

**United States
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended February 24, 2001

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

Commission File No. 0-18348

BE AEROSPACE, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

06-1209796

(I.R.S. Employer Identification No.)

1400 Corporate Center Way, Wellington, Florida

(Address of principal executive offices)

33414

(Zip Code)

(561) 791-5000

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act:

Common Stock, \$.01 Par Value
(Title of Class)

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.[]

The aggregate market value of the registrant's voting stock held by non-affiliates was approximately \$732,100,993 on May 21, 2001 based on the closing sales price of the registrant's Common Stock as reported on the Nasdaq National Market as of such date.

The number of shares of the registrant's Common Stock, \$.01 par value, outstanding as of May 21, 2001 was 32,063,231 shares.

DOCUMENTS INCORPORATED BY REFERENCE

Certain sections of the registrant's Proxy Statement to be filed with the Commission in connection with the 2001 Annual Meeting of Stockholders are incorporated by reference in Part III of this Form 10-K.

INDEX

PART I

ITEM 1.	Business	3
ITEM 2.	Properties	16
ITEM 3.	Legal Proceedings	18
ITEM 4.	Submission of Matters to a Vote of Security Holders	18

PART II

ITEM 5.	Market for the Registrant's Common Equity and Related Stockholder Matters	19
ITEM 6.	Selected Financial Data	20
ITEM 7.	Management's Discussion and Analysis of Financial Condition and Results of Operations	22
ITEM 7a.	Quantitative and Qualitative Disclosures about Market Risk.....	36
ITEM 8.	Consolidated Financial Statements and Supplementary Data	36
ITEM 9.	Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	36

PART III

ITEM 10.	Directors and Executive Officers of the Registrant	37
ITEM 11.	Executive Compensation	40
ITEM 12.	Security Ownership of Certain Beneficial Owners and Management.....	40
ITEM 13.	Certain Relationships and Related Transactions	40

PART IV

ITEM 14.	Exhibits, Financial Statement Schedules, and Reports on Form 8-K.....	41
	Index to Consolidated Financial Statements and Schedule	F-1

PART I

In this Form 10-K, when we use the terms the "company," "B/E," "we," "us," and "our," unless otherwise indicated or the context requires, we are referring to BE Aerospace, Inc. and its consolidated subsidiaries. Certain disclosures included in this Form 10-K constitute forward-looking statements that are subject to risks and uncertainty. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Forward-Looking Statements."

ITEM 1. BUSINESS

INTRODUCTION

The Company

General

We are the world's largest manufacturer of cabin interior products for commercial and general aviation aircraft and for business jets. We serve virtually all major airlines and a wide variety of general aviation customers and airframe manufacturers. We believe that we have achieved leading global market positions in each of our major product categories, which include:

- commercial aircraft seats, including an extensive line of first class, business class, tourist class and commuter aircraft seats;
- a full line of airline food and beverage preparation and storage equipment, including coffeemakers, water boilers, beverage containers, refrigerators, freezers, chillers and ovens;
- both chemical and gaseous commercial aircraft oxygen delivery systems; and
- business jet and general aviation interior products, including an extensive line of executive aircraft seats, indirect overhead lighting systems, oxygen, safety and air valve products.

In addition, we design, develop and manufacture a broad range of cabin interior structures such as galleys and crew rests, and provide comprehensive aircraft cabin interior reconfiguration and passenger to freighter conversion engineering services and component kits.

We have substantially expanded the size, scope and nature of our business as a result of a number of acquisitions. Since 1989, we have completed 20 acquisitions, including four acquisitions during fiscal 2001, for an aggregate purchase price of approximately \$770 million in order to position ourselves as the preferred global supplier to our customers.

Recent Acquisitions

Effective February 24, 2001 we completed the acquisition of four companies that specialize in manufacturing precision-machined components and assemblies for the aerospace industry. We acquired these businesses, Alson Industries, Inc., T.L. Windust Machine, Inc., DMGI, Inc. and Maynard Precision, Inc. by issuing to the former stockholders approximately 2.9 million shares of our common stock, and paying them \$5.3 million in cash. We also assumed or repaid indebtedness of the acquired companies of approximately \$11.8 million, for an aggregate purchase price of approximately \$70.1 million. The aggregate purchase price includes \$3.5 million of consideration, represented by 187,500 shares of our common stock that was funded into an escrow account. The payment of this consideration is contingent upon the business of one of the companies achieving specified operating targets during fiscal 2002. Any proceeds from the sale of these escrow shares in excess of the earnings incentive of \$3.5 million will be paid to us.

The terms of the acquisition agreements together provide for the selling stockholders to receive net proceeds from the resale of their shares equal to a total of approximately \$53.1 million. These stockholders received the proceeds from the sale of their shares pursuant to an underwritten offering on May 16, 2001.

We believe that these acquisitions will enable us to achieve a number of important strategic objectives, including:

Positioning the company to become the outsourcing partner of choice in the rapidly-growing business of converting passenger airliners to freighters. Industry experts indicate that the size of the worldwide freighter fleet will nearly double over the next twenty years, adding almost 2,600 aircraft. Industry sources also estimate that more than 70 percent of that increase is expected to come from converting commercial passenger jets to use as freighters. The cost to purchase a new freighter is significantly greater than the cost to convert an existing aircraft. The substantially lower capital cost of a converted aircraft permits the development of economically viable alternatives to the current fleet of aging freighter aircraft. We benefit substantially from the increase in passenger to freighter conversions since we derive significant revenue from our engineering design and certification services as well as the manufacture and assembly of conversion kits. We have a highly skilled engineering services group which is focused on engineering design, certification and program management of aircraft reconfiguration and passenger to freighter conversions. As a result of our recent acquisitions, we also have the capability to manufacture a broad range of structural components, connectors and fasteners. We believe that these acquisitions, coupled with our existing capabilities in the reconfiguration and passenger to freighter conversion business, will position us to become an outsourcing partner of choice in this important growth area.

Broadening and improving our manufacturing capabilities company-wide. We believe these acquisitions are a significant step in establishing manufacturing as a point of differentiation from our competitors. Each of the newly-acquired businesses has earned very high ratings for quality and on-time delivery. One of the acquired businesses is the only precision machining company in the world that holds The Boeing Company's Gold supplier performance rating, another of the acquired businesses has earned Boeing's Silver supplier performance rating and a third has earned Boeing's Bronze supplier performance rating. Among the approximately 20,000 suppliers to Boeing, less than one tenth of one percent have Gold ratings, only one percent have ratings of Silver or better and only four percent have ratings of Bronze or better. We intend to adopt the best practices from these new businesses throughout our company. We believe that the adoption of the best practices of these acquired businesses will assist us in more efficiently designing products for manufacturing, reducing our total manufacturing cycle times, improving quality and lowering costs.

Participating in the growth opportunity created by major aircraft original equipment manufacturers' outsourcing strategies. The major aerospace manufacturers are increasingly focusing on their areas of core competency — design, assembly, marketing and finance. As a result, the industry is in the beginning stages of a widespread and accelerating movement toward outsourcing the manufacturing of components and subassemblies. Original equipment manufacturers are concentrating this outsourcing with a smaller group of larger suppliers, aggressively paring down their supplier bases and demanding from them superb quality and advanced manufacturing practices. These industry trends, coupled with the performance rating systems in place at Boeing and Airbus Industries, are placing significant pressure on smaller suppliers to team up with larger entities. We believe there is a significant growth opportunity for properly positioned and larger, well-capitalized suppliers, like us, to capture increasingly larger amounts of manufacturing and assembly work that will be outsourced to a shrinking supplier base. As a result of these outsourcing and consolidation trends, we expect the component manufacturing and assembly business to grow at a faster rate than the overall aerospace industry, and we plan to be one of the companies that benefits from this growth.

Industry Overview

The commercial and business jet aircraft cabin interior products industries encompass a broad range of products and services, including aircraft seating products, passenger entertainment and service systems, food and beverage preparation and storage systems, oxygen delivery systems, lavatories, lighting systems, evacuation equipment, overhead bins, as well as a wide variety of engineering design, integration, installation and certification services and maintenance, upgrade and repair services. We estimate that the industry had annual sales in excess of \$2.8 billion during fiscal 2001.

Historically, revenues in the airline cabin interior products industry have been derived from five sources:

- retrofit programs in which airlines purchase new interior furnishings to overhaul the interiors of aircraft already in service;
- refurbishment programs in which airlines purchase components and services to improve the appearance and functionality of certain cabin interior equipment;
- new installation programs in which airlines purchase new equipment to outfit a newly delivered aircraft;
- spare parts; and
- equipment to upgrade the functionality or appearance of the aircraft interior.

The retrofit and refurbishment cycles for commercial aircraft cabin interior products differ by product category. Aircraft seating typically has a refurbishment cycle of one to two years and a retrofit cycle of four to eight years. Galley and lavatory structures as well as food and beverage preparation and storage equipment are periodically upgraded or repaired, and require a continual flow of spare parts, but may be retrofitted only once or twice during the useful life of an aircraft.

The various product and service categories in which we currently participate include:*

Commercial Aircraft Products

Seating Products. This is the largest single product category in the industry and includes first class, business class, tourist class and commuter seats. We estimate that the aggregate size of the worldwide aircraft seat market (including spare parts) during fiscal 2001 was in excess of \$715 million. Including us, there are approximately ten companies worldwide that supply aircraft seats.

Interior Systems Products. This product category includes interior systems for both narrow-body and wide-body commercial aircraft and business jet/VIP aircraft, including a wide selection of coffee and beverage makers, water boilers, ovens, liquid containers, air chillers, wine coolers and other refrigeration equipment, oxygen delivery systems, air valves, lighting and switches, and other interior systems and components. We believe that we are the only manufacturer with a complete line of interior systems products and the only supplier with the capability to fully integrate overhead passenger service units with either chemical or gaseous oxygen equipment.

Cabin Interior Structures. This product category includes the design, certification and manufacture of crew rest compartments. Crew rest compartments are utilized by the flight crew during long haul international flights. A crew rest compartment is constructed utilizing lightweight cabin interior technology and incorporating electrical, heating, ventilation and air conditioning and lavatory and sleep compartments. We are the worldwide leader in the design, certification and manufacture of crew rest compartments. This product category also includes galley structures. Galley structures are generally custom designed to accommodate the unique product specifications and features required by a particular carrier. Galley structures require intensive design and engineering work and are among the most sophisticated and expensive of an aircraft's cabin interior products. We provide a variety of galley structures, closets and class dividers, emphasizing sophisticated and higher value-added galleys for wide-body aircraft. We also manufacture lavatories for commercial and freighter aircraft.

Business Jet Products

This product category includes executive aircraft seating products, lighting, air valves and oxygen delivery systems as well as sidewalls, bulkheads, credenzas, closets, galley structures, lavatories, tables and sofas. We are the industry's leading manufacturer with a broad product line, and have the capability to provide complete interior packages, including all design services, all interior components and program management services for executive aircraft interiors.

Engineering Services

This product category includes providing engineering design, integration, installation and certification services to the airline industry. Historically, the airlines have relied on in-house engineering resources or consultants to provide such services. As cabin interiors have become increasingly sophisticated and the airline industry increasingly differentiated, the airlines have begun to outsource such services in order to increase speed to market and to improve productivity and reduce costs. We provide engineering and structural components for the conversion of passenger aircraft to freighters, as well as the manufacture of other structural components such as crew rest compartments, lavatories and galleys. We also provide design, integration, installation and certification services for commercial aircraft passenger cabin interiors, offering customers a broad range of capabilities including design, project management, integration, test and certification of reconfigurations for commercial aircraft passenger cabin interiors.

* We sold a 51% interest in our In-Flight Entertainment ("IFE") business during fiscal 1999 and the remaining 49% interest in fiscal 2000. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Through February 27, 1999, we operated in the (1) commercial aircraft products, (2) business jet products, (3) engineering services and (4) in-flight entertainment segments of the commercial airline and general aviation industry. Following the sale of our controlling interest in the IFE business, we operated in three segments – (1) commercial aircraft products, (2) business jet products and (3) engineering services. Revenues for similar classes of products or services within these business segments for the fiscal years ended February 2001, 2000 and 1999 are presented below:

	Year Ended (in thousands)		
	<u>Feb 24, 2001</u>	<u>Feb. 26, 2000</u>	<u>Feb. 27, 1999</u>
Commercial aircraft products:			
Seating products	\$288,035	\$324,878	\$296,482
Interior systems products	151,633	144,832	137,966
Cabin interior structures	71,614	110,026	94,544
	<u>511,282</u>	<u>579,736</u>	<u>528,992</u>
Business jet products	86,182	81,096	64,856
Engineering services	68,980	62,517	28,700
In-flight entertainment	-	-	78,777
Total Revenues	<u>\$666,444</u>	<u>\$723,349</u>	<u>\$701,325</u>

Recent Industry Conditions

Our principal customers are the world's commercial airlines. Airline company balance sheets have been substantially strengthened and their liquidity significantly enhanced over the past several years as a result of strong profitability, debt and equity financings and a closely managed fleet expansion. Recently, however, increases in fuel prices and the softening of the global economy have negatively impacted airline profitability. Should the airline industry suffer a severe downturn, discretionary airline spending, including for new aircraft and cabin interior refurbishments and upgrades, would be more closely monitored or even reduced, which could have a material adverse effect on our business results of operations and financial condition. Other factors expected to affect the cabin interior products industry are the following:

Existing Installed Base. Existing installed product base typically generates continued retrofit, refurbishment and spare parts revenue as airlines continue to maintain their aircraft cabin interiors. According to industry sources, the world commercial passenger aircraft fleet consisted of approximately 12,500 aircraft as of January 2001, including 3,470 aircraft with fewer than 120 seats, 6,470 aircraft with between 120 and 240 seats and 2,540 aircraft with more than 240 seats. Further, based on industry sources, we estimate that there are currently over 10,600 business jets currently in service. Based on such fleet numbers, we estimate that the total worldwide installed base of commercial and general aviation aircraft cabin interior products, valued at replacement prices, was approximately \$23 billion as of February 24, 2001.

Expanding Worldwide Fleet. The expanding worldwide aircraft fleet is expected to generate additional revenues from new installation programs, while the increase in the size of the installed base is expected to generate additional and continual retrofit, refurbishment and spare parts revenue. Worldwide air traffic has grown every year since 1946 (except in 1990) and, according to the 2000 Current Market Outlook published by the Boeing Commercial Airplane Group, or the Boeing Report, is projected to grow at a compounded average rate of 4.8% per year by 2019, increasing annual revenue passenger miles from approximately 2.0 trillion in 1999 to approximately 5.0 trillion by 2019. According to the Airbus Industrie Global Market Forecast published in July 2000, the worldwide installed seat base, which we consider a good indicator for potential growth in the aircraft cabin interior products industry, is expected to increase from approximately 1.85 million passenger seats at the end of 1999 to approximately 4.17 million passenger seats at the end of 2019.

Rapidly Growing Passenger to Freighter Conversion Business. Industry sources project that air cargo traffic will grow by six percent to seven percent annually over the next twenty years, approximately double the forecasted economic growth rate. Industry experts indicate that the size of the worldwide freighter fleet will nearly double over the next twenty years, with more than 2,600 aircraft being added, taking retirements into account. Industry sources also estimate that almost 70 percent of that increase is expected to come from converting commercial passenger jets to use as freighters.

New Aircraft Deliveries. The number of new aircraft delivered each year is an important determinant of fleet expansion and is generally regarded as cyclical in nature. New aircraft deliveries peaked at 1073 during calendar 1999 including regional jets. New aircraft deliveries (including regional jets) declined to 1043 aircraft in 2000. According to the Airline Monitor published in February 2001, new deliveries (including regional jets) are expected to increase to 1259 aircraft in 2001, with average annual new aircraft deliveries (including regional jets) of 1110 during 2002 through 2005. Annual deliveries over the five-year period ending calendar 2005 are expected to be 2.0 times to 2.9 times greater than the lowest level during the last cycle, which ended in 1995.

Business Jet and VIP Aircraft Fleet Expansion and Related Retrofit Opportunities. General aviation and VIP airframe manufacturers have experienced growth in new aircraft deliveries similar to that which recently occurred in the commercial aircraft industry. According to industry sources, business jet aircraft deliveries amounted to 744 units in calendar 1999 and 758 units in calendar 2000. Industry sources indicate that approximately 6,437 business jets will be built between 2000 and 2009 with a value of more than \$78 billion.

Wide-body Aircraft Deliveries. The trend towards wide-body aircraft is significant to us because wide-body aircraft require almost five times the dollar value content for our products as compared to narrow-body aircraft. Deliveries of wide-body, long-haul aircraft constitute an increasing share of total new aircraft deliveries and are an increasing percentage of the worldwide fleet. Wide-body aircraft represented 17% of all new commercial aircraft delivered in 2000, and are expected to increase to 18% of new deliveries in 2003 and 21% of new deliveries in 2004. In addition, according to the Airline Monitor average annual deliveries of wide-body aircraft during calendar 2001 to 2004 are expected to be approximately 23% greater than actual deliveries of such aircraft during calendar 2000. Wide-body aircraft currently carry up to three or four times the number of seats as narrow-body aircraft, and because of multiple classes of service, including large first class and business class configurations, our average revenue per seat on wide-body aircraft is substantially higher. Aircraft cabin crews on wide-body aircraft may make and serve between 300 and 900 meals and may brew and serve more than 2000 cups of coffee and 400 glasses of wine on a single flight.

Original Equipment Manufacturers Outsourcing Opportunity. The industry is in the beginning stages of a widespread and accelerating movement toward outsourcing the manufacturing of components and subassemblies. Original equipment manufacturers are concentrating this outsourcing with a smaller group of larger suppliers, aggressively paring down their supplier bases and demanding from them superb quality and advanced manufacturing practices. As a result of these outsourcing and consolidation trends, we expect the component manufacturing and assembly business to grow at a faster rate than the overall aerospace industry.

New Product Development. The aircraft cabin interior products companies are engaged in intensive development and marketing efforts for new products. Such products include full electric "sleeper seats," convertible seats, full face crew masks, advanced telecommunications equipment, protective breathing equipment, oxygen-generating systems, new food and beverage preparation and storage equipment, kevlar barrier nets, de-icing systems, crew rests and cabin management systems.

Growing Engineering Services Markets. Historically, the airlines have relied primarily on their own in-house engineering resources to provide engineering, design, integration and installation services, as well as services related to repairing or replacing cabin interior products that have become damaged or otherwise non-functional. As cabin interior product configurations have become increasingly sophisticated and the airline industry increasingly competitive, the airlines have begun to outsource such services in order to increase productivity and reduce costs and overhead. Outsourced services include:

- engineering design, integration, project management, installation and certification services;
- modifications and reconfigurations for commercial aircraft; and
- services related to the support of product upgrades.

Competitive Strengths

We believe that we have a strong, competitive position attributable to a number of factors, including the following:

Combination of Manufacturing and Cabin Interior Design Services. We have continued to expand our products and services, believing that the airline industry increasingly will seek an integrated approach to the design, development, integration, installation, testing and sourcing of aircraft cabin interiors. We believe that we are the only manufacturer of a broad technologically-advanced line of cabin interior products with interior design capabilities. Based on our established reputation for quality, service and product innovation among the world's commercial airlines, we believe that we are well positioned to provide "one-stop shopping" to these customers, thereby maximizing our sales opportunities and increasing the convenience and customer value of the service provided to our customers.

Technological Leadership/New Product Development. We believe that we are a technological leader in our industry, with what we believe is the largest research and development organization in the cabin interior products industry, currently comprised of approximately 618 engineers. We believe our research and development effort and our on-site engineers at both the airlines and airframe manufacturers enable us to play a leading role in developing and introducing innovative products to meet emerging industry trends and needs and thereby gain early entrant advantages.

Proven Track Record of Acquisition Integration. We have demonstrated the ability to make strategic acquisitions and successfully integrate such acquired businesses by identifying opportunities to consolidate facilities and personnel, including engineering, manufacturing and marketing activities, as well as rationalizing product lines. Our acquisition strategy is subject to a number of risks including increasing leverage, the application of restrictive covenants in connection with additional debt incurred for any further acquisitions, the costs of integrating any acquired companies and the creation of significant goodwill.

Large Installed Base. We believe our large installed base of products, estimated to be approximately \$6.3 billion as of February 24, 2001 (valued at replacement prices), is a strategic strength. The airlines tend to purchase spare parts and retrofits and refurbishment programs from the supplier of the original equipment. As a result, we expect our large installed base to generate continued retrofit, refurbishment and spare parts revenue as airlines continue to maintain, evolve and reconfigure their aircraft cabin interiors.

Growth Opportunities

We believe that we have benefited from three major growth trends in the aerospace industry.

Increase in Refurbishment and Upgrade Orders. Our substantial installed base provides significant on-going revenues from replacements, upgrades, repairs and the sale of spare parts. Approximately 60% of our revenues for the year ended February 24, 2001 were derived from these aftermarket activities. A significant portion of our revenues and operating earnings during fiscal 2001 were derived from refurbishment and upgrade programs. We believe that we are well positioned to continue to benefit as a result of the airlines' improved financial condition and liquidity and the need to refurbish and upgrade cabin interiors. See "Recent Industry Conditions."

Expansion of Worldwide Fleet and Shift Toward Wide-Body Aircraft. Airlines have been taking delivery of a large number of new aircraft due to high load factors and the projected growth in air travel. See "Recent Industry Conditions."

Business Jet and VIP Aircraft Fleet Expansion and Related Retrofit Opportunities. General aviation and VIP airframe manufacturers have experienced growth in new aircraft deliveries similar to that which recently occurred in the commercial aircraft industry. According to industry sources, executive jet aircraft deliveries amounted to 343 units in calendar 1996 and 758 units in calendar 2000. Industry sources indicate that executive jet aircraft deliveries should be approximately 709 in calendar 2001. Several new aircraft models, and larger business jets, including the Cessna Citation Excel, the Boeing Business Jet, Bombardier Challenger and Global Express, Gulfstream V, the Falcon 900 and Airbus Business Jet, which have been or are expected to be introduced over the next several years, are expected to be a significant contributors to new general aviation aircraft deliveries going forward. Industry sources indicate that approximately 6,437 business jets will be built between 2000 and 2001 with a value of more than \$78 billion, and that the number of larger business jets, as described above, as a percentage of total business jet deliveries will increase from 27% in calendar year 2000 to 31% in calendar year 2001. This is important to our company because the typical cost of cabin interior products manufactured for a Cessna Citation is approximately \$162,500; whereas the same contents for a larger business jet, such as the Boeing Business Jet could range up to approximately \$1,365,200. Advances in engine technology and avionics and the emergence of fractional ownership of executive aircraft are also important growth factors. In addition, the general aviation and VIP aircraft fleet consists of approximately 10,600 aircraft with an average age of approximately 15 years. As aircraft age or ownership changes, operators retrofit and upgrade the cabin interior, including seats, sofas and tables, sidewalls, headliners, structures such as closets, lavatories and galleys, and related equipment including lighting and oxygen delivery systems. In addition, operators generally reupholster or replace seats every five to seven years. We believe that we are well positioned to benefit from the retrofit opportunities due to:

- 15-year average age of the executive jet fleet,
- operators who have historically reupholstered their seats may be more inclined to replace these seats with lighter weight, more modern and 16G-compliant seating models and
- belief that we are the only manufacturer with the capability for cabin interior design services, a broad product line for essentially all cabin interior products and program management services, for true "one-stop shopping."

Business Strategy

Our business strategy is to maintain a leadership position and to best serve our customers by:

- offering the broadest and most integrated product lines and services in the industry, including not only new product and follow-on product sales, but also design, integration, installation and certification services;
- pursuing the highest level of quality in every facet of our operations, from the factory floor to customer support;
- aggressively pursuing initiatives of continuous improvement of our manufacturing operations to reduce cycle time, lower cost, improve quality and expand our margins;

- pursuing a worldwide marketing and product support approach focused by airline and general aviation airframe manufacturer and encompassing our entire product line; and
- pursuing selective strategic acquisitions.

In addition, due to our recent acquisitions, we have expanded our business strategies to better position ourselves to participate in the large and rapidly growing business of aircraft reconfiguration and passenger to freighter conversion, and also to capitalize on two significant trends in the aerospace industry:

- major original equipment manufacturers are shrinking their supplier base, and
- major original equipment manufacturers are accelerating the outsourcing of components and sub-assemblies.

Products and Services

Commercial Aircraft Products

Seating Products

Our company is the world's leading manufacturer of aircraft seats, offering a wide selection of first class, business class, tourist class and commuter seats. A typical seat manufactured and sold by our company includes the seat frame, cushions, armrests and tray table, together with a variety of optional features such as adjustable lumbar supports, footrests, reading lights, head/neck supports, oxygen masks and telephones. We estimate that as of February 24, 2001 we had an aggregate installed base of approximately 1.2 million aircraft seats valued at replacement prices of approximately \$2.7 billion.

First and Business Classes. Based upon major airlines' program selection and orders on hand, we are the leading worldwide manufacturer of premium-class seats. Our new line of international first class sleeper seats incorporate full electric actuation, electric ottoman, privacy panels and side-wall mounted tables. Our recently released business class seats incorporate features from over 25 years of seating design. The premium business class seats include electrical or mechanical actuation, PC power ports, telephones, translating leg rests, adjustable lumbar cushions, 4-way adjustable headrests and fiber-optic reading lights. The first and business class products are substantially more expensive than tourist class seats due to these luxury appointments.

Convertible Seats. We have developed two types of seats that can be converted from tourist class triple-row seats to business class double-row seats with minimal conversion complexity. Convertible seats allow airline customers the flexibility to adjust the ratio of business class to tourist class seats for a given aircraft configuration. This seat is increasing in popularity in the European market.

Tourist Class. We are a leading worldwide manufacturer of tourist class seats and believe we offer the broadest such product line in the industry. We have designed tourist class seats which incorporate features not previously utilized in that class, such as laptop power ports and a number of premium comfort features such as footrests, headrests and adjustable lumbar systems.

Commuter (Regional Jet) Seats. We are the leading manufacturer of regional aircraft seating in both the United States and worldwide markets. Our Silhouette(TM) Composite seats are similar to commercial jet seats in comfort and performance but typically do not have as many added comfort features. Consequently, they are lighter weight and require less maintenance.

Spares. Aircraft seats require regularly scheduled maintenance in the course of normal passenger use. Airlines depend on seat manufacturers and secondary suppliers to provide spare parts and kit upgrade programs. As a result, a significant market exists for spare parts.

Interior Systems Products

We are the leading manufacturer of interior systems products for both narrow- and wide-body aircraft, offering a wide selection of coffee and beverage makers, water boilers, ovens, liquid containers, refrigeration equipment, oxygen delivery systems and a variety of other interior components. We estimate that as of February 24, 2001 we had an aggregate installed base of such equipment, valued at replacement prices, in excess of \$970 million.

Coffee Makers. We are the leading manufacturer of aircraft coffee makers. We manufacture a broad line of coffee makers, coffee warmers and water boilers, including the Flash Brew Coffee Maker, with the capability to brew 54 ounces of coffee in one minute, and a Combi(TM) unit which will both brew coffee and boil water for tea while utilizing 25% less electrical power than traditional 5,000-watt water boilers. We also manufacture a cappuccino/espresso maker.

Ovens. We are the leading supplier of a broad line of specialized ovens, including high-heat efficiency ovens, high-heat convection ovens and warming ovens. Our newest offering, the DS Steam Oven, represents a new method of preparing food in-flight by maintaining constant temperature and moisture in the food. It addresses the airlines' need to provide a wider range of foods than can be prepared by convection ovens.

Refrigeration Equipment. We are the worldwide industry leader in the design, manufacture and supply of commercial aircraft refrigeration equipment. We manufacture a self-contained wine and beverage chiller, the first unit specifically designed to rapidly chill wine and beverage on-board an aircraft.

Oxygen Delivery Systems. We are a leading manufacturer of oxygen delivery systems for both commercial and general aviation aircraft. We are the only manufacturer with the capability to fully integrate overhead passenger service units with either chemical or gaseous oxygen equipment. Our oxygen equipment has been approved for use on all Boeing and Airbus aircraft and is also found on essentially all general aviation and VIP aircraft.

Cabin Interior Structures

We are a leader in designing and manufacturing galley structures and crew rest compartments. We estimate that as of February 24, 2001, we had an installed base of such equipment, valued at replacement prices, of approximately \$866 million.

Crew Rest Compartments. We are the worldwide leader in the design, certification and manufacture of crew rest compartments. Crew rest compartments are utilized by the flight crew during long-haul international flights. A crew rest compartment is constructed utilizing lightweight cabin interior technology and incorporating electrical, heating, ventilation and air conditioning and lavatory and sleep compartments.

Galley Structures. Galley structures are generally custom designed to accommodate the unique product specifications and features required by a particular carrier. Galley structures require intensive design and engineering work and are among the most sophisticated and expensive of the aircraft's cabin interior products. We provide a variety of galley structures, closets and class dividers, emphasizing sophisticated and higher value-added galleys for wide-body aircraft. We also manufacture lavatories for commercial and freighter aircraft.

Business Jet Products

We entered the market for business jet aircraft products with the acquisition of Aircraft Modular Products, Inc. ("AMP") in April 1998. By combining AMP's presence in the general aviation and VIP aircraft cabin interior products industry with that of our Puritan-Bennett Aero Systems Co. ("PBASCO") and Aircraft Lighting Corporation ("ALC") product lines, which we acquired during fiscal 1999, we are now the leading manufacturer of a broad product line including a complete line of executive aircraft seating products, fluorescent lighting, air valves and oxygen delivery systems as well as sidewalls, bulkheads, credenzas, closets, galley structures, lavatories, tables and sofas. We have the capability to provide complete interior packages, including all design services, all interior components and program management services for executive aircraft interiors. We are the preferred supplier of seating products and direct and indirect lighting systems of essentially every general aviation airframe manufacturer. We estimate that as of February 24, 2001 we had an aggregate installed base of such equipment, valued at replacement prices, of approximately \$1.4 billion.

Engineering Services

Our engineering services operation is a leader in providing design, integration, installation and certification services associated with the reconfiguration of commercial aircraft cabin interiors and converting commercial aircraft to freighters. We estimate that as of February 24, 2001, we had an installed base of such equipment, valued at replacement prices, of approximately \$381 million.

Passenger to Freighter Conversions. We are a leading supplier of structural design and integration services, including airframe modifications for passenger-to-freighter conversions. We are the leading provider of Boeing 767 passenger to freighter conversions and have performed conversions for Boeing 747-200 Combi, Boeing 747-200 (door only) and Airbus A300 B4 aircraft. Freighter conversions require sophisticated engineering capabilities and very large and complex proprietary parts kits.

Engineering Design, Integration, Installation and Certification Services. We are a leader in providing engineering, design, integration, installation and certification services for commercial aircraft passenger cabin interiors, offering our customers in-house capabilities to design, project manage, integrate, test and certify reconfigurations and modifications for commercial aircraft and to manufacture related products, including engineering kits and interface components. We provide a broad range of interior reconfiguration services which allow airlines to change the size of certain classes of service, modify and upgrade the seating, install telecommunications or entertainment options, relocate galleys, lavatories and overhead bins, and install crew rest compartments.

Research, Development and Engineering

We work closely with commercial airlines to improve existing products and identify customers' emerging needs. Our expenditures in research, development and engineering totaled \$49 million, \$54 million and \$56 million for the years ended February 24, 2001, February 26, 2000 and February 27, 1999. We employed approximately 618 professionals in the engineering and product development areas. We believe that we have the largest engineering organization in the cabin interior products industry, with not only software, electronic, electrical and mechanical design skills, but also substantial expertise in materials composition and custom cabin interior layout design and certification.

Marketing and Customers

We market and sell our products directly to virtually all of the world's major airlines and commercial and general aviation aircraft manufacturers. We market our general aviation products directly to all of the world's business jet airframe manufacturers, modification centers and operators. As of February 24, 2001, our sales and marketing organization consisted of 110 persons, along with 31 independent sales representatives. Our sales to non-U.S. airlines were approximately \$280 million for the fiscal year ended February 24, 2001, \$311 million for the fiscal year ended February 26, 2000 and \$298 million for the fiscal year ended February 27, 1999, or approximately 42%, 43% and 42%, respectively, of net sales during such periods.

Airlines select manufacturers of cabin interior products primarily on the basis of custom design capabilities, product quality and performance, on-time delivery, after-sales customer service, product support and price. We believe that our large installed base, our timely responsiveness in connection with the custom design, manufacture, delivery and after-sales customer service and product support of our products and our broad product line and stringent customer and regulatory requirements all present barriers to entry for potential new competitors in the cabin interior products market.

We believe that our integrated worldwide marketing approach, focused by airline and encompassing our entire product line, is preferred by airlines. Led by a senior executive, teams representing each product line serve designated airlines that together accounted for almost 68% of the purchases of products manufactured by our company during the fiscal year ended February 24, 2001. These airline customer teams have developed customer specific strategies to meet each airline's product and service needs. We also staff "on-site" customer engineers at major airlines and airframe manufacturers to represent our entire product line and work closely with the customers to develop specifications for each successive generation of products required by the airlines. These engineers help customers integrate our wide range of cabin interior products and assist in obtaining the applicable regulatory certification for each particular product or cabin configuration. Through our on-site customer engineers, we expect to be able to more efficiently design and integrate products which address the requirements of our customers. We provide program management services, integrating all on-board cabin interior equipment and systems, including installation and Federal Aviation Administration certification, allowing airlines to substantially reduce costs. We believe that we are one of the only suppliers in the commercial aircraft cabin interior products industry with the size, resources, breadth of product line and global product support capability to operate in this manner. We market our general aviation products directly to all of the world's general aviation airframe manufacturers, modification centers and operators.

Our program management approach requires that a program manager is assigned to each significant contract. The program manager is responsible for all aspects of the specific contract, including management of change orders and negotiation of related non-recurring engineering charges, monitoring the progress of the contract through its scheduled delivery dates and overall contract profitability. We believe that our customers derive substantial benefits from our program management approach, including better on-time delivery and higher service levels. We also believe our program management approach results in better customer satisfaction and higher profitability over the in-flight entertainment of a contract.

During fiscal 2001, approximately 86% of our total revenues were derived from the airlines compared with 82% in fiscal 2000. Approximately 60% of our revenues during fiscal 2001 and 61% of our revenues during fiscal 2000 were from refurbishment, spares and upgrade programs. During the year ended February 24, 2001, and for the year ended February 26, 2000, no single customer accounted for 10% of total revenues. During the year ended February 27, 1999, one customer accounted for approximately 13% of our total revenues, and no other customer accounted for more than 10% of such revenues. The portion of our revenues attributable to particular airlines varies from year to year because of airlines' scheduled purchases of new aircraft and for retrofit and refurbishment programs for their existing aircraft.

Backlog

We estimate that our backlog at February 24, 2001 was approximately \$600 million, as compared with a backlog of \$500 million on November 25, 2000, a low of \$450 million on August 26, 2000 and \$470 million on February 26, 2000. Of our backlog at February 24, 2001, approximately 66% is deliverable by the end of fiscal 2002; 62% of our total backlog is with North American carriers, approximately 10% is with European carriers and approximately 19% is with Asian carriers.

Customer Service

We believe that our customers place a high value on customer service and product support and that such service is a critical factor in our industry. The key elements of such service include:

- rapid response to requests for engineering designs, proposal requests and technical specifications;
- flexibility with respect to customized features;
- on-time delivery;
- immediate availability of spare parts for a broad range of products; and
- prompt attention to customer problems, including on-site customer training.

Customer service is particularly important to airlines due to the high cost to the airlines of late delivery, malfunctions and other problems.

Warranty and Product Liability

We warrant our products, or specific components thereof, for periods ranging from one to ten years, depending upon product type and component. We generally establish reserves for product warranty expense on the basis of the ratio of warranty costs incurred by the product over the warranty period to sales of the product. Actual warranty costs reduce the warranty reserve as they are incurred. We periodically review the adequacy of accrued product warranty reserves and revisions of such reserves are recognized in the period in which such revisions are determined.

We also carry product liability insurance. We believe that our insurance is generally sufficient to cover product liability claims.

Competition

The commercial aircraft cabin interior products market is relatively fragmented with a number of competitors in each of the individual product categories. Due to the global nature of the commercial industry, competition in product categories comes from both U.S. and foreign manufacturers. However, as aircraft cabin interiors have become increasingly sophisticated and technically complex, airlines have demanded higher levels of engineering support and customer service than many smaller cabin interior products suppliers can provide. At the same time, airlines have recognized that cabin interior product suppliers must be able to integrate a wide range of products, including sophisticated electronic components, particularly in wide-body aircraft. We believe that the airlines' increasing demands on their suppliers will result in a consolidation of those suppliers that remain. We have participated in this consolidation through strategic acquisitions and internal growth and we intend to continue to participate in the consolidation.

Our principal competitors for seating products are Group Zodiac S.A. and Keiper Recaro GmbH. Our primary competitors for interior systems products are Britax PLC, JAMCO, Scott Aviation and Intertechnique. Our principal competitors in the rapidly growing passenger to freighter conversion business include Boeing Airplane Services, Elbe Flugzeugwerke GMBH, a division of EADS, Israel Aircraft Industries, Pemco World Air Services and Aeronavili. Our principal competitors for other product and service offerings in our flight services and engineering services include TIMCO, JAMCO, Britax PLC, and Driessen Aircraft Interior Systems. The market for general aviation products and services is highly fragmented, consisting of numerous competitors, the largest of which is Decrane Aircraft Holdings.

Manufacturing and Raw Materials

Our manufacturing operations consist of both the in-house manufacturing of component parts and sub-assemblies and the assembly of our specified and designed component parts that are purchased from outside vendors. We maintain state-of-the-art facilities, and we have an on-going strategic manufacturing improvement plan utilizing lean manufacturing processes. We expect that continuous improvement from implementation of this plan for each of our product lines will occur over the next several years and should lower production costs, cycle times and inventory requirements and at the same time improve product quality, customer response and profitability.

Government Regulation

The Federal Aviation Administration prescribes standards and licensing requirements for aircraft components, and licenses component repair stations within the United States. Comparable agencies regulate such matters in other countries. We hold several Federal Aviation Administration component certificates and perform component repairs at a number of our U.S. facilities under Federal Aviation Administration repair station licenses. We also hold an approval issued by the UK Civil Aviation Authority to design, manufacture, inspect and test aircraft seating products in Leighton Buzzard, England and in Kilkeel, Northern Ireland and to design, manufacture, inspect and test our flight structures and engineering services products in Dafen, Wales and the necessary approvals to design, manufacture, inspect, test and repair our interior systems products in Nieuwegein, Netherlands and to inspect, test and repair products at our service centers throughout the world.

In March 1992, the Federal Aviation Administration adopted Technical Standard Order C127, or TSO C127, requiring that all seats on certain new generation commercial aircraft installed after such date be certified to meet a number of new safety requirements, including an ability to withstand a 16G force. We understand that the Federal Aviation Administration plans to adopt in the near future additional regulations which will require that within the next five years all seats, including those on existing older commercial aircraft which are subject to the Federal Aviation Administration's jurisdiction, will have to comply with similar seat safety requirements. We have developed 32 different seat models that meet these new seat safety regulations, have successfully completed thousands of tests to comply with TSO C127 and, based on our installed base of 16G seats, are the recognized industry leader in this area.

Environmental Matters

Our operations are subject to extensive and changing federal, state and foreign laws and regulations establishing health and environmental quality standards, including those governing discharges and pollutants into the air and water and the management and disposal of hazardous substances and wastes. We may be subject to liability or penalties for violations of those standards. We are also subject to laws and regulations, such as the Federal Superfund law and similar state statutes, governing remediation of contamination at facilities that we currently or formerly owned or operated or to which we send hazardous substances or wastes for treatment, recycling or disposal. We believe that we are currently in compliance, in all material respects, with all environmental laws and regulations. However, we could become subject to future liabilities or obligations as a result of new or more stringent interpretations of existing laws and regulations. In addition, we may have liabilities or obligations in the future if we discover any environmental contamination or liability relating to our facilities or operations.

Patents

We currently hold 97 United States patents and 47 international patents, covering a variety of products. We believe that the termination, expiration or infringement of one or more of such patents would not have a material adverse effect on our company.

Employees

As of February 24, 2001, we had approximately 4,300 employees. Approximately 69.2% of these employees are engaged in manufacturing, 14.4% in engineering, research and development and 16.4% in sales, marketing, product support and general administration. Approximately 18% of our worldwide employees are represented by unions. A labor contract representing 301 U.S. employees expires on May 4, 2003. The labor contract with the only other domestic union, which represents approximately 2% of our employees, also runs through the year 2003. We consider our employee relations to be good.

ITEM 2. PROPERTIES

As of February 24, 2001, we had 20 principal facilities, comprising an aggregate of approximately 1.7 million square feet of space. The following table describes the principal facilities and indicates the location, function, approximate size and ownership status of each location.

<u>Location</u>	<u>Products and Function</u>	<u>Facility Size (Sq. Feet)</u>	<u>Ownership</u>
Corporate			
Wellington, Florida	Corporate headquarters, marketing and sales, customer service and product support, finance, human resources, legal	17,700	Owned
Seating Products			
Litchfield, Connecticut.....	Manufacturing and warehousing, customer service and product support, research and development, finance and administration	147,700	Owned
Winston-Salem, North Carolina....	Manufacturing and warehousing, customer service and product support, research and development, finance	264,800	Owned
Leighton Buzzard, England.....	Manufacturing and warehousing, customer service and product support, finance	114,000	Owned
Kilkeel, Northern Ireland	Manufacturing and warehousing, customer service and product support, finance	100,500	Owned
Interior Systems Products			
Delray Beach, Florida	Manufacturing and warehousing, research and development, finance and administration	52,000	Owned
Anaheim, California.....	Manufacturing and warehousing, research and development, finance	98,000	Leased
Lenexa, Kansas	Manufacturing and warehousing, customer service and product support, finance	80,000	Owned
Nieuwegein, The Netherlands	Manufacturing and warehousing, research and development, finance	39,000	Leased
Cabin Interior Structures			
Jacksonville, Florida.....	Manufacturing and warehousing, research and development, customer service and product support, finance	75,000	Owned
Dafen, Wales	Manufacturing and warehousing, research and development, customer service and product support, finance	80,000	Owned
Long Beach, California.....	Manufacturing and warehousing	34,000	Owned
Fontana, California.....	Manufacturing and warehousing	23,000	Leased
Compton, California	Manufacturing and warehousing	58,202	Leased
Gardenia, California	Manufacturing and warehousing	33,576	Leased
Vista, California.....	Manufacturing and warehousing	25,000	Leased

Business Jet Products

Miami, Florida	Manufacturing and warehousing, research and development, finance	106,300 52,400	Leased Owned
Holbrook, New York	Manufacturing and warehousing, research and development, finance	20,100	Leased
Fenwick, West Virginia.....	Manufacturing and warehousing, research and development, customer service and product support, finance	132,600	Owned

Engineering Services

Arlington, Washington.....	Manufacturing and warehousing, research and development, customer service and product support, finance and administration	130,200	Leased
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We believe that our facilities are suitable for their present intended purposes and adequate for our present and anticipated level of operations.

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ITEM 3. LEGAL PROCEEDINGS

We are not a party to litigation or other legal proceedings that we believe could reasonably be expected to have a material adverse effect on our company's business, financial condition and results of operations.

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

During the last quarter of the fiscal year covered by this Form 10-K, we did not submit any matters to a vote of security holders, through the solicitation of proxies or otherwise.

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PART II

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

Our common stock is quoted on the Nasdaq National Market under the symbol "BEAV." The following table sets forth, for the periods indicated, the range of high and low per share sales prices for the common stock as reported by Nasdaq.

	<u>High</u>		<u>Low</u>	
Fiscal Year Ended February 27, 1999				
First Quarter	35	3/4	25	3/4
Second Quarter	33	3/8	21	1/2
Third Quarter	27	1/8	13	
Fourth Quarter	27	1/4	11	1/2
Fiscal Year Ended February 26, 2000				
First Quarter	21	1/8	13	1/2
Second Quarter	22	1/4	16	1/2
Third Quarter	18	3/16	5	3/4
Fourth Quarter	9	7/8	6	3/8
Fiscal Year Ended February 24, 2001				
First Quarter	9		5	7/8
Second Quarter	16	3/8	6	3/8
Third Quarter	17	1/4	11	13/16
Fourth Quarter	23	15/16	13	1/16

On May 16, 2001, as part of a 5,750,000 share offering, we completed the sale of approximately 2.8 million primary shares of common stock at \$19.50 per share. As described in "Recent Acquisitions" in Item 1, approximately 2.9 million shares of our common stock were issued to the former owners of the four companies acquired effective February 24, 2001. These shares were sold on behalf of the former owners as part of the offering, for which they received approximately \$53.1 million. We received approximately \$50.3 million, net of estimated offering costs, from the sale of the 2.8 million shares by us. Following this offering we had 32,063,231 shares outstanding. On May 21, 2001 the closing price of our common stock as reported by Nasdaq was \$23.06 per share. As of such date, we had 832 shareholders of record, and we estimate that there are approximately 15,500 beneficial owners of our common stock. We have not paid any cash dividends in the past, and we have no present intention of doing so in the immediate future. Our Board of Directors intends, for the foreseeable future, to retain any earnings to reduce indebtedness and finance our future growth, but expects to review our dividend policy regularly. The Indentures pursuant to which our 8 7/8%, 8% and 9 1/2% Senior Subordinated Notes were issued, permit the declaration or payment of cash dividends only in certain circumstances described therein.

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ITEM 6. SELECTED FINANCIAL DATA

(In thousands, except per share data)

During fiscal 1999, we acquired Aerospace Interiors, Inc., Puritan-Bennett Aero Systems Co., substantially all of the assets of Aircraft Modular Products, Aerospace Lighting Corporation and SMR Aerospace, Inc., and its affiliates. Effective as of February 24, 2001, we acquired Alson Industries, Inc., T.L. Windust Machine, Inc., Maynard Precision, Inc. and DMGI, Inc. ("2001 Acquisitions"). The financial data as of and for the fiscal years ended February 24, 2001, February 26, 2000, February 27, 1999, February 28, 1998 and February 22, 1997 have been derived from financial statements which have been audited by our independent auditors. The following financial information is qualified by reference to, and should be read in conjunction with, our historical financial statements, including notes thereto, which are included elsewhere in this Form 10-K.

	Year Ended				
	Feb. 24, 2001 (a)	Feb. 26, 2000(c)	Feb. 27, 1999(d),(e)	Feb. 28, 1998(f)	Feb. 22, 1997
Statements of Operations Data:					
Net sales.....	\$666,444	\$723,349	\$701,325	\$487,999	\$412,379
Cost of sales.....	<u>416,626</u>	<u>543,682</u>	<u>522,875</u>	<u>309,094</u>	<u>270,557</u>
Gross profit.....	249,818	179,667	178,450	178,905	141,822
Operating expenses:					
Selling, general and administrative.....	92,541	94,891	83,648	58,622	51,734
Research, development and engineering.....	48,898	54,004	56,207	45,685	37,083
Amortization.....	23,408	24,076	22,498	11,265	10,607
Acquisition and initial public offering costs	8,276				
Transaction gain, expenses and other expenses...	---	---	<u>53,854</u>	<u>4,664</u>	---
Operating earnings (loss).....	76,695	6,696	(37,757)	58,669	42,398
Equity in losses of unconsolidated subsidiary	---	1,289	---	---	---
Interest expense, net.....	<u>54,170</u>	<u>52,921</u>	<u>41,696</u>	<u>22,765</u>	<u>27,167</u>
Earnings (loss) before income taxes and extraordinary item.....	22,525	(47,514)	(79,453)	35,904	15,231
Income taxes.....	<u>2,253</u>	<u>3,283</u>	<u>3,900</u>	<u>5,386</u>	<u>1,522</u>
Earnings (loss) before extraordinary item.....	20,272	(50,797)	(83,353)	30,518	13,709
Extraordinary item.....	---	---	---	<u>8,956</u>	---
Net earnings (loss).....	<u>\$ 20,272</u>	<u>\$(50,797)</u>	<u>\$(83,353)</u>	<u>\$ 21,562</u>	<u>\$ 13,709</u>
<i>Basic earnings (loss) per share:</i>					
Earnings (loss) before extraordinary item.....	<u>\$.80</u>	\$ (2.05)	\$ (3.36) (f)	\$ 1.36 (f)	\$.77
Extraordinary item.....	---	---	---	<u>(.40)</u>	---
Net earnings (loss).....	<u>\$ 0.80</u>	<u>\$ (2.05)</u>	<u>\$ (3.36)</u>	<u>\$.96</u>	<u>\$.77</u>
Weighted average common shares.....	25,359	24,764	24,814	22,442	17,692
<i>Diluted earnings (loss) per share:</i>					
Earnings (loss) before extraordinary item.....	\$.78	\$ (2.05)	\$ (3.36)	\$ 1.30	\$.72
Extraordinary item.....	---	---	---	<u>(.38)</u>	---
Net earnings (loss).....	<u>\$ 0.78</u>	<u>\$ (2.05)</u>	<u>\$ (3.36)</u>	<u>\$.92</u>	<u>\$.72</u>
Weighted average common shares.....	25,889	24,764	24,814	23,430	19,097
Balance Sheet Data (end of period):					
Working capital.....	\$174,897(b)	\$129,913	\$143,423	\$262,504	\$122,174
Intangible and other assets net (g).....	433,379	425,836	451,954	195,723	189,882
Total assets.....	935,995	881,789	904,299	681,757	491,089
Long-term debt.....	603,812	618,202	583,715	349,557	225,402
Stockholders' equity.....	135,274 (b)	64,497	115,873	196,775	165,761

SELECTED FINANCIAL DATA (continued)
Footnotes to Table

- (a) Our operating results during fiscal 2001 were negatively impacted by costs related to recently completed acquisitions and costs attributable to the termination of a proposed initial public offering by our subsidiary Advanced Thermal Sciences. The aggregate impact of these items on our results was \$8,276. Excluding such costs for the year ended February 24, 2001, our operating earnings were \$84,971 and net earnings were \$27,720.
- (b) On April 17, 2001 we sold \$250,000 of 8 7/8% senior subordinated notes in a private offering. The net proceeds less estimated debt issue costs from the sale of these notes were approximately \$242,800. Approximately \$66,700 of the net proceeds were used to repay the Company's bank credit facility, which was terminated. On April 17, 2001 we issued a notice to call the 9 7/8% notes at a price of approximately \$104,900 (including a call premium of approximately \$4,900). On May 16, 2001 we completed a 5,750,000 share offering of our common stock at \$19.50 per share. The former owners of the 2001 Acquisitions received approximately \$53.1 million from the sale of the 2.9 million shares we issued to them as part of the 2001 Acquisitions. We received approximately \$50.3 million, net of estimated offering costs, from the sale of approximately 2.8 million shares by us.
- (c) Our operating results during fiscal 2000 were negatively impacted due to operational problems in our seating operations. These problems, which have since been resolved, arose due to a misalignment between our manufacturing processes, our newly installed Enterprise Resource Planning, or ERP, system and our product and service line rationalization. The aggregate impact of these problems on our results for the year ended February 26, 2000 was \$94,375. Substantially all of these costs have been included as a component of cost of sales. Excluding such costs and charges for the year ended February 26, 2000 our gross profit was \$263,340, our gross margin was 36.4%, our operating earnings were \$101,071 and our net earnings were \$40,578.
- (d) As a result of acquisitions in 1999, we recorded a charge of \$79,155 for the write-off of acquired in-process research and development and acquisition-related expenses. We also sold a 51% interest in our in-flight entertainment business as a result of which we recorded a gain of \$25,301. Transaction gain, expenses and other expenses for the year ended February 27, 1999 consist of the in-process research and development and other acquisition expenses, offset by the gain attributable to the sale of our in-flight entertainment business. During fiscal 1999, we implemented a restructuring plan. In connection therewith we closed 7 plants and we reduced the size of our workforce by approximately 1,000. As a result, we incurred \$87,825 of cost which included both the restructuring referred to above and the rationalization of related product lines and the introduction of new products. Excluding such costs and expenses for the year ended February 27, 1999, our gross profit was \$266,275, our operating earnings were \$103,922 and our net earnings were \$51,648.
- (e) During fiscal 1999, we acquired Aerospace Interiors, Inc., Puritan-Bennett Aero Systems Co., Aircraft Modular Products, Aerospace Lighting Corporation and SMR Aerospace, Inc. and its affiliates. The results of such acquisitions are included in our historical financial data from the date of acquisition.
- (f) In fiscal 1998, we settled a long-running dispute with the U.S. Government over export sales between 1992 and 1995 to Iran Air. We recorded a charge of \$4,664 in fiscal 1998 related to fines, civil penalties and associated legal fees arising from the settlement. We incurred an extraordinary charge of \$8,956 during fiscal 1998 for unamortized debt issue costs, tender and redemption premiums and fees and expenses related to the repurchase of our 9 3/4 % senior notes due 2003.
- (g) Intangible and other assets consist of goodwill and other identified intangible assets associated with our acquisitions. Goodwill and other identified assets are amortized on a straight-line basis over their estimated useful lives, which range from 3-30 years. See also "Risk Factors – Our total assets include substantial intangible assets. The write-off of a significant portion of unamortized intangible assets would negatively affect our results of operations."

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

We are the world's largest manufacturer of cabin interior products for commercial and general aviation aircraft and for business jets. We serve virtually all major airlines and a wide variety of general aviation customers and airframe manufacturers. We believe that we have achieved leading global market positions in each of our major product categories, which include:

- commercial aircraft seats, including an extensive line of first class, business class, tourist class and commuter aircraft seats;
- a full line of airline food and beverage preparation and storage equipment, including coffeemakers, water boilers, beverage containers, refrigerators, freezers, chillers and ovens;
- both chemical and gaseous commercial aircraft oxygen delivery systems; and
- business jet and general aviation interior products, including an extensive line of executive aircraft seats, indirect overhead lighting systems, oxygen, safety and air valve products.

In addition, we design, develop and manufacture a broad range of cabin interior structures such as galleys and crew rests, and provide comprehensive aircraft cabin interior reconfiguration and passenger to freighter conversion engineering services and related component kits.

Our revenues are generally derived from two primary sources: refurbishment or upgrade programs for the existing worldwide fleets of commercial and general aviation aircraft and new aircraft deliveries. We believe our large installed base of products, estimated to be approximately \$6.3 billion as of February 24, 2001 (valued at replacement prices), gives us a significant advantage over our competitors in obtaining orders both for spare parts and for refurbishment programs, principally due to the tendency of the airlines to purchase equipment for such programs from the original supplier.

We have substantially expanded the size, scope and nature of our business as a result of a number of acquisitions. Since 1989, we have completed 20 acquisitions, including four acquisitions during fiscal 2001, for an aggregate purchase price of approximately \$770 million in order to position ourselves as the preferred global supplier to our customers.

During the period from 1989 to 1996, we acquired nine commercial aircraft cabin interior products manufacturers for approximately \$290 million. Through these acquisitions we built worldwide market leadership positions and became the number one manufacturer for a large number of product offerings. At the same time, we rationalized our businesses and began re-engineering our operations. We integrated the acquisitions by eliminating 11 operating facilities and consolidating personnel at the acquired businesses, resulting in headcount reductions of approximately 1,300 employees through January 1998.

During fiscal 1999 we completed six acquisitions for approximately \$387 million. Through these acquisitions we extended our product offerings into oxygen systems and we entered three new markets. These markets include the structural reconfiguration of passenger cabins, the conversion of passenger aircraft to freighters and the business jet cabin interiors market. During the fourth quarter of fiscal 1999, we launched a series of initiatives directed towards expanding our profit margins by consolidating these operations, improving productivity, reducing costs and inventory levels and speeding production of finished products. These actions included eliminating seven principal facilities, reducing our employment base by over 1,000 employees during fiscal 2000 and rationalizing our product offerings. The plan also included initiatives to install company-wide information technology and engineering design systems and implement lean manufacturing techniques in our remaining factories. We recognized a charge in the fourth quarter of fiscal 1999 of \$87.8 million to provide for the entire amount of the restructuring, along with costs associated with new product introductions, all of which was charged to cost of sales.

During fiscal 2000, we restructured our seating products operations and decided to discontinue certain product and service offerings. This product line rationalization eliminated two additional facilities bringing the total number of facilities down to 14 from 31. It also resulted in a headcount reduction of approximately 700. The total cost of this product and service line rationalization was approximately \$34 million.

All of the aforementioned initiatives to integrate, rationalize and restructure the businesses acquired prior to fiscal 2001 had an aggregate cost of approximately \$180 million and have already been expensed and paid for. These initiatives enabled us to eliminate 17 facilities and reduce headcount by over 3,000 employees. We believe these initiatives will enable us to substantially expand profit margins, strengthen the global business management focus on our core product categories, achieve a more effective leveraging of our resources and improve our ability to rapidly react to changing business conditions. In conjunction with these efforts, we have also implemented a company-wide information technology system, a company-wide engineering system and initiated lean manufacturing techniques in our remaining facilities. Common management information and engineering systems and lean manufacturing processes across all operations, coupled with a rationalized product offering are expected to provide us with the ongoing benefit of a generally lower cost structure, and expanding gross and operating margins.

We accomplished a number of initiatives during fiscal 2001, which, together with the actions taken above and the strategic acquisitions discussed below, should positively impact our future performance and help us achieve, we believe, based on our current expectations, higher sales and operating earnings in fiscal 2002 as compared to fiscal 2001.

Effective February 24, 2001 we completed the acquisition of four companies that specialize in manufacturing precision-machined components and assemblies for the aerospace industry. We acquired these businesses, Alson Industries, Inc., T.L. Windust Machine, Inc. DMGI, Inc. and Maynard Precision, Inc., by issuing to the former stockholders a total of approximately 2.9 million shares of our common stock, paying them a total of \$5.3 million in cash and assuming or repaying indebtedness of the acquired companies totaling approximately \$11.8 million. This consideration represents an aggregate purchase price of approximately \$70.1 million. The aggregate purchase price includes approximately \$3.5 million of consideration, for which 187,500 shares of our common stock was funded into an escrow account. The payment of the approximately \$3.5 million is contingent upon the business of one of the companies achieving specified operating targets during the year ending February 2002. Any proceeds from the sale of these shares in excess of the earned incentive will be paid to us. Each of these transactions has been accounted for using the purchase method of accounting.

During fiscal 2002, through May 16, 2001, we completed the acquisition of one additional company, Nelson Aero Space Inc., which is involved in the manufacture and distribution of fittings for the aerospace industry, for approximately \$20 million in cash.

Beginning in 1994, the airlines experienced a turnaround in operating results, leading the domestic airline industry to a period of strong aggregate operating earnings. Airline company balance sheets were substantially strengthened and their liquidity enhanced as a result of this profitability, debt and equity financings and closely managed fleet expansion. Since 2000, however, increases in fuel prices, the softening of the global economy and labor unrest have negatively impacted airline profitability.

During the latter part of fiscal 1999 and throughout fiscal 2000, our seating operations negatively impacted our operating results. The operating inefficiencies resulted in delayed deliveries to customers, increased re-work of seating products, claims for warranty, penalties, out of sequence charges, substantial increases in air freight and other expedite-related costs. Penalties and out of sequence charges were imposed by our customers and the airframe manufacturers as a result of our late deliveries as provided for under the terms of our various contracts with these parties. These problems also resulted in certain airlines diverting seating programs to other manufacturers and the deferrals of other seating programs. We believe we have now resolved the problems we encountered in our seating operations.

New product development is a strategic tool for our company. Our customers regularly request that we engage in new product development and enhancement activities. We believe that these activities, if properly focused and managed, will protect and enhance our leadership position. Engineering, research and development spending as a percentage of sales have been approximately 7% for the past several years, and is expected to remain at that level for the foreseeable future.

We also believe in providing our businesses with the tools required to remain competitive. In that regard, we have, and will continue to invest in property and equipment that enhances our productivity. Over the past several years, annual capital expenditures, exclusive of our new information technology system, were approximately \$19 million. Going forward and taking into consideration the recent acquisitions, we expect that annual capital expenditures will be approximately \$24 million.

All dollar amounts in the following discussion and analysis are presented in thousands of dollars, except per share amounts.

Year Ended February 24, 2001 Compared with Year Ended February 26, 2000

Net sales for fiscal 2001 were \$666,444, a decrease of \$56,905, or 7.9% as compared to the prior year. The year over year decrease in sales is primarily attributable to lower shipments of seating products and galley structures, as well as decisions made in the prior year to discontinue certain low-margin products and services. The decreased sales of seating and galley structures are consistent with the 11% reduction in new aircraft deliveries in calendar 2000 as compared to calendar 1999, and also reflect last year's problems in our seating business, which have since been resolved.

Our backlog was approximately \$600,000 as of February 24, 2001. Our backlog at the end of the prior year was approximately \$470,000. Backlog increased substantially in the last six months of fiscal 2001, from a fiscal 2001 low of about \$450 million as of August 2000. The higher backlog since August 2000 reflects organic growth of 17% and overall growth of 33% over the six-month period. Approximately \$398,000, or 66%, of our backlog at February 2001 is deliverable by the end of fiscal 2002.

Improved gross and operating profit margins were key contributors to B/E's improved financial performance for fiscal 2001 compared to fiscal 2000. Gross profit was \$249,818 (37.5% of net sales) for fiscal 2001. Gross profit was \$70,151 higher than fiscal 2000 gross profit of \$179,667 (24.8% of net sales), reflecting a gross margin improvement of 1,270 basis points compared to fiscal 2000. The previous year's gross margin was adversely impacted by manufacturing problems in the seating operations. The current year's gross margin improvement was due to two principal factors: the turnaround in our seating business and the success of our continuous improvement initiatives. Aided by our information technology investments, these initiatives are enabling us to substantially improve both quality and productivity and reduce costs, particularly in our manufacturing operations.

Selling, general and administrative expenses were \$92,541 (13.9% of net sales) for fiscal 2001, which was \$2,350 less than the prior-year amount of \$94,891 (13.1% of net sales).

Research, development and engineering expenses were \$48,898 (7.3% of net sales) for fiscal 2001, a decrease of \$5,106 compared to \$54,004 (7.5% of net sales) for the previous year. The decrease is primarily due to substantially lower spending in our seating and galley operations.

Amortization expense for fiscal 2001 was \$23,408 (3.5% of net sales) as compared to \$24,076 (3.3% of net sales) in the prior year.

Operating earnings were \$84,971 (12.7% of net sales) for fiscal 2001, excluding \$8,276 of costs related to the four recent acquisitions and the termination of Advanced Thermal Sciences' (a wholly-owned subsidiary) initial public offering. Including such costs, operating earnings were \$76,695 (11.5% of net sales) during fiscal 2001, as compared to \$6,696 (0.9% of net sales) in the prior year.

Interest expense, net was \$54,170 during fiscal 2001, or \$1,249 greater than interest expense of \$52,921 for the prior year. The increase is primarily due to higher interest rates on the Company's bank borrowings.

Earnings before income taxes in the current year were \$30,801 excluding the acquisition-related and IPO costs. Including such costs, earnings before income taxes were \$22,525 for fiscal 2001 compared to a loss of \$(47,514) in the previous year.

Income tax expense for fiscal 2001 was \$2,253 as compared to \$3,283 in the prior year.

B/E's net earnings for fiscal 2001 were \$27,720, excluding the acquisition-related and IPO costs. Including such costs, net earnings were \$20,272, or \$0.80 per share (basic) and \$0.78 (diluted), as compared to a net loss of \$(50,797) or \$(2.05) per share (basic and diluted) in the previous year.

Year Ended February 26, 2000 Compared to Year Ended February 27, 1999

Net sales for fiscal 2000 were \$723,349, an increase of approximately \$22,024, or 3.1% over the prior year. Organic revenue growth, exclusive of revenues from our in-flight entertainment business, in fiscal 2000 and fiscal 1999 was approximately 7.4% and 13.5%, respectively, whereas revenue growth on a pro forma basis for fiscal 2000 and 1999, giving effect to our acquisitions in fiscal 1999 and excluding revenues from our in-flight entertainment business for both periods, was approximately 4.1% in 2000 and 14.1% in 1999. Our backlog was approximately \$470,000 as of February 26, 2000 and approximately \$640,000 as of February 26, 1999.

During the latter part of fiscal 1999 and throughout fiscal 2000, our operating results were negatively impacted by our seating operations. These operating problems resulted in delayed deliveries to customers, increased re-work of seating products, claims for warranty, penalties, out of sequence charges, substantial increases in air freight and other expedite-related costs. Late customer deliveries resulted in certain airlines diverting seating programs to other manufacturers and the deferral of other seating programs. We have now resolved the operating problems in our seating business.

Gross profit for fiscal 2000 was \$179,667. Gross profit for fiscal 2000 before the special costs and charges described below was \$263,340 (36.4% of net sales). This was 1% less than the prior year of \$266,275 (calculated on a comparable basis), which represented 38% of net sales. The decrease in gross profit before special costs and charges is primarily attributable to the mix of products sold during the year.

During fiscal 2000, we incurred \$36,076 of costs in our seating operations associated with claims for penalties, out of sequence charges, warranties and substantial increases in air freight and other expedite-related costs. In addition, we incurred approximately \$24,000 of manufacturing and engineering inefficiencies, of which \$16,300 has been included as a component of cost of sales, \$3,700 has been included as a component of selling, general and administrative expenses and \$4,000 has been included as a component of research, development and engineering expenses. Also, during fiscal 2000, we completed a review of our businesses and decided to discontinue certain product and service offerings. This product line rationalization will reduce the number of facilities by two and is expected to result in a headcount reduction of approximately 700. The total cost of this product and service line rationalization was \$34,299. Approximately \$31,297 of the rationalization costs are included in cost of sales, with the balance of \$3,002 charged to operating expenses.

The aggregate impact of these operating inefficiencies, penalties, and product line rationalization costs was to increase cost of sales and operating expenses by \$94,375 during fiscal 2000.

Selling, general and administrative expenses were \$94,891 (13.1% of net sales) for fiscal 2000, which was \$11,243, or 13.4%, greater than the comparable period in the prior year of \$83,648 (11.9% of net sales). Severance and other facility consolidation costs associated with the charges described above, together with increased operating expenses at our seating products operations and increased management information system training costs and related expenses were the principal reasons for the increase.

Research, development and engineering expenses were \$54,004 (7.5% of net sales) during fiscal 2000, a decrease of \$2,203 over the prior year.

Amortization expense for fiscal 2000 of \$24,076 was \$1,578 greater than the amount recorded in the prior year, and is due to our acquisitions in 1999.

A portion of the purchase price for our acquisitions in 1999 was allocated to purchased in-process research and development that had not reached technological feasibility and had no future alternative use. During fiscal 1999, we recorded a charge of \$79,155 for the write-off of acquired in-process research and development and other acquisition-related expenses.

We generated operating earnings of \$6,696 (0.9% of net sales) during fiscal 2000, as compared to an operating loss of \$37,757 in the prior year.

Equity in losses of unconsolidated subsidiary of \$1,289 represents our share of the losses generated by Sextant In-Flight Systems through October 5, 1999, at which time we sold our remaining 49% interest.

Interest expense, net was \$52,921 during fiscal 2000, or \$11,225 greater than interest expense of \$41,696 for the prior year, and is due to the increase in our long-term debt used, in part, to finance our acquisitions in 1999.

The loss before income taxes in the current year was \$47,514 (which includes \$94,375 of costs and charges primarily related to our seating products operations) as compared to the loss before income taxes in the prior year of \$79,453 (which includes restructuring and new product introduction costs of \$87,825, acquisition-related expenses of \$79,155 and the transaction gain of \$25,301). Earnings before income taxes excluding the above-mentioned costs and expenses were \$46,861 for fiscal 2000 compared to \$62,226 in the prior year. Income tax expense for fiscal 2000 was \$3,283 as compared to \$3,900 in the prior year.

The net loss for fiscal 2000 was \$50,797, or \$2.05 per share (basic and diluted), as compared to a net loss of \$83,353, or \$3.36 per share (basic and diluted), in fiscal 1999.

Liquidity and Capital Resources

Our liquidity requirements consist of working capital needs, on-going capital expenditures and payments of interest and principal on our indebtedness. Our primary requirements for working capital have been related to the reduction of accrued liabilities, including interest, accrued penalties incurred in connection with the fiscal 2000 seating manufacturing problems, incentive compensation, warranty obligations and accrued severance. Our working capital was \$174,897 as of February 24, 2001, as compared to \$129,913 as of February 26, 2000 and \$143,423 as of February 27, 1999.

At February 24, 2001, our cash and cash equivalents were \$60,271, as compared to \$37,363 at February 26, 2000. Cash provided from operating activities was \$57,860 for fiscal 2001 and was \$16,886 for fiscal 2000. For the fiscal year ended February 26, 2000, accounts receivable decreased over the prior fiscal year balance, while sales increased over the prior fiscal year level. During fiscal 2001 and 2000, we completed significant corporate wide improvements in our billing and collection processes. We believe these are the primary reasons for the reduction in accounts receivable at the end of fiscal 2001 and 2000. Based on these factors and the current economic conditions in our industry, we currently do not expect to significantly adjust our bad debt reserves, although this could change in the future should conditions change. The primary source of cash during fiscal 2001 was net earnings, depreciation and amortization of \$63,027, other non-cash expenses of \$2,559, a decrease in accounts receivable of \$6,043, a decrease in other current assets of \$1,789 offset by a use of cash for inventories of \$6,427 and payables and accruals of \$9,131. During fiscal 2001, the provision for excess and obsolete inventories increased by an incremental \$7,000, which was partially offset by a \$6,500 decrease in accrued warranties related to a favorable resolution of a customer's claim.

We hold a promissory note from Thomson — CSF Holding Corporation, a subsidiary of The Thales Group (a publicly traded French company with over \$9,000,000 in sales). We are currently involved in a dispute with Thales over certain terms of the purchase and sale agreement. Thomson — CSF Holding Corporation failed to make a \$15,700 payment when due in October 2000. These obligations to us are guaranteed by Thomson — CSF Sextant, Inc. We have initiated arbitration against Thales and Thomson and expect that this matter will be resolved during fiscal 2002.

Our capital expenditures were \$17,133 and \$33,169 during fiscal 2001 and fiscal 2000, respectively. The year over year decrease in capital expenditures is primarily attributable to significant expenditures in the prior year for management information system enhancements, expenditures for plant modernization and for acquisitions completed during fiscal 1999. We anticipate on-going annual capital expenditures of approximately \$24,000 for the next several years. We have no material commitments for capital expenditures. We have, in the past, generally funded our capital expenditures from cash from operations and funds available to us under our bank credit facility. We expect to fund future capital expenditures from cash on hand and from operations and, if we are able to refinance our bank credit facility, funds available to us under such new facility. In addition, since 1989, we have completed 20 acquisitions for an aggregate purchase price of \$770,000. We have financed these acquisitions primarily through issuances of debt and equity securities, including our 9 7/8% notes, our 8% notes and our 9 1/2% notes.

Included in these acquisitions were the four businesses recently acquired and effective as of February 24, 2001. We acquired Alson Industries, Inc., T.L. Windust Machine, Inc., DMGI, Inc. and Maynard Precision, Inc. by issuing to the former stockholders a total of approximately 2.9 million shares of our common stock, paying them a total of approximately \$5,260 in cash and assuming or repaying indebtedness of the acquired companies totaling approximately \$11,793. Of these funds, \$10,000 were obtained from our bank credit facility, which has since been repaid and terminated as described below, and the balance came from our cash on hand. This consideration represents an aggregate purchase price of approximately \$70,126. The aggregate purchase price includes \$3,500 of consideration, represented by 187,500 shares of our common stock, that were funded into an escrow account. The payment of this consideration is contingent upon the business of one of the companies, T.L. Windust, achieving specified operating targets during the year ending February 2002. The sellers of T.L. Windust have the opportunity to receive additional purchase price considerations up to a limit of \$3,500. The additional funds are due based upon a calculation of T.L. Windust's sales and earnings before interest, taxes, depreciation and amortization, or EBITDA, for fiscal year 2002 exceeding a minimum threshold. If T.L. Windust's EBITDA exceeds \$1,183, the full \$3,500 is due and payable. If a lower amount is earned, only a portion of the \$3,500 is due and payable. Any proceeds from the sale of these escrow shares in excess of the earnings incentive of approximately \$3,500 will be paid to us.

Each of these transactions has been accounted for using the purchase method of accounting. The terms of the acquisition agreements for the acquired businesses provide certain registration rights and together provide that the former stockholders of the companies we acquired will receive net proceeds from the resale of their 2.9 million shares equal to a total of approximately \$53,073. Any proceeds in excess of the approximately \$53,073 will be for our benefit and if the net proceeds to the former stockholders are less than approximately \$53,073, we will pay the former stockholders the difference from our available funds. In the event that the shares are not sold within 180 days of the closing of the acquisitions, we are obligated to repurchase these shares and pay approximately \$53,073 in cash to the former stockholders. We may also repurchase these shares at any time from the former stockholders for an amount equal to approximately \$53,073 in cash.

On April 17, 2001 we sold \$250 million of 8 7/8% senior subordinated notes due 2011 in a private offering. The net proceeds less estimated debt issue costs received by us from the sale of the notes were approximately \$242.8 million. Approximately \$105.0 million of proceeds were or will be used to redeem our 9 7/8% senior subordinated notes due 2006 and approximately \$66.7 million of proceeds were used to repay balances outstanding under our bank credit facility, which was then terminated. The remainder of the net proceeds will be used for general corporate purposes, including potential future acquisitions.

We repaid and cancelled our bank facility on April 17, 2001 upon the settlement of the sale of the \$250 million of 8 7/8% senior subordinated notes in our recent debt offering. We intend to replace our existing bank credit facility with a new credit facility as soon as reasonably practicable. We are currently in the process of arranging a new bank credit facility. When the credit agreement becomes effective, we do not expect to immediately incur any additional debt.

On April 17, 2001 we called for redemption of all our 9 7/8% senior subordinated notes on May 17, 2001. We will redeem the notes at a redemption price equal to 104.97 percent of the principal amount, together with the accrued interest to the redemption date. We deposited with the trustee on April 17, 2001 funds in an amount sufficient to redeem the 9 7/8% senior subordinated notes on the redemption date. Upon deposit of these funds, the indenture governing the 9 7/8% senior subordinated notes was discharged.

Long-term debt consists principally of our newly issued 8 7/8% senior subordinated notes, our 8% senior subordinated notes and 9 1/2% senior subordinated notes. The \$250,000 of 8 7/8% notes mature on May 1, 2011, the \$250,000 of 8% notes mature on March 1, 2008 and the \$200,000 of 9 1/2% notes mature on November 1, 2008. The notes are unsecured senior subordinated obligations and are subordinated to all of our senior indebtedness. Each of the 8 7/8% notes, 8% notes and 9 1/2% notes contain restrictive covenants, including limitations on future indebtedness, restricted payments, transactions with affiliates, liens, dividends, mergers and transfers of assets, all of which were met by us as of February 24, 2001. The maturities of our long term debt, on a pro forma basis showing the effect of our recent debt offering, are as follows:

<u>Year ending February,</u>	
2002	\$ 626
2003	850
2004	733
2005	623
2006	188
Thereafter	<u>699,938</u>
Total	<u>\$702,958</u>

B/E Aerospace (UK) Limited, one of our subsidiaries, has a revolving line of credit agreement aggregating approximately \$7.3 million. This credit agreement is collateralized by accounts receivable and inventory of B/E Aerospace (UK) Limited and guaranteed by us. There were no borrowings outstanding under the credit agreement as of February 24, 2001.

Inventum, another of our subsidiaries, has a revolving line of credit agreement for approximately \$1 million. This credit agreement is collateralized by substantially all of the assets of Inventum. There were no borrowings outstanding under the credit agreement as of February 24, 2001.

We believe that the cash flow from operations and the net proceeds of our recent debt offering will provide adequate funds for our working capital needs, planned capital expenditures and debt service requirements for the foreseeable future. We believe that we will be able to replace our bank credit facility, which was recently terminated, although there can be no assurance that we will be able to do so. Our ability to fund our operations, make planned capital expenditures, make scheduled payments and refinance our indebtedness depends on our future operating performance and cash flow, which, in turn, are subject to prevailing economic conditions and to financial, business and other factors, some of which are beyond our control.

Deferred Tax Assets

We established a valuation allowance related to the utilization of our deferred tax assets because of uncertainties that preclude us from determining that it is more likely than not that we will be able to generate taxable income to realize such assets during the Federal operating loss carryforward period, which begins to expire in 2012. These uncertainties include recent cumulative losses incurred by us, the highly cyclical nature of the industry in which we operate, economic conditions in Asia which has impacted the airframe manufacturers and the airlines, the impact of rising fuel prices on our airline customers, the impact of labor disputes involving our airline customers, our high degree of financial leverage, risks associated with the implementation of our integrated management information system, risks associated with our seat manufacturing operations and risks associated with the integration of acquisitions. We monitor these uncertainties, as well as other positive and negative factors that may arise in the future, as we assess the necessity for a valuation allowance for our deferred tax assets.

New Accounting Pronouncements

In March 2000, the Financial Accounting Standards Board ("FASB") issued Interpretation No. 44, "Accounting for Certain Transactions Involving Stock Compensation — an interpretation of APB Opinion No. 25" ("FIN 44"). FIN 44 clarifies the application of Accounting Principles Board ("APB") Opinion No. 25 and among other issues clarifies the following: the definition of an employee for purposes of applying APB Opinion No. 25; the criteria for determining whether a plan qualifies as a non-compensatory plan; the accounting consequence of various modifications to the terms of previously fixed stock options or awards; and the accounting for an exchange of stock compensation awards in a business combination. FIN 44 is effective July 1, 2000, but certain conclusions in FIN 44 cover specific events that occurred after either December 15, 1998 or January 12, 2000. FIN 44 did not have a material impact on our financial position or results of operations.

In December 1999, the SEC staff issued Staff Accounting Bulletin ("SAB") No. 101, Revenue Recognition in Financial Statements. SAB 101 summarizes the SEC staff's views in applying generally accepted accounting principles to revenue recognition in financial statements. SAB 101 became effective for our fourth quarter beginning November 26, 2000. Its implementation did not have a material effect on our revenue recognition policy.

In June 1998, the Financial Accounting Standards Board (the "FASB") issued SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*, which the Company is required to adopt effective in its fiscal year 2002. SFAS No. 133, as amended, will require the Company to record all derivatives on the balance sheet at fair value. The Company will adopt SFAS No. 133 at the beginning of fiscal 2002. The Company does not currently hold derivatives or engage in hedging activities; therefore, the effects of adopting SFAS No. 133 are not expected to be material.

Risk Factors

We are directly dependent upon the conditions in the airline industry and a severe and prolonged downturn could negatively impact our results of operations

Our principal customers are the world's commercial airlines. As a result, our business is directly dependent upon the conditions in the highly cyclical and competitive commercial airline industry. In the late 1980s and early 1990s, the world airline industry suffered a severe downturn, which resulted in record losses and several air carriers seeking protection under bankruptcy laws. As a consequence, during such period, airlines sought to conserve cash by reducing or deferring scheduled cabin interior refurbishment and upgrade programs and by delaying purchases of new aircraft. This led to a significant contraction in the commercial aircraft cabin interior products industry and a decline in our business and profitability. Since 2000, increases in fuel prices, the softening of the global economy and labor unrest have negatively impacted airline profitability. A number of airlines have announced that they expect these trends to continue in calendar year 2001. Should the airline industry suffer a severe and prolonged downturn which adversely affects their profitability, discretionary airline spending, including for new aircraft and cabin interior refurbishments and upgrades, would be more closely monitored or even reduced. In addition, any prolonged labor unrest experienced by any of our major customers could lead to a delay in their scheduled refurbishment and upgrade programs. Lower capital spending by the airlines or delays in scheduled programs could lead to reduced orders of our products and services and, as a result, our business and profitability could suffer. Our business and profitability have historically been adversely affected by downturns in the airline industry.

Our substantial indebtedness could limit our ability to obtain additional financing and will require that a significant portion of our cash flow be used for debt service

We have substantial indebtedness and, as a result, significant debt service obligations. As of February 24, 2001, we had approximately \$609,700 aggregate amount of indebtedness outstanding, representing approximately 81.8% of total capitalization. As of February 24, 2001, after giving pro forma effect to our recent debt offering and the application of the net proceeds therefrom, our indebtedness would have aggregated approximately \$703,000, including short and long-term debt of our subsidiaries of \$3,400, representing approximately 81.1% of total capitalization. We could incur substantial additional indebtedness in the future. We intend to replace our bank credit facility, which we terminated in connection with our recent debt offering, as soon as reasonably practicable. We have no principal maturities on our outstanding indebtedness prior to 2008 (other than principal maturities of our subsidiaries aggregating \$3,400). Our annual debt service payment obligations consisting of cash payments of interest, giving pro forma effect to our recent debt offering, are expected to be approximately \$61,200.

The degree of our leverage and, as a result, significant debt service obligations, could have significant consequences to purchasers or holders of our shares of common stock, including:

- limiting our ability to obtain additional financing to fund our growth strategy, working capital requirements, capital expenditures, acquisitions, debt service requirements or other general corporate requirements;
- limiting our ability to use operating cash flow in other areas of our business because we must dedicate a substantial portion of those funds to fund debt service obligations;
- increasing our vulnerability to adverse economic and industry conditions; and
- if we are able to replace our bank credit facility, increasing our exposure to interest rate increases because borrowings under a new bank credit facility will likely be at variable interest rates.

We may not be able to generate the necessary amount of cash to service our indebtedness, which may require us to refinance our debt, obtain additional financing or sell assets

Our ability to satisfy our debt service obligations will depend upon, among other things, our future operating performance and our ability to refinance indebtedness when necessary. Each of these factors is to a large extent dependent on economic, financial, competitive and other factors beyond our control. If, in the future, we cannot generate sufficient cash from operations to meet our debt service obligations, we will need to refinance, obtain additional financing or sell assets. Our business may not generate cash flow, and we may not be able to obtain funding, sufficient to satisfy our debt service requirements.

We have significant financial and operating restrictions in our debt instruments that may have an adverse affect on our operations

The indentures governing our outstanding notes contain numerous financial and operating covenants that limit our ability to incur additional indebtedness, to create liens or other encumbrances, to make certain payments and investments, including dividend payments and to sell or otherwise dispose of assets and merge or consolidate with other entities. Agreements governing future indebtedness could also contain significant financial and operating restrictions. We intend to replace our bank credit facility, which was cancelled on April 17, 2001, with a new credit facility as soon as reasonably practicable. We expect any new credit facility to contain customary affirmative and negative covenants. A failure to comply with the obligations contained in any current or future agreements governing our indebtedness, including our indentures, could result in an event of default under our bank credit facilities, or such indentures, which could permit acceleration of the related debt and acceleration of debt under other instruments that may contain cross-acceleration or cross-default provisions. We are not certain whether we would have, or be able to obtain, sufficient funds to make these accelerated payments.

The airline industry is heavily regulated and failure to comply with applicable laws could reduce our sales, or require us to incur additional costs to achieve compliance, which could reduce our results of operations

The Federal Aviation Administration prescribes standards and licensing requirements for aircraft components, including virtually all commercial airline and general aviation cabin interior products, and licenses component repair stations within the United States. Comparable agencies, such as the U.K. Civil Aviation Authority and the Japanese Civil Aviation Board, regulate these matters in other countries. If we fail to obtain a required license for one of our products or services or lose a license previously granted, the sale of the subject product or service would be prohibited by law until such license is obtained or renewed. In addition, designing new products to meet existing regulatory requirements and retrofitting installed products to comply with new regulatory requirements can be both expensive and time consuming.

From time to time the FAA proposes new regulations. These new regulations generally cause an increase in costs to comply with these regulations; when the FAA first enacted Technical Standard Order C127, all seating companies were required to meet these new rules. Compliance with this rule required industry participants to spend millions of dollars on engineering, plant and equipment to comply with the regulation. A number of smaller seating companies decided that they did not have the resources, financial or otherwise, to comply with these rules and they either sold their businesses or ceased operations.

To the extent the FAA implements rule changes in the future, we may incur additional costs to achieve compliance.

The airline industry is subject to extensive health and environmental regulation, any violation of which could subject us to significant liabilities and penalties

We are subject to extensive and changing federal, state and foreign laws and regulations establishing health and environmental quality standards, and may be subject to liability or penalties for violations of those standards. We are also subject to laws and regulations governing remediation of contamination at facilities currently or formerly owned or operated by us or to which we have sent hazardous substances or wastes for treatment, recycling or disposal. We may be subject to future liabilities or obligations as a result of new or more stringent interpretations of existing laws and regulations. In addition, we may have liabilities or obligations in the future if we discover any environmental contamination or liability at any of our facilities, or at facilities we may acquire.

We compete with a number of established companies, some of which have significantly greater financial, technological and marketing resources than we do and we may not be able to compete effectively with these companies

We compete with numerous established companies. Some of these companies, particularly in the passenger to freighter conversion business, have significantly greater financial, technological and marketing resources than we do. Our ability to be an effective competitor will depend on our ability to remain the supplier of retrofit and refurbishment products and spare parts on the commercial fleets on which our products are currently in service. It will also depend on our success in causing our products to be selected for installation in new aircraft, including next-generation aircraft, and in avoiding product obsolescence. Our ability to maintain or expand our market position in the rapidly growing passenger to freighter conversion business will depend on our success in being selected to convert specific aircraft, our ability to maintain and enhance our engineering design, our certification and program management capabilities and our ability to effectively use our recent acquisitions to manufacture a broader range of structural components, connectors and fasteners used in this business.

If we are unable to manufacture quality products and to deliver our products on time, we may be subject to increased costs or loss of customers or orders, which could reduce our results of operations

During the latter part of fiscal 1999 and throughout fiscal 2000, we experienced significant operating inefficiencies in our seating programs which resulted in delayed deliveries to customers, increased re-work of seating products, claims for warranty, penalties, out of sequence charges, substantial increases in air freight and other expedite-related costs. In addition, as a result of our late customer deliveries, certain airlines diverted their seating programs to other manufacturers. To the extent we suffer any of these inefficiencies or shortcomings in the future we will likely experience significant penalties and loss of customers.

Our acquisition strategy may be less successful than we expect and therefore, our growth may be limited

We intend to consider future acquisitions. We intend to consider future strategic acquisitions, some of which could be material to us and which may include companies that are substantially equivalent or larger in size compared to us. We continually explore and conduct discussions with many third parties regarding possible acquisitions. As of the date of this prospectus, we have no acquisition agreements to acquire any business or assets. Our ability to continue to achieve our goals may depend upon our ability to identify and successfully acquire attractive companies, to effectively integrate such companies, achieve cost efficiencies and to manage these businesses as part of our company.

We will have to integrate any acquisitions into our business. The difficulties of combining the operations, technologies and personnel of companies we acquire, including those we acquired effective February 24, 2001, into our company include:

- coordinating and integrating geographically separated organizations; and
- integrating personnel with diverse business backgrounds.

We may not be able to effectively manage or integrate the acquired companies. Further, we may not be successful in implementing appropriate operational, financial and management systems and controls to achieve the benefits expected to result from these acquisitions. Our efforts to integrate these businesses could be affected by a number of factors beyond our control, such as regulatory developments, general economic conditions, increased competition and the loss of certain customers resulting from the acquisitions. In addition, the process of integrating these businesses could cause an interruption of, or loss of momentum in, the activities of our existing business and the loss of key personnel and customers. The diversion of management's attention and any delays or difficulties encountered in connection with the transition and integration of these businesses could have a material adverse effect on our business and results of operations. Further, the benefits that we anticipate from these acquisitions may not develop.

We will have to finance any future acquisitions. Depending upon the acquisition opportunities available, we may need to raise additional funds or arrange for additional bank financing. We may seek such additional funds through public offerings or private placements of debt or equity securities or bank loans. We also intend to replace our existing bank credit facility with a new facility as soon as reasonably practicable. Issuance of additional equity securities by us could result in substantial dilution to stockholders. The incurrence of additional indebtedness by us could have adverse consequences to stockholders as described above. In the absence of such financing, our ability to make future acquisitions in accordance with our business strategy, to absorb adverse operating results, to fund capital expenditures or to respond to changing business and economic conditions may be adversely affected, all of which may have a material adverse effect on our business, results of operations and financial condition.

There are risks inherent in international operations that could have a material adverse effect on our business operations

Our operations are primarily in the United States, with approximately 24% of our sales during fiscal 2001 coming from our foreign operations in the United Kingdom and the Netherlands. While the majority of our operations is based domestically, each of our facilities sells to airlines all over the world. As a result, 40% or more of our consolidated sales for the past three fiscal years were to airlines located outside the United States. We have direct investments in a number of subsidiaries in foreign countries (primarily in Europe). Fluctuations in the value of foreign currencies affect the dollar value of our net investment in foreign subsidiaries, with these fluctuations being included in a separate component of stockholders' equity. Operating results of foreign subsidiaries are translated into U.S. dollars at average monthly exchange rates. At February 24, 2001, we reported a cumulative foreign currency translation amount of \$(21,915) in stockholders' equity as a result of foreign currency adjustments, and we may incur additional adjustments in future periods. In addition, the U.S. dollar value of transactions based in foreign currency (collections on foreign sales or payments for foreign purchases) also fluctuates with exchange rates. If in the future a substantial majority of our sales were not denominated in the currency of the country of product origin, we could face increased currency risk. Also, changes in the value of the U.S. dollar or other currencies could result in fluctuations in foreign currency translation amounts or the U.S. dollar value of transactions and, as a result, our net earnings could be adversely affected. Our largest foreign currency exposure results from activity in Dutch guilders and British pounds.

We may engage in hedging transactions in the future to manage or reduce our foreign exchange risk. However, our attempts to manage our foreign currency exchange risk may not be successful and, as a result, our results of operations and financial condition could be adversely affected.

Our foreign operations could also be subject to unexpected changes in regulatory requirements, tariffs and other market barriers and political and economic instability in the countries where we operate. Due to our foreign operations we could be subject to such factors in the future and the impact of any such events that may occur in the future could subject us to additional costs or loss of sales, which could adversely affect our operating results.

Our total assets include substantial intangible assets. The write-off of a significant portion of unamortized intangible assets would negatively affect our results of operations.

Our total assets reflect substantial intangible assets. At February 24, 2001, intangibles and other assets, net, represent approximately 46.3% of total assets and 320.4% of stockholders' equity. Intangible assets consist of goodwill and other identified intangible assets associated with our acquisitions, representing the excess of cost over the fair value of tangible assets we have acquired since 1989. We may not be able to realize the value of these assets. Goodwill and other intangible assets are amortized on a straight-line basis over their estimated useful lives, ranging from 3 to 30 years. At each balance sheet date, we assess whether there has been an impairment in the value of intangible assets. If the carrying value of the asset exceeds the estimated undiscounted future cash flows from operating activities of the related business, an impairment is deemed to have occurred. In this event, the amount is written down accordingly. Under current accounting rules, this would result in a charge of operating earnings. Any determination requiring the write-off of a significant portion of unamortized intangible assets would negatively affect our results of operations and total capitalization, which could be material. As of February 24, 2001, we have determined that no impairment existed.

Risks Associated with our Capital Stock

Provisions in our charter documents may discourage potential acquisitions of our company, even those which the holders of a majority of our common stock may favor

Our restated certificate of incorporation and by-laws contain provisions that may have the effect of discouraging a third party from making an acquisition of us by means of a tender offer, proxy contest or otherwise. Our restated certificate of incorporation and by-laws:

- classify the board of directors into three classes, with directors of each class serving for a staggered three-year period;
- provide that directors may be removed only for cause and only upon the approval of the holders of at least two-thirds of the voting power of our shares entitled to vote generally in the election of such directors;
- require at least two-thirds of the voting power of our shares entitled to vote generally in the election of directors to alter, amend or repeal the provisions relating to the classified board and removal of directors described above;
- permit the board of directors to fill vacancies and newly created directorships on the board;
- restrict the ability of stockholders to call special meetings; and
- contain advance notice requirements for stockholder proposals.

Such provisions would make the removal of incumbent directors more difficult and time-consuming and may have the effect of discouraging a tender offer or other takeover attempt not previously approved by the board of directors.

Our board of directors has declared a dividend of one preferred share purchase right for each share of common stock outstanding. A right will also be attached to each share of common stock subsequently issued. The rights will have certain anti-takeover effects. If triggered, the rights would cause substantial dilution to a person or group of persons that acquires more than 15.0% of our common stock on terms not approved by our board of directors. The rights could discourage or make more difficult a merger, tender offer or other similar transaction.

Under our restated certificate of incorporation, our board of directors also has the authority to issue preferred stock in one or more series and to fix the powers, preferences and rights of any such series without stockholder approval. The board of directors could, therefore, issue, without stockholder approval, preferred stock with voting and other rights that could adversely affect the voting power of the holders of common stock and could make it more difficult for a third party to gain control of us. In addition, under certain circumstances, Section 203 of the Delaware General Corporation Law makes it more difficult for an "interested stockholder", or generally a 15% stockholder, to effect various business combinations with a corporation for a three-year period.

You may not receive cash dividends on our shares

We have never paid a cash dividend and do not plan to pay cash dividends on our common stock in the foreseeable future. We intend to retain our earnings to finance the development and expansion of our business and to repay indebtedness. Also, our ability to declare and pay cash dividends on our common stock is restricted by covenants in our outstanding notes. We also intend to replace our bank credit facility with a new credit facility as soon as reasonably practicable. We expect any new credit facility to contain customary covenants, which may include covenants restricting our ability to declare and pay cash dividends.

If the price of our common stock continues to fluctuate significantly, you could lose all or a part of your investment

Since the beginning of fiscal 2001, the closing price of our common stock has ranged from a low of \$5.875 to a high of \$25.875. The price of our common stock is subject to sudden and material increases and decreases, and decreases could adversely affect investments in our common stock. The price of our common stock could fluctuate widely in response to:

- our quarterly operating results;
- changes in earnings estimates by securities analysts;
- changes in our business;
- changes in the market's perception of our business;
- changes in the businesses, earnings estimates or market perceptions of our competitors or customers;
- changes in general market or economic conditions; and
- changes in the legislative or regulatory environment.

In addition, the stock market has experienced extreme price and volume fluctuations in recent years that have significantly affected the quoted prices of the securities of many companies, including companies in our industry. The changes often appear to occur without regard to specific operating performance. The price of our common stock could fluctuate based upon factors that have little or nothing to do with our company and these fluctuations could materially reduce our stock price.

Forward-Looking Statements

This Form 10-K includes forward-looking statements based on our current expectations, assumptions, estimates and projections about our company and our industry. Forward-looking statements include all statements that do not relate solely to historical or current facts, and can be identified by the use of words such as “could,” “may,” “believe,” “will,” “expect,” “project,” “estimate,” “intend,” “anticipate,” “plan,” “continue,” “predict,” “expectations” or other similar words. These statements, including statements regarding our future financial performance and other projections of measures of future financial performance of our company, are based on our current plans and expectations and involve risks and uncertainties that could cause actual future events or results to be different from those described in or implied by such statements. While we believe these forward-looking statements to be reasonable, projections are necessarily speculative in nature, and it can be expected that one or more of the estimates on which the projections were based may vary significantly from actual results, which variations may be material and adverse. As a result, because these statements are based on expectations as to future performance and events and are not statements of fact, actual events or results may differ materially from those projected. Factors that might cause such a difference include those discussed in our filings with the Securities and Exchange Commission, including but not limited to our most recently proxy statement, Form 10-K, as amended, and Form 10-Q's, as amended, and under the heading “Risk Factors” in this Form 10-K as well as future events that may have the effect of reducing our available operating income and cash balances, such as:

- unexpected operating losses,
- the impact of rising fuel prices on our airline customers,
- delays in, or unexpected costs associated with, the integration of our acquired businesses,
- conditions in the airline industry,
- problems meeting customer delivery requirements,
- new or expected refurbishments,
- capital expenditures,
- cash expenditures related to possible future acquisitions,
- further remediation of our Seating Products operating problems,
- labor disputes involving us, our significant customers or airframe manufacturers,
- the possibility of a write-down of intangible assets,
- delays or inefficiencies in the introduction of new products or
- fluctuations in currency exchange rates.

We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. You are cautioned not to unduly rely on such forward-looking statements when evaluating the information presented herein. These statements should be considered only after carefully reading this entire Form 10-K and the documents incorporated herein by reference.

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ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to a variety of risks, including foreign currency fluctuations and changes in interest rates affecting the cost of our variable-rate debt.

Foreign currency - We have direct operations in Europe that receive revenues from customers in various currencies and purchase raw materials and component parts from foreign vendors in various currencies. Accordingly, we are exposed to transaction gains and losses that could result from changes in foreign currency exchange rates relative to the U.S. dollar. The largest foreign currency exposure results from activity in British pounds and Dutch guilders.

From time to time, the Company and its foreign subsidiaries may enter into foreign currency exchange contracts to manage risk on transactions conducted in foreign currencies. At February 24, 2001, we had no outstanding forward currency exchange contracts. We did not enter into any other derivative financial instruments.

Directly and through our subsidiaries, we sell to various customers in the European Union which adopted the Euro as their legal currency beginning on January 1, 1999. The Euro is already used for some financial transactions and expected to enter general circulation after a three-year transition period ending January 1, 2002. Our information systems are capable of processing transactions in Euros. We do not expect costs in connection with the Euro conversion to be material.

Interest Rates - At February 24, 2001, we had adjustable rate debt of \$56,700 and fixed rate debt of \$549,564. The weighted average interest rate for the adjustable and fixed rate debt was approximately 9.04% and 8.89%, respectively, at February 24, 2001. Our adjustable rate debt was repaid on April 17, 2001. We do not engage in transactions intended to hedge our exposure to changes in interest rates.

As of February 24, 2001, we maintained a portfolio of securities consisting mainly of taxable, interest-bearing deposits with weighted average maturities of less than three months. If short-term interest rates were to increase or decrease by 10%, we estimate interest income would increase or decrease by approximately \$341.

ITEM 8. CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The information required by this section is set forth beginning from page F-1 of this Form 10-K.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The following table sets forth information regarding our directors and executive officers as of April 20, 2001. Officers of our company are elected annually by the Board of Directors.

<u>Title</u>	<u>Age</u>	<u>Position</u>
Amin J. Khoury	62	Chairman of the Board
Robert J. Khoury.....	59	President, Chief Executive Officer and Director
Thomas P. McCaffrey	47	Corporate Senior Vice President of Administration, Chief Financial Officer and Assistant Secretary
Edmund J. Moriarty	57	Corporate Vice President-Law, General Counsel and Secretary
Jeffrey P. Holtzman	45	Vice President-Finance and Treasurer
Stephen R. Swisher.....	42	Vice President and Controller
Michael B. Baughan	42	Group Vice President and General Manager, Seating Products
Roman G. Ptakowski.....	52	Group Vice President and General Manager, Interior Systems
Scott A. Smith.....	46	Group Vice President and General Manager, Flight Structures
Jim C. Cowart	49	Director * , **
Richard G. Hamermesh.....	53	Director*
Brian H. Rowe.....	69	Director**
Jonathan M. Schofield	60	Director*

* Member, Audit Committee

** Member, Stock Option and Compensation Committee

Our Restated Certificate of Incorporation provides that the Board of Directors is to be divided into three classes, each nearly as equal in number as possible, so that each director (in certain circumstances after a transitional period) will serve for three years, with one class of directors being elected each year. The Board is currently comprised of two Class I Directors (Brian H. Rowe and Jim C. Cowart), two Class II Directors (Robert J. Khoury and Jonathan M. Schofield) and two Class III Directors (Amin J. Khoury and Richard G. Hamermesh). The terms of the Class I, Class II and Class III Directors expire at the end of each respective three year term and upon the election and qualification of successor directors at annual meetings of stockholders held at the end of each fiscal year. Our executive officers are elected annually by the Board of Directors following the annual meeting of stockholders and serve at the discretion of the Board of Directors.

Amin J. Khoury has been our Chairman of the Board since July 1987 and was Chief Executive Officer until April 1, 1996. Since 1986, Mr. Khoury has also been the Managing Director of The K.A.D. Companies, Inc., an investment, venture capital and consulting firm. Mr. Khoury is currently the Chairman of the Board of Directors of Applied Extrusion Technologies, Inc., a manufacturer of oriented polypropylene films used in consumer products labeling and packaging applications, a member of the Board of Directors of Synthes-Stratec, Inc., the world's leading orthopedic trauma company, and a member of the Board of Directors of Brooks Automation, Inc., a leading supplier of integrated automation solutions for the global semiconductor, data storage and flat panel display manufacturing industries. Mr. Khoury is the brother of Robert J. Khoury. We entered into an employment agreement with Mr. Khoury extending through the latter of May 28, 2003 or three years from any date of which the term is being determined.

Robert J. Khoury has been a Director since July 1987. Mr. Khoury was elected President and Chief Executive Officer effective April 1, 1996. From July 1987 until that date, Mr. Khoury served as our President and Chief Operating Officer. From 1986 to 1987, Mr. Khoury was Vice President of The K.A.D. Companies, Inc. Mr. Khoury is the brother of Amin J. Khoury. We entered into an employment agreement with Mr. Khoury extending through the latter of May 28, 2003 or three years from any date of which the term is being determined.

Thomas P. McCaffrey has been Corporate Senior Vice President of Administration, Chief Financial Officer and Assistant Secretary since May 1993. From August 1989 through May 1993, Mr. McCaffrey was an Audit Director with Deloitte & Touche LLP, and from 1976 through 1989 served in several capacities, including Audit Partner, with Coleman & Grant. We entered into an employment agreement with Mr. McCaffrey extending through the latter of May 28, 2003 or three years from any date of which the term is being determined.

Edmund J. Moriarty has been Corporate Vice President-Law, General Counsel and Secretary since November 16, 1995. From 1991 to 1995, Mr. Moriarty served as Vice President and General Counsel to Rollins, Inc., a national service company. From 1982 through 1991, Mr. Moriarty served as Vice President and General Counsel to Old Ben Coal Company, a wholly owned coal subsidiary of The Standard Oil Company.

Jeffrey P. Holtzman has been Vice President-Finance and Treasurer since August 1999. Mr. Holtzman has been a Vice President since November 1996 and Treasurer since September 1993. From June 1986 to July 1993, Mr. Holtzman served in several capacities at FPL Group, Inc., including Assistant Treasurer and Manager of Financial Planning. Mr. Holtzman previously worked for Mellon Bank, Gulf Oil Corporation and Ernst & Young L.L.P.

Stephen R. Swisher has been Vice President and Controller since August 1999. Mr. Swisher has been Controller since 1996 and served as Director of Finance from 1994 to 1996. Prior to 1994, Mr. Swisher held various positions, including Manager of Division Accounting at Burger King Corporation and Audit Manager with Deloitte & Touche LLP.

Michael B. Baughan has been Group Vice President and General Manager of Seating Products since May 1999. From September 1994 to May 1999, Mr. Baughan was Vice President, Sales and Marketing for Seating Products. Prior to 1994, Mr. Baughan held various positions including President of AET Systems, Manager of Strategic Initiatives at The Boston Company (American Express) and Sales Representative at Dow Chemical Company.

Roman G. Ptakowski has been Group Vice President and General Manager of Interior Systems since December 1997. From September 1995 through December 1997, Mr. Ptakowski was Vice President, Sales and Marketing for Galley Products. From January 1995 through August 1995, Mr. Ptakowski served as Senior Vice President, Marketing for Farrel Corporation. Prior to that he was with the ABB Power T&D Company Inc. and Westinghouse Electric Corp. for 25 years, with his last position being General Manager of their Protective Relay Division.

Scott A. Smith has been Group Vice President and General Manager of Flight Structures since February 1999. From April 1998 to February 1999, Mr. Smith was the Vice President and General Manager of the In-Flight Entertainment business sold to a wholly-owned subsidiary of Sextant Avionique, S.A. From December 1995 through March 1998, Mr. Smith was with Toshiba American Information Electronics with his last position being Senior Vice President, Sales of the Americas. From December 1992 to February 1994, Mr. Smith served as Corporate Vice President of Engineering, and from February 1994 to September 1995, served as the General Manager of the Desktop and Server Product Division of AST Research. Prior to that, Mr. Smith was with IBM for 16 years and served in numerous capacities, including Systems Manager of the engineering team that developed IBM's first PC Server and advanced desktop, Staff Assistant to the Chairman of the Board and Director of Visual Subsystems Group.

Jim C. Cowart has been a Director since November 1989. Mr. Cowart is currently an independent investor and a principal of Cowart & Co. LLC and EOS Capital, Inc., private capital firms that we retain from time to time for strategic planning, competitive analysis, financial relations and other services. From January 1993 to November 1997, Mr. Cowart was the Chairman of the Board of Directors and Chief Executive Officer of Aurora Electronics Inc. From 1987 until 1991, Mr. Cowart was a founding general partner of Capital Resource Partners, a private investment capital manager. Prior to such time, Mr. Cowart held various positions in investment banking and venture capital with Lehman Brothers, Shearson Venture Capital and Kidder, Peabody & Co.

Richard G. Hamermesh has been a Director since July 1987. Since August 1987, Dr. Hamermesh has been the Managing Partner of the Center for Executive Development, an independent executive education consulting company, and, from December 1986 to August 1987, Dr. Hamermesh was an independent consultant. Prior to such time, Dr. Hamermesh was on the faculty at the Harvard Business School. Dr. Hamermesh is also a Director of Applied Extrusion Technologies, Inc., a manufacturer of oriented polypropylene films used in consumer products labeling and packaging applications and Vialog Corporation, a provider of teleconferencing and other group communications services.

Brian H. Rowe has been a Director since July 1995. He is currently Chairman Emeritus of GE Aircraft Engines, a principal business unit of the General Electric Company, where he also served as Chairman from September 1993 through January 1995 and as President from 1979 through 1993. Mr. Rowe is also a Director of the following companies: January 1980 - Fifth Third Bank, an Ohio banking corporation; December 1994 - Stewart & Stevenson Services, Inc., a custom packager of engine systems; March 1995 - Atlas Air, Inc., an air cargo carrier; December 1995 - Textron Inc., a manufacturer of aircraft, automobile components, an industrial segment, systems and components for commercial aerospace and defense industries, and financial services; December 1998 - Convergys Corporation, which provides outsourced, integration, billing and customer management services; and December 1998 - Dynatech Corporation, a test equipment and communication systems.

Jonathan M. Schofield has been a Director since April 2, 2001. Mr. Schofield recently retired from Airbus Industrie of North America, Inc. after having served as its Chairman and Chief Executive Officer since December 1992. From 1989 until he joined Airbus, Mr. Schofield was President of United Technologies Corporation. Mr. Schofield is Chairman of the Board of Overseers for the University of Connecticut's School of Business Administration, and presently sits on the Boards of Aviall, Inc., SS&C Technologies, Inc., Altair Avionics and Blue Stone Capital Partners, Inc.

ITEM 11. EXECUTIVE COMPENSATION

Information set forth under the caption "Executive Compensation" in the Proxy Statement is incorporated by reference herein. The Compensation Committee Report and the Performance Graph included in the Proxy Statement are not incorporated herein.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Information set forth under the caption "Security Ownership of Certain Beneficial Owners and Management" in the Proxy Statement is incorporated by reference herein.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Information set forth under the caption "Certain Relationships and Related Transactions" in the Proxy Statement is incorporated by reference herein.

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PART IV

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

(a) The following documents are filed as part of this Form 10-K:

1. Consolidated Financial Statements (See page F-1)

Independent Auditors' Report.

Consolidated Balance Sheets, February 24, 2001 and February 26, 2000.

Consolidated Statements of Operations and Comprehensive Income (Loss) for the Years Ended February 24, 2001, February 26, 2000 and February 27, 1999.

Consolidated Statements of Stockholders' Equity for the Years Ended February 24, 2001, February 26, 2000 and February 27, 1999.

Consolidated Statements of Cash Flows for the Years Ended February 24, 2001, February 26, 2000 and February 27, 1999.

Notes to Consolidated Financial Statements for the Years Ended February 24, 2001, February 26, 2000 and February 27, 1999.

2. Financial Statement Schedule

Schedule II - Valuation and Qualifying Accounts

All other financial statement schedules are omitted because such schedules are not required or the information required has been presented in the aforementioned consolidated financial statements.

3. Exhibits – The exhibits listed in the following "Index to Exhibits" are filed with this Form 10-K or incorporated by reference as set forth below.

(b) The following reports and registration statements were filed during the quarter ended February 24, 2001.

(c) The exhibits listed in the following "Index to Exhibits" are filed with this Form 10-K or incorporated by reference as set forth below.

(d) Additional Financial Statement Schedules - None.

INDEX TO EXHIBITS

<u>Exhibit Number</u>	<u>Description</u>
Exhibit 3 Articles of Incorporation and By-Laws	
3.1	Amended and Restated Certificate of Incorporation (1)
3.2	Certificate of Amendment of the Restated Certificate of Incorporation (2)
3.3	Certificate of Amendment of the Restated Certificate of Incorporation (17)
3.4	Amended and Restated By-Laws (18)
Exhibit 4 Instruments Defining the Rights of Security Holders, including debentures	
4.1	Specimen Common Stock Certificate (1)
4.2	Form of Note for the Registrant's 9 1/2% Senior Subordinated Notes (19)
4.3	Indenture dated November 2, 1998 between The Bank of New York, as trustee, and the Registrant relating to the Registrant's 9 1/2% Senior Subordinated Notes (19)
4.4	Form of Note for the Registrant's Series B 9 7/8% Senior Subordinated Notes (3)
4.5	Indenture dated January 24, 1996 between Fleet National Bank, as trustee, and the Registrant relating to the Registrant's 9 7/8% Senior Subordinated Notes and Series B 9 7/8% Senior Subordinated Notes (3)
4.6	Form of Note for the Registrant's 8% Series B Senior Subordinated Notes (4)
4.7	Indenture dated February 13, 1998 for the Registrant's issue of 8% Senior Subordinated Notes (4)
4.8	Form of Stockholders' Agreement by and among the Registrant, Summit Ventures II, L.P., Summit Investors II, L.P. and Wedbush Capital Partners (5)
4.9	Rights Agreement between the Registrant and BankBoston, N.A., as rights agent, dated as of November 12, 1998 (18)
Exhibit 10(i) Material Contracts	
10.1	Supply Agreement dated as of April 17, 1990 between the Registrant and Applied Extrusion Technologies, Inc. (1)
10.2	Fifth Amended and Restated Credit Agreement dated August 7, 1998 (17)
10.3	Receivables Sales Agreement dated January 24, 1996 among the Registrant, First Trust of Illinois, N.A. and Centrally Held Eagle Receivables Program, Inc. (3)
10.4	Escrow Agreement dated January 24, 1996 among the Registrant, Eagle Industrial Product Corporation and First Trust of Illinois, N.A. as Escrow Agent (3)
10.5	Acquisition Agreement dated as of December 14, 1995 by and among the Registrant, Eagle Industrial Products Corporation, Eagle Industries, Inc. and Great American Management and Investment, Inc. (8)
10.6	Asset Purchase Agreement dated as of April 16, 1998 by and between Stanford Aerospace Group, Inc. and the Registrant (9)
10.7	Stock Purchase Agreement dated as of March 31, 1998 by and between the Registrant and Puritan Bennett Corporation (10)
10.8	Acquisition Agreement dated July 21, 1998 among the Registrant and Sellers named therein (16)
10.8a	Amendment No. 1 to the Chase Manhattan Bank credit facility (24)
10.8b	Amendment No. 2 to the Chase Manhattan Bank credit facility (24)
10.8c	Agreement with Thomson-CSF Sextant, Inc. for the sale of a 49% interest in the Company's In-Flight Entertainment business (24)
Exhibit 10(ii) Leases	
10.9	Lease dated May 15, 1992 between McDonnell Douglas Company, as lessor, and the Registrant, as lessee, relating to the Irvine, California property (2)
10.10	Lease dated September 1, 1992 relating to the Wellington, Florida property (2)

<u>Exhibit Number</u>	<u>Description</u>
10.11	Chesham, England Lease dated October 1, 1973 between Drawheath Limited and the Peninsular and Oriented Stem Navigation Company (assigned in February 1985) (14)
10.12	Utrecht, The Netherlands Lease dated December 15, 1988 between the Pension Fund Foundation for Food Supply Commodity Boards and Inventum (14)
10.13	Utrecht, The Netherlands Lease dated January 31, 1992 between G.W. van de Grift Onroerend Goed B.V. and Inventum (14)
10.14	Lease dated October 25, 1993 relating to the property in Longwood, Florida (6)
Exhibit 10(iii) Executive Compensation Plans and Arrangements	
10.15	Amended and Restated 1989 Stock Option Plan (11)
10.16	Directors' 1991 Stock Option Plan (11)
10.17	1990 Stock Option Agreement with Richard G. Hamermesh (11)
10.18	1990 Stock Option Agreement with B. Martha Cassidy (11)
10.19	1990 Stock Option Agreement with Jim C. Cowart (11)
10.20	1990 Stock Option Agreement with Petros A. Palandjian (11)
10.21	1990 Stock Option Agreement with Hansjorg Wyss (11)
10.22	1991 Stock Option Agreement with Amin J. Khoury (11)
10.23	1991 Stock Option Agreement with Jim C. Cowart (11)
10.24	1992 Stock Option Agreement with Amin J. Khoury (11)
10.25	1992 Stock Option Agreement with Jim C. Cowart (11)
10.26	1992 Stock Option Agreement with Paul W. Marshall (11)
10.27	1992 Stock Option Agreement with David Lahar (11)
10.28	United Kingdom 1992 Employee Share Option Scheme (2)
10.29	1994 Employee Stock Purchase Plan (12)
10.30	Amended and Restated Employment Agreement as of May 29, 1998 between the Registrant and Amin J. Khoury (15)
10.31	Amended and Restated Employment Agreement as of May 29, 1998 between the Registrant and Robert J. Khoury (15)
10.34	Employment Agreement dated as of April 1, 1992 between the Registrant and G. Bernard Jewel (14)
10.35	Amended and Restated Employment Agreement dated as of May 29, 1998 between the Registrant and Thomas P. McCaffrey (15)
10.36	Amended and Restated Employment Agreement dated as of May 29, 1998 between the Registrant and Paul E. Fulchino (15)
10.37	BE Aerospace, Inc. Savings and Profit Sharing Plan and Trust — Financial Statements for the Ten Months Ended December 31, 1995 and the Year Ended February 28, 1995, Supplemental Schedules and Independent Auditors' Report (14)
10.38	BE Aerospace, Inc. 1994 Employee Stock Purchase Plan Financial Statements as of February 29, 1996 and February 26, 1995; and for the Year Ended February 29, 1996 and the period from May 15, 1994 (inception) to February 28, 1995 and Independent Auditors' Report (14)
10.39	Amendment No. 1 to Employment Agreement dated November 12, 1998 between the Registrant and Amin J. Khoury (19)
10.40	Amendment No. 1 to Employment Agreement dated November 12, 1998 between the Registrant and Robert J. Khoury (19)
10.41	Amendment No. 1 to Amended and Restated Employment Agreement dated November 12, 1998 between the Registrant and Thomas P. McCaffrey (19)

<u>Exhibit Number</u>	<u>Description</u>
10.42	Amendment No. 1 to Amended and Restated Employment Agreement dated November 12, 1998 between the Registrant and Paul E. Fulchino (19)
10.44	B/E Aerospace, Inc. Savings Plan Financial Statements for the years ended December 31, 1997 and 1996, supplemental Schedules, and Independent Auditors' Report (14)
10.45	B/E Aerospace, Inc. 1995 Employee Stock Purchase Plan Financial Statements for the years ended February 28, 1998 and 1997 and Independent Auditors' Report (14)
10.46	B/E Aerospace, Inc. 1995 Employee Stock Purchase Plan Financial Statements for the years ended February 27, 1999 and 1998 and Independent Auditors' Report (20)
10.47	B/E Aerospace, Inc. Savings Plan Financial Statements for the years ended December 31, 1998 and 1997 and Independent Auditors' Report (20)
10.48	Supplemental Executive Money Purchase Retirement Plan (21)
10.49	First Amendment to the Supplemental Executive Money Purchase Retirement Plan (21)
10.50	Supplemental Executive Deferred Compensation Plan III (21)
10.51	Amendment to the Amended and Restated 1989 Stock Option Plan (22)
10.52	Amended and Restated 1989 Stock Option Plan (23)
10.53	1996 Stock Option Plan (23)
10.54	1994 Employee Stock Purchase Plan (25)
10.55	1996 Stock Option Plan (25)
10.56	Amendment No. 2 to Employment Agreement dated September 30, 1999 between the Registrant and Amin J. Khoury*
10.57	Amendment No. 2 to Employment Agreement dated September 30, 1999 between the Registrant and Robert J. Khoury*
10.58	Amendment No. 2 to Employment Agreement dated September 30, 1999 between the Registrant and Thomas P. McCaffrey*
10.59	B/E Aerospace, Inc. 1994 Employee Stock Purchase Plan Financial Statements for the years ended February 26, 2000 and February 28, 1999 and Independent Auditors' Report*
Exhibit 21	Subsidiaries of the Registrant
21.1	Subsidiaries *
Exhibit 23	Consents of Experts and Counsel
23.1	Consent of Independent Accountants - Deloitte & Touche LLP*

* Filed herewith.

- (1) Incorporated by reference to the Company's Registration Statement on Form S-1, as amended (No. 33-33689), filed with the Commission on March 7, 1990.
- (2) Incorporated by reference to the Company's Registration Statement on Form S-1, as amended (No. 33-54146), filed with the Commission on November 3, 1992.
- (3) Incorporated by reference to the Company's Registration Statement on Form S-4 (No. 333-00433), filed with the Commission on January 26, 1996.
- (4) Incorporated by reference to the Company's Registration Statement on Form S-4 (No. 333-47649), filed with the Commission on March 10, 1998.
- (5) Incorporated by reference to the Company's Registration Statement on Form S-2 (No. 33-66490), filed with the Commission on July 23, 1993.
- (6) Incorporated by reference to the Company's Annual Report on Form 10-K as amended for the Fiscal year ended February 26, 1994, filed with the Commission on May 25, 1994.
- (7) Incorporated by reference to the Company's Annual Report on Form 10-K as amended for the Fiscal year ended February 25, 1995, filed with the Commission on May 26, 1995.
- (8) Incorporated by reference to the Company's Current Report on Form 8-K dated December 14, 1995, filed with the Commission on December 28, 1995.
- (9) Incorporated by reference to the Company's Current Report on Form 8-K dated May 8, 1998, filed with the Commission on May 8, 1998.
- (10) Incorporated by reference to the Company's Current Report on Form 8-K dated March 31, 1998, filed with the Commission on April 27, 1998.
- (11) Incorporated by reference to the Company's Registration Statement on Form S-8 (No. 33-48119), filed with the Commission on May 26, 1992.

- (12) Incorporated by reference to the Company's Registration Statement on Form S-8 (No. 33-82894), filed with the Commission on August 16, 1994.
- (13) Incorporated by reference to the Company's Current Report on Form 8-K dated March 26, 1996, filed with the Commission on April 5, 1996.
- (14) Incorporated by reference to the Company's Annual Report on Form 10-K as amended for the Fiscal year ended February 28, 1998, filed with the Commission on May 29, 1998.
- (15) Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarter ended May 30, 1998, filed with the Commission on July 14, 1998.
- (16) Incorporated by reference to the Company's Current Report on Form 8-K dated August 24, 1998, filed with the Commission on August 24, 1998.
- (17) Incorporated by reference to the Company's Registration Statement on Form S-3 (No. 333-60209), filed with the Commission on July 30, 1998.
- (18) Incorporated by reference to the Company's Current Report on Form 8-K dated November 12, 1998, filed with the Commission on November 18, 1998.
- (19) Incorporated by reference to the Company's Registration Statement on Form S-4 (No. 333-67703), filed with the Commission on January 13, 1999.
- (20) Incorporated by reference to the Company's Annual Report on Form 10-K for the Fiscal Year ended February 27, 1999, filed with the Commission on May 28, 1999.
- (21) Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarter ended May 29, 1999, filed with the Commission on July 9, 1999.
- (22) Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarter ended August 28, 1999, filed with the Commission on September 28, 1999.
- (23) Incorporated by reference to the Company's Registration Statement on Form S-8 (No. 333-89145), filed with the Commission on October 15, 1999.
- (24) Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarter ended November 27, 1999, filed with the Commission on January 7, 2000.
- (25) Incorporated by reference to the Company's Registration Statement on Form S-8 (No. 333-30578), filed with the Commission on February 16, 2000.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized.

BE AEROSPACE, INC.

By: /s/
Robert J. Khoury
President and Chief Executive Officer

Dated: May 21, 2001

Pursuant to the requirements of the Securities Exchange Act of 1934, this Form 10-K has been signed on May 21, 2001 by the following persons on behalf of the registrant in the capacities indicated.

<u>Signature</u>	<u>Title</u>
<u>/s/</u> Amin J. Khoury	Chairman
<u>/s/</u> Robert J. Khoury	President and Chief Executive Officer
<u>/s/</u> Thomas P. McCaffrey	Corporate Senior Vice President of Administration, Chief Financial Officer and Assistant Secretary (principal financial and accounting officer)
<u>/s/</u> Jim C. Cowart	Director
<u>/s/</u> Richard G. Hamermesh	Director
<u>/s/</u> Brian H. Rowe	Director
<u>/s/</u> Jonathan M. Schofield	Director

ITEM 8. INDEX TO CONSOLIDATED FINANCIAL STATEMENTS AND SCHEDULE

Page

Independent Auditors' Report

F-2

Financial Statements:

Consolidated Balance Sheets, February 24, 2001 and February 26, 2000

F-3

Consolidated Statements of Operations and Comprehensive
Income (Loss) for the Years Ended February 24, 2001, February 26, 2000
and February 27, 1999

F-4

Consolidated Statements of Stockholders' Equity for the Years Ended
February 24, 2001, February 26, 2000 and February 27, 1999

F-5

Consolidated Statements of Cash Flows for the Years Ended
February 24, 2001, February 26, 2000 and February 27, 1999

F-6

Notes to Consolidated Financial Statements for the Years Ended
February 24, 2001, February 26, 2000 and February 27, 1999

F-7

Financial Statement Schedule:

Schedule II - Valuation and Qualifying Accounts for the Years Ended
February 24, 2001, February 26, 2000 and February 27, 1999

F-25

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INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
BE Aerospace, Inc.
Wellington, Florida

We have audited the accompanying consolidated balance sheets of BE Aerospace, Inc. and subsidiaries as of February 24, 2001 and February 26, 2000, and the related consolidated statements of operations and comprehensive income (loss), stockholders' equity, and cash flows for each of the three fiscal years in the period ended February 24, 2001. Our audits also included the financial statement schedule on page F-25. These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits.

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

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of BE Aerospace, Inc. and subsidiaries as of February 24, 2001 and February 26, 2000, and the results of their operations and their cash flows for each of the three fiscal years in the period ended February 24, 2001, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

DELOITTE & TOUCHE LLP

Costa Mesa, California
April 2, 2001, except
Note 18, as to which the
date is May 16, 2001.

CONSOLIDATED BALANCE SHEETS, FEBRUARY 24, 2001 AND FEBRUARY 26, 2000

(In thousands, except share data)

<u>ASSETS</u>	<u>2001</u>	<u>2000</u>
Current Assets:		
Cash and cash equivalents	\$ 60,271	\$ 37,363
Accounts receivable - trade, less allowance for doubtful accounts of \$2,619 (2001) and \$3,883 (2000)	99,673	103,719
Inventories, net	135,005	127,230
Other current assets	<u>50,150</u>	<u>35,291</u>
Total current assets	<u>345,099</u>	<u>303,603</u>
Property and equipment, net	157,517	152,350
Intangibles and other assets, net	<u>433,379</u>	<u>425,836</u>
	<u>\$935,995</u>	<u>\$881,789</u>
 <u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>		
Current Liabilities:		
Accounts payable	\$ 64,671	\$ 60,824
Accrued liabilities	99,685	109,143
Current portion of long-term debt	<u>5,846</u>	<u>3,723</u>
Total current liabilities	<u>170,202</u>	<u>173,690</u>
Long-term debt (Note 18)	603,812	618,202
Other liabilities	26,707	25,400
Commitments and contingencies (Note 11)	-	-
Stockholders' Equity:		
Preferred stock, \$0.01 par value; 1,000,000 shares authorized; no shares outstanding	-	-
Common stock, \$0.01 par value; 50,000,000 shares authorized; 28,460,583 (2001) and 24,931,307 (2000) shares issued and outstanding	285	249
Additional paid-in capital	311,506	249,682
Accumulated deficit	(154,602)	(174,874)
Accumulated other comprehensive loss	<u>(21,915)</u>	<u>(10,560)</u>
Total stockholders' equity	<u>135,274</u>	<u>64,497</u>
	<u>\$935,995</u>	<u>\$881,789</u>

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)
FOR THE YEARS ENDED FEBRUARY 24, 2001, FEBRUARY 26, 2000 AND FEBRUARY 27, 1999
(In thousands, except per share data)

	Year Ended		
	February 24, 2001	February 26, 2000	February 27, 1999
Net sales	\$666,444	\$723,349	\$701,325
Cost of sales (Note 3)	<u>416,626</u>	<u>543,682</u>	<u>522,875</u>
Gross profit	249,818	179,667	178,450
Operating expenses:			
Selling, general and administrative	92,541	94,891	83,648
Research, development and engineering	48,898	54,004	56,207
Amortization of intangible assets	23,408	24,076	22,498
Acquisition and initial public offering costs	8,276	-	-
Transaction gain, expenses and other expenses	-	-	<u>53,854</u>
Total operating expenses	<u>173,123</u>	<u>172,971</u>	<u>216,207</u>
Operating earnings (loss)	76,695	6,696	(37,757)
Equity in losses of unconsolidated subsidiary	-	1,289	-
Interest expense, net	<u>54,170</u>	<u>52,921</u>	<u>41,696</u>
Earnings (loss) before income taxes	22,525	(47,514)	(79,453)
Income taxes	<u>2,253</u>	<u>3,283</u>	<u>3,900</u>
Net earnings (loss)	<u>20,272</u>	<u>(50,797)</u>	<u>(83,353)</u>
Other comprehensive income (loss):			
Foreign exchange translation adjustment	<u>(11,355)</u>	<u>(4,455)</u>	<u>(3,086)</u>
Comprehensive income (loss)	<u>\$ 8,917</u>	<u>\$ (55,252)</u>	<u>\$ (86,439)</u>
Basic earnings (loss) per share	<u>\$ 0.80</u>	<u>\$ (2.05)</u>	<u>\$ (3.36)</u>
Weighted average common shares	<u>25,359</u>	<u>24,764</u>	<u>24,814</u>
Diluted earnings (loss) per share	<u>\$ 0.78</u>	<u>\$ (2.05)</u>	<u>\$ (3.36)</u>
Weighted average common shares	<u>25,889</u>	<u>24,764</u>	<u>24,814</u>

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED FEBRUARY 24, 2001, FEBRUARY 26, 2000 AND FEBRUARY 27, 1999
(in thousands)

	Common Stock		Additional	Accumulated	Accumulated	Total
	Shares	Amount	Paid-in	Deficit	Other	Stockholders'
			Capital		Loss	Equity
Balance, February 28, 1998	22,892	\$ 229	\$240,289	\$(40,724)	\$(3,019)	\$196,775
Sale of stock under						
employee stock purchase plan	151	1	2,167	-	-	2,168
Exercise of stock options	292	3	3,829	-	-	3,832
Employee benefit plan						
matching contribution	101	1	2,300	-	-	2,301
Issuance of stock in conjunction						
with acquisition (Note 2)	4,000	40	117,960	-	-	118,000
Repurchase of stock in						
conjunction with acquisition						
(Note 2)	(4,000)	(40)	(117,960)	-	-	(118,000)
Impact of immaterial poolings						
(Note 2)	1,167	12	(2,776)	-	-	(2,764)
Net loss	-	-	-	(83,353)	-	(83,353)
Foreign currency translation						
adjustment	-	-	-	-	(3,086)	(3,086)
Balance, February 27, 1999	24,603	246	245,809	(124,077)	(6,105)	115,873
Sale of stock under						
employee stock purchase plan	107	1	1,335	-	-	1,336
Exercise of stock options	49	-	442	-	-	442
Employee benefit plan						
matching contribution	172	2	2,096	-	-	2,098
Net loss	-	-	-	(50,797)	-	(50,797)
Foreign currency translation						
adjustment	-	-	-	-	(4,455)	(4,455)
Balance, February 26, 2000	24,931	249	249,682	(174,874)	(10,560)	64,497
Sale of stock under						
employee stock purchase plan	284	3	2,140	-	-	2,143
Exercise of stock options	600	6	6,362	-	-	6,368
Employee benefit plan						
matching contribution	188	2	1,932	-	-	1,934
Issuance of stock in conjunction						
with acquisitions	2,458	25	51,390	-	-	51,415
Net earnings	-	-	-	20,272	-	20,272
Foreign currency translation						
adjustment	-	-	-	-	(11,355)	(11,355)
Balance, February 24, 2001	<u>28,461</u>	<u>\$ 285</u>	<u>\$311,506</u>	<u>\$(154,602)</u>	<u>\$(21,915)</u>	<u>\$135,274</u>

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED FEBRUARY 24, 2001, FEBRUARY 26, 2000 AND FEBRUARY 27, 1999
(Dollars in thousands)

CASH FLOWS FROM OPERATING ACTIVITIES:	<u>2001</u>	<u>2000</u>	<u>1999</u>
Net earnings (loss)	\$20,272	\$(50,797)	\$(83,353)
Adjustments to reconcile net earnings (loss) to net cash flows provided by operating activities:			
Transaction gain, expenses	-	-	79,155
Gain on sale of 51% interest in subsidiary	-	-	(25,301)
Depreciation and amortization	42,755	42,237	40,690
Provision for accounts receivable	625	2,008	721
Deferred income taxes	-	1,054	(277)
Non-cash employee benefit plan contributions	1,934	2,098	2,301
Changes in operating assets and liabilities, net of effects from acquisitions:			
Accounts receivable	6,043	34,440	(22,128)
Inventories	(6,427)	(8,764)	(10,935)
Other current assets	1,789	(10,146)	(5,514)
Payables, accruals and current taxes	<u>(9,131)</u>	<u>4,756</u>	<u>39,856</u>
Net cash flows provided by operating activities	<u>57,860</u>	<u>16,886</u>	<u>15,215</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Capital expenditures	(17,133)	(33,169)	(37,465)
Change in intangibles and other assets	(873)	(16,250)	(19,429)
Acquisitions, net of cash acquired	-	-	(231,690)
Net proceeds on sale of 51% interest in subsidiary	<u>-</u>	<u>-</u>	<u>61,735</u>
Net cash flows used in investing activities	<u>(18,006)</u>	<u>(49,419)</u>	<u>(226,849)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net (repayments) borrowings under revolving lines of credit	(24,516)	28,924	36,267
Proceeds from issuance of stock, net of expenses	8,511	1,759	6,000
Principal payments on long-term debt	-	-	(31,714)
Repurchase of common stock originally issued in conjunction with acquisition of SMR Aerospace	-	-	(118,000)
Proceeds from long-term debt	<u>-</u>	<u>-</u>	<u>194,137</u>
Net cash flows (used in) provided by financing activities	<u>(16,005)</u>	<u>30,683</u>	<u>86,690</u>
Effect of exchange rate changes on cash flows	<u>(941)</u>	<u>(287)</u>	<u>(241)</u>
Net increase (decrease) in cash and cash equivalents	22,908	(2,137)	(125,185)
Cash and cash equivalents, beginning of year	<u>37,363</u>	<u>39,500</u>	<u>164,685</u>
Cash and cash equivalents, end of year	<u>\$60,271</u>	<u>\$37,363</u>	<u>\$ 39,500</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:			
Cash paid during year for:			
Interest, net	\$56,154	\$51,745	\$ 27,994
Income taxes, net	2,883	4,902	4,570
Interest capitalized in computer equipment and software	325	1,474	2,088
SUPPLEMENTAL SCHEDULE OF NON-CASH ACTIVITIES:			
Stock issued in connection with acquisitions	51,415	-	-
Liabilities assumed and accrued acquisition costs incurred in connection with the acquisitions	14,485	-	-
Reclassification of Sextant Note from long-term other asset to other current asset	15,675	-	-

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED FEBRUARY 24, 2001, FEBRUARY 26, 2000 AND FEBRUARY 27, 1999
(in thousands, except per share data)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Basis of Presentation - BE Aerospace, Inc. and its wholly-owned subsidiaries (the "Company" or "B/E") designs, manufactures, sells and services a broad line of commercial and general aviation aircraft cabin interior products consisting of a broad range of aircraft seating products, service systems and interior systems products, including structures as well as all food and beverage storage and preparation equipment. The Company's customers are the operators of commercial and general aviation aircraft. As a result, the Company's business is directly dependent upon the conditions in the commercial airline and general aviation industry. The accompanying financial statements are prepared in accordance with accounting principles generally accepted in the United States of America.

Consolidation - The accompanying consolidated financial statements include the accounts of BE Aerospace, Inc. and its wholly-owned subsidiaries. Investments in less than majority-owned businesses are accounted for under the equity method. All intercompany transactions and balances have been eliminated in consolidation. The Company's fiscal year ends on the last Saturday in February.

Use of Estimates - The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes - In accordance with Statement of Financial Accounting Standards ("SFAS") No. 109, *Accounting for Income Taxes*, the Company provides deferred income taxes for temporary differences between amounts of assets and liabilities recognized for financial reporting purposes and such amounts recognized for income tax purposes. A valuation allowance related to a deferred tax asset is recorded when it is more likely than not that some portion or all of the deferred tax asset will not be realized.

Revenue Recognition - Sales of assembled products and equipment are recorded on the date of shipment and passage of title or, if required, upon acceptance by the customer. Service revenues are recorded when services are performed. Revenues and costs under certain long-term contracts are recognized using contract accounting under the percentage-of-completion method. The Company sells its products primarily to airlines worldwide, including occasional sales collateralized by letters of credit. The Company performs ongoing credit evaluations of its customers and maintains reserves for potential credit losses. Actual losses have been within management's expectations.

Warranty Costs - Estimated costs related to product warranties are accrued at the time products are sold.

Cash Equivalents - The Company considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

Intangible Assets - Intangible assets consist of goodwill and other identified intangible assets associated with the Company's acquisitions. Goodwill and other identified intangible assets are amortized on a straight-line basis over their estimated useful lives. At each balance sheet date, management assesses whether there has been an other than temporary impairment in the value of intangible assets. If the carrying value of the asset exceeds the estimated undiscounted future cash flows from operating activities of the related business, an other than temporary impairment is deemed to have occurred. In this event, the asset is written down accordingly. As of February 24, 2001, management determined that no impairment existed.

Long-Lived Assets - The Company accounts for the impairment and disposition of long-lived assets in accordance with SFAS No. 121, *Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of*. In accordance with SFAS No. 121, long-lived assets are reviewed for events or changes in circumstances that indicate that their carrying value may not be recoverable. At February 24, 2001, management determined that no such impairment existed.

Research and Development - Research and development expenditures are expensed as incurred.

Foreign Currency Translation - In accordance with the provisions of SFAS No. 52, *Foreign Currency Translation*, the assets and liabilities of subsidiaries located outside the United States are translated into U.S. dollars at the rates of exchange in effect at the balance sheet dates. Revenue and expense items are translated at the average exchange rates prevailing during the period. Gains and losses resulting from foreign currency transactions are recognized currently in income, and those resulting from translation of financial statements are accumulated as a separate component of stockholders' equity.

New Accounting Pronouncements

In March 2000, the Financial Accounting Standards Board ("FASB") issued Interpretation No. 44, *"Accounting for Certain Transactions Involving Stock Compensation — an interpretation of APB Opinion No. 25"* ("FIN 44"). FIN 44 clarifies the application of Accounting Principles Board ("APB") Opinion No. 25 and among other issues clarifies the following: the definition of an employee for purposes of applying APB Opinion No. 25; the criteria for determining whether a plan qualifies as a non-compensatory plan; the accounting consequence of various modifications to the terms of previously fixed stock options or awards; and the accounting for an exchange of stock compensation awards in a business combination. FIN 44 is effective July 1, 2000, but certain conclusions in FIN 44 cover specific events that occurred after either December 15, 1998 or January 12, 2000. FIN 44 did not have a material impact on our financial position or results of operations.

In December 1999, the SEC staff issued Staff Accounting Bulletin ("SAB") No. 101, Revenue Recognition in Financial Statements. SAB 101 summarizes the SEC staff's views in applying generally accepted accounting principles to revenue recognition in financial statements. SAB 101 became effective for our fourth quarter beginning November 26, 2000. Its implementation did not have a material effect on our revenue recognition policy.

In June 1998, the FASB issued SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*, which the Company is required to adopt effective in its fiscal year 2002. SFAS No. 133, as amended, will require the Company to record all derivatives on the balance sheet at fair value. The Company will adopt SFAS No. 133 at the beginning of fiscal 2002. The Company does not currently hold derivatives or engage in hedging activities; therefore, the effects of adopting SFAS No. 133 are not expected to be material.

Reclassifications - Certain reclassifications have been made to the prior year financial statements to conform to the February 24, 2001 presentation.

2. ACQUISITIONS AND DISPOSITIONS

The Company has completed a number of acquisitions and dispositions. The following is a summary of these transactions:

2001 Acquisitions

Effective February 24, 2001, the Company acquired four companies, Alson Industries, Inc., T.L. Windust Machine, Inc., DMGI, Inc. and Maynard Precision, Inc. (the "2001 Acquisitions"). These businesses specialize in manufacturing precision-machined components and assemblies for the aerospace industry. The 2001 Acquisitions were completed by issuing to the former stockholders a total of approximately 2.9 million shares of B/E common stock, paying them a total of approximately \$5,260 in cash and assuming or repaying indebtedness of approximately \$11,793. The consideration represents an aggregate purchase price of approximately \$70,126. The aggregate purchase price includes approximately \$3,500 of consideration, represented by 187,500 shares of B/E common stock, that was funded into an escrow account. The payment of this consideration is contingent upon one of the acquired businesses achieving specified operating targets for fiscal 2002. Each of these transactions has been accounted for using purchase accounting. The assets

purchased and liabilities assumed have been reflected in the accompanying balance sheet as of February 24, 2001. The operating results for the 2001 Acquisitions will be reflected in the Company's results beginning in fiscal 2002.

The Company has not yet completed the evaluation and allocation of the purchase price for the 2001 acquisitions as the appraisals associated with the identification and valuation of certain intangible assets are not yet complete. The Company does not believe that the appraisals will materially modify the preliminary purchase price allocation. The excess of the purchase prices over the fair value of the identifiable net assets acquired aggregated approximately \$56,500. Goodwill will be amortized over 30 years using the straight-line method.

The aggregate purchase price for the 2001 Acquisitions has been allocated based on management's estimates as follows:

Accounts receivable	\$ 4,900
Inventories	5,800
Other current assets	600
Property and equipment	10,600
Intangible assets and other	<u>56,500</u>
	<u>\$78,400</u>

The Company recorded costs and expenses associated with the 2001 Acquisitions of approximately \$5,800. The costs for the 2001 acquisitions include costs associated with consolidation and integration of existing facilities including lease termination costs and the impairment of property and equipment, and retention benefits to existing employees in accordance with EITF 94-3 and SFAS 121. These costs, along with approximately \$2,500 of costs and expenses attributable to the termination of the initial public offering of a subsidiary, Advanced Thermal Sciences, have been presented as acquisition and initial public offering costs in the accompanying Consolidated Statements of Operations for the year ended February 24, 2001.

1999 Acquisitions

During fiscal 1999, the Company completed a number of acquisitions, which are collectively referred to as the "1999 Acquisitions." The following is a description of each of the more significant transactions:

On April 13, 1998, the Company completed its acquisition of Puritan-Bennett Aero Systems Co. ("PBASCO") for approximately \$69,700 in cash and the assumption of approximately \$9,200 of liabilities, including related acquisition costs and certain liabilities arising from the acquisition. PBASCO is a manufacturer of commercial aircraft oxygen delivery systems and "WEMAC" air valve components and, in addition, supplies overhead lights and switches, crew masks and protective breathing devices for both commercial and general aviation aircraft. During the first quarter of fiscal 1999, contemporaneously with the acquisition, the Company recorded a charge of \$13,000 associated with the PBASCO transaction, for the write-off of in-process research and development and acquisition-related expenses (Note 4).

On April 21, 1998, the Company acquired substantially all of the assets of Aircraft Modular Products ("AMP") for approximately \$117,300 in cash and the assumption of approximately \$12,800 of liabilities, including related acquisition costs and certain liabilities arising from the acquisition. AMP is a manufacturer of cabin interior products for general aviation (business jet) and commercial-type VIP aircraft, providing a broad line of products including seating, sidewalls, bulkheads, credenzas, closets, galley structures, lavatories, tables and sofas, along with related spare parts. During the first quarter of fiscal 1999, the Company recorded a charge of approximately \$19,255 associated with the AMP transaction for the write-off of in-process research and development and acquisition-related expenses (Note 4).

On August 7, 1998, the Company acquired all of the capital stock of SMR Aerospace, Inc. and its affiliates, SMR Developers LLC and SMR Associates (together, "SMR") for an aggregate purchase price of approximately \$141,500 cash and the assumption of approximately \$32,600 of liabilities, including related acquisition costs and certain liabilities arising from the acquisition. The Company paid for the acquisition of SMR by issuing four million shares (the "SMR Shares") of Company stock (then valued at approximately \$30 per share) to the former stockholders of SMR and paying them \$2,000 in cash. The Company also paid \$22,000 in cash to the employee stock ownership plan of a subsidiary of SMR Aerospace, Inc. to purchase the minority equity interest in such subsidiary held by the Employee Stock Ownership Plan. The Company agreed to register for sale with the Securities and Exchange Commission the SMR Shares. If the net proceeds from the sale of the shares, which included the \$2,000 in cash already paid, was less than \$120,000, the Company agreed to pay such difference in cash to the selling stockholders. Because of the market price for the Company's common stock and the Company's payment obligation to the selling stockholders described above, the Company decided to repurchase the SMR Shares with approximately \$118,000 of the proceeds from the sale of 9 1/2% Senior Subordinated Notes instead of registering the shares for sale (the \$118,000 payment represents the net proceeds of \$120,000 the Company was obligated to pay the selling stockholders, less the \$2,000 in cash the Company already paid them).

SMR provides design, integration, installation and certification services for commercial aircraft passenger cabin interiors. SMR provides a broad range of interior reconfiguration services that allow airlines to change the size of certain classes of service, modify and upgrade the seating, install telecommunications or entertainment options, relocate galleys, lavatories, and overhead bins and install crew rest compartments. SMR is also a supplier of structural design and integration services, including airframe modifications for passenger-to-freighter conversions. In addition, SMR provides a variety of niche products and components that are used for reconfigurations and conversions. SMR's services are performed primarily on an aftermarket basis and its customers include major airlines such as United Airlines, Japan Airlines, British Airways, Air France, Cathay Pacific and Qantas, as well as Boeing, Airborne Express and Federal Express. During the second quarter of fiscal 1999, the Company recorded a charge of approximately \$46,900 associated with the SMR transaction for the write-off of in-process research and development and acquisition-related expenses (Note 4).

On September 3, 1998, the Company acquired substantially all of the galley equipment assets and certain property and assumed related liabilities of C.F. Taylor Interiors Limited and acquired the common stock of C F Taylor (Wokingham) Limited (collectively "CF Taylor"), both wholly-owned subsidiaries of EIS Group PLC, for a total cash purchase price of approximately \$25,100, subject to adjustments, and the assumption of approximately \$16,500 of liabilities, including related acquisition costs and certain liabilities arising from the acquisition. CF Taylor is a manufacturer of galley equipment for both narrow- and wide-body aircraft, including galley structures, crew rests and related spare parts.

The PBASCO, AMP, SMR and CF Taylor acquisitions were accounted for as purchases, and accordingly, the assets purchased and liabilities assumed have been reflected in the accompanying consolidated balance sheet as of February 26, 2000. The operating results of these acquisitions have been included in the consolidated financial statements of the Company since the date of the acquisition. The aggregate purchase price for these acquisitions was allocated to the net assets acquired based on appraisals and management's estimates as follows:

Accounts receivable	\$ 37,700
Inventories	31,345
Other current assets	3,100
Property, plant and equipment	19,900
Intangible and other assets	253,500
Purchased in-process research and development and acquisition-related expenses	79,155
	<u>\$424,700</u>

The excess of the purchase prices over the fair values of the identifiable net assets acquired are being amortized over 30 years using the straight-line method.

Other Acquisitions

During fiscal 1999, the Company acquired all of the issued and outstanding shares of Aerospace Interiors, Inc. and Aircraft Lighting Corporation for 201,895 and 964,780 shares, respectively, in transactions accounted for as a pooling of interests. The Company's consolidated financial statements for fiscal year 1999 include the results of these entities from the date of acquisition. Prior period financial statements were not restated as the results of operations would not have been materially different than those previously reported by the Company.

Disposition

In-Flight Entertainment Business

On February 25, 1999, the Company completed the sale of a 51% interest in its In-Flight Entertainment ("IFE") business to Sextant Avionique, Inc. ("Sextant"), a wholly-owned subsidiary of Sextant Avionique, S.A. (the "IFE Sale"). The Company sold its 51% interest in IFE for \$62,000 in cash. Terms of the purchase agreement provided for the final price for the 51% interest to be determined on the basis of operating results for the IFE business over the two-year period ending February 28, 2001. The Company used substantially all of the proceeds from the IFE Sale to repay a portion of its bank line of credit. On October 5, 1999, the Company completed the sale of its remaining 49% equity interest in IFE to Sextant and this sale did not result in a significant gain. Total consideration for 100% of its equity interest in IFE, intra-entity obligations and the provision of marketing, product and technical consulting services will range from a minimum of \$93,600 up to \$123,300 (inclusive of the \$62,000 received in February 1999 for the sale of a 51% interest in IFE). Terms of the agreement provide for the Company to receive payments of \$15,675 on October 5, 2000 and 2001, (the "IFE obligations") which are included in other current assets and intangibles and other assets, net, in the accompanying financial statements as of February 26, 2000. A third and final payment will be based on the actual sales and booking performances over the period from March 1, 1999 to December 31, 2001. The IFE obligations are guaranteed by Thomson-CSF, a parent company of Sextant Avionique, S.A.. Sextant is in a dispute with the Company over the terms of the IFE Sale and did not make the October 5, 2000 payment when due. The Company has initiated arbitration proceedings to compel payment. Sextant has counterclaimed against the Company, claiming various breaches of the IFE Sale agreements. The Company expects that this will be resolved during fiscal 2002. Management believes that the dispute will be resolved and the outstanding amount due will be allocated in fiscal 2002.

Pro Forma Information

The following pro forma unaudited financial data is presented to illustrate the estimated effects of the 2001 and 1999 Acquisitions and the IFE sale as if these transactions had occurred as of the beginning of each fiscal year presented.

	<u>2001</u>	<u>2000</u>	<u>1999</u>
Net sales	\$705,468	\$723,349	\$689,816
Net earnings (loss)	24,513	(49,508)	(32,728)
Diluted earnings (loss) per share	\$.86	\$ (2.00)	\$ (1.32)

3. RESTRUCTURING PLAN AND NEW PRODUCT INTRODUCTION COSTS

During the fourth quarter of fiscal 1999, the Company began to implement a restructuring plan designed to lower its cost structure and improve its long-term competitive position. This plan includes consolidating seven facilities reducing the total number from 21 to 14, reducing its employment base by approximately 8% and rationalizing its product offerings. The cost of the restructuring was \$87,825, which was charged to cost of sales, of which \$62,497 is related to North American facilities. The cost of the restructuring included charges for various impaired Seating Products assets aggregating \$61,089, which consisted of inventories, demonstration equipment and production equipment having a carrying value of \$51,589, \$7,600 and \$1,900, respectively. All of the impaired assets were physically disposed of during the subsequent fiscal year. New product introduction costs were expensed as incurred and aggregated \$21,787. In addition, the restructuring program resulted in severance and related separation costs, lease termination and other costs of \$4,949.

Pretax cash outlays were not significant during fiscal 1999, and were approximately \$4,900 during fiscal 2000. Cash requirements were funded from operations. The Company identified seven facilities, four domestic and three in Europe, for consolidation. The consolidation activities were substantially complete by the end of the fiscal year 2000.

The assets impacted by this program included inventories, factories, warehouses, assembly operations, administration facilities and machinery and equipment. New product introduction costs represent costs incurred in bringing new products to market in volume for the first time and include engineering design and development, costs in excess of standard costs at budgeted manufacturing levels and related expenditures.

The following table summarizes the restructuring costs accrued during the year ended February 27, 1999:

	Original Accrual	Utilized in Fiscal 1999	Balance at Feb. 27, 1999	Utilized in Fiscal 2000	Balance at Feb. 26, 2000
Severance, lease termination and other costs	\$ 4,949	\$ 651	\$ 4,298	\$ 4,298	-
Impaired inventories, property and equipment	61,089	41,178	19,911	19,911	-
	<u>\$66,038</u>	<u>\$41,829</u>	<u>\$24,209</u>	<u>\$24,209</u>	<u>-</u>

4. TRANSACTION GAIN, EXPENSES AND OTHER EXPENSES

As a result of the acquisitions of PBASCO, AMP and SMR, the Company recorded a charge aggregating \$79,155 for the write-off of acquired in-process research and development and acquisition-related expenses associated with its acquisitions. In-process research and development expenses arose from new product development projects that were in various stages of completion at the respective acquired enterprises at the date of acquisition. In-process research and development expenses for products under development at the date of acquisition that had not established technological feasibility and for which no alternative use had been identified were written off. The in-process research and development projects have been valued based on expected net cash flows over the product life, costs to complete, the stage of completion of the projects, the result of which has been discounted to reflect the inherent risk associated with the completion of the projects and the realization of the efforts expended.

New product development projects underway at the dates of acquisition included, among others, modular drop boxes, passenger and flight crew oxygen masks, oxygen regulators and generators, protective breathing equipment, on-board oxygen generating systems, reading lights, passenger service units, executive aircraft interior products for the Bombardier Global Express, Boeing Business Jet, Airbus Corporate Jet, Cessna Citation 560XL, Cessna Citation 560 Ultra, Visionaire Vantage and Lear 60, as well as other specific executive aircraft seating products, pneumatic and electrical de-icing systems for the substantial majority of all executive and commuter aircraft types, crew rest modules for selected wide-body aircraft, passenger-to-freighter and combi-to-freighter conversion kits for selected wide-body aircraft, hovercraft skirting devices, cargo nets and smoke barriers. The Company has determined that these projects ranged from 25%-95% complete at February 26, 2000 and estimates that the cost to complete these projects will aggregate approximately \$4,522 and will be incurred over a two-year period.

Uncertainties that could impede progress to a developed technology include: (1) availability of financial resources to complete the development, (2) regulatory approval (FAA, CAA, etc.) required for each product before it can be installed on an aircraft, (3) continued economic feasibility of developed technologies, (4) customer acceptance and (5) general competitive conditions in the industry. There can be no assurance that the in-process research and development projects will be successfully completed and commercially introduced.

The Company recorded the in-process research and development and acquisition-related expenses of \$79,155 net of the gain on the IFE sale of \$25,301 as transaction gain, expenses and other expenses in the accompanying financial statements for the year ended February 27, 1999. The sale of the Company's 49% equity interest in IFE to Sextant on October 5, 1999 did not result in a significant gain.

5. INVENTORIES

Inventories are stated at the lower of cost or market. Cost is determined using the weighted average cost method. Finished goods and work in process inventories include material, labor and manufacturing overhead costs. Inventories consist of the following:

	<u>2001</u>	<u>2000</u>
Raw materials and component parts	\$ 54,558	\$ 59,322
Work-in-process	39,335	36,556
Finished goods	<u>41,112</u>	<u>31,352</u>
	<u>\$135,005</u>	<u>\$127,230</u>

6. PROPERTY AND EQUIPMENT

Property and equipment are stated at cost and depreciated and amortized generally on the straight-line method over their estimated useful lives of two to thirty years (or the lesser of the term of the lease as to leasehold improvements, as appropriate). Property and equipment consist of the following:

	<u>Years</u>	<u>2001</u>	<u>2000</u>
Land, buildings and improvements	10-30	\$ 60,154	\$ 62,783
Machinery	3-13	57,292	49,626
Tooling	3-10	32,097	28,213
Computer equipment and software	4-15	77,495	71,608
Furniture and equipment	2-10	<u>7,186</u>	<u>6,850</u>
		234,224	219,080
Less accumulated depreciation and amortization		<u>(76,707)</u>	<u>(66,730)</u>
		<u>\$157,517</u>	<u>\$152,350</u>

7. INTANGIBLES AND OTHER ASSETS

Intangibles and other assets consist of the following:

	<u>Straight-line Amortization Period (Years)</u>	<u>2001</u>	<u>2000</u>
Goodwill and other intangible assets arising from acquisitions	3-30	\$506,381	\$459,175
Debt issue costs (Note 18)	5-10	23,842	23,842
Other assets		18,896	28,355
Due from Sextant (Note 2)		<u>-</u>	<u>15,675</u>
		549,119	527,047
Less accumulated amortization		<u>(115,740)</u>	<u>(101,211)</u>
		<u>\$433,379</u>	<u>\$425,836</u>

8. ACCRUED LIABILITIES

Accrued liabilities consist of the following:

	<u>2001</u>	<u>2000</u>
Other accrued liabilities	\$36,846	\$ 33,876
Accrued salaries, vacation and related benefits	28,439	30,016
Accrued interest	17,148	17,808
Accrued acquisition expenses	7,320	4,514
Accrued product warranties	<u>9,932</u>	<u>22,929</u>
	<u>\$99,685</u>	<u>\$109,143</u>

9. LONG-TERM DEBT

Long-term debt consists of the following:	<u>2001</u>	<u>2000</u>
9 7/8% Senior Subordinated Notes	\$100,000	\$100,000
8% Senior Subordinated Notes	249,564	249,502
9 1/2% Senior Subordinated Notes	200,000	200,000
Chase Manhattan Bank Credit Facility	56,700	72,300
Other long-term debt	<u>3,394</u>	<u>123</u>
	609,658	621,925
Less current portion of long-term debt	<u>(5,846)</u>	<u>(3,723)</u>
	<u>\$603,812</u>	<u>\$618,202</u>

9 7/8% Senior Subordinated Notes

The 9 7/8% Senior Subordinated Notes (the "9 7/8% Notes") are unsecured senior subordinated obligations of the Company, subordinated to any senior indebtedness of the Company and mature on February 1, 2006. Interest on the 9 7/8% Notes is payable semiannually in arrears on February 1 and August 1 of each year. The 9 7/8% Notes are redeemable at the option of the Company, in whole or in part, at any time after February 1, 2001 at predetermined redemption prices together with accrued and unpaid interest through the date of redemption. Upon a change of control (as defined), each holder of the 9 7/8% Notes may require the Company to repurchase such holders' 9 7/8% Notes at 101% of the principal amount thereof, plus accrued and unpaid interest to the date of such purchase. The Company has refinanced the 9 7/8% Notes on a long term basis in connection with its recent debt offering. (See Note 18)

8% Senior Subordinated Notes

The 8% Senior Subordinated Notes (the "8% Notes") are unsecured senior subordinated obligations of the Company, subordinated to any senior indebtedness of the Company and mature on March 1, 2008. Interest on the 8% Notes is payable semiannually in arrears on March 1 and September 1 of each year. The 8% Notes are redeemable at the option of the Company, in whole or in part, on or after March 1, 2003, at predetermined redemption prices together with accrued and unpaid interest through the date of redemption. In addition, at any time prior to March 1, 2001, the Company may, at predetermined prices together with accrued and unpaid interest through the date of redemption, redeem up to 35% of the aggregate principal amount of the Notes originally issued with the net proceeds of one or more equity offerings, provided that at least 65% of the aggregate principal amount of the 8% Notes originally issued remains outstanding after the redemption. Upon a change of control (as defined), each holder of the 8% Notes may require the Company to repurchase such holder's 8% Notes at 101% of the principal amount thereof, plus accrued interest to the date of such purchase.

9 1/2% Senior Subordinated Notes

The 9 1/2% Senior Subordinated Notes (the "9 1/2 Notes") are unsecured senior subordinated obligations and are subordinated to any senior indebtedness of the Company and mature on November 1, 2008. Interest on the 9 1/2% Notes is payable semiannually in arrears on May 1 and November 1 of each year. The 9 1/2% Notes are redeemable at the option of the Company, in whole or in part, at any time after November 1, 2003 at predetermined redemption prices together with accrued and unpaid interest through the date of redemption. Upon a change of control (as defined), each holder of the 9 1/2% Notes may require the Company to repurchase such holder's 9 1/2% Notes at 101% of the principal amount thereof, plus accrued and unpaid interest to the date of such purchase.

The 9 7/8% Notes, 8% Notes and 9 1/2% Notes contain certain restrictive covenants, including limitations on future indebtedness, restricted payments, transactions with affiliates, liens, dividends, mergers and transfers of assets, all of which were met by the Company as of February 24, 2001.

Credit Facilities

The Company maintains its credit facilities with The Chase Manhattan Bank (the "Bank Credit Facility"). The Bank Credit Facility consists of a \$100,000 revolving credit facility (of which \$50,000 may be utilized for acquisitions) and an acquisition facility of \$29,700. The revolving credit facility expires in August 2004 and the acquisition facility is amortizable over five years beginning in August 1999. The Bank Credit Facility is collateralized by the Company's accounts receivable, inventories and by substantially all of its other personal property. At February 24, 2001, indebtedness under the existing Bank Credit Facility consisted of revolving credit facility outstanding borrowings of \$27,000 (bearing interest at LIBOR plus 2.5%, or approximately 8.8%) letters of credit aggregating approximately \$4,619 and outstanding borrowings under the acquisition facility aggregating \$29,700 (bearing interest at LIBOR plus 2.5%, or approximately 9.2% as of February 24, 2001). At February 26, 2000, indebtedness under the existing Bank Credit Facility consisted of revolving credit facility outstanding borrowings of \$39,000 (bearing interest at LIBOR plus 1.75%, or approximately 7.8%), letters of credit aggregating approximately \$2,319 and outstanding borrowing under the acquisition facility aggregating \$33,300 (bearing interest at LIBOR plus 1.5%, or approximately 7.9% as of February 26, 2000). The Bank Credit Facility, which was most recently amended on December 21, 1999, contains customary affirmative covenants, negative covenants and conditions of borrowing (such as interest coverage and leverage ratios), all of which were met by the Company as of February 24, 2001. The Company has repaid its indebtedness under the Bank Credit Facility in connection with its recent debt offering. (See Note 18)

B/E Aerospace (UK) Limited, one of our subsidiaries, has a revolving line of credit agreement aggregating approximately \$7.3 million. This credit agreement is collateralized by accounts receivable and inventory of B/E Aerospace (UK) Limited and guaranteed by the Company. There were no borrowings outstanding under the credit agreement as of February 24, 2001.

Maturities of long-term debt are as follows:

Fiscal year ending in February:	
2002	\$ 5,846
2003	9,787
2004	12,910
2005	30,801
2006	100,125
Thereafter	<u>450,189</u>
	<u>\$609,658</u>

Interest expense amounted to \$57,857, \$54,860 and \$44,794 for the years ended February 24, 2001, February 26, 2000 and February 27, 1999, respectively.

10. INCOME TAXES

Income tax expense consists of the following:

	<u>2001</u>	<u>2000</u>	<u>1999</u>
Current:			
Federal	\$ 1,315	\$ -	\$ 1,004
State	-	-	-
Foreign	<u>938</u>	<u>2,229</u>	<u>5,157</u>
	2,253	2,229	6,161
Deferred:			
Federal	8,268	(19,296)	(25,731)
State	2,484	(1,595)	(8,169)
Foreign	<u>1,146</u>	<u>660</u>	<u>(4,828)</u>
	11,898	(20,231)	(38,728)
Change in valuation allowance	<u>(11,898)</u>	<u>21,285</u>	<u>36,467</u>
	<u>\$ 2,253</u>	<u>\$ 3,283</u>	<u>\$ 3,900</u>

The difference between income tax expense and the amount computed by applying the statutory U.S. federal income tax rate (35%) to the pretax earnings before extraordinary item consists of the following:

	<u>2001</u>	<u>2000</u>	<u>1999</u>
Statutory U.S. federal income tax expense (benefit)	\$ 7,884	\$(16,630)	\$(27,809)
Operating loss (with) without tax benefit	(10,923)	16,827	25,940
Goodwill amortization	3,253	2,529	1,507
Foreign tax rate differential	1,315	124	2,514
Meals and entertainment	340	268	177
Officer's life insurance	332	387	277
Other, net	<u>52</u>	<u>(222)</u>	<u>1,294</u>
	<u>\$ 2,253</u>	<u>\$ 3,283</u>	<u>\$ 3,900</u>

The tax effects of temporary differences and carryforwards that give rise to deferred income tax assets and liabilities consist of the following:

	<u>2001</u>	<u>2000</u>	<u>1999</u>
Inventory reserves	\$ 6,267	\$ 6,161	\$ 9,770
Acquisition accruals	(6,409)	(4,467)	(2,190)
Warranty accruals	3,501	7,956	1,832
Accrued liabilities	10,588	9,202	4,412
Other	<u>1,499</u>	<u>1,123</u>	<u>1,551</u>
Net current deferred income tax asset	<u>15,446</u>	<u>19,975</u>	<u>15,375</u>
Intangible assets	(11,149)	(12,680)	(11,926)
Depreciation	(11,815)	(3,701)	(2,085)
Net operating loss carryforward	48,333	51,270	21,853
Research credit carryforward	7,052	4,578	4,157
Deferred compensation	11,271	9,911	8,605
Research and development expense	20,867	22,550	24,232
Software development costs	(5,429)	(5,429)	(4,739)
Deferred gain on IFE Sale	-	-	6,600
Investment in Sextant	-	-	4,351
Other	<u>974</u>	<u>974</u>	<u>794</u>
Net noncurrent deferred income tax asset	<u>60,104</u>	<u>67,473</u>	<u>51,842</u>
Valuation allowance	<u>(75,550)</u>	<u>(87,448)</u>	<u>(66,163)</u>
Net deferred tax assets (liabilities)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,054</u>

The Company established a valuation allowance of \$75,550, as of February 24, 2001 related to the utilization of its deferred tax assets because of uncertainties that preclude it from determining that it is more likely than not that the Company will be able to generate taxable income to realize such assets during the federal operating loss carryforward period, which begins to expire in 2012. Such uncertainties include the impact of changing fuel prices on the Company's customers, recent cumulative losses, the highly cyclical nature of the industry in which it operates, economic conditions impacting the airframe manufacturers and the airlines, the Company's high degree of financial leverage, risks associated with new product introductions and risks associated with the integration of acquisitions. The Company monitors these as well as other positive and negative factors that may arise in the future, as it assesses the necessity for a valuation allowance against its deferred tax assets.

As of February 24, 2001, the Company had federal, state and foreign net operating loss carryforwards of \$113,128, \$82,723 and \$4,157, respectively, which begin to expire in 2012, 2002 and indefinite carryforward, respectively. Approximately \$24,000 of the Company's net operating loss carryforward is related to the exercise of stock options and will be credited to additional paid-in capital rather than income tax expense when utilized.

As of February 24, 2001, the Company had federal research tax credit and alternative minimum tax credit carryforwards of \$7,052 and \$974, respectively, which begin to expire in 2007, and indefinite carryforward, respectively.

The Company has not provided for any residual U.S. income taxes on the approximately \$14,341 of earnings from its foreign subsidiaries because such earnings are intended to be indefinitely reinvested. Such residual U.S. income taxes, if provided for, would be immaterial.

The Company's federal tax returns for the years ended February 22, 1997, February 28, 1998 and February 27, 1999 are currently under examination by the Internal Revenue Service. Management believes that the resolution of this examination will not have a material adverse effect on either the Company's results of operations or financial position.

11. COMMITMENTS AND CONTINGENCIES

Leases — The Company leases certain of its office, manufacturing and service facilities and equipment under operating leases, which expire at various times through July 2009. Rent expense for fiscal 2001, 2000 and 1999 was approximately \$12,340, \$13,587 and \$13,423, respectively. Future payments under operating leases with terms currently greater than one year are as follows:

Fiscal year ending in February:	
2002	\$11,135
2003	8,470
2004	5,090
2005	2,755
2006	2,298
Thereafter	<u>8,578</u>
	<u>\$38,326</u>

Litigation — The Company is a defendant in various legal actions arising in the normal course of business, the outcomes of which, in the opinion of management, neither individually nor in the aggregate are likely to result in a material adverse effect to the Company's financial statements.

Employment Agreements — The Company has employment and compensation agreements with three key officers of the Company. One of the agreements provides for an officer to earn a minimum of \$745 per year through a three year period ending from any date after which it is measured, adjusted annually for changes in the consumer price index (as defined) or as determined by the Company's Board of Directors, as well as a deferred compensation benefit equal to the product of the years worked by the highest annual salary paid over the period. Such deferred compensation will be payable in either a lump sum or in equal monthly installments for that number of months equal to the number of months elapsed from the commencement date (as defined) through the cessation date (as defined).

A second agreement provides for an officer to receive annual minimum compensation of \$685 per year through a three year period ending from any date after which it is measured, adjusted annually for changes in the consumer price index (as defined) or as determined by the Company's Board of Directors, as well as a deferred compensation benefit equal to the product of the years worked by the highest annual salary paid over the period. In all other respects, this officer's employment agreement contains similar provisions to those described above in the first agreement.

A third agreement provides for an officer to receive annual minimum compensation of \$345 per year through a three year period ending from any date after which it is measured, adjusted annually for changes in the consumer price index (as defined) or as determined by the Company's Board of Directors, as well as a deferred compensation benefit upon completion of ten years of service for a period not to exceed ten years equal to one-half of this officer's average highest three year's annual salary (as defined).

Deferred compensation for these three officers has been accrued as provided for under the above mentioned employment agreements, aggregated \$19,308 as of February 24, 2001, \$17,091 as of February 26, 2000 and is included in other liabilities in the accompanying financial statements. The Company has funded this obligation through corporate-owned life insurance policies and other investments, all of which are maintained in an irrevocable rabbi trust. In addition, the Company has employment agreements with certain other key members of management that provide for aggregate minimum annual base compensation of \$3,203 expiring on various dates through the year 2002.

12. EMPLOYEE RETIREMENT PLANS

The Company sponsors and contributes to a qualified, defined contribution Savings and Investment Plan covering substantially all U.S. employees. The Company also sponsors and contributes to nonqualified deferred compensation programs for certain officers and other employees. The Company has invested in corporate-owned life insurance policies to assist in funding certain of these programs. The cash surrender values of these policies and other investments associated with these plans are maintained in an irrevocable rabbi trust and are recorded as assets of the Company. In addition, the Company and its subsidiaries participate in government-sponsored programs in certain European countries. In general, the Company's policy is to fund these plans based on legal requirements, tax considerations, local practices and investment opportunities.

The BE Aerospace Savings and Investment Plan was established pursuant to Section 401(k) of the Internal Revenue Code. Under the terms of the plan, covered employees are allowed to contribute up to 15% of their pay, limited to \$10 per year. The Company match is equal to 50% of employee contributions, subject to a maximum of 8% of an employee's pay and is generally funded in Company stock. Total expense for the plan was \$1,934, \$2,098 and \$2,301 for the years ended February 24, 2001, February 26, 2000 and February 27, 1999, respectively. Participants vest 100% in the Company match after five years of service.

The BE Supplemental Executive Retirement Plan is an unfunded plan maintained for the purpose of providing deferred compensation for certain employees. This plan allows certain employees to annually elect to defer a portion of their compensation, on a pre-tax basis, until their retirement. The retirement benefit to be provided is based on the amount of compensation deferred, Company cash match and earnings on deferrals. Deferred compensation expense was \$239, \$299 and \$231 in fiscal 2001, 2000 and 1999, respectively.

13. STOCKHOLDERS' EQUITY

Earnings (Loss) Per Share. Basic earnings per common share are determined by dividing earnings available to common shareholders by the weighted average number of shares of common stock. Diluted earnings per share are determined by dividing earnings available to common shareholders by the weighted average number of shares of common stock and dilutive common stock equivalents outstanding (all related to outstanding stock options discussed below).

The following table sets forth the computation of basic and diluted net earnings (loss) per share for the years ended February 24, 2001, February 26, 2000 and February 27, 1999:

	<u>2001</u>	<u>2000</u>	<u>1999</u>
Numerator - Net earnings (loss)	<u>\$20,272</u>	<u>\$(50,797)</u>	<u>\$(83,353)</u>
Denominator:			
Denominator for basic earnings (loss) per share			
-	25,359	24,764	24,814
Weighted average shares			
Effect of dilutive securities -			
Employee stock options	<u>530</u>	<u>-</u>	<u>-</u>
Denominator for diluted earnings (loss) per share -	<u>25,889</u>	<u>24,764</u>	<u>24,814</u>
Adjusted weighted average shares			
Basic net earnings (loss) per share	<u>\$0.80</u>	<u>\$(2.05)</u>	<u>\$(3.36)</u>
Diluted net earnings (loss) per share	<u>\$0.78</u>	<u>\$(2.05)</u>	<u>\$(3.36)</u>

Stock Option Plans. The Company has various stock option plans, including the Amended and Restated 1989 Stock Option Plan, the 1991 Directors Stock Option Plan, the 1992 Share Option Scheme and the Amended and Restated 1996 Stock Option Plan (collectively, the "Option Plans"), under which shares of the Company's common stock may be granted to key employees and directors of the Company. The Option Plans provide for granting key employees options to purchase the Company's common stock. Options are granted at the discretion of the Stock Option and Compensation Committee of the Board of Directors. Options granted vest 25% on the date of grant and 25% per year thereafter.

The following tables set forth options granted, canceled, forfeited and outstanding:

February 24, 2001

	<u>Options</u>	<u>Option Price Per Share</u>	<u>Weighted Average Price Per Share</u>
Outstanding, beginning of period	5,807,701	\$6.94 - \$31.50	\$18.03
Options granted	1,231,000	6.94 - 16.00	12.05
Options exercised	(600,077)	6.94 - 19.00	10.61
Options forfeited	<u>(383,003)</u>	6.94 - 29.88	19.98
Outstanding, end of period	<u>6,055,621</u>	6.94 - 31.50	17.30
Exercisable at end of year	<u>3,793,136</u>	\$6.94 - \$31.50	\$19.54

February 26, 2000

	<u>Options</u>	<u>Option Price Per Share</u>	<u>Weighted Average Price Per Share</u>
Outstanding, beginning of period	3,999,151	\$ 7.00 - \$31.50	\$21.42
Options granted	2,335,200	7.00 - 17.75	12.93
Options exercised	(48,950)	7.63 - 20.81	8.93
Options forfeited	<u>(477,700)</u>	16.13 - 29.88	22.57
Outstanding, end of period	<u>5,807,701</u>	7.00 - 31.50	18.00
Exercisable at end of year	<u>3,203,835</u>	\$ 7.00 - 31.50	\$19.13

February 27, 1999

	<u>Options</u>	<u>Option Price Per Share</u>	<u>Weighted Average Price Per Share</u>
Outstanding, beginning of period	2,931,501	\$ 7.00 - \$ 31.50	\$20.17
Options granted	1,453,500	16.44 - 29.50	22.41
Options exercised	(292,100)	7.38 - 29.88	13.12
Options forfeited	<u>(93,750)</u>	16.13 - 29.88	25.97
Outstanding, end of period	<u>3,999,151</u>	7.00 - 31.50	21.42
Exercisable at end of year	<u>2,004,531</u>	\$ 7.00 - \$ 31.50	\$19.49

At February 24, 2001, options were available for grant under each of the Company's Option Plans.

Options Outstanding
at February 24, 2001

Range of Exercise Price	Options Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (years)	Options Exercisable	Weighted Average Exercise Price
\$ 6.94 - \$ 8.38	344,625	\$ 7.53	5.30	222,750	\$ 7.86
8.44 - 8.44	921,302	8.44	8.94	370,606	8.44
8.50 - 16.44	1,240,396	12.05	8.46	415,150	11.69
17.75 - 17.75	929,225	17.75	8.35	449,427	17.75
19.00 - 20.81	1,238,823	20.17	6.89	1,043,578	20.05
21.50 - 31.50	<u>1,381,250</u>	27.47	6.69	<u>1,291,625</u>	27.47
	<u>6,055,621</u>			<u>3,793,136</u>	

The estimated fair value of options granted during fiscal 2001, fiscal 2000 and fiscal 1999 was \$7.80 per share, \$10.70 per share and \$13.93 per share, respectively. The Company applies Accounting Principles Board Opinion No. 25 and related Interpretations in accounting for its stock option and purchase plans. Accordingly, no compensation cost has been recognized for its stock option plans and stock purchase plan. Had compensation cost for the Company's stock option plans and stock purchase plan been determined consistent with SFAS No. 123, the Company's net earnings (loss) and net earnings (loss) per share for the years ended February 24, 2001, February 26, 2000 and February 27, 1999 would have been reduced to the pro forma amounts indicated in the following table:

	<u>2001</u>	<u>2000</u>	<u>1999</u>
As reported			
Net earnings (loss)	\$20,272	\$(50,797)	\$(83,353)
Diluted net earnings (loss) per share	0.78	(2.05)	(3.36)
Pro forma			
Net earnings (loss)	\$ 5,698	\$(69,570)	\$(98,477)
Diluted net earnings (loss) per share	.22	(2.81)	(3.97)
Weighted average			
Weighted average and pro forma weighted average common shares	25,889	24,764	24,814

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions used for options granted in fiscal 2001, 2000 and 1999: risk-free interest rates of 6.1%, 5.5% and 5.0%, expected dividend yields of 0.0%; expected lives of 3.5 years, 3.5 years and 3.5 years; and expected volatility of 70%, 114% and 73%, respectively.

The impact of outstanding non-vested stock options granted prior to fiscal 1997 has been excluded from the pro forma calculation; accordingly, the pro forma adjustments shown above are not indicative of future period pro forma adjustments, when the calculation will apply to all applicable stock options.

14. EMPLOYEE STOCK PURCHASE PLAN

The Company has established a qualified Employee Stock Purchase Plan, the terms of which allow for qualified employees (as defined) to participate in the purchase of designated shares of the Company's common stock at a price equal to the lower of 85% of the closing price at the beginning or end of each semi-annual stock purchase period. The Company issued 284,017 and 106,530 shares of common stock during fiscal 2001 and 2000 pursuant to this plan at an average price per share of \$7.54 and \$12.54, respectively.

15. SEGMENT REPORTING

The Company is organized based on the products and services it offers. Under this organizational structure, the Company has three reportable segments: Commercial Aircraft Products, Business Jet Products and Engineering Services. The Company's Commercial Aircraft Products segment consists of 15 operating units while the Business Jet and Engineering Services segments consist of three and one operating units, respectively.

Each segment reports its results of operations and makes requests for capital expenditures and acquisition funding to the Company's chief operational decision-making group. This group is presently comprised of the Chairman, the President and the Chief Executive Officer, and the Corporate Senior Vice President of Administration and Chief Financial Officer. Each operating segment has separate management teams and infrastructures dedicated to providing a full range of products and services to their commercial and general aviation customers. As described in Note 2, the Company sold a 51% interest in IFE on February 25, 1999 and its remaining 49% interest in IFE on October 5, 1999. IFE was a separate, reportable segment.

The following table presents net sales and other financial information by business segment:

FISCAL 2001					
	Commercial Aircraft Products	Business Jet Products	Engineering Services	In-Flight Entertainment	Consolidated
Net sales	\$511,282	\$ 86,182	\$ 68,980	-	\$666,444
Operating earnings	50,849	14,157	11,689	-	76,695
Total assets	634,424	196,246	105,325	-	935,995
Capital expenditures	12,232	4,590	311	-	17,133
Depreciation and amortization	29,033	9,369	4,353	-	42,755

FISCAL 2000					
	Commercial Aircraft Products	Business Jet Products	Engineering Services	In-Flight Entertainment	Consolidated
Net sales	\$579,736	\$ 81,096	\$ 62,517	-	\$723,349
Operating earnings	(11,282)	13,188	4,790	-	6,696
Total assets	584,205	192,929	104,655	-	881,789
Capital expenditures	30,383	1,952	834	-	33,169
Depreciation and amortization	28,622	9,489	4,126	-	42,237

FISCAL 1999					
	Commercial Aircraft Products	Business Jet Products	Engineering Services	In-Flight Entertainment	Consolidated
Net sales	\$528,992	\$ 64,856	\$28,700	\$78,777	\$701,325
Operating earnings	(23,238)*	(40,344)*	5,415 *	20,410**	(37,757)
Total assets	606,741	239,056	58,502	-	904,299
Capital expenditures	31,965	2,673	769	2,058	37,465
Depreciation and amortization	25,970	8,250	1,284	5,186	40,690

* Includes \$16,615 and \$55,000 of expenses associated with purchased in-process research and development and acquisition-related expenses allocated to Commercial Aircraft Products and Business Jet Products, respectively.

** Includes gain on sale of In-Flight Entertainment of \$25,301 and expenses of \$7,540 associated with purchased in-process research and development.

Through February 27, 1999, we operated in the (1) commercial aircraft products, (2) business jet products, (3) engineering services and (4) in-flight entertainment segments of the commercial airline and general aviation industry. Following the sale of our controlling interest in the IFE business, we operated in three segments – (1) commercial aircraft products, (2) business jet products and (3) engineering services. Revenues for similar classes of products or services within these business segments for the fiscal years ended February 2001, 2000 and 1999 are presented below:

	Year Ended (in thousands)		
	<u>Feb. 24,</u> <u>2001</u>	<u>Feb. 26,</u> <u>2000</u>	<u>Feb. 27,</u> <u>1999</u>
Commercial aircraft products:			
Seating products	\$288,035	\$324,878	\$296,482
Interior systems products	151,633	144,832	137,966
Cabin interior structures	71,614	110,026	94,544
	<u>511,282</u>	<u>579,736</u>	<u>528,992</u>
Business jet products	86,182	81,096	64,856
Engineering services	68,980	62,517	28,700
In-flight entertainment	-	-	78,777
Total Revenues	<u>\$666,444</u>	<u>\$723,349</u>	<u>\$701,325</u>

The Company operated principally in two geographic areas, the United States and Europe (primarily the United Kingdom), during the years ended February 24, 2001, February 26, 2000 and February 27, 1999. There were no significant transfers between geographic areas during the period. Identifiable assets are those assets of the Company that are identified with the operations in each geographic area.

The following table presents net sales and operating earnings (loss) for the years ended February 24, 2001, February 26, 2000 and February 27, 1999 and identifiable assets as of February 24, 2001, February 26, 2000 and February 27, 1999 by geographic area:

	<u>2001</u>	<u>2000</u>	<u>1999</u>
Net Sales:			
United States	\$503,811	\$510,728	\$511,063
Europe	<u>162,633</u>	<u>212,621</u>	<u>190,262</u>
Total:	<u>\$666,444</u>	<u>\$723,349</u>	<u>\$701,325</u>
Operating Earnings (Loss):			
United States	\$ 65,411	\$ (3,143)	\$ (43,613)
Europe	<u>11,284</u>	<u>9,839</u>	<u>5,856</u>
Total:	<u>\$ 76,695</u>	<u>\$ 6,696</u>	<u>\$ (37,757)</u>
Identifiable Assets:			
United States	\$756,667	\$704,392	\$726,056
Europe	<u>179,328</u>	<u>177,397</u>	<u>178,243</u>
Total:	<u>\$935,995</u>	<u>\$881,789</u>	<u>\$904,299</u>

Export sales from the United States to customers in foreign countries amounted to approximately \$160,815, \$188,530 and \$174,659 in fiscal 2001, 2000 and 1999, respectively. Net sales to all customers in foreign countries amounted to \$279,830, \$311,160 and \$297,474 in fiscal 2001, 2000 and 1999, respectively. Net sales to Europe amounted to 22%, 26% and 22% in fiscal 2001, 2000 and 1999, respectively. Net sales to Asia amounted to 10%, 11% and 12% in fiscal 2001, 2000 and 1999, respectively. Major customers (i.e., customers representing more than 10% of net sales) change from year to year depending on the level of refurbishment activity and/or the level of new aircraft purchases by such customers. There were no major customers in fiscal 2001 and 2000. During the year ended February 27, 1999, one customer accounted for approximately 13% of the Company's net sales.

16. FAIR VALUE INFORMATION

The following disclosure of the estimated fair value of financial instruments at February 24, 2001 and February 26, 2000 is made in accordance with the requirements of SFAS No. 107, *Disclosures about Fair Value of Financial Instruments*. The estimated fair value amounts have been determined by the Company using available market information and appropriate valuation methodologies; however, considerable judgment is required in interpreting market data to develop the estimates of fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts that the Company could realize in a current market exchange. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

The carrying amounts of cash and cash equivalents, accounts receivable-trade, and accounts payable are a reasonable estimate of their fair values. At February 24, 2001 and February 26, 2000, the Company's 9 7/8% Notes had a carrying value of \$100,000 and a fair value of \$102,750 and \$95,250, respectively. At February 24, 2001 and February 26, 2000, the Company's 8% Notes had carrying values of \$249,564 and \$249,502 and fair values of \$245,197 and \$213,324, respectively. At February 24, 2001 and February 26, 2000, the Company's 9 1/2% Notes had a carrying value of \$200,000 and fair values of \$207,500 and \$185,000, respectively.

The fair value information presented herein is based on pertinent information available to management as of February 24, 2001. Although management is not aware of any factors that would significantly affect the estimated fair value amounts, such amounts have not been comprehensively revalued for purposes of these consolidated financial statements since that date, and current estimates of fair value may differ significantly from the amounts presented herein.

17. SELECTED QUARTERLY DATA (Unaudited)

Summarized quarterly financial data for fiscal 2001 and 2000 are as follows:

	Year Ended February 24, 2001			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Net sales	\$169,125	\$164,116	\$167,410	\$165,793
Gross profit	61,553	60,758	63,548	63,959
Net earnings	4,438	4,729	7,919	3,186
Basic net earnings per share	.18	.19	.31	.12
Diluted net earnings per share	.18	.19	.30	.12

	Year Ended February 26, 2000			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Net sales	\$185,032	\$191,895	\$164,578	\$181,844
Gross profit (loss)	66,587	70,337	(2,008)	44,751
Net earnings (loss)	11,415	13,720	(66,038)	(9,894)
Basic net earnings (loss) per share	.46	.56	(2.66)	(.40)
Diluted net earnings (loss) per share	.46	.55	(2.66)	(.40)

18. SUBSEQUENT EVENTS

On April 17, 2001 the Company sold \$250,000 of 8 7/8% senior subordinated notes due 2011 in a private offering. The net proceeds less estimated debt issue costs from the sale of the notes were approximately \$242,800. Approximately \$66,700 of proceeds were used to repay the Bank Credit Facility, which was terminated. On April 17, 2001, the Company issued a notice to call the \$100,000 9 7/8% Senior Subordinated Notes due 2006.

The early extinguishments of the 9 7/8% senior subordinated notes, the related call payment of \$4.9 million and the early termination of the revolver, will result in a \$9.3 million extraordinary charge, net of tax, during April 2001.

On May 8, 2001, the Company entered into an agreement to acquire the outstanding common stock of Nelson Aerospace, Inc. for approximately \$20 million. The transaction will be accounted for under the purchase method of accounting.

On May 16, 2001 the Company completed a 5,750,000 share offering of our common stock at \$19.50 per share. The estimated net proceeds from this offering was approximately \$106.2 million. Approximately \$53.1 million was paid to the former owners of the 2001 Acquisitions. The Company received approximately \$50.3 million, net of estimated offering costs, from the sale of the 2,847,000 shares of stock it issued in connection with this offering. Following this offering the Company had 32,063,231 shares outstanding.

SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS
 FOR THE YEARS ENDED FEBRUARY 24, 2001, FEBRUARY 26, 2000 AND FEBRUARY 27, 1999
 (Dollars in thousands)

	BALANCE AT BEGINNING OF YEAR	EXPENSES	OTHER	DEDUCTIONS	BALANCE AT END OF YEAR
<u>DEDUCTED FROM ASSETS:</u>					
Allowance for doubtful accounts:					
2001	\$3,883	\$ 625	\$(409) (3)	\$1,480	\$2,619
2000	2,633	2,008	(103)	655	3,883
1999	2,190	721	110	388	2,633
Reserve for obsolete inventories:					
2001	\$16,512	\$13,584	\$ 650 (3)	\$14,675	\$16,071
2000	21,150	11,417 (1)	(2,230)	13,825 (1)	16,512
1999	10,489	37,138 (2)	1,826	28,303 (2)	21,150

- (1) During fiscal 2000, the Company recorded a charge associated with the rationalization of its product offerings and disposal of a substantial portion of such inventories.
- (2) During fiscal 1999, the Company recorded a restructuring charge related to the rationalization of its product offering and disposed of a substantial portion of such inventories.
- (3) Balances associated with the 2001 acquisitions.

LIST OF SUBSIDIARIES

BE AEROSPACE, INC.
BE Aerospace (USA), Inc.
BE Aerospace Netherlands BV
Royal Inventum, BV
BE Aerospace (Sales & Services) BV
BE Aerospace Holdings (UK) Limited
BE Aerospace Services, Ltd.
Flight Equipment and Engineering Limited
BE Aerospace (UK) Limited
AFI Holdings Ltd.
Fort Hill Aircraft Ltd.
C.F. Taylor (B/E) UK Limited
C.F. Taylor (Wales) Ltd.
B/E Aerospace Services, Inc.
Advanced Thermal Sciences Corporation
Acurex Corporation
BE Aerospace International Ltd.
Nordskog Industries, Inc.
Burns Aerospace Europe (SARL)
B/E Oxygen Systems Company
BE Intellectual Property, Inc.
Aerospace Lighting Corporation
SMR Technologies, Inc.
Flight Structures, Inc.
BE Aerospace Canada, Inc.
B/E Aerospace (Canada) Company
BE Aerospace (France) SARL
BE Aerospace El Salvador, Inc.
BE Aerospace Australia, Inc.
IFE Sales, LLC
T. L. Windust Machine, Inc.
DMGI, Inc.
Alson Industries, Inc.
B/E Aerospace Machined Products, Inc.
Maynard Precision, Inc.

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in Registration Statement Nos. 333-89145, 333-30578, 333-14037, 33-48119, 33-72194 and 33-82894 on Form S-8 of BE Aerospace, Inc. of our report dated April 2, 2001 (except Note 18 as to which the date is May 16, 2001), appearing in this Annual Report on Form 10-K of BE Aerospace, Inc. for the year ended February 24, 2001.

DELOITTE & TOUCHE LLP

Costa Mesa, California
May 21, 2001