director Liability. As permitted by Delaware corporation law, the directors are indemnified against certain expenses and liabilities incurred in their capacities as directors of the Company when acting in good faith and in a manner reasonably believed to be in the best interests of the Company and cannot be held personally liable for monetary damages for certain breaches of their fiduciary duty of care. The Company has entered into an indemnification agreement with its sole director and plans to enter into similar agreements with the persons to be elected directors after the Offerings and the Debt Offerings under which the Company is or will be obligated to indemnify and advance litigation expenses to such directors to the full extent permitted by applicable law. The Restated Certificate of Incorporation limits director liability to the maximum extent authorized by law and provides that if the General Corporation Law of Delaware is amended to further limit such liability, then the liability of Company directors will be limited or eliminated to the maximum extent permitted by law as so amended.

Corporate Opportunities. In order to address certain potential conflicts of interest when corporate opportunities are offered to persons who are directors or officers of both the Company and BCI, the Restated Certificate of Incorporation provides that such director or officer of the Company shall have fully satisfied his or her fiduciary duty to the Company and its shareholders with respect to such corporate opportunity and will have no liability to the Company or its shareholders if such person acts in a manner consistent with the following policy:

(i) a corporate opportunity offered to any person who is an officer of the Company and who is also a director but not an officer of BCI shall belong to the Company, unless offered to such person in writing solely in his or her capacity as a director of BCI in which case such opportunity shall belong to BCI; (ii) a corporate opportunity offered to any person who is a director but not an officer of the Company and who is also a director or an officer of BCI shall belong to the Company only if such opportunity is expressly offered to such person in writing solely in his or her capacity as a director of the Company, and otherwise shall belong to BCI; and (iii) a corporate opportunity offered to a person who is an officer of both the Company and BCI shall belong to the Company, unless offered to such person in writing solely in his or her capacity as an officer of BCI, in which case such opportunity shall belong to BCI.

The persons currently coming within the scope of clauses (i), (ii) and (iii) of the above provision are as follows: (i) Messrs. Kelly and Briggs, (ii) none and (iii) Messrs. Pigott, Bahadur, Carmichael and McGivern. See "Management—Directors and Officers."

For purposes of the foregoing provision, corporate opportunities would include business opportunities which are reasonably related to the business of the Company, in which the Company has a reasonable interest or expectancy and which it is financially able to undertake, which business opportunities bring into conflict the self-interest of BCI or its officers or directors with the interests of the Company.

Meeting any of the requirements described above alone might not necessarily cause such an opportunity to be a corporate opportunity of the Company or preclude BCI from pursuing such opportunity where BCI otherwise has an interest or right with respect to such opportunity.

The Delaware courts have not judicially considered provisions similar to the corporate opportunity provisions included in the Company's Restated Certificate of Incorporation and could rule that certain liabilities which they purport to eliminate remain.

New York Stock Exchange Listing

The Common Stock has been accepted for listing on the New York Stock Exchange ("NYSE"). In order to meet the requirements for such listing the Representatives of the Underwriters for the U.S. Offering have assured the NYSE that the distribution of the shares of Common Stock offered in the Offerings will meet or exceed the listing requirements of the NYSE.

Shares Eligible for Future Sale

Upon completion of the Offerings, the Company will have outstanding 61,846,377 shares of Common Stock (64,951,377 shares if the over-allotment options are exercised in full) and 238,153,623 additional shares of Common Stock will be authorized but unissued. The Partnerships (four of which are the Selling Shareholders in the U.S. Offering) and the Management Investors have agreed not to sell any shares of Common Stock prior to March 1, 1988 without the prior written consent of Salomon Brothers Inc, and the Partnerships have also agreed that any shares of Common Stock distributed to any partners thereof will carry the same restrictions. After such period all such shares will be freely tradeable without restrictions or further registration under the Securities Act of 1933, as amended (the "Securities Act"). However, any shares owned by an "affiliate" of the Company (as that term is defined in the rules and regulations under the Securities Act) may not be resold in a public distribution except in compliance with the registration requirements of the Securities Act or pursuant to Rule 144 thereunder.

Prior to the Offerings there has been no market for the Common Stock. The Company can make no prediction as to the effect, if any, that future sales of shares of Common Stock by the Company or others will have on the market price of the Common Stock prevailing from time to time. Sales of substantial amounts of Common Stock in the public market by the Company or others, or the perception that such sales may occur, could adversely affect the prevailing market price of the Common Stock. Since the effective purchase price paid by the current shareholders of the Company for their shares of Common Stock is significantly less than the price to the public of the Common Stock sold in the Offerings (see "Dilution"), such shareholders may be able to sell their shares at prices significantly below the initial public offering price while still realizing substantial gains.

UNDERWRITING

Subject to the terms and conditions set forth in the International Underwriting Agreement, the Company has agreed to sell to each of the Managers named below and each of the Managers, for whom Salomon Brothers International Limited, Credit Suisse First Boston Limited, Drexel Burnham Lambert International Limited and Morgan Stanley International are acting as International Representatives, has severally agreed to purchase the number of shares of Common Stock set forth opposite its name below.

Underwriter	Number of Shares To Be Purchased
Salomon Brothers International Limited	1,925,000
Credit Suisse First Boston Limited	750,000
Drexel Burnham Lambert International Limited	750,000
Morgan Stanley International	750,000
Banque Paribas Capital Markets Limited	75,000
Daiwa Europe Limited	75,000
Goldman Sachs International Corp.	75,000
IMI Capital Markets (UK) Ltd	75,000
The Nikko Securities Co., (Europe) Ltd.	75,000
Nomura International Limited	75,000
Swiss Bank Corporation International Limited	75,000
Union Bank of Switzerland (Securities) Limited	75,000
Vereins- und Westbank Aktiengesellschaft	75,000
S. G. Warburg Securities	75,000
Yamaichi International (Europe) Limited	75,000
Total	5,000,000

In the International Underwriting Agreement, the several Managers have agreed, subject to the terms and conditions set forth therein, to purchase all of the shares of Common Stock offered hereby if any such shares are purchased. In the event of a default by any Manager, the International Underwriting Agreement provides that, in certain circumstances, the purchase commitments of the nondefaulting Managers may be increased or the International Underwriting Agreement may be terminated. The Company has been advised by the International Representatives that the Managers propose initially to offer the shares of Common Stock to the public at the public offering price set forth on the cover page hereof, and to certain banks, brokers and securities dealers at such price less a selling concession of $.45 per share. After the initial public offering, the public offering price and such concessions may be changed. In addition, the Company has agreed to pay to the Managers on the closing date for the International Offering a management fee of $.16 per share and an underwriting commission of $.18 per share. The management fee and underwriting commission, together with the selling concession, comprise the underwriting discount set forth on the cover page hereof.

The Company has granted to the Managers an option, exercisable during the 30-day period after the date of this Prospectus, to purchase up to 750,000 additional shares of Common Stock from the Company at the same price per share as the initial 5,000,000 shares of Common Stock to be purchased by the Managers. The Managers may exercise such option only to cover over-allotments in the sale of the Common Stock that the Managers have agreed to purchase. To the extent that the Managers exercise such option, each Manager will have a firm commitment, subject to certain conditions, to purchase the same proportion of the option shares as the number of shares of Common Stock to be purchased and offered by such Manager in the above table bears to the total number of shares of Common Stock initially offered by the Managers hereby.

The Company and the Selling Shareholders have entered into a U.S. Underwriting Agreement with the Underwriters for the U.S. Offering, for whom Salomon Brothers Inc, Drexel Burnham Lambert Incorporated, The First Boston Corporation and Morgan Stanley & Co. Incorporated are acting as Representatives, providing for the concurrent offer and sale of 15,700,000 shares (plus up to 2,355,000 shares to cover over-allotments) of Common Stock by the Company and 7,300,000 shares (plus up to 1,095,000 shares to cover over-allotments) by the Selling Shareholders to United States and Canadian Persons. The offering price and underwriting discounts and commissions for the offerings made hereby and thereby will be identical, except that the International Representatives will be entitled to receive an additional $50,000 in lieu of reimbursement of out-of-pocket costs and expenses. The closing of the U.S. Offering is a condition to the closing of the offering made hereby.

Pursuant to the International Underwriting Agreement, each Manager has agreed that, as part of the distribution of the shares of Common Stock offered hereby, (a) it is not purchasing any Common Stock for the account of any United States or Canadian Person and (b) it has not offered or sold, and will not offer or sell, directly or indirectly, any Common Stock or distribute this Prospectus to any person within the United States or Canada or to any United States or Canadian Person. Pursuant to the U.S. Underwriting Agreement, each U.S. Underwriter has severally agreed that, as part of the distribution of the shares of Common Stock in the U.S. Offering, (a) it is not purchasing any Common Stock for the account of anyone other than a United States or Canadian Person and (b) it has not offered or sold, and will not offer or sell, directly or indirectly, any Common Stock or distribute any prospectus relating to the U.S. Offering to any person outside the United States or Canada or to anyone other than a United States or Canadian Person. The foregoing limitations do not apply to stabilization transactions or to certain other transactions specified in the International Underwriting Agreement, the U.S. Underwriting Agreement or the Agreement Between U.S. Underwriters and Managers. As used herein, "United States or Canadian Person" means any person who is a national or resident of the United States or Canada, any corporation, partnership or other entity created or organized in or under the laws of the United States or Canada, or of any political subdivision thereof, or any estate or trust which is subject to United States or Canadian income taxation, regardless of the source of its income (other than the foreign branch of any United States or Canadian Person), and includes any United States or Canadian branch of a person other than a United States or Canadian Person. "United States" and "U.S." mean the United States of America, its territories, its possessions and all areas subject to its jurisdiction.

Offers of Common Stock may not be made in Great Britain except to persons whose business is to buy or sell shares or debentures, whether as principal or agent, and this document may not be distributed, in preliminary or final form, in or from Great Britain, except to persons whose ordinary business involves the acquisition and disposal, or the holding, of securities, whether as principal or agent.

Pursuant to the International Underwriting Agreement, the U.S. Underwriting Agreement and the Agreement Between U.S. Underwriters and Managers, sales may be made between the Managers and the Underwriters of such number of shares of the Common Stock as may be mutually agreed. The price of any shares so sold shall be the initial public offering price, less an amount not greater than the selling concession.

Prior to the Offerings, there has been no public market for the Common Stock. The initial price to the public for the Common Stock has been determined by negotiation among the Company, the Representatives and the International Representatives and has been based on, among other things, the estimated consideration that could be received from the sale of the individual operating subsidiaries as going concerns (which in turn has been based in part on their financial and operating history and condition), the Company's management, including its experience in managing, acquiring and disposing of business entities and enhancing their values, the amount of the BCI Notes and other indebtedness of the Company, and general market conditions.

The International and U.S. Underwriting Agreements provide that without the consent of Salomon Brothers Inc, neither the Company, the Selling Shareholders nor certain other shareholders of the Company will, with certain exceptions, sell or otherwise dispose of any additional shares of Common Stock prior to March 1, 1988. See "Principal and Selling Shareholders" and "Description of Capital Stock—Shares Eligible for Future Sale."

Drexel Burnham Lambert Incorporated is acting as sole underwriter of the Debt Offerings and has received from BCI $100,000 plus expenses for its services in soliciting from BCI debt holders consents which were required in connection with the Distribution. Drexel Burnham Lambert Incorporated is a limited partner in the BCP Partnership which, after the Distribution and the subsequent distributions to the limited and general partners of the Partnerships, will own approximately 17% of the outstanding shares of Common Stock. See "Principal and Selling Shareholders."

The Managers do not intend to confirm sales to any accounts over which they exercise discretionary authority.

The International Underwriting Agreement provides that the Company will indemnify the several Managers against certain liabilities, including liabilities under the Securities Act, or contribute to payments the Managers may be required to make in respect thereof.

CERTAIN UNITED STATES TAX CONSIDERATIONS APPLICABLE TO NON-UNITED STATES HOLDERS OF THE COMMON STOCK

The following is a discussion of certain United States federal income tax consequences of the ownership and disposition of the Common Stock by a person that, for United States federal income tax purposes, is a foreign corporation, a non-resident alien individual, a non-resident alien fiduciary of a foreign estate or trust or a foreign partnership (collectively referred to hereafter as a "non-U.S. holder"). This discussion does not purport to deal with all aspects of United States federal income taxation that may be relevant to such non-U.S. holders in light of their circumstances. Furthermore, the following discussion is based on provisions contained in the Code, and administrative and judicial interpretations as of the date hereof, all of which are subject to change. A non-U.S. holder will generally be subject to United States taxation under the Code if such holder has income effectively connected with the conduct of a trade or business within the United States. Prospective foreign investors are urged to consult their own tax advisors regarding United States federal income tax consequences, as well as any tax consequences arising under the laws of any state, local, foreign or other taxing jurisdiction with respect to owning and disposing of the Common Stock.

Dividends

Dividends paid to a non-U.S. holder of Common Stock will be subject to United States federal income tax. This tax (except in the case of dividends that are effectively connected with the conduct of a trade or business within the United States) is imposed and withheld at a rate of 30% of the amount of the dividend, unless such rate is reduced under any applicable tax treaty.

Gain on Disposition of Common Stock

Generally, a non-U.S. holder will not be subject to United States federal income tax in respect of gain recognized on a disposition of Common Stock so long as (a) the gain from the sale is not effectively connected with the trade or business of a non-U.S. holder within the United States, and (b) in the case of a non-U.S. holder who is a non-resident alien individual and holds his Common Stock as a capital asset, such non-U.S. holder does not have a tax home in the United States within the meaning of Code section 911(d)(3) or is not present in the United States for 183 or more days in the taxable year which includes the date of the sale.

U.S. Information Reporting Requirements and Backup Withholding Tax

Under temporary United States Treasury regulations, United States information reporting requirements and "backup" withholding tax (which, generally, is a withholding tax imposed at the rate of 20% on certain payments to persons who fail to furnish the information required under the United States information reporting requirements) will not apply to dividends paid on Common Stock to a non-U.S. holder at an address outside the United States. As a general matter, information reporting and backup withholding also will not apply to a payment of the proceeds of a sale of Common Stock by a foreign office of a foreign broker. However, information reporting requirements (but not backup withholding) will apply to a payment of the proceeds of a sale of Common Stock by a foreign office of a broker that is a U.S. person, that derives 50% or more of its gross income for certain periods from the conduct of a trade or business in the United States or that is a "controlled foreign corporation" as to the United States, unless the broker has documentary evidence in its records that the holder is a non-U.S. holder and certain conditions are met, or the holder otherwise establishes an exemption. Payment by a United States office of a broker of the proceeds of a sale of Common Stock is subject to both backup withholding and information reporting unless the holder certifies its non-United States status under penalties of perjury or otherwise establishes an exemption.

These backup withholding and information reporting rules are under review by the United States Treasury and their application to the Common Stock could be changed prospectively by future regulations.

Federal Estate Tax

If an individual who is a non-U.S. holder owns or is treated as owning Common Stock at the time of his death such stock would be subject to United States federal estate tax imposed on the estates of non-resident aliens, in the absence of a contrary provision contained in an applicable estate tax treaty.

LEGAL OPINIONS

The validity of the shares of Common Stock offered hereby will be passed upon for the Company and the Selling Shareholders by Simpson Thacher & Bartlett (a partnership which includes professional corporations), New York, New York. Certain legal matters also will be passed upon for the Company by Karl M. Becker, Senior Vice President and General Counsel of the Company, and for the Underwriters and Managers by Brown & Wood, New York, New York. Mr. Becker received 2,500 shares of Company Common Stock in the Distribution and holds options to acquire 22,500 shares of Company Common Stock.

EXPERTS

The combined financial statements and schedules of the operating units of BCI Holdings Corporation that comprise The E-II Group as of February 28, 1987 and 1986 and for each of the years in the three-year period ended February 28, 1987 included herein and elsewhere in the Registration Statement have been examined and reported upon by Peat Marwick Main & Co., independent certified public accountants. The "Income Statement Data" for each of the years in the three-year period ended February 28, 1987 and the "Financial Position Data" as of February 28, 1987 and 1986 in the table under "Selected Historical and Pro Forma Financial Data" included herein have been derived from financial statements examined and reported upon by Peat Marwick Main & Co. The consolidated balance sheet of E-II Holdings Inc. and subsidiaries as of May 15, 1987 has also been examined by Peat Marwick Main & Co. Such financial statements, schedules and selected historical financial data have been included herein and in the Registration Statement in reliance upon the reports of such firm appearing elsewhere herein and in the Registration Statement and upon the authority of such firm as experts in accounting and auditing.

INDEX TO FINANCIAL STATEMENTS

AUDITORS' REPORT

The Boards of Directors
BCI Holdings Corporation
E-II Holdings Inc.

We have examined the consolidated balance sheet of E-II Holdings Inc. (a wholly-owned subsidiary of BCI Holdings Corporation) and subsidiaries as of May 15, 1987. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the aforementioned consolidated balance sheet presents fairly the financial position of E-II Holdings Inc. and subsidiaries at May 15, 1987, in conformity with generally accepted accounting principles.

PEAT MARWICK MAIN & CO.

Chicago, Illinois
May 18, 1987

E-II HOLDINGS INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

May 15, 1987

ASSETS:	
Cash	$1,000
Total	$1,000
SHAREHOLDER'S EQUITY:	
Preferred stock, par value $.01 per share; authorized 100 million shares; no shares outstanding	$ —
Common stock, par value $.01 per share; authorized 300 million shares; 100 shares issued and outstanding	1
Additional capital	999
Total	$1,000

See Note to Consolidated Balance Sheet.

E-II HOLDINGS INC. AND SUBSIDIARIES

NOTE TO CONSOLIDATED BALANCE SHEET

The accompanying consolidated balance sheet includes the accounts of E-II Holdings Inc., a holding company formed on May 4, 1987, and wholly-owned by BCI Holdings Corporation ("BCI"), and its direct wholly-owned subsidiaries.

The Board of Directors of BCI has declared a distribution (the "Distribution") to BCI shareholders and warrant holders of all the shares of E-II Holdings Inc. common stock. Concurrently with the Distribution, a corporate reorganization (the "Reorganization") will occur in which BCI will transfer 15 wholly-owned operating units to E-II Holdings Inc. in exchange for approximately 41.1 million shares of E-II Holdings Inc. common stock. In addition, options to acquire 5.3 million shares of E-II Holdings Inc. common stock will be issued to BCI option holders in accordance with anti-dilution provisions of their options. Additionally, an aggregate of $800 million of intercompany indebtedness evidenced by 11¼% senior promissory notes, due 1994, from the operating units will remain outstanding and payable to BCI (collectively, the "BCI Notes"). BCI Notes aggregating $80 million (collectively, the "$80 million BCI Note") must be prepaid in full immediately after the consummation by E-II Holdings Inc. and/or its subsidiaries of one or more stock and/or long-term debt offerings and/or other long-term financings that result in aggregate net cash proceeds to the issuer(s) of $80 million or more and, in the case of the remaining BCI Notes aggregating $720 million (collectively, the "$720 million BCI Note"), that result in net cash proceeds to the issuer(s) of $1.25 billion or more. Any other intercompany accounts between the operating units and BCI existing on the Reorganization date will be capitalized or contributed to E-II Holdings Inc. In the Distribution, all of the shares of E-II Holdings Inc. common stock will be distributed to BCI's shareholders and warrant holders in a ratio of one share for each three BCI common shares held or entitled to be acquired.

AUDITORS' REPORT

The Board of Directors and Shareholders
BCI Holdings Corporation

We have examined the statement of combined financial position of the operating units of BCI Holdings Corporation that comprise The E-II Group as of February 28, 1987 and 1986 and the related statements of combined earnings and changes in financial position for the periods from April 17, 1986 to February 28, 1987 (Post-Merger period) and from March 1, 1986 to April 16, 1986 and for each of the years in the two-year period ended February 28, 1986 (Pre-Merger periods). Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

As more fully described in Note 3 to the combined financial statements, BCI Holdings Corporation acquired Beatrice Companies, Inc. (formerly the ultimate parent of The E-II Group) as of April 17, 1986 in a business combination accounted for as a purchase. As a result of the acquisition, the combined financial statements for the Post-Merger period are presented on a different basis of accounting than that of the Pre-Merger periods and, therefore, are not comparable.

In our opinion, the aforementioned Post-Merger combined financial statements present fairly the financial position of The E-II Group at February 28, 1987 and the results of its operations and changes in its financial position for the Post-Merger period, in conformity with generally accepted accounting principles. Further, in our opinion, the aforementioned Pre-Merger combined financial statements present fairly the financial position of The E-II Group at February 28, 1986 and the results of its operations and changes in its financial position for the Pre-Merger periods, in conformity with generally accepted accounting principles applied on a consistent basis.

PEAT MARWICK MAIN & CO.

Chicago, Illinois
April 13, 1987, except as to Notes 2 and 3 to the combined financial statements, which are as of May 18, 1987.

THE E-II GROUP

STATEMENT OF COMBINED FINANCIAL POSITION

(In thousands)

	As of February 28,	
	1987 (Post-Merger)	1986 (Pre-Merger)
ASSETS:		
Current assets:		
Cash	$ 7,396	$ 6,807
Short-term investments, at cost which approximates market	7,506	2,082
Receivables, less allowance for doubtful accounts of $8,773 and $6,570, respectively	209,452	209,482
Inventories	212,103	222,018
Other current assets	30,049	19,292
Total current assets	466,506	459,681
Net property, plant and equipment	304,344	211,932
Intangible assets, principally unallocated purchase cost (Post-Merger) and goodwill (Pre-Merger)	508,972	43,650
Other noncurrent assets	51,151	26,153
Total assets	1,330,973	741,416
LIABILITIES:		
Current liabilities:		
Short-term debt	15,171	18,658
Accounts payable	70,693	66,746
Accrued expenses	102,917	91,596
Current maturities of long-term debt	3,661	4,489
Total current liabilities	192,442	181,489
Long-term debt	39,587	40,329
Indebtedness to BCI	800,000	—
Noncurrent and deferred income taxes	4,564	28,538
Other noncurrent liabilities	24,501	13,763
Total liabilities	1,061,094	264,119
Commitments and contingent liabilities		
THE E-II GROUP EQUITY	$ 269,879	$477,297

See Notes to Combined Financial Statements.

THE E-II GROUP

STATEMENT OF COMBINED EARNINGS

(In thousands)

	Fiscal year ended February 28,			
	1987			
	From April 17 (Post-Merger)	To April 16 (Pre-Merger)	1986 (Pre-Merger)	1985 (Pre-Merger)
Net sales	$1,304,877	$166,712	$1,393,116	$1,290,357
Cost of sales	836,979	110,660	903,032	844,724
Gross earnings	467,898	56,052	490,084	445,633
Selling and administrative expenses	323,536	43,181	338,474	295,554
Administrative cost allocation	17,425	2,575	20,000	20,000
Amortization of intangible assets	11,970	196	1,760	1,611
Operating earnings	114,967	10,100	129,850	128,468
Outside interest expense	(6,642)	(825)	(6,298)	(5,287)
Miscellaneous income, net	2,677	607	3,972	2,486
BCI interest allocation	(78,750)	—	—	—
Earnings before income tax allocation	32,252	9,882	127,524	125,667
Income tax allocation	20,483	4,851	61,010	59,913
Net earnings	$ 11,769	$ 5,031	$ 66,514	$ 65,754

See Notes to Combined Financial Statements.

THE E-II GROUP

STATEMENT OF COMBINED CHANGES IN FINANCIAL POSITION

(In thousands)

	Fiscal year ended February 28,			
	1987			
	From April 17 (Post-Merger)	To April 16 (Pre-Merger)	1986 (Pre-Merger)	1985 (Pre-Merger)
Cash provided (used) by operations:				
Net earnings	$ 11,769	$ 5,031	$ 66,514	$65,754
Items not involving cash:				
Depreciation and amortization of intangibles	41,826	3,693	27,663	24,676
Deferred taxes and other items, net	(44)	—	2,775	5,024
Changes in working capital, excluding current debt:				
Receivables	(6,802)	4,705	(38,407)	(20,277)
Inventories	2,688	(855)	(24,746)	(29,311)
Other current assets	5,908	(7,174)	(8,733)	(2,390)
Accounts payable and other current liabilities	4,175	(4,570)	29,563	7,711
Cash provided by operations	59,520	830	54,629	51,187
Cash provided (used) by investment activities:				
Net expenditures for property, plant and equipment	(39,221)	(1,636)	(44,388)	(40,808)
Other items, net	25,793	(3,175)	(2,850)	(4,404)
Cash used by investment activities	(13,428)	(4,811)	(47,238)	(45,212)
Cash provided (used) by financing activities:				
Change in debt	(6,805)	1,748	12,798	1,885
Transactions with Parent:				
BCI interest allocation	78,750	—	—	—
Administrative cost allocation	17,425	2,575	20,000	20,000
Income tax allocation	19,854	(2,929)	47,485	39,281
Net cash transferred	(145,565)	(2,768)	(101,968)	(92,314)
Other items, net	(2,674)	4,291	14,239	28,672
Cash provided (used) by financing activities	(39,015)	2,917	(7,446)	(2,476)
Effect of the Merger:				
Allocable purchase price:				
Indebtedness to BCI	800,000	—	—	—
The E-II Group Equity	267,542	—	—	—
Liabilities assumed:				
Current liabilities	190,426	—	—	—
Long-term debt	42,378	—	—	—
Assets acquired:				
Current assets	(461,223)	—	—	—
Net property, plant and equipment	(293,318)	—	—	—
Other, net	(24,863)	—	—	—
Intangible assets, principally unallocated purchase cost	(520,942)	—	—	—
Effect of the Merger	—	—	—	—
Increase (decrease) in cash and short-term investments	7,077	(1,064)	(55)	3,499
Cash and short-term investments at beginning of period	7,825	8,889	8,944	5,445
Cash and short-term investments at end of period	$ 14,902	$ 7,825	$ 8,889	$ 8,944

See Notes to Combined Financial Statements.

1. Summary of Significant Accounting Policies

The following summarizes the significant accounting policies applied in the preparation of the accompanying combined financial statements.

Basis of Presentation

The combined financial statements include the accounts of operating units that, during each of the periods presented, were wholly-owned subsidiaries or divisions of BCI Holdings Corporation ("BCI") or its predecessor, Beatrice Companies, Inc. ("Beatrice") (BCI and Beatrice are both referred to as "Parent"). As described in Note 2, the operating units will be transferred to E-II Holdings Inc. in connection with the Reorganization (the operating units to be transferred are collectively referred to as "The E-II Group" or the "Company"). Further, the intercompany indebtedness evidenced by the BCI Notes has been reflected as a component of the purchase cost allocation (Note 3) and separately presented in the accompanying statement of combined financial position as of February 28, 1987. The accompanying statement of combined earnings includes an interest allocation of $78.8 million related thereto in the Post-Merger period.

As described in Note 4, included in the accompanying combined financial statements are allocations of Parent expenses which are intended to reflect the costs which would have been incurred had the Company been operated on a stand-alone basis during the periods presented. In the opinion of management such allocations have been made on a reasonable basis; however, the allocations are not necessarily indicative of the actual costs which would have been incurred had the Company actually operated as a separate, stand-alone entity, nor are they necessarily indicative of the costs which may be incurred in the future.

The Company is comprised of both subsidiaries and divisions of BCI and, as such, presentation of combined shareholder's equity accounts and per share data would not be meaningful. A summary of the activity in The E-II Group Equity is included in Note 10 and an unaudited pro forma presentation of E-II Holdings Inc.'s capitalization is included elsewhere in this Prospectus.

Fiscal Year The fiscal year of the Company ends on the last day of February. Substantially all non-U.S. subsidiaries have fiscal years that end on December 31 and certain other subsidiaries have fiscal years ending on the last Saturday in February. Unless otherwise stated, fiscal 1987 information includes data from the periods before and after the Merger described in Note 3 (the "Pre-Merger" and "Post-Merger" periods, respectively).

Inventories Inventories are valued at the lower of cost or market. The last-in, first-out ("LIFO") cost basis was used to determine 34% and 59% of inventories at the end of fiscal 1987 and 1986, respectively. The first-in, first-out ("FIFO") cost basis is generally used for other inventories. The value of inventories would not have been significantly different had all inventories been accounted for on a FIFO basis.

Net Property, Plant and Equipment Depreciation is provided principally on the straight-line method.

Intangible Assets Intangible assets are amortized using the straight-line method over periods not in excess of 40 years.

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

2. Reorganization and Description of Business

E-II Holdings Inc. is a holding company formed on May 4, 1987 and wholly-owned by BCI. The Board of Directors of BCI has declared a distribution (the "Distribution") to BCI's shareholders and warrant holders of all of the shares of E-II Holdings Inc.'s common stock.

Concurrently with the Distribution, a corporate reorganization (the "Reorganization") will occur in which BCI will transfer 15 wholly-owned operating units to E-II Holdings Inc. in exchange for approximately 41.1 million shares of E-II Holdings Inc. common stock. In addition, options to acquire 5.3 million shares of E-II Holdings Inc. common stock will be issued to BCI option holders in accordance with anti-dilution provisions of their options. Additionally, an aggregate of $800 million of intercompany indebtedness evidenced by 11¼% senior promissory notes, due 1994, from the operating units will remain outstanding and payable to BCI (collectively, the "BCI Notes"). BCI Notes aggregating $80 million (collectively, the "$80 million BCI Note") must be prepaid in full immediately after the consummation by E-II Holdings Inc. and/or its subsidiaries of one or more stock and/or long-term debt offerings and/or other long-term financings that result in aggregate net cash proceeds to the issuer(s) of $80 million or more and, in the case of the remaining BCI Notes aggregating $720 million (collectively, the "$720 million BCI Note"), that result in net cash proceeds to the issuer(s) of $1.25 billion or more. Upon repayment of the BCI Notes, deferred financing costs of approximately $26 million will be charged against E-II Holdings Inc.'s combined earnings as an extraordinary item. See also Note 3. Any other intercompany accounts between the operating units and BCI existing on the Reorganization date will be capitalized or contributed to E-II Holdings Inc. In the Distribution, all of the shares of E-II Holdings Inc. common stock will be distributed to BCI's shareholders and warrant holders in a ratio of one share for each three BCI common shares held or entitled to be acquired.

In connection with the Reorganization, BCI and E-II Holdings Inc. will enter into various agreements as described in Notes 4, 11 and 12. In addition, E-II Holdings Inc. intends to establish a defined benefit pension plan that will provide pension benefits to certain employee groups of the Company as described in Note 13.

The operating units are grouped into two segments: consumer products and food specialties. The consumer products segment consists of nine independently operated units that market luggage, water treatment systems, fashion window coverings, diary planners and time management aids and home products. The food specialties segment is comprised of six distinct food businesses which manufacture, distribute and market products for the food service industry and branded grocery products for the retail food industry.

3. Acquisition of Beatrice by BCI

BCI acquired Beatrice on April 17, 1986 (the "Merger") in a purchase transaction. The portion of BCI's purchase price attributable to the operating units comprising The E-II Group amounted to approximately $1.1 billion. The allocable purchase price was determined based upon the ratio of the fair market value of the operating units comprising The E-II Group to the aggregate fair market value of Beatrice as determined by an independent investment banking firm after giving effect to businesses sold or treated as discontinued operations by BCI at February 28, 1987. Accordingly, this amount has been allocated to the combined net assets based upon, among other things, the preliminary results of asset appraisals. The following table, in thousands, summarizes the effects of such allocation.

The E-II Group Equity	$ 267,542
Indebtedness to BCI	800,000
Allocable purchase price	$1,067,542
Net book value of The E-II Group, prior to Merger	$ 505,230
Fair market value adjustments:	
Intangible assets	476,230
Property, plant and equipment	56,315
Other, net	29,202
Excess of purchase price over net book value	562,312
Fair market value of net assets acquired	$1,067,542

Included in the foregoing is an allocation of BCI's deferred financing costs related to the Merger of approximately $26 million. Upon payment of the BCI Notes this amount, which is classified in other noncurrent assets in the accompanying statement of combined financial position, will be charged against E-II Holdings Inc.'s statement of combined earnings as an extraordinary item.

Had the Merger occurred at the beginning of the periods presented, unaudited pro forma results of operations, in thousands, would have been as follows:

	1987	1986
	(Unaudited)	
Net sales	$1,471,589	$1,393,116
Operating earnings	$ 123,210	$ 115,187
BCI interest allocation	90,000	90,000
Other, net	4,183	2,326
Earnings before income tax allocation	29,027	22,861
Income tax allocation	19,709	16,010
Net earnings	$ 9,318	$ 6,851

Pro forma adjustments have been made to give effect to increased amortization of intangible assets ($1.5 million for the Pre-Merger period in fiscal 1987 and $11.9 million for fiscal 1986), increased depreciation expense reflecting preliminary asset appraisals following the Merger ($.4 million for the Pre-Merger period of fiscal 1987 and $2.7 million for fiscal 1986) and increased interest expense based upon the indebtedness to BCI ($11.3 million pre-tax and $5.6 million after-tax for the Pre-Merger period of fiscal 1987 and $90 million pre-tax and $45 million after-tax for fiscal 1986). The unaudited pro forma data do not purport to be indicative of the results that would have been obtained had these events actually occurred at the beginning of the periods presented, and are not intended to be a projection of future results.

4. Transactions With Parent

The following summarizes the assumptions used in accounting for certain transactions between the Company and the Parent. See also Notes 3 and 10.

Working Capital and Financing Requirements Substantially all U.S. capital requirements of the Company are funded through the operation of a centralized cash management system. Generally, all cash receipts are deposited to and all cash requirements are funded through the system on a daily basis. Cash activity is segregated and controlled by operating unit through intercompany accounts, which are included in the accompanying statement of combined financial position as a component of The E-II Group Equity.

Administrative cost allocation Based upon a study recently conducted by management estimating the costs associated with managing the portfolio of operating units comprising The E-II Group, the consistency of the portfolio's components, the relative absence of significant inflation and other considerations, management believes that an allocation of $20 million to each of the fiscal years presented is appropriate. The allocation includes the costs of directing or performing certain accounting, financial, legal, tax, corporate development, cash management, employee benefits, human resources, insurance and public relations activities. Administrative costs incurred directly by the operating units are reflected in selling and administrative costs in the accompanying statement of combined earnings. E-II Holdings Inc. will enter into a Services Agreement, a Sublease and certain other agreements with BCI (Notes 11 and 12). The Services Agreement will allow

E-II Holdings Inc. and BCI to continue to utilize a single corporate staff for administrative support services and will permit BCI to draw upon the expertise of E-II Holdings Inc.'s management personnel as needed. The Sublease will provide office space for holding company personnel. These and other agreements were also considered in the administrative cost allocation.

Pension Plan Net periodic pension cost relating to the Beatrice Retirement Income Plan ("BRIP") is allocated to the Company as described in Note 13.

Income Taxes Income tax expenses or benefits resulting from including the Company in consolidated U.S. federal or unitary state income tax returns are allocated among BCI's consolidated group as if the Company and BCI had filed their own returns. Additional information regarding income taxes is included in Note 12.

Other. The operating units that comprise The E-II Group have sales to and purchases from the Parent and its subsidiaries and lease motor vehicles from a subsidiary of the Parent. Following is a summary of those transactions, in millions:

	1987	1986	1985
Sales to Parent and its subsidiaries	$9.0	$9.8	$9.4
Purchases from Parent and its subsidiaries	$8.4	$5.1	$4.7
Motor vehicle lease payments to subsidiary of Parent	$2.5	$1.6	$ .3

5. Components of Inventories and Accrued Expenses

The components of inventories and accrued expenses, in thousands, are as follows:

	1987	1986
INVENTORIES:		
Raw materials and supplies	$ 76,967	$ 92,338
Work in process	37,611	37,158
Finished goods	97,525	92,522
	$212,103	$222,018
ACCRUED EXPENSES:		
Employee compensation and benefits	$ 39,081	$ 39,781
Income taxes	9,555	14,204
Taxes, other than income taxes	7,172	7,462
Other accruals	47,109	30,149
	$102,917	$ 91,596

6. Net Property, Plant and Equipment

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

	1987	1986
Land	$ 24,333	$ 9,087
Buildings	123,130	125,720
Machinery and equipment	191,997	238,258
	339,460	373,065
Less accumulated depreciation	35,116	161,133
	$304,344	$211,932

Fiscal 1987 amounts include preliminary results of asset appraisals net of historical accumulated depreciation. Included in net property, plant and equipment are assets under capital leases aggregating $9.8 million and $10.2 million at February 28, 1987 and 1986, respectively. Depreciation expense amounted to $33.4 million, $25.9 million and $23.1 million in fiscal 1987, 1986 and 1985, respectively.

7. Leases

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

	Capital leases	Operating leases
1988	$ 2,988	$ 6,632
1989	2,231	4,305
1990	1,524	2,825
1991	1,092	1,516
1992	773	555
Later years	11,793	1,005
Total minimum lease payments	20,401	$16,838
Less:		
Estimated executory costs	74	
Amount representing interest	9,222	
Present value of net minimum lease payments	$11,105	

Rent expense for operating leases for fiscal 1987, 1986 and 1985 amounted to $12.7 million, $11.5 million and $11.4 million, respectively.

8. Short-term Debt

Short-term debt is comprised entirely of non-U.S. bank debt. Weighted-average interest rates for short-term debt at the end of fiscal 1987, 1986 and 1985 were 11.0%, 12.5%, and 14.1%, respectively.

Information regarding short-term debt activities, in thousands, during the fiscal years follows:

	1987	1986	1985
Maximum amount outstanding	$23,420	$21,827	$8,796
Average amount outstanding	$20,392	$13,417	$4,735
Weighted-average interest rate	11.6%	13.1%	17.3%

The Parent provides working capital and other capital requirements to its U.S. operating units. Individual operations outside the U.S. have informal lines of credit amounting to $31.7 million of which $16.5 million was available at February 28, 1987. Such informal lines are available only for the operating requirements of the respective non-U.S. operation.

9. Long-term Debt

Long-term debt, in thousands, is comprised of:

	1987	1986
Industrial revenue bonds, due various dates through 2006 (8.5%*)	$26,257	$26,982
Capitalized lease obligations, due various dates through 2037 (9.2%*)	11,105	11,462
Other, due various dates through 1994 (8.5%*)	5,886	6,374
	43,248	44,818
Less current maturities	3,661	4,489
	$39,587	$40,329

**Represents weighted-average effective rate.*

Aggregate annual maturities and sinking fund requirements of long-term debt for fiscal 1989 through 1992 are $2.9 million, $2.5 million, $1.2 million and $1.6 million, respectively.

10. The E-II Group Equity

The following summarizes activity in The E-II Group Equity, in thousands.

	1987	1986	1985
Balance at beginning of year	$ 477,297	$ 438,163	$ 375,937
Net earnings	16,800	66,514	65,754
BCI interest allocation	78,750	—	—
Administrative cost allocation	20,000	20,000	20,000
Income tax allocation	16,925	47,485	39,281
Centralized cash management system:			
Deposits	(1,388,161)	(1,428,433)	(1,215,750)
Disbursements	1,239,828	1,326,465	1,123,436
Effect of Merger (Note 3)	(237,688)	—	—
Cumulative foreign currency translation adjustment	9,956	5,702	(4,524)
Other items, net	36,172	1,401	34,029
Balance at end of year	$ 269,879	$ 477,297	$ 438,163

11. Contingent Liabilities

E-II Holdings Inc. and BCI will enter into an Indemnification Agreement (the "Indemnification Agreement") under which E-II Holdings Inc. will be obligated to indemnify and hold harmless BCI from and against any and all claims, losses, damages, liabilities, costs and expenses, other than in connection with taxes, which arise from or are based upon those operations of BCI transferred to E-II Holdings Inc., regardless of whether such claims, losses, damages, liabilities, costs and expenses arose as a result of events occurring before or after the date of transfer. Under the Indemnification Agreement, BCI will be obligated to indemnify and hold harmless E-II Holdings Inc. from and against any and all claims, losses, damages, liabilities, costs and expenses, other than in connection with taxes, which arise from or are based upon BCI's remaining operations, regardless of whether such claims, losses, damages, liabilities, costs and expenses arose as a result of events occurring before or after the date of transfer. Management is not aware of any significant impending liabilities that would give rise to claims under the Indemnification Agreement.

In the opinion of management, there are no claims or litigation pending at the end of fiscal 1987 which are expected to have a materially adverse effect on the combined financial condition of the Company.

12. Income Taxes

The operating units which comprise the Company were included in the Parent's U.S. federal and state unitary income tax returns. Income tax expenses and benefits have been allocated to the Company as if the Company and BCI had filed their own income tax returns for each of the periods presented.

Earnings before income tax allocation, in thousands, is comprised of operations subject to taxation in U.S. and non-U.S. jurisdictions, as follows:

	1987*	1986	1985
U.S.	$22,649	$115,270	$114,139
Non-U.S.	19,485	12,254	11,528
	$42,134	$127,524	$125,667

**The decline in combined U.S. earnings in fiscal 1987 is attributable to increased amortization of intangible assets and increased interest expense on indebtedness to BCI, both resulting from the allocation of BCI's purchase cost (Note 3).*

The income tax allocation, in thousands, consists of:

	1987	1986	1985
Currently payable provision:			
U.S. federal	$16,925	$47,485	$39,281
Non-U.S.	9,426	5,884	5,927
U.S. state and local	2,881	8,356	7,954
	29,232	61,725	53,162
Deferred provision:			
U.S. federal:			
Accelerated depreciation	1,998	2,734	4,888
Conversion to completed contract basis	(1,635)	414	514
Bad debts	(754)	(137)	149
Accruals	(1,684)	(1,129)	499
Inventory valuation allowances	(799)	(513)	346
Other	(1,024)	(2,084)	355
	(3,898)	(715)	6,751
	$25,334	$61,010	$59,913

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

	1987	1986	1985
U.S. statutory rate	46.0%	46.0%	46.0%
Non-deductible amortization and depreciation	12.1	.4	.6
State taxes, net of U.S. federal benefit	3.5	3.5	3.4
Rate differential on non-U.S. earnings	2.6	.4	.1
Tax credits	(5.2)	(3.4)	(2.1)
Other	1.1	.9	(.3)
Effective tax rate	60.1%	47.8%	47.7%

Deferred income taxes have not been provided on the portion of equity in non-U.S. subsidiaries deemed by management to be permanently invested in the underlying operations. At February 28, 1987 such equity amounted to approximately $54.2 million.

E-II Holdings Inc. and BCI will enter into a Tax Allocation Agreement (the "Tax Allocation Agreement"), under which BCI will be obligated to indemnify E-II Holdings Inc. for any federal income taxes and any state combined, consolidated and unitary taxes imposed on E-II Holdings Inc. or its subsidiaries subsequent to the date of the Reorganization in respect of any period ending on or prior to that date. If any adjustment in tax liabilities in respect of any period ending on or prior to the date of the Reorganization results in a tax benefit to E-II Holdings Inc. or its subsidiaries, E-II Holdings Inc. will be obligated to pay BCI an amount in cash equal to such benefit as and when such benefit is realized. To the extent that E-II Holdings Inc. or any of its subsidiaries uses any carryforward of losses or credits which arose in respect of any period ending on or prior to the date of the Reorganization, E-II Holdings Inc. will be obligated to pay BCI an amount in cash equal to the tax savings arising from use of such carryforward but such carryforward will be deemed used only after E-II Holdings Inc. and its subsidiaries have used all other available deductions or credits. Under the Tax Allocation Agreement, liabilities and benefits with respect to other state, local or foreign taxes are to be borne or used, as the case may be, by the entity upon which such liabilities and benefits fall.

13. Employee Benefit Plans

Employees of the Company are covered by various employee benefit plans, certain of which have been sponsored by the Parent and are described in the following paragraphs. In addition, the Company has established the Long Term Incentive Compensation Plan, which is described elsewhere in this Prospectus. See "Management—Company Employee Benefit Plans."

In fiscal 1987, BCI adopted Statement of Financial Accounting Standards No. 87, Employers' Accounting for Pensions ("SFAS No. 87") and Statement of Financial Accounting Standards No. 88, Employers' Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits.

BRIP and the Company's Participation in BRIP

Certain salaried personnel of the Company participate in BRIP which is a U.S. defined benefit pension plan sponsored by BCI for the benefit of BCI and certain of its operations, including operations which are not part of the Company. BRIP provides pension benefits to employees who complete ten or more years of service. Pension benefits are based upon years of service and compensation during the final years of employment.

E-II Holdings Inc. intends to establish a defined benefit pension plan that will provide pension benefits equal to BRIP ("BRIP Mirror Plan"). Through the utilization of the BRIP Mirror Plan, E-II Holdings Inc. will assume the benefit obligations for E-II Holdings Inc. participants in BRIP. Assets from BRIP will be transferred to the BRIP Mirror Plan in an amount equal to the ratio of the E-II Holdings Inc.'s projected benefit obligation to BRIP's total projected benefit obligation (the "Formula"). As described elsewhere in this Prospectus, E-II Holdings Inc. is contemplating terminating the BRIP Mirror Plan and replacing it with a defined contribution pension plan.

In fiscal 1987, net periodic pension cost of $2.6 million was allocated by BCI to the Company to reflect its participation in BRIP. Allocations to the Company for BRIP pension expense in fiscal 1986 and 1985 were $1.5 million and $1.1 million, respectively. A primary reason for the increase in the BRIP allocation in fiscal 1987, when compared to fiscal 1986, is that BRIP was extended to certain employee groups of the Company which had previously not been covered by a defined benefit pension plan.

Net periodic pension cost for BRIP and the Company's allocation, in thousands, consist of the following components:

	BRIP—Fiscal 1987	
	Total*	Company allocation**
Service cost—benefits earned during the period	$ 10,632	$ 2,714
Interest cost on the projected benefit obligation	14,991	2,234
Actual return on plan assets	(56,090)	(8,361)
Net deferral due to higher than expected returns on plan assets	40,337	6,013
Net periodic pension cost	$ 9,870	$ 2,600

The following table sets forth the funded status for BRIP and the allocable benefit obligations for the Company, in thousands:

	BRIP at February 28, 1987	
	Total*	Company allocation**
Actuarial present value of benefit obligations:		
Vested benefit obligation	$(234,428)	$(21,079)
Nonvested benefit obligation	(6,991)	(2,083)
Accumulated benefit obligation	(241,419)	(23,162)
Value of future pay increases	(20,987)	(9,056)
Projected benefit obligation	(262,406)	$(32,218)
Plan assets at fair value	294,999	
Projected benefit obligation less than plan assets	$ 32,593	

**Net periodic pension cost in fiscal 1987 assumed an 8.5% expected long-term rate of return on assets. The valuation of the projected benefit obligation at February 28, 1987, assumed an 8.0% discount rate and a 6.0% rate of increase in the compensation level.*

BRIP's assets are primarily invested in equity securities and fixed income instruments. BRIP does not have significant liabilities other than benefit obligations. BCI's funding policy for BRIP is to contribute an amount equal to the minimum funding requirements of the Employee Retirement Income Security Act of 1974 ("ERISA").

***Actual Company participant data was used to value and allocate the service cost component of net periodic pension cost and to value the Company's share of BRIP's benefit obligations. Interest on the Company's projected benefit obligation was allocated using an 8.0% discount rate. The expected return on plan assets component of net periodic pension cost, and accordingly, the actual return on plan assets and the net deferral, were allocated based upon the Formula.*

An allocation of BRIP's assets at February 28, 1987 utilizing the Formula would result in assets of $36.2 million being transferred to the BRIP Mirror Plan. This allocation assumes the asset transfer had occurred on February 28, 1987. Although management of the Company believes that the calculation and underlying assumptions are reasonable, the allocation of BRIP's assets utilizing the Formula is not meant to be a projection of what assets will actually be transferred to the BRIP Mirror Plan. The Company intends to invest the assets and fund the BRIP Mirror Plan in the same manner as the Company's U.S. defined benefit pension plans described elsewhere in this Note.

Pension Plans, Exclusive of BRIP Participation

In conjunction with the adoption of SFAS No. 87 for U.S. defined benefit pension plans, the Company's purchase cost allocation included the recognition of an asset for plans which had plan assets in excess of the projected benefit obligation and the recognition of a liability for plans which had a projected benefit obligation in excess of plan assets.

U.S. Defined Benefit Pension Plans, Exclusive of BRIP Participation

The Company has defined benefit pension plans which cover substantially all other U.S. salaried employees not covered by BRIP and certain groups of U.S. hourly-paid employees. Plans covering salaried employees generally provide pension benefits to employees who complete ten or more years of service. Pension benefits are generally based upon years of service and compensation during the final years of employment. Plans covering hourly-paid employees generally provide pension benefits of fixed amounts for each year of service.

Fiscal 1987 net periodic pension cost under SFAS No. 87 for U.S. defined benefit plans, was $3.6 million. Pension expense in fiscal 1986 and fiscal 1985 was $5.2 million and $4.6 million, respectively. SFAS No. 87 does not permit the restatement of expense in years prior to the adoption of SFAS No. 87.

Net periodic pension cost, in thousands, for fiscal 1987 consists of the following components:

Service cost—benefits earned during the period	$ 4,512
Interest cost on the projected benefit obligation	7,034
Actual return on plan assets	(18,910)
Net deferral due to higher than expected returns on plan assets	10,933
Net periodic pension cost	$ 3,569

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

	At February 28, 1987	
	Assets Exceed Accumulated Benefits	Accumulated Benefits Exceed Assets
Actuarial present value of benefit obligations:		
Vested benefit obligation	$(47,799)	$(28,586)
Nonvested benefit obligation	(3,196)	(1,868)
Accumulated benefit obligation	(50,995)	(30,454)
Value of future pay increases	(14,575)	—
Projected benefit obligation	(65,570)	(30,454)
Plan assets at fair value	83,028	27,978
Projected benefit obligation (in excess of) or less than plan assets	17,458	(2,476)
Unrecognized net gain from past experience different from that assumed	(8,691)	(1,574)
Prepaid (accrued) pension cost	$ 8,767	$ (4,050)
Prepaid (accrued) pension cost classified as:		
Other noncurrent assets	$ 9,927	$ —
Accrued expenses	(202)	(248)
Other noncurrent liabilities	(958)	(3,802)
	$ 8,767	$ (4,050)

The valuation of the projected benefit obligation at February 28, 1987 assumed an 8% discount rate and a 6% rate of increase in the compensation level. Net periodic pension cost in fiscal 1987 assumed an 8.5% expected long-term rate of return on assets.

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

U.S. Defined Contribution Pension Plans

The Company participates in a BCI sponsored defined contribution pension plan, the Beatrice Employee Savings Trust ("BEST"). BEST is qualified under Section 401(a) and 401(k) of the Internal Revenue Code and is offered to salaried employees and certain groups of hourly-paid employees of substantially all of its U.S. operations. BEST allows certain employees to defer up to 17% of their eligible compensation. The Company provides matching contributions of up to 50% of the amount of salary deferral contributions (up to 6% of compensation). Employees are partially vested in the matching company contributions after three years of service and are fully vested after five years of service. As more fully described elsewhere in this Prospectus, the Company will continue to provide this benefit through a plan similar to BEST. Certain operations also sponsor other defined contribution pension plans which generally use contribution formulas based upon earnings of the operation. Expense for U.S. defined contribution pension plans was $4.6 million, $2.8 million and $2.4 million in fiscal 1987, 1986 and 1985, respectively.

Other Pension and Postretirement Plans

The Company sponsors or participates in various other pension and postretirement plans, the effects of which are immaterial.

Management Incentive Plan

The Company's Management Incentive Plan provides for annual bonuses to key employees of the Company and its subsidiaries 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 the Company's executive officers participate in such plan. See "Compensation of Executives" included elsewhere in this Prospectus for additional information regarding executive compensation.

14. Information by Business Segment and Geographic Location

The following tables contain certain financial information by business segment and geographic location. Business segment information for net sales and operating earnings is included elsewhere in this Prospectus and is an integral part of this note. Intersegment and intergeographic sales to affiliates are not significant to the net sales of any business segment or geographic location. Sales to any single customer were not material. Export sales to unaffiliated customers are an immaterial percentage of net sales. Corporate and other assets are cash, short-term investments and other assets of the segment and group offices.

The following table, in thousands, presents information by business segment for fiscal years ended and as of February 28, 1987, 1986 and 1985. Identifiable assets as of February 28, 1987 and depreciation and amortization of intangible assets in fiscal 1987 reflect a preliminary allocation of intangible assets and related amortization resulting from the Merger based upon the fair market values as of April 17, 1986 of the operating units comprising the segments as compared with the underlying tangible net assets of the respective units.

	Identifiable assets			Net property, plant and equipment additions			Depreciation and amortization of intangible assets		
	1987	1986	1985	1987	1986	1985	1987	1986	1985
Consumer products	$1,063,964	$611,483	$516,323	$35,455	$42,307	$36,037	$38,182	$22,458	$19,465
Food specialties	205,410	99,297	103,013	5,402	2,081	4,771	7,337	5,205	5,211
Total segments	1,269,374	710,780	619,336	40,857	44,388	40,808	45,519	27,663	24,676
Corporate and other	61,599	30,636	24,959	—	—	—	—	—	—
Total	$1,330,973	$741,416	$644,295	$40,857	$44,388	$40,808	$45,519	$27,663	$24,676

The following table, in thousands, presents information by geographic location for fiscal years ended and as of February 28, 1987, 1986 and 1985. Segment earnings (loss) exclude the administrative cost allocation of $20 million in fiscal 1987, 1986 and 1985. Pending the final allocation of the purchase cost to the net tangible assets in each geographic location, intangible assets resulting principally from the Merger and related amortization are classified in the United States.

	Net sales	Segment earnings (loss)	Identifiable assets: Segment	Identifiable assets: Corporate and other	Identifiable assets: Total
1987:					
United States	$1,258,530	$122,570	$1,136,683	$44,854	$1,181,537
Europe	164,760	20,742	101,337	9,281	110,618
Canada	46,222	387	30,104	—	30,104
Other	2,077	1,368	1,250	7,464	8,714
	$1,471,589	$145,067	$1,269,374	$61,599	$1,330,973
1986:					
United States	$1,228,768	$135,147	$ 592,591	$19,360	$ 611,951
Europe	121,121	15,176	85,917	4,942	90,859
Canada	41,303	(712)	30,258	222	30,480
Other	1,924	239	2,014	6,112	8,126
	$1,393,116	$149,850	$ 710,780	$30,636	$ 741,416
1985:					
United States	$1,132,774	$136,260	$ 540,395	$13,380	$ 553,775
Europe	85,032	10,092	54,985	6,185	61,170
Canada	40,733	2,297	22,352	—	22,352
Other	31,818	(181)	1,604	5,394	6,998
	$1,290,357	$148,468	$ 619,336	$24,959	$ 644,295

Equity in net earnings for operations outside the United States was $22.4 million, $14.5 million and $12.0 million for fiscal 1987, 1986 and 1985, respectively (after amortization of intangibles of $.1 million, $.2 million and $.2 million, respectively). Foreign currency adjustments resulted in losses of $1.3 million for fiscal 1987, $.6 million for fiscal 1986 and $.5 million for fiscal 1985.

15. Quarterly Results of Operations (Unaudited)

The following is a summary, in millions, of the unaudited quarterly results of operations for fiscal 1987 and 1986:

1987	First	Second	Third	Fourth
Net sales	$331.5	$350.0	$415.1	$375.0
Gross earnings	$114.5	$119.6	$150.2	$139.7
Operating earnings	$ 21.6	$ 20.7	$ 45.3	$ 37.5
Net earnings	$ 4.1	$ (1.4)	$ 8.7	$ 5.4
1986				
Net sales	$321.3	$335.6	$387.1	$349.1
Gross earnings	$109.6	$111.5	$139.1	$129.9
Operating earnings	$ 25.7	$ 28.8	$ 47.1	$ 28.3
Net earnings	$ 13.4	$ 14.8	$ 24.4	$ 13.9

No dealer, salesman or other person has been authorized to give any information or to make any representations other than those contained in this Prospectus in connection with the offer made by this Prospectus and, if given or made, such information or representations must not be relied upon as having been authorized by the Company or by any of the Managers. Neither the delivery of this Prospectus nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the affairs of the Company since the date hereof. This Prospectus does not constitute an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to anyone to whom it is unlawful to make such offer or solicitation.

Table of Contents

Until September 30, 1987 (90 days after the date of this Prospectus), all dealers effecting transactions in the registered securities, whether or not participating in this distribution, may be required to deliver a Prospectus. This is in addition to the obligation of dealers to deliver a Prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

5,000,000 Shares

E-II Holdings Inc.

Common Stock

($.01 par value)

Salomon Brothers International Limited

Credit Suisse First Boston Limited

Drexel Burnham Lambert International Limited

Morgan Stanley International

Prospectus

Dated July 2, 1987