SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

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FILER

BEI MEDICAL SYSTEMS CO INC /DE/

CIK:**851478**| IRS No.: **710455756** | State of Incorp.:**DE** | Fiscal Year End: **0927**
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SIC: **3845** Electromedical & electrotherapeutic apparatus

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

[X] Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended March 30, 2002 or

[ ] Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the transition period from _____ to _____.

Commission file number 0-17885

BEI MEDICAL SYSTEMS COMPANY, INC.
(Exact name of Registrant as specified in its charter)

Delaware	71-0455756
(State of incorporation)	(I.R.S. Employer Identification No.)

100 Hollister Road
Teterboro, New Jersey 07608
(Address of principal executive offices)

(201) 727-4900
(Registrant's telephone number)

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

Yes X No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Common Stock: $.001 Par Value, 9,857,691 shares as of May 2, 2002

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FINANCIAL INFORMATION

Item 1. Financial Statements

CONDENSED CONSOLIDATED BALANCE SHEETS
BEI Medical Systems Company, Inc. and Subsidiaries

<TABLE>
<CAPTION>

(dollars in thousands)	March 30, 2002 (Unaudited)	September 29, 2001 (See note below)
<S>	<C>	<C>
ASSETS		
Current assets		
Cash and cash equivalents	$ 5,298	$ 9,846
Restricted cash	159	159
Marketable securities	473	452
Trade receivables, net	441	284
Inventories	906	720
Income taxes	--	284
Other current assets	339	158
Total current assets	7,616	11,903
Plant and equipment, net	603	446
Patents, net	156	164
Other assets	68	68
Total assets	$ 8,443	$ 12,581
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Trade accounts payable	$ 1,106	$ 626
Accrued expenses and other liabilities	1,352	1,313
Current portion of lease obligation	27	26
Total current liabilities	2,485	1,965
Long term lease obligation, less current portion	109	123
Stockholders' equity	5,849	10,493
Total liabilities and stockholders' equity	$ 8,443	$ 12,581

</TABLE>

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See notes to condensed consolidated financial statements.

Note: The balance sheet at September 29, 2001 has been derived from the audited consolidated balance sheet at that date but does not include all the information and footnotes required by generally accepted accounting principles for complete financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
BEI Medical Systems Company, Inc. and Subsidiaries
(Unaudited)

<TABLE>
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(amounts in thousands except per share amounts)	Quarter Ended March 30, 2002	Quarter Ended March 31, 2001	Six Months Ended March 30, 2002	Six Months Ended March 31, 2001
<S>	<C>	<C>	<C>	<C>
Revenues	$731	$40	$1,252	$71
Cost of revenues	584	177	1,032	310
Gross profit (loss)	147	(137)	220	(239)
Selling, general and administrative expenses	2,219	853	4,365	1,566
Research, development and related expenses	312	528	602	822
	2,531	1,381	4,967	2,388
Loss from operations	(2,384)	(1,518)	(4,747)	(2,627)
Interest income	25	62	73	119
Interest expense	(4)	--	(8)	(1)
Loss before income taxes	(2,363)	(1,456)	(4,682)	(2,509)
Income taxes	--	--	--	--
Net loss	($2,363)	($1,456)	($4,682)	($2,509)
Loss per Common Share				
Net loss per common share	($0.24)	($0.19)	($0.48)	($0.33)
Weighted average shares outstanding	9,766	7,660	9,756	7,648

</TABLE>

See notes to condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
BEI Medical Systems Company, Inc. and Subsidiaries
(Unaudited)

<TABLE>
<CAPTION>

(dollars in thousands)	Six Months Ended March 30, 2002	Six Months Ended March 31, 2001

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<S>	<C>	<C>
Net cash used in operating activities	($4,281)	($2,055)
Cash flows from investing activities:		
Capital expenditures	(260)	(10)
Purchase of marketable securities	(15)	(97)
Reduction in long-term security deposit		23
Net cash used in investing activities	(275)	(84)
Cash flows from financing activities:		
Proceeds from stock option and warrant exercises	21	--
Repayment of lease obligation	(13)	--
Net proceeds from issuance of Series A Convertible Preferred Stock	--	3,701
Net cash provided by financing activities	8	3,701
Net increase (decrease) in cash and cash equivalents	(4,548)	1,562
Cash and cash equivalents at beginning of period	9,846	4,228
Cash and cash equivalents at end of period	$5,298	$5,790

</TABLE>

See notes to condensed consolidated financial statements.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS, Continued
BEI Medical Systems Company, Inc. and Subsidiaries
(Unaudited)

March 30, 2002

Note 1
Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the interim periods presented are not necessarily indicative of the results that may be expected for the year ending September 28, 2002. For further information, refer to the consolidated financial statements and footnotes thereto in the Company's Annual Report on Form 10-K for the year ended September 29, 2001.

Note 2
Inventories

(dollars in thousands)	March 30, 2002	September 29, 2001
Finished products	$781	$602
Work in process	125	118
Inventories	$906	$720

Note 3
Loss Per Share

As a result of the net loss for all periods presented, weighted average shares used in the calculation of basic and diluted loss per share are the same. Weighted average shares exclude unvested restricted stock, which amounted to approximately 77,250 and 31,000 shares for the periods ended March 30, 2002, and March 31, 2001, respectively. Common stock equivalents are excluded from the loss per share for all periods presented because the effect would be

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anti-dilutive.

Note 4
Subsequent events

On May 14, 2002, Boston Scientific Corporation and BEI Medical Systems Company, Inc. announced the signing of a definitive agreement for Boston Scientific to acquire BEI in an all-cash transaction for a purchase price of approximately $95 million, or $6.84 per common share equivalent. The transaction, which will be accomplished by a cash tender offer and follow-on merger, is expected to close in the second quarter of calendar year 2002. The tender offer for all common and preferred shares of BEI is expected to commence later this month and is conditioned upon the tender of a majority of the outstanding shares of BEI and other customary conditions. Management and certain other stockholders of BEI have agreed to support the acquisition by tendering their shares into the tender offer, voting their shares in favor of the transaction at any shareholder meeting or selling their securities to Boston Scientific. The BEI board has unanimously voted to recommend the tender offer to its shareholders.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following Management's Discussion and Analysis of Financial Condition and Results of Operations contains forward-looking statements that involve risks and uncertainties. Such forward-looking statements may be deemed to include information that is not historical, including without limitation, statements based on our current expectations, assumptions, estimates and projections about our company and our industry, including statements with respect to the timely development, acceptance, commercialization and pricing of our Hydro ThermAblater(R) or HTA(R), the impact of competitive products and pricing, our ability to satisfy the conditions of the Food and Drug Administration "FDA" approval and on-going regulatory requirements, the adequacy of anticipated sources of cash to fund our future capital requirements, our ability to raise additional capital on terms favorable to the Company, or at all, the availability or realization of strategic alternatives, general economic conditions as they affect our customers and the timing and scale of anticipated product cost reduction programs. Words such as "believes," "anticipates," "expects," "intends" and similar expressions are intended to identify forward-looking statements, but are not the exclusive means of identifying such statements. Readers are cautioned that the forward-looking statements reflect management's analysis only as of the date hereof, and we assume no obligation to update these statements. Actual events or results may differ materially from the results discussed in or implied by the forward-looking statements. Factors that might cause such a difference include, but are not limited to, those risks and uncertainties discussed below under the caption "Risk Factors" and elsewhere in this Quarterly Report on Form 10-Q and in our Annual Report on Form 10-K for the period ended September 29, 2001. The following discussion should be read in conjunction with the Financial Statements and the Notes thereto included in Item 1 of this Quarterly Report on Form 10-Q and in our Annual Report on Form 10-K for the fiscal year ended September 29, 2001.

Critical Accounting Policies

Our financial statements are based on the selection and application of significant accounting policies, which require management to make significant estimates and assumptions. We believe that the following are some of the more critical judgment areas in the application of our accounting policies that currently affect our financial condition and results of operations.

Revenue Recognition: We recognize revenue on our proprietary Hydro ThermAblator(R) or HTA(R) control units and the disposable procedure sets as products are shipped, provided that a purchase order has been received or a contract has been executed, there are no uncertainties regarding customer acceptance, the sales price is fixed and determinable and collectibility is deemed probable.

Accounts Receivable: We are required to estimate the collectibility of our trade receivables, which requires a considerable amount of judgment in assessing the ultimate realization of these receivables, including the current

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credit-worthiness of each customer. Significant changes in required reserves may occur in the future as the Company continues to expand its customer base.

Inventory: We are required to state our inventories at the lower of cost or market. In assessing the ultimate realization of inventories, we are required to make judgments as to future demand requirements and compare that with the current inventory levels. It is possible that changes in required inventory reserves may occur in the future due to changes in market conditions and the extent to which the HTA gains market acceptance.

Deferred Taxes: We account for deferred income taxes based upon differences between

the financial reporting and income tax bases of our assets and liabilities. The measurement of deferred tax assets is adjusted by a valuation allowance, if necessary, to recognize the extent to which, more likely than not, the future tax benefits will be recognized.

We have recognized no income tax benefit for the three or six month periods ended March 30, 2002 and March 31, 2001. The cumulative net operating loss carryforwards as of March 30, 2002 were approximately $14.9 million. We project losses to continue through fiscal year 2002. These losses remain available to us on a carryforward basis to offset any future earnings, but have been fully offset by a valuation allowance in the financial statements, as their future realization is uncertain.

Overview: BEI Medical Systems Company, Inc. is a medical device technology company focused on commercializing its proprietary Hydro ThermAblator(R) (HTA(R)) for women's health. This therapeutic system is designed to ablate the endometrial lining of the uterus in pre-menopausal women with menorrhagia (excessive uterine bleeding) due to benign causes for whom child bearing is complete. The HTA was approved by the Food and Drug Administration (FDA) to be marketed in the United States in April 2001. The approval is subject to standard FDA conditions, including labeling and advertising requirements, expiration dating of the procedure sets, use by physicians having received training in diagnostic hysteroscopy, and three-year follow-up of pivotal trial study patients.

The HTA was specifically designed for use in performing endometrial ablation, which entails the destruction under controlled conditions of the endometrium, the lining of the uterus. Endometrial ablation is an alternative to hysterectomy for women with menorrhagia due to benign causes. The HTA is a portable treatment unit, which utilizes low-pressure gravity-fed, and externally heated physiologic saline under microprocessor control to continuously circulate heated fluid within the uterine cavity under direct hysteroscopic visual control. The HTA treatment using the hysteroscopic approach can be performed on an outpatient basis in a hospital, ambulatory surgical center or in a doctor's office using a local anesthetic. The procedure typically takes less than thirty minutes.

Menorrhagia, often occurs in the absence of uterine fibroids or tumors, and hormonal treatment is often unsatisfactory. The condition is responsible for approximately 150,000 of the 600,000 hysterectomies performed annually in the United States, but many women who do not seek hysterectomy for relief may suffer in silence until the occurrence of menopause.

In the Company's Phase III clinical trial, treatment using the HTA completely eliminated uterine bleeding in 40% of the patients whose condition was reviewed 12 months following treatment, while an additional 42% exhibited a decrease in uterine bleeding to normal levels or less, as defined by the FDA. In addition, HTA treatment resulted in an overall average reduction in uterine bleeding of 84.8%. As announced in November 2001, for those women who were available for follow-up and whose condition was reviewed 24 months following treatment, 47.0% had complete cessation of uterine bleeding and an additional 45.1% had a reduction in uterine bleeding to normal levels or less, as defined by the FDA. In addition, at 24 months following treatment, 94.0% of patients were satisfied with the results of their HTA treatment and 92.5% of patients reported alleviation of menstrual discomfort.

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BEI's sales and marketing strategy is primarily focused on the use of existing distribution channels that are well established in the medical device industry within the United States. Using these distribution channels, BEI has been and will be able to gain access to experienced sales representatives working with the gynecological community, BEI's target audience.

When seeking reimbursement from health insurance companies, managed-care organizations and other payors of the HTA treatment, gynecologists are able to use an existing CPT-4 Procedure Code for endometrial ablation using hysteroscopic control. BEI Medical

Systems believes this should accelerate the process of acceptance of the Hydro ThermAblator by the gynecological community and healthcare institutions.

Three Months Ended March 30, 2002 and March 31, 2001

Revenues for the three months ended March 30, 2002, were $731,000, an increase of $691,000 from the comparable three-month period of fiscal 2001 and were 40.3% higher than the first quarter of fiscal 2002. The higher revenue reflects the impact of the FDA approval to market the HTA in the United States in April 2001. Prior to the FDA approval, the Company had no HTA related domestic revenue. Domestic revenue from the HTA was $664,000 in the second quarter of fiscal 2002 due primarily to increased shipments of the HTA single-use procedure sets, which represented approximately 80% of the total domestic revenue. International revenue for the HTA was $67,000 in the second quarter of fiscal 2002 compared to $40,000 in 2001.

The gross profit was $147,000 for the second quarter of fiscal 2002 compared to the negative gross profit of $137,000 in the second quarter of fiscal 2001. Overhead expenses for the second quarter of fiscal 2002 were approximately $165,000, compared to $132,000 in the same period of fiscal 2001, reflecting higher spending for personnel, operating materials and outside services as a result of the increased volume of commercial activity. However, the higher revenue resulted in a favorable absorption of fixed overhead expenditures and improved gross profit. The Company received FDA approval in the first quarter of fiscal 2002 for a Premarket Approval Application (PMA) supplement permitting modifications to the assembly of the sheath used in the HTA procedure set. This approval allows BEI to incorporate more cost-effective manufacturing practices in the manufacture of the HTA procedure set. The Company anticipates that the adaptations to the new sheath assembly in the HTA procedure set will be implemented by the end of the third quarter of fiscal year 2002, once sterilization validation and the transition to manufacturing of the modified design are completed.

Selling, general and administrative expenses increased to $2,219,000 for the three months ended March 30, 2002, from $853,000 for the three months ended March 31, 2001. The increase in expenses reflects higher sales and marketing investment spending of $1,120,000 in fiscal 2002. The Company increased selling and marketing activities to $1,415,000 for the three months ended March 30, 2002, from $295,000 for the three months ended March 31, 2001, following the April 2001 FDA approval to market the HTA in the United States. Areas of increased investment spending include: the addition of a vice president of sales, field zone sales management, and other administrative, reimbursement and customer service support personnel, plus include related travel and training expenses; commission expenses resulting from the higher domestic revenue; outside marketing and promotional services for the development of product and promotional materials; and expenses related to the Company's participation in physician trade shows, the support of clinical education, the sponsorship of physician training workshops and the training of field sales representatives. Administrative expenses increased $246,000 or 44.1% to $804,000, due primarily to higher professional fees, plus increased personnel and insurance costs.

Research, development and related expenses were $312,000 in the second quarter of fiscal 2002, a decline of $216,000 or 40.9% from the comparable period of fiscal 2001. The lower expenses reflect the absence of a one-time non-cash charge of $143,000 in the second quarter of fiscal 2001 related to the issuance of a warrant to purchase shares of common stock in exchange for a reduction in the future royalty payments on certain disposable components of

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the Company's HTA. In addition, a lower rate of spending is sufficient to support the Phase III FDA clinical trial on a post-approval basis as compared to the levels that were required during the prior year prior to FDA approval. Mandatory post-approval surveys of patients treated during the Phase III FDA clinical trial at twenty-four and thirty-six months following treatment will require continued spending through the end of calendar 2002, at lower levels than those required prior to FDA approval. Partially offsetting the lower rate of spending related to the clinical trial is increased spending for engineering services related to the Company's cost reduction program for the HTA single-use procedure set.

Interest income declined to $25,000 in the three month period ended March 30, 2002 compared to $62,000 in the three month period ended March 31, 2001, principally as a result of lower average interest rates earned on cash balances on hand during the quarter.

Interest expense increased to $4,000 in the second quarter of fiscal 2002 compared to zero for the comparable quarter of fiscal 2001 reflecting cost related to the Company's long-term lease obligation.

The Company recognized no income tax benefit for the three-month periods ended March 30, 2002 and March 31, 2001. The cumulative net operating loss carryforwards as of March 30, 2002 were approximately $15.6 million. The Company projects losses to continue at least through fiscal year 2002. These losses remain available to the Company on a carryforward basis to offset any future earnings, but they have been fully offset by a valuation allowance in the financial statements, as their future realization is uncertain. There is no remaining loss carryback available to the Company.

Six Months Ended March 30, 2002 and March 31, 2001

Revenues for the six months ended March 30, 2002, were $1,252,000, an increase of $1,181,000 from the comparable six-month period of fiscal 2001. The higher revenue reflects the impact of the FDA approval to market the HTA in the United States in April 2001. Domestic revenue from the HTA was $1,153,000 in the for the six months ended March 30, 2002, due primarily to shipments of the HTA single-use procedure sets, which represented over 85% of the total domestic revenue. International revenue for the HTA was $99,000 in fiscal 2002 compared to $69,000 in 2001.

The gross profit was $220,000 for the first six months of fiscal 2002 compared to the negative gross profit of $239,000 in the comparable period of fiscal 2001. Overhead expenses for the first six months of fiscal 2002 were approximately $313,000, compared to $232,000 in the same period of fiscal 2001, reflecting higher spending for personnel and operating materials as a result of the increased volume of commercial activity. However, the higher revenue resulted in a favorable absorption of fixed overhead expenditures and improved gross profit.

Selling, general and administrative expenses increased to $4,365,000 for the six months ended March 30, 2002, from $1,566,000 for the six months ended March 31, 2001. The increase in expenses primarily reflects higher sales and marketing investment spending in fiscal 2002. Sales and marketing spending in fiscal 2002 was $2,910,000 compared to $502,000 in the same period of fiscal 2001. The Company increased selling and marketing activities following the April 2001 FDA approval to market the HTA in the United States. Areas of increased investment spending include: the addition of a vice president of sales, field zone sales management, and other administrative, reimbursement and customer service support personnel, plus related travel and training expenses; commission expenses resulting from the

higher domestic revenue; outside marketing and promotional services for the development of product and promotional materials; and expenses related to the

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Company's participation in physician trade shows, the support of clinical education, the sponsorship of physician training workshops and the training of outside independent field sales representatives. Administrative expenses increased $391,000 or 36.7% to $1,455,000, due primarily to higher professional fees, plus increased personnel and insurance costs.

Research, development and related expenses were $602,000 in the first six months of fiscal 2002, a decline of $220,000 or 26.8% from the comparable period of fiscal 2001. The lower expenses reflects the absence of a one-time non-cash charge of $143,000 in the second quarter of fiscal 2001 related to the issuance of a warrant to purchase shares of common stock in exchange for a reduction in the future royalty payments on certain disposable components of the Company's HTA. In addition, a lower rate of spending is currently necessary to support the clinical trial on a post-approval basis than the levels that were required prior to approval during the prior year. Partially offsetting the lower rate of spending related to the clinical trial is increased spending for engineering services related to the Company's cost reduction program for the HTA single-use procedure set.

Interest income declined to $73,000 in the six month period ended March 30, 2002 compared to $119,000 in the six month period ended March 31, 2001, principally as a result of lower average interest rates earned on cash balances on hand during the period.

Interest expense increased to $8,000 in the first six months of fiscal 2002 compared to $1,000 for the comparable quarter of fiscal 2001 reflecting cost related to the Company's long-term lease obligation.

The Company recognized no income tax benefit for the six-month periods ended March 30, 2002 and March 31, 2001.

Liquidity and Capital Resources

BEI has incurred significant operating losses and the Company expects losses to continue for at least the next one to two years. The Company is dependent on a single platform of technology, the HTA, to achieve commercial success and generate sufficient future revenues and profits to fulfill capital needs. In addition, the Company expects that it will continue to expend substantial resources in expansion of marketing and sales activities and research and development. BEI's future revenues will depend upon, among other factors, its ability to cost effectively commercialize the HTA. The Company's capital requirements to complete the commercialization of the HTA depend on numerous factors, including the resources required to successfully commercialize the HTA in the United States and the extent to which the HTA gains market acceptance and sales.

The Company believes that existing cash balances, anticipated future revenues and funds anticipated from the exercise of outstanding common stock warrants will provide adequate funding to meet the Company's minimum capital requirements until the end of the calendar year. The Company is considering options to secure additional financing at this time. The timing and amount of such capital requirements cannot be predicted accurately. In addition, in order to attempt to maximize the return on assets the Board of Directors is evaluating various strategic alternatives that may be available to the Company. In addition to the effect of general market conditions on our ability to obtain additional capital, such factors as the performance of the HTA, competing technologies and the extent to which physicians accept the HTA may become factors that affect our ability to obtain additional capital. We may not be able to obtain additional financing on favorable terms or at all. In the event the Company is unable to secure additional sources of

capital when we need them, its ability to continue as a going concern will be seriously impaired and we may be required to scale back our operations, research, marketing or sales efforts or obtain funds through arrangements with collaborative partners or others that may require us to license or relinquish rights to technologies or products. If we raise additional funds by issuing equity securities, further dilution to our stockholders may result, and new investors could have rights superior to existing stockholders.

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There can be no assurance that the Company will successfully commercialize the HTA or that the Company will achieve significant revenue from either international or domestic sales of the HTA. In addition, there can be no assurance that the Company will achieve or sustain profitability in the future. In the event the Company is unable to achieve profitability or secure additional sources of capital, its ability to continue as a going concern may be severely impaired. The accompanying financial statements have been prepared on a going concern basis and do not include any adjustments relating to recoverability and classification of asset carrying amounts or the amount and classification of liabilities that might result should the Company be unable to continue as a going concern.

During the first six months of fiscal 2002 cash used in operating activities was $4,281,000 reflecting the net loss of $4,682,000 which was partially offset by the receipt of $284,000 from the sale of a portion of the Company's New Jersey net operating loss carryforwards, as well as increases in accounts payable and accrued liabilities of $519,000 and adjustments to reconcile the net loss to net cash used in operations of $147,000. Increases in working capital for accounts receivable, inventory and other current assets of $182,000, $186,000 and $181,000, respectively, partially offset the above.

Cash used in investing activities during the first six months of fiscal 2002 was $275,000 primarily reflecting the purchase of manufacturing molds, field placement equipment and office equipment plus increased purchases of marketable securities related to the Company's deferred compensation plan.

Net cash provided by financing activities of $8,000 reflects proceeds from the exercise of common stock options and warrants of $21,000 partially offset by payment of long-term lease obligations of $13,000.

As of March 30, 2002, in anticipation of future revenue growth, the Company has placed non-cancelable purchase orders for HTA control units, HTA procedure sets and related inventory totaling approximately $1,500,000 with projected delivery dates scheduled over the next six months. In addition, to support the Company's cost reduction program and the Company's domestic marketing launch of the HTA, the Company has made non-cancelable commitments for the purchase of sales and marketing materials and services, manufacturing molds and engineering support totaling over $100,000. The Company had no other material capital or other commitments as of March 30, 2002. As discussed above, the Company's capital requirements to complete the commercialization of the HTA depend on numerous factors including the amount of resources that will be required to successfully commercialize the HTA in the United States and the extent to which the HTA gains market acceptance and sales.

The Company leases certain office equipment and facilities under operating and capital lease agreements expiring through fiscal year 2006. Total commitments under these lease agreements are as follows:

2002	$ 163
2003	$ 209
2004	$ 154
2005	$ 55
2006	$ 27

Effects of Inflation

Management believes that, for the periods presented, inflation has not had a material effect on the Company's operations.

PART II.
OTHER INFORMATION

Item 4. Submission of Matters to Vote of Security Holders

1. The Annual Meeting of Stockholders of the Company (the "Meeting") was held on March 12, 2002. At the meeting, Charles Crocker and Ralph Richart, M.D. were elected to serve as Class I directors of the Company for a three-year term expiring at the Company's 2005 Annual Meeting and

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Jordan Davis was elected to serve as the Series A director until the 2003 Annual Meeting. The Class I directors were elected by a vote of 9,706,409 votes in favor and 40,165 withheld for Mr. Crocker, 9,734,205 votes in favor and 12,369 votes withheld for Dr. Richart. Mr. Davis was elected as the Series A director by a vote of 581,151 votes in favor and zero votes withheld.

In addition, the following directors continued in office: Richard W. Turner, Ph.D., and Gary D. Wrench (until the Company's 2003 Annual Meeting); and Lawrence A. Wan, Ph.D. (until the Company's 2004 Annual Meeting).

2. The other matters presented at the Meeting and the votes of the stockholders with respect thereto are as follows:

The selection of Ernst & Young LLP as the Company's independent auditors for the fiscal year ending September 28, 2002 was ratified by a vote of 9,712,082 votes in favor, 2,721 against and 31,771 abstentions.

Item 5. Other Information

Subsequent events

On May 14, 2002, Boston Scientific Corporation and BEI Medical Systems Company, Inc. announced the signing of a definitive agreement for Boston Scientific to acquire BEI in an all-cash transaction for a purchase price of approximately $95 million, or $6.84 per common share equivalent. The transaction, which will be accomplished by a cash tender offer and follow-on merger, is expected to close in the second quarter of calendar year 2002. The tender offer for all common and preferred shares of BEI is expected to commence later this month and is conditioned upon the tender of a majority of the outstanding shares of BEI and other customary conditions. Management and certain other stockholders of BEI have agreed to support the acquisition by tendering their shares into the tender offer, voting their shares in favor of the transaction at any shareholder meeting or selling their securities to Boston Scientific. The BEI board has unanimously voted to recommend the tender offer to its shareholders.

This report is neither an offer to purchase nor a solicitation of an offer to sell securities of BEI. The tender offers will be made solely by an offer to purchase and a related letter of transmittal to be disseminated upon the commencement of the tender offer. Holders of BEI securities should read the Tender Offer Statement on Schedule TO filed by Boston Scientific when it becomes available, as well as the Schedule 14D-9 to be filed by BEI, as they will contain important information about the tender offer. Investors can obtain -- at no cost -- the Tender Offer Statement on Schedule TO, the Schedule 14D-9, and other filed documents, from the Securities and Exchange Commission's website HTTP://WWW.SEC.GOV.

RISK FACTORS

The risks and uncertainties described below are not the only ones facing our company. Additional risks and uncertainties not presently known to us or those we currently deem immaterial may impair our business operations. If any of the following risks actually occur, our business could be harmed.

We have a history of operating losses and anticipate future losses and we may never be profitable.

Historically, we have incurred significant losses in our medical device business and we expect to incur increasing and significant losses in the future for at least the next one to two years as we expend substantial resources:

- for expansion of marketing and sales activities;
- for research and development;
- start-up manufacturing costs; and
- in support of regulatory and reimbursement approvals.

If we are able to commercialize the HTA, we cannot guarantee we will achieve significant revenues from either international or domestic sales of the

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HTA. In addition, we cannot assure

you that we will achieve or sustain profitability in the future. In the event we are unable to achieve profitability or secure additional sources of capital, our ability to continue as a going concern may be severely impaired.

We have a limited operating history on which you can base an evaluation of our business and prospects.

We have only a limited medical device operating history on which you can base an evaluation of our business and prospects. As an early stage medical device company, you must consider our prospects in light of the risks, expenses and difficulties frequently encountered by entrants into the medical device industry, which is characterized by an increasing number of participants, intense competition and a high failure rate. We cannot be certain that we will be able to overcome the risks and difficulties that we face and successfully compete with other medical device companies that have competing products or treatments.

We may not be able to commercialize the HTA profitably.

Our ability to successfully commercialize the HTA will depend upon, among other factors, acceptance by the medical community of the HTA. We believe that physicians will not use the HTA unless they determine, based on clinical data and other factors, that the HTA:

- is an attractive safe treatment alternative for dysfunctional uterine bleeding;
- offers clinical utility in a cost-effective manner; and
- does not require extensive physician training prior to use.

Even though we have received approval from the FDA to market the HTA in the United States, we cannot guarantee that the HTA will be competitive with respect to these factors or that it will gain any significant degree of market acceptance among physicians, patients and healthcare payors. We believe that recommendations and endorsements by physicians will be essential for market acceptance of the HTA and we cannot be certain that any such recommendations or endorsements will be obtained. If we fail to achieve significant market acceptance of the HTA, our business, financial condition and results of operations will suffer.

We have limited capital resources to fund our operations and we may be unable to complete the commercialization of the HTA.

Our capital requirements to complete the commercialization of the HTA depend on numerous factors including:

- the resources required to manufacture and successfully commercialize the HTA in the United States; and
- the extent to which the HTA gains market acceptance and sales.

We believe that our existing cash balances, anticipated future revenues and funds anticipated from the exercise of outstanding common stock warrants will provide adequate funding to meet our minimum capital requirements until the end of the calendar year. We are considering options to secure additional financing at this time. The timing and amount of such capital requirements cannot be predicted accurately. In addition, in order to attempt to maximize the return on assets we are evaluating various strategic alternatives that may be available to the Company. In addition to the effect of general market conditions on our ability to obtain additional capital, such factors as the performance of the HTA, competing technologies and the extent to which physicians accept the HTA may become factors that affect our ability to obtain additional capital. We may not be able to obtain additional financing on favorable terms or at all. In the event we are unable to secure additional sources of capital when we need them, our

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ability to continue as a going concern will be seriously impaired and we may be required to scale back our operations, research, marketing or sales efforts or obtain funds through arrangements with collaborative partners or others that may require us to license or relinquish rights to technologies or products. If we raise additional funds by issuing equity securities, further dilution to our stockholders may result, and new investors could have rights superior to existing stockholders.

Our revenues are dependent upon a single platform of technology, the HTA. If we are unable to commercialize the HTA profitably, we may not have any other source of revenue and our business will fail.

We are dependent on a single platform of technology, the HTA, to achieve commercial success and generate sufficient future revenues and profits to fulfill capital needs. We cannot guarantee you that the HTA will achieve commercial acceptance. We do not have an alternative source of revenue or profits to meet capital needs in the event the HTA does not achieve commercial acceptance. If we are unable to commercialize the HTA profitably, and we do not have any other sources of revenue, our business will fail.

We have no manufacturing experience and rely on contract manufacturers. If we are unable to successfully manufacture our HTA in commercial quantities, we may not be able to generate revenue and become profitable.

We have no experience in managing the manufacture and assembly of the HTA in commercial quantities and we rely on third party contract manufacturers to manufacture the HTA and its disposable components. In order to commercialize the HTA successfully, we must manufacture or assemble the HTA through third parties in accordance with FDA requirements in commercial quantities, at high quality levels and at commercially reasonable costs. In addition, the third party manufacturers are responsible for registering and maintaining their own facility regulatory and compliance approvals. Any regulatory or compliance actions against a third party vendor by either the FDA or any other regulatory body could affect the third party vendor's ability to supply us, which in turn could harm our business. The HTA has not yet been manufactured in commercial quantities at commercially reasonable costs, and we cannot guarantee you that it will be. As a result, we cannot be certain that we will not encounter difficulties in scaling up manufacturing, including problems involving:

- production yields;
- quality control;
- component supply; and
- shortages of qualified manufacturing personnel.

In addition, we cannot be certain that we will be able to enter into satisfactory agreements with third party manufacturers to manufacture the HTA. If we fail to enter into agreements with third-party manufacturers on reasonable terms, if at all, or if we are unable to produce the HTA in commercial quantities at high quality levels and at commercially reasonable prices our business, financial condition and results of operations will suffer.

We rely on single-source suppliers for a number of the HTA's components, and if we are unable to obtain components, our business would be harmed and our operating results would suffer.

We currently depend on single-source vendors for a number of the HTA's significant components. Because the HTA has not yet been manufactured in significant commercial quantities, we cannot be certain that our current vendors of these components will be able or willing to meet our future demands. Establishing additional sources of supply for these components could take a substantial amount of time and expense. If we need to switch to a

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replacement vendor, the manufacture and delivery of our HTA could be interrupted for an extended period. Although we will try to maintain sufficient quantities of inventory of such components to minimize production delays or interruptions, we cannot guarantee you that we will find suitable alternatives at reasonable prices, if at all, or that any such alternatives will remain available to us. If we are not able to obtain acceptable suppliers of components in a timely manner or to find and maintain suitable replacement suppliers of components, our business, financial condition and results of operations will suffer.

We have limited sales experience. If we fail to establish marketing and direct sales capabilities sufficient to support commercial sales of the HTA, our business will suffer.

We have no direct international or domestic field sales force, and have only a limited number of relationships with international distributors and domestic manufacturing sales representatives to market the HTA. We have been limited to marketing of the HTA internationally with a group of specialty distributors in selected international markets and we have recently entered into marketing and sales representative agreements with a number of marketing specialty organizations to promote the HTA in the United States. We cannot guarantee you that these relationships or agreements will result in sales of the HTA or that we will be successful in establishing additional partnership relationships on commercially reasonable terms, if at all. Achieving market acceptance for the HTA may require us to establish additional marketing and direct sales capability sufficient to support sales in commercial quantities. Establishing such capability will require significant financial and human resources. We cannot be certain that we will be able to recruit and retain additional qualified marketing or sales personnel or that our future sales efforts will be successful. If we fail to establish and maintain an effective distribution channel for the HTA or to establish and retain qualified and effective sales personnel to support commercial sales of the HTA, our business, financial condition and results of operations will suffer.

We may be unable to adequately protect or enforce our intellectual property rights or secure rights to third-party patents.

Our ability to compete effectively will depend substantially on our ability to develop and maintain the proprietary aspects of our technology. We cannot be certain that any of our issued patents, or any future patents that may be issued, will offer any degree of protection to the HTA against competitive products. Further, we cannot be certain that any patents that may be issued or licensed to us or any of our patent applications will not be challenged, invalidated or circumvented in the future. In addition, we cannot assure you that competitors, many of whom have substantial resources and have made substantial investments in competing technologies, will not seek to apply for and obtain patents that will prevent, limit or interfere with our ability to make, use or sell the HTA either in the United States or in international markets.

The medical device industry has been characterized by extensive litigation regarding patents and other intellectual property disputes, and some companies in the industry have employed intellectual property litigation to gain a competitive advantage. We cannot assure you that we will not in the future become subject to patent infringement claims and litigation or interference or other proceedings in the United States Patent Office or USPTO. The defense and prosecution of intellectual property suits, USPTO proceedings and related legal and administrative proceedings are both costly and time consuming. Litigation may be necessary to enforce patents issued or licensed to us, to protect our trade secrets or know-how or to determine the enforceability, scope and validity of the proprietary rights of others.

Any litigation or USPTO proceedings involving us will result in substantial expense to us and significant diversion of effort by our technical and management personnel. An adverse

determination in litigation or USPTO proceedings to which we may become a party could subject us to significant liabilities to third parties or require us to seek licenses from third parties. Although some patent and intellectual property

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disputes in the medical device area have been settled through licensing or similar arrangements, costs associated with such arrangements may be substantial and could include substantial ongoing royalties. Furthermore, we cannot be certain that necessary licenses would be available to us on satisfactory terms, if at all. If we are subjected to an adverse determination in a judicial or administrative proceeding or if we fail to obtain necessary licenses, we could be prevented from manufacturing and selling the HTA, which would harm our business, financial condition and results of operations.

In addition to patents, we rely on trade secrets and proprietary know-how, which we seek to protect, in part, through appropriate confidentiality and proprietary information agreements. These agreements generally provide that all confidential information developed or made known to an individual by us during the course of the individual's relationship with us is to be kept confidential and not disclosed to third parties or utilized by the individual, except in specific circumstances. The agreements also generally provide that all inventions conceived by the individual in the course of rendering services to us shall be the exclusive property of BEI. We cannot guarantee you that our proprietary information will not be misused or confidentiality agreements with employees, consultants and others will not be breached, that we will become aware of such breach or will have adequate remedies for any breach, or that our trade secrets will not otherwise become known to or independently developed by competitors.

We are subject to uncertainties regarding healthcare reimbursement and reform. If patients are not reimbursed by third parties for the cost of the therapeutic procedure in which the HTA is used or there are adverse changes in government and private third party payors' policies toward reimbursement for such procedures, our business will be harmed.

Our ability to successfully commercialize the HTA in the United States depends in part on the extent to which patients are reimbursed by governmental agencies, private health insurers and other organizations, such as health maintenance organizations, for the cost of such treatments. Although reimbursement for diagnostic and therapeutic procedures to treat uterine disorders such as menorrhagia, or dysfunctional uterine bleeding and fibroid treatment have generally been available in the United States, we cannot guarantee you that it will continue to be the case or that the fees currently allowed for these procedures will not be reduced. Our business could also be harmed by changes in reimbursement policies of government or private healthcare payors, particularly to the extent that any such changes affect reimbursement for diagnostic or therapeutic procedures in which the HTA is used. Failure by physicians, hospitals and other users of our products to obtain sufficient reimbursement from healthcare payors for procedures in which the HTA is used, or adverse changes in government and private third-party payors' policies toward reimbursement for such procedures, could harm our business, financial condition and results of operations.

We expect that there will be continued pressure on cost-containment throughout the United States healthcare system. Reforms may include mandated basic healthcare benefits, controls on healthcare spending through limitations on the growth of private health insurance premiums and Medicare and Medicaid spending, the creation of large insurance purchasing groups and fundamental changes to the healthcare delivery system. We anticipate that Congress and state legislatures will continue to review and assess alternative healthcare delivery systems and payment methodologies and public debate of these issues will likely continue in the future. Due to uncertainties regarding the ultimate features of reform initiatives and their enactment and implementation, we cannot predict which, if any, of such reform proposals will be adopted, when they may be adopted or what impact they may have on us.

Market acceptance of the HTA in international markets may be dependent in part upon the availability of reimbursement within prevailing healthcare payment systems. Reimbursement and healthcare payment systems in international markets vary significantly by country, and include both government sponsored and private healthcare insurance. Although we will seek international reimbursement approvals, obtaining such approvals can require 12 to 18 months or longer and we cannot be certain that any such approvals will be obtained in a timely manner, that we will obtain sufficient reimbursement, or that we will obtain any

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reimbursement at all. The failure to receive additional international reimbursement approvals would have a significant effect on the market acceptance of the HTA in the international markets in which we are seeking approvals and could harm our business, financial condition and results of operations.

We face intense competition in our industry, and if our competitors develop new technologies or products that are more effective than ours, our opportunity to commercialize the HTA will be reduced or eliminated.

Competition in the treatment of dysfunctional uterine bleeding is intense and is accentuated by the rapid pace of technological development. Research and development of products or treatments by others may result in breakthroughs, which render the HTA obsolete even before we generate revenue. There are other products that have received regulatory approvals that will compete with the HTA and many of our competitors have significantly greater resources than we do. The principal competitive products for our HTA that have received regulatory approvals include:

- ThermaChoice balloon, a product of Gynecare, a subsidiary of Ethicon, Inc./Johnson & Johnson, a device for endometrial ablation, was cleared to be marketed in the United States by the FDA in December 1997;

- Her Option, a product of CryoGen, which is a cryogenic probe that creates an iceball within the uterus, was approved by the FDA in April 2001; and

- NovaSure, a product of Novacept, which utilizes a bipolar electrosurgical probe that incorporates an expandable conductive mesh that is brought into contact with the lining of the uterus through the application of suction, was approved by the FDA in October 2001.

Other products of principal competitors that we believe are currently undergoing clinical trials in the United States include:

- MEA, a product of Microsulis PLC, which employs a hand-held applicator to apply low power microwaves to the uterine cavity; and

- Gynelase, a product of Sharplan, which is a diode laser thermal therapy device.

Another competitive technology that is being sold internationally but not domestically is Cavaterm, a product of Wallsten Medical SA, which is a hand held balloon similar to that of the ThermaChoice balloon.

Other large healthcare companies may enter the market in the future. Competing companies may succeed in developing technologies and products that are efficacious or more cost effective than the HTA. We cannot guarantee you that these companies will not succeed in developing technologies and products that are more effective than the HTA or that would render our technologies or the HTA obsolete or not competitive. We expect competition for devices and services to treat dysfunctional menstrual bleeding to increase. Such competition could harm our business, financial condition and results of operations.

If product liability lawsuits are successfully brought against us, we may incur substantial liabilities and may be

required to limit commercialization of the HTA or other products that we may develop.

We face an inherent business risk of financial exposure to product liability claims in the event that the use of the HTA or other products we may develop result in personal injury. The HTA is complex and will be used in medical procedures and in situations where there is a potential risk of serious injury, adverse side effects or death. If we cannot successfully defend ourselves against such claims, we may incur substantial liabilities or be required to limit the commercialization of the HTA or other products we may develop. We currently maintain product liability insurance with coverage limits of $10,000,000 per occurrence and in the aggregate. We cannot predict, however, whether such insurance is sufficient, or if not, whether we will be able to

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obtain such insurance as is sufficient, to cover the risks associated with our business or whether such insurance will be available at premiums that are commercially reasonable. A successful claim against or settlement by BEI in excess of its insurance coverage or our inability to maintain insurance in the future could harm our business, financial condition and results of operations.

Our business is regulated by the government. We cannot guarantee that we will obtain regulatory approvals to commercialize the HTA or other products that we may develop.

Our products are medical devices subject to extensive regulation by the U.S. Food and Drug Administration, or FDA, under the Federal Food, Drug, and Cosmetic Act. Each medical device that we wish to commercially distribute in the U.S. will likely require FDA to grant either 510(k) clearance or premarket application approval, or PMA approval, prior to marketing. The FDA's 510(k) clearance pathway usually takes from 4 to 12 months, but it can last longer. The PMA approval pathway is much more costly, lengthy and uncertain. It generally takes from one to three years or even longer. In April 2001, we received PMA approval of the HTA for treatment of menorrhagia or dysfunctional uterine bleeding; in July 31, 2001, we received approval from the FDA to market a lighter weight, smaller, and more portable version of the HTA Control Unit and on December 7, 2001, we received approval from the FDA for a PMA supplement permitting modifications to the assembly of the sheath used in the HTA procedure set. A new PMA or PMA supplement will be required in the event of a modification to the HTA, its labeling or its manufacturing process that affects safety or effectiveness. We cannot guarantee that such approvals will be granted in a timely fashion or at all.

After a device such as the HTA is placed on the market, numerous regulatory requirements apply. These include: the Quality System Regulation, or QSR, which requires manufacturers to follow elaborate design, testing, control, documentation and other quality assurance procedures during the manufacturing process; labeling regulations; the FDA's general prohibition against promoting products for unapproved or "off-label" uses; and the Medical Device Reporting regulation, which requires that manufacturers report to the FDA if their device may have caused or contributed to a death or serious injury or malfunctioned in a way that would likely cause or contribute to a death or serious injury if it were to recur.

We are subject to inspection and marketing surveillance by the FDA to determine our compliance with regulatory requirements. Noncompliance can result in enforcement action which may include warning letters, recalling products, ceasing product marketing, paying significant fines and penalties, and similar FDA actions which could limit product sales, delay or halt product shipment, delay new product clearance or approvals, and adversely affect our profitability. Unanticipated changes in existing regulatory requirements or adoption of new requirements could hurt our business, financial condition, and results of operations.

Risks associated with international sales may harm our business.

Our international sales are dependent upon the marketing efforts of, and sales by, international distributors. We may also rely on these distributors to assist us in obtaining reimbursement approvals from both government and private insurers in certain international markets. In general, we have chosen to operate through small distribution firms because of the belief that these firms will devote greater attention to the HTA. However, the use of small distributors increases the risks associated with financial instability of distributors, which includes the risk that distributors will cease operations or will be unable to satisfy financial obligations to us. If a distributor were to fail to invest adequate capital promoting the HTA or were to cease operation, we would likely be unable to achieve significant revenues in the territory. In addition, because we have limited resources directed at supporting international sales, we have only limited sell-through with many of our distributors. We also do not currently have distributors in a number of significant international markets that we have targeted and will need to establish additional international distribution relationships. We cannot be certain that we will engage qualified distributors on commercially reasonable terms in a timely manner. If we fail to engage distributors or if the distributors fail to achieve significant revenues

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from sales of the HTA, our business, financial condition and results of operations would be harmed. In addition, our international revenues and operations may be limited or disrupted by:

- government and regulatory controls;
- export license requirements;
- political instability;
- trade restrictions;
- changes in tariffs and other local taxes;
- difficulties in managing international operations;
- fluctuations in foreign currency exchange rates; and
- freight and transportation costs.

We cannot guarantee you that we will be able to successfully commercialize the HTA in any international market.

Our operating results may fluctuate, and failure to meet financial expectations may disappoint securities analysts or investors and result in a decline in our stock price.

We expect that our operating results will fluctuate significantly from quarter to quarter in the future and will depend on a number of factors, many of which are outside our control. Some of these factors include:

- actions relating to reimbursement and regulatory matters;
- the extent to which the HTA gains market acceptance; and
- timing of regulatory approval of competitive products and the rate of market penetration of competing products.

We rely on the expertise of key personnel. If any of these individuals leave, our operations could suffer.

We are dependent upon a number of key management and technical personnel. The loss of the services of one or more key employees would harm our business, financial condition and results of operations. Our ability to manage our transition to commercial-scale operations, and

hence our success, will depend on the efforts of these individuals. Our success will also depend on our ability to attract and retain additional highly qualified management and technical personnel. We face intense competition for qualified personnel, and we cannot guarantee that we will be able to attract and retain such personnel. We do not currently have key person insurance on the life of any employee.

We are subject to significant amount of control by our existing stockholders and management and thus investors will have less influence on our stockholder decisions.

Our directors, officers and their affiliates beneficially own approximately 28.4% of the outstanding common stock (assuming exercise of vested stock options) as of May 2, 2002. As a result of such common stock ownership, our directors, officers and their affiliates, if they voted together, would be able to exercise significant influence over the election of members of our Board of Directors and other corporate actions requiring stockholder approval.

We have adopted several antitakeover measures that may deter, delay or prevent change of control or other transactions that could be beneficial to our stockholders.

We have taken a number of actions that could have the effect of

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discouraging a takeover attempt that might be beneficial to our stockholders who wish to receive a premium for their shares from a potential bidder. For example, we are subject to the anti-takeover provisions of Section 203 of the Delaware General Corporation Law, or the Delaware Law, and our Certificate of Incorporation contains a fair price provision, the combined effect of which prohibits us from engaging in a "business combination" with an "interested stockholder" for a period of three years after the date of the transaction in which the person became an interested stockholder, unless the business combination is approved in a prescribed manner. The application of Section 203 and the fair price provision could have the effect of delaying or discouraging a change of control of BEI. We have also adopted a Stockholder Rights Plan that would cause substantial dilution to a person who attempts to acquire us on terms not approved by our Board of Directors. In addition, our Board of Directors has the authority to issue up to approximately 3,700,000 shares of preferred stock and to determine the price, rights, preferences and privileges of those shares without any further vote or action by our stockholders. Any such preferred stock could contain dividend rights, conversion rights, voting rights, terms of redemption, redemption prices, liquidation preferences or other rights superior to the rights of holders of common stock. The Board of Directors has no present intention of issuing any additional shares of preferred stock (1,114,485 shares of Series A convertible preferred stock were outstanding as of May 2, 2002), but reserves the right to do so in the future. Further, our Certificate of Incorporation provides for staggered terms for the members of the Board of Directors. The staggered Board of Directors and certain other provisions of our Certificate of Incorporation and Bylaws may have the effect of delaying or discouraging changes in control or management of BEI, which could adversely affect the market price of our common stock.

Our stockholders will suffer dilution upon the conversion of our outstanding preferred stock.

The 1,114,485 shares of Series A convertible preferred stock issued on February 14, 2001 are convertible at any time into an aggregate of 2,228,970 shares of our common stock at an initial conversion price of $1.88 per share. The initial conversion price will be adjusted for stock splits, combinations, certain dividends and distributions and other similar events and could also be adjusted on a weighted average basis in the event we issue additional securities at a per share price below $1.88. Accordingly, if all of the shares of Series A convertible preferred stock were converted into common stock, there would be dilution of at least 2,228,970 shares of

common stock, or approximately 18.4% of the 9,857,691 million shares of common stock outstanding on May 2, 2002.

Item 6. Exhibits and Reports on Form 8-K

(a) Index to Exhibits

10.8 Registrant's 1992 Restricted Stock Plan, as amended, and form of Restricted Stock Agreement.

10.36 Employment Agreement between the Registrant and Richard W. Turner dated October 7, 1999, as amended April 19, 2000.

10.45 Amendment to Rights Agreement dated August 20, 2001,

10.46 Description of Transaction Bonus Plan.

10.47 Description of Management Incentive Bonus Plan.

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21.1 Subsidiaries of the Registrant

(b) Reports on Form 8-K

(i) The Company filed no reports on Form 8-K during the quarter ended March 30, 2002.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on May 14, 2002.

BEI Medical Systems Company, Inc.

By: /s/ Thomas W. Fry

Thomas W. Fry
Vice President of Finance and
Administration, Secretary and Treasurer
(Chief Financial Officer)

INDEX TO EXHIBITS

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10.47	Description of Management Incentive Bonus Plan.
21.1	Subsidiaries of the Registrant

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BEI MEDICAL SYSTEMS COMPANY, INC.
1992 RESTRICTED STOCK PLAN
AS AMENDED AND RESTATED ON APRIL 24, 2001

1. PURPOSE.

The purpose of this Plan is to promote the long-term growth and profitability of the Company and the value of its Common Stock by (i) providing certain individuals who provide services to the Company with increased incentive to contribute to the success of the Company and (ii) enabling the Company to attract, retain and reward persons of exceptional skill for positions of substantial responsibility.

2. DEFINITIONS.

Whenever used herein, the following terms shall have the meanings set forth below:

(A) "Board" or "Board of Directors" means the Board of Directors of BEI Medical Systems Company, Inc.

(B) "Code" means the Internal Revenue Code of 1986, as amended.

(C) "Committee" means the Compensation Committee designated by the Board which shall consist of two (2) or more members of the Board who shall, in the discretion of the Board, consist solely of two (2) or more Outside Directors, in accordance with Section 162(m) of the Code, and/or solely of two (2) or more Non-Employee Directors, in accordance with Rule 16b-3.

(D) "Common Stock" shall mean the Common Stock, $.001 par value, of BEI Medical Systems Company, Inc.

(E) "Company" means BEI Medical Systems Company, Inc. and/or its Subsidiaries.

(F) "Disability" means a permanent and total disability as defined in the BEI Long-term Disability Plan or, if designated by the Committee with respect to a grant under the Plan, Section 22(e)(3) of the Code.

(G) "Exchange Act" means the Securities Exchange Act of 1934, as amended.

(H) "Fair Market Value" means the closing price of the Common Stock as reported on the Nasdaq National Market (or other securities exchange) for the date in question, or if no sales of the Common

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Stock were reported on such day, the closing price of the Common Stock on the last preceding day when the sale of Common Stock was reported on the Nasdaq National Market.

(I) "Non-Employee Director" means a member of the Board who either (i) is not a current employee or officer of the Company or any "affiliate," does not receive compensation (directly or indirectly) from the Company or any "affiliate" for

services rendered as a consultant or in any capacity other than as a member of the Board (except for an amount as to which disclosure would not be required under Item 404(a) of Regulation S-K promulgated pursuant to the Securities Act of 1933, as amended ("Regulation S-K"), does not possess an interest in any other transaction as to which disclosure would be required under Item 404(a) of Regulation S-K, and is not engaged in a business relationship as to which disclosure would be required under Item 404(b) of Regulation S-K; or (ii) is otherwise considered a "non-employee director" for purposes of Rule 16b-3.

(J) "Outside Director" means a member of the Board who either (i) is not a current employee of the Company or an "affiliated corporation" (within the meaning of Treasury regulations promulgated under Section 162(m) of the Code), is not a former employee of the Company or an "affiliated corporation" receiving compensation for prior services (other than benefits under a tax qualified pension plan), was not an officer of the Company or an "affiliated corporation" at any time, and is not currently receiving direct or indirect remuneration from the Company or an "affiliated corporation" for services in any capacity other than as a member of the Board, or (ii) is otherwise considered an "outside director" for purposes of Section 162(m) of the Code.

(K) "Participant" means an individual to whom Restricted Stock is granted under the Plan.

(L) "Restricted Stock" means Common Stock granted to a Participant pursuant to section 6 of the Plan.

(M) "Retirement" means termination of Participant's employment with a Company: (i) after Participant has reached 65 years of age, and (ii) after Participant has ten or more years of service with the Companies.

(N) "Rule 16b-3" means Rule 16b-3 of the Exchange Act or any successor to Rule 16b-3 in effect when discretion is being exercised with respect to the Plan.

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(O) "Subsidiary" means a corporation, 50% or more of whose voting securities are owned by the Company.

3. ADMINISTRATION.

The Plan shall be administered by the Committee. Subject to the provisions of the Plan, the Committee is authorized to (i) select Participants, (ii) determine the form and substance of grants made under the Plan to each Participant, and the conditions and restrictions, if any, subject to which such grants will be made, (iii) interpret the Plan and (iv) adopt, amend, or rescind such rules and regulations for carrying out the Plan as it may deem appropriate. Decisions of the Committee on all matters relating to the Plan shall be in the Committee's sole discretion and shall be conclusive and binding on all parties, including the Company, its stockholders and the Participants in the Plan. The Board may abolish the Committee at any time and revest in the Board the administration of the Plan.

4. SHARES AVAILABLE FOR THE PLAN.

Subject to adjustments as provided in section 12 of the Plan, up to an aggregate of 900,000 shares of Common Stock may be issued pursuant to the Plan. Such reserve is comprised of (i) 350,000 shares reserved for issuance upon adoption of the Plan plus (ii) an additional 350,000 shares approved by the Committee in January 1997 and (iii) 200,000 shares approved by the Board in January 1999. Shares issued under the Plan may be authorized but unissued shares, shares held in the treasury of the Company, or shares purchased on the open market. To the extent any grant under the Plan expires, terminates unexercised, becomes unexercisable or is forfeited, such shares shall thereafter be available for further grants under the Plan.

5. PARTICIPATION.

Participation in the Plan shall be limited to those officers, directors, other employees and consultants of the Company who are believed by the Committee to be in a position to make substantial contribution to the success of the Company. Nothing in the Plan or in any grant thereunder shall confer any right on any employee, director or consultant to continue in the employ or service of the Company or shall interfere in any way with the right of the Company to terminate an employee, director or consultant at any time.

Subject to the provisions of section 12 relating to adjustments upon changes in stock, no person shall be eligible to receive more than one hundred twenty thousand (120,000) shares of Restricted Stock in any fiscal year.

6. RESTRICTED STOCK.

The Committee may at any time and from time to time grant shares of Restricted Stock under the Plan to such Participants and in such amounts as it

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determines. Each grant of Restricted Stock under the Plan shall be evidenced by a restricted stock agreement which shall contain such terms and conditions not inconsistent with the Plan as the Committee shall determine; PROVIDED, HOWEVER, that each grant of Restricted Stock shall satisfy the following requirements:

(A) Shares of Restricted Stock may be granted as a bonus and issued for no consideration other than services rendered, or may be sold to a Participant at such price and for such consideration as may be determined by the Committee, provided, however, that the Company shall receive the minimum amount required for such shares to be fully paid, nonassessable shares under Delaware law.

(B) The Committee shall determine and specify for each grant of Restricted Stock the restrictions applicable thereto, the duration of such restrictions, and the time or times at which such restrictions shall lapse with respect to all or a specified number of shares that are part of the grant. The Committee may elect to accelerate vesting.

(C) The Committee may require, at its discretion, that Participants surrender for cancellation any outstanding stock options granted to such Participants pursuant to the Company's stock option plans.

(D) The Participant shall be required to deposit the shares of Restricted Stock with the Company during the restriction period and to execute a blank stock power therefor.

(E) The Participant shall, during the restriction period, have all of the rights of a stockholder of the Company, including the right to vote the shares and to receive dividends (or amounts equivalent to dividends), unless the Committee shall otherwise determine.

(F) Upon termination of a Participant's employment during the restriction period, all shares of Restricted Stock as to which restrictions have not lapsed shall be forfeited; provided, however, that no shares of Restricted Stock shall be forfeited upon termination of employment due to Retirement, Disability or death. In any such event, any remaining restriction period shall terminate for all Restricted Stock of the retired, disabled or deceased Participant, as the case may be. In the event that a Participant forfeits any shares of Restricted Stock, the Company shall reacquire such shares and shall pay to the Participant an amount equal to the amount, if any, paid by the Participant for such shares.

7. CHANGE IN CONTROL.

In the event of a Change in Control, any remaining restrictions on all shares of Restricted Stock shall immediately terminate and the Committee, as

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constituted before such Change in Control, may take any one or more of the following actions: (i) provide for the purchase of such Restricted Stock by the Company, upon a Participant's request in an amount equal to such stock's Fair Market Value; (ii) make additional grants of Restricted Stock as the Committee deems appropriate to reflect such Change in Control; or (iii) cause any grant to be assumed by the acquiring or surviving corporation upon such Change in Control. The Committee may, in its discretion, include such further provisions and limitations in any agreement pertaining to such grants as it may deem equitable and in the best interests of the Company.

For purposes of the Plan, "Change in Control" shall be deemed to have occurred if (a) any entity, person or Group (other than the Company or a Subsidiary) acquires shares of Common Stock in a transaction or in a series of transactions that result in such entity, person or Group directly or indirectly owning beneficially more than fifty percent (50%) of the outstanding shares of Common Stock; (b) there is a merger or consolidation of the Company with or into any other corporation or other entity or person, or any other corporate reorganization, in which the stockholders of the Company immediately prior to such merger, consolidation or reorganization own less than fifty percent (50%) of the Company's voting power immediately after such merger, consolidation or reorganization (c) there is a sale, lease or other disposition of all or substantially all of the assets of the Company; (d) there is a contested election of directors of the Company which results in a majority of the members of the Board recommended by the Company not being elected (e) there is a change in composition within a sixty (60) day period of a majority of the Company's Board of Directors; or (f) there is any other event or series of events which results in a change in voting power sufficient to elect a majority of the Board. Notwithstanding the foregoing, in no event shall (a) the dividend to be paid to shareholders of the Company on the record date for such dividend of one share of the Common Stock of BEI

Technologies, Inc. for each share of Common Stock of the Company then owned by each such shareholder, (b) any transfer of assets of the Company in connection with such dividend, or (c) a change in the composition of the Board of Directors of the Company in connection with such dividend constitute a "Change in Control" for any purpose under the Plan.

A "Group" shall consist of two or more persons acting as a partnership, limited partnership, syndicated, or other group for the purpose of acquiring, holding or disposing of voting securities of the Company.

8. WITHHOLDING TAXES.

The Company may require, as a condition to any grant under the Plan or to the delivery of certificates for Common Stock issued thereunder, that the Participant pay to the Company, in cash, any federal, state or local taxes of any kind required by law to be withheld with respect to any grant or any delivery of Common Stock. The Company, to the extent permitted or required by

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law, shall have the right to deduct from any payment of any kind (including salary or bonus) otherwise due to a Participant any federal, state or local taxes of any kind required by law or be withheld with respect to any grant or to the delivery of Common Stock under the Plan.

Subject to Committee approval, a Participant may elect to deliver shares of Common Stock (or have the Company withhold shares of Restricted Stock) to satisfy, in whole or in part, the amount the Company is required to withhold for taxes in connection with a grant or a delivery of Common Stock under the Plan. Such election must be made on or before the date the amount of tax is to be withheld is determined and, if applicable, subject to rules and regulations under Section 16(b) of the Exchange Act. Once made, the election shall be irrevocable. The fair market value of the shares to be withheld or delivered will be the Fair Market Value on the date last preceding the date the amount of tax to be withheld is determined.

9. TRANSFERABILITY.

No Restricted Stock granted under the Plan shall be transferable other than by will or the laws of descent and distribution during the restriction period.

10. LISTING AND REGISTRATION.

If the Committee determines that the listing, registration, or qualification upon any securities exchange or under any law of shares subject to any Restricted Stock grant is necessary or desirable as a condition of, or in connection with, the granting of same or the issue or purchase of shares thereunder, no such shares shall be issued unless such listing, registration or qualification is effected free of any conditions not acceptable to the Committee.

11. TRANSFERS.

Transfer of a Participant from the Company to a Subsidiary, from a Subsidiary to the Company, and from one Subsidiary to another shall not be considered a termination of employment or service. Nor shall it be considered a termination of employment or service if a Participant is placed on military or sick leave or such other leave of absence which is considered as continuing intact the employment or service relationship; in such a case, the employment or service relationship shall be continued until the date when the Participant's employment or service shall be terminated.

12. ADJUSTMENTS.

In the event of any change affecting shares of Common Stock by reason of any reorganization, recapitalization, stock split, stock dividend, combination or exchange of shares, merger, consolidation, spin-off, or any other change in

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the corporate structure of BEI Medical Systems Company, Inc. or the Common Stock, the Committee shall make such substitution or adjustment as appropriate in the number and kind of shares reserved for issuance under the Plan and in the number and kind of shares covered by grants made under the Plan.

13. TERMINATION AND MODIFICATION OF PLAN.

The Board of Directors, without further approval of the stockholders, may amend, suspend or terminate the Plan, except that no amendment shall become effective without prior approval of the stockholders of the Company if such approval would be required for continued compliance with Rule 16b-3 or any Nasdaq or securities exchange listing requirements.

The Committee may amend or modify the grant of any outstanding Restricted Stock in any manner to the extent that the Committee would have had the authority to make such grant as so modified or amended, including without limitation to change the date or dates as of which restrictions on shares are to be removed, except that no modification may be made that would materially adversely affect any grant previously made under the Plan without the written approval of the Participant. The Committee is authorized to make minor or administrative modifications to the Plan as well as modifications to the Plan that may be dictated by requirements of federal or state laws applicable to the Company or that may be authorized or made desirable by such laws.

14. EFFECTIVE DATE.

The Plan shall be effective as of January 1, 1992.

RESTRICTED STOCK AGREEMENT

BEI MEDICAL SYSTEMS COMPANY, INC.

WITH

_____, GRANTEE

THIS AGREEMENT is made as of _____, 200__, between BEI MEDICAL SYSTEMS COMPANY, INC., a Delaware corporation (the "Company"), and the Grantee named above (the "Grantee").

WITNESSETH:

WHEREAS, the Grantee has provided valuable services to the Company;

WHEREAS, the Company desires to issue, and the Grantee desires to receive, shares of the Company's common stock as herein described, on the terms and

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conditions set forth; and

WHEREAS, the issuance of common stock hereunder is in connection with and pursuant to the Plan, a compensatory benefit program of the Company for the participation of its employees, directors, officers, consultants and advisors and is intended to comply with the provisions of Rule 701 promulgated by the Securities and Exchange Commission under the Securities Act of 1933, as amended (the "Securities Act").

NOW, THEREFORE, IT IS AGREED between the parties as follows:

15. Pursuant to the Plan, the Company grants to the Grantee, and the Grantee accepts from the Company, the following rights to acquire the Company's common stock, $0.001 par value (the "Restricted Stock"):

(A) Number of shares of Restricted Stock subject to the award: _____ shares (THE "AWARD")

(B) In the event that the Grantee's service with the Company or any Subsidiary (as defined in the Plan) ceases for any reason other than due to Retirement, Disability or death during the period of four (4) years from the date of this Agreement (the "Restriction Period"), all Restricted Stock constituting the Award as to which vesting has not occurred according to the schedule listed in paragraph 1(d) shall be forfeited.

(C) The Grantee agrees that the shares of the Restricted Stock constituting the Award shall be deposited with the Company during the Restriction Period, and the Grantee agrees to have executed a stock power in blank pertaining thereto, in the form set forth in Exhibit A attached hereto.

(D) The forfeiture restriction of Section 1(b) above shall lapse on the following dates as to the below listed percentage of Restricted Shares constituting the Award:

DATES1	NO. OF SHARES
__/__/0X+1	25% of the Award
__/__/0X+2	Additional 25% of the Award
__/__/0X+3	Additional 25% of the Award
__/__/0X+4	Final 25% of the Award1

(E) Subject to the provisions of paragraph 1(c), during the Restriction Period, the Grantee shall have the rights of a stockholder of the Company, including the right to vote the shares and to receive dividends.

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16. Upon termination of the Grantee's service with the Company during the Restriction Period, all shares of Restricted Stock as to which the restrictions have not lapsed shall be forfeited, PROVIDED, HOWEVER, that no shares of Restricted Stock shall be forfeited upon termination of service due to Grantee's Retirement (as defined in the Plan), Disability (as defined by the Plan) or death. In the event of the Grantee's Retirement, Disability or death, any remaining Restriction Period shall terminate for all Restricted Stock constituting the Award and the Company shall deliver such Restricted Stock to or for the benefit of Grantee free of the restrictions. In the event that the Grantee forfeits any shares of Restricted Stock, the Company shall reacquire such shares and shall pay to the Grantee an amount equal to the amount, if any, paid by the Grantee for such shares.

17. Upon lapse or relapse of the restrictions, the Grantee shall remit to the Company the amount of any federal, state or local taxes of any kind required by law to be withheld by the Company prior to delivery of the shares of Restricted Stock being released from the restrictions or may otherwise arrange to pay such taxes in accordance with the Plan. The Grantee is hereby advised that the acquisition, and lapsing of restrictions with respect to, the Restricted Stock may have adverse tax consequences to the Grantee which may be avoided or mitigated by filing an election under Section 83(b) of the Internal Revenue Code, as amended (the "Code"). Such election must be filed within thirty (30) days after the date of this Agreement. GRANTEE ACKNOWLEDGES THAT IT IS HIS OR HER OWN RESPONSIBILITY, AND NOT THE COMPANY'S, TO FILE A TIMELY ELECTION UNDER CODE SECTION 83(B), EVEN IF GRANTEE REQUESTS THE COMPANY TO MAKE THE FILING ON HIS OR HER BEHALF.

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1 To the extent that, on any of such dates, the trading of the Restricted Stock by Grantee either (i) would result in liability to the Grantee under Rule 10b-5 as promulgated under the Securities Exchange Act of 1934, as amended (THE "EXCHANGE ACT"), or (ii) would be prohibited under the Company's trading window policy designed to prevent violations of Rule 10b-5, then the lapse of the restriction to occur on such date shall be delayed until the first date on which the Grantee could trade the Restricted Stock without either incurring liability under Rule 10b-5 or violating the Company's insider trading window policy.

18. In the event of a Change in Control (as defined in the Plan) at the option of the Grantee, the Award shall become immediately released from all restrictions and a certificate or certificates representing the award shall be delivered to the Grantee.

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19. Grantee acknowledges that the Restricted Stock to be issued pursuant to this Agreement has not been registered under the Securities Act, and that such Restricted Stock is deemed to constitute "restricted securities" under Rule 701 and Rule 144 promulgated under the Securities Act. In this connection, Grantee warrants and represents to the Company that Grantee is holding such Restricted Stock for Grantee's own account and Grantee has no present intention of distributing or selling such Restricted Stock except as permitted under the Securities Act. Grantee further warrants and represents that Grantee has either (i) a preexisting personal or business relationship with the Company or any of its officers, directors or controlling persons, or (ii) the capacity to protect his or her own interests in connection with the receipt of the Restricted Stock by virtue of the business or financial expertise of any professional advisors to Grantee who are unaffiliated with and who are not compensated by the Company or any of its affiliates, directly or indirectly. Grantee further acknowledges that the exemption from registration under Rule 144 will not be available for at least two (2) years from the date of sale of the Restricted Stock, unless at least one (1) year from the date of sale (i) a public trading market then exists for the common stock of the Company, (ii) adequate information concerning the Company is then available to the public and (iii) other terms and conditions of Rule 144 are complied with; and that any sale of the Restricted Stock may be made only in limited amounts in accordance with such terms and conditions. The Grantee further acknowledges that exemption from registration under Rule 701 will not be available until ninety (90) days after the Company becomes subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act. After such date, the Restricted Stock may be resold by persons other than affiliates in reliance on Rule 144 without compliance with paragraphs (c), (d), (e) and (h) thereof, and by affiliates without compliance with paragraph (d) thereof.

20. All certificates representing the Restricted Stock shall have endorsed thereon the following legends:

(A) "The shares represented by this certificate are unvested and subject to forfeiture in accordance with the Restricted Stock Agreement between the Company and the registered holder, or the predecessor in interest, a copy of which is on file at the Company's principal office. Any transfer or attempted transfer of the shares represented by this certificate is void without the prior express written consent of the Company."

(B) "The securities represented by this certificate have not been registered under the Securities Act of 1933, as amended. They may not be sold or offered for sale or otherwise distributed unless the securities are registered under the Securities Act or an exemption therefrom is available."

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21. The Award shall be non-assignable and non-transferable, except by will or under the laws of descent and distribution. The Grantee shall not sell, assign or otherwise transfer the Restricted Stock as to which the restriction shall not have lapsed, other than by will or the laws of descent and distribution. Without in any way limiting the foregoing, the Grantee further agrees that the Grantee shall in no event make any disposition of all or any portion of the Restricted Stock constituting the Award unless and until:

(A) There is then in effect a registration statement under the Securities Act covering such proposed disposition and such disposition is made in accordance with said registration statement; or

(B) The Grantee shall have notified the Company of the proposed disposition and shall have furnished the Company with a detailed statement of the circumstances surrounding the proposed disposition and an opinion of its own counsel to the effect that such disposition will not require registration of the Restricted Stock under the Securities Act, and such opinion of its counsel shall have been concurred in by counsel for the Company, such concurrence not to be unreasonably withheld, and the Company shall have advised it of such concurrence.

22. The Grantee hereby acknowledges receipt of a copy of the Plan. The rights granted thereunder are governed by, and are subject in all respects to, the terms and conditions of the Plan and the rules and regulations promulgated pursuant to the Plan. In the event of any conflict between (a) this Agreement and (b) the Plan or any rules or regulations promulgated pursuant to the Plan, the terms of the Plan, together with its rules and regulations shall control.

23. The parties agree to execute such further instruments and to take such further action as may reasonably be necessary to carry out the intent of this Agreement.

24. Any notice required or permitted hereunder shall be given in writing and shall be deemed effectively given upon personal delivery or upon deposit in the United States Post Office, by registered or certified mail with postage and fees prepaid, addressed to the other party hereto at its address hereinafter shown below its signature or at such other address as such party may designate by ten (10) days' advance written notice to the other party hereto.

25. This Agreement shall be governed by the laws of the State of New Jersey without regard to principles of conflict of laws which would result in the application of the laws of another state.

26. This Agreement shall inure to the benefit of the successors and assigns of the Company and, subject to the restrictions on transfer herein set forth,

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shall be binding upon the Grantee, his or her heirs, executors, administrators, successors and assigns.

27. This Agreement does not constitute an employment contract nor shall be deemed to create in any way whatsoever any obligation on the Grantee's part to continue in the employ of the Company or any affiliate of the Company, or to limit the ability of the

Company or any Subsidiary (as defined in the Plan) to terminate Recipient's employment with the Company or affiliate of the Company at any time, for any reason or for no reason.

28. This Agreement, together with the Exhibits hereto, constitutes the entire, final and exclusive statement of the agreement of the parties with respect to the subject matter hereof.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

BEI MEDICAL SYSTEMS COMPANY, INC. GRANTEE

By: _____ _____

Name: _____ Address: _____

Title: _____ _____

EXHIBIT A
ASSIGNMENT SEPARATE FROM CERTIFICATE

FOR VALUE RECEIVED, _____, hereby sells, assigns and transfers unto BEI MEDICAL SYSTEMS COMPANY, INC. (the "Company") _____ (_____) shares of the common stock of the Company, standing in the undersigned's name on the books of said Company represented by Certificate No. _____ herewith and do hereby irrevocably constitute and appoint _____ Attorney to transfer the said stock on the books of the within named Company with full power of substitution in the premises.

Dated: _____, ____

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Signature

_____

11.

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EMPLOYMENT AGREEMENT

This EMPLOYMENT AGREEMENT is made and entered into this 7th day of October, 1999, between BEI MEDICAL SYSTEMS, INC., a Delaware corporation (hereinafter referred to as "BEI") and RICHARD W. TURNER (hereinafter referred to as "Turner").

RECITALS

A. Turner has been employed by BEI as President and Chief Executive Officer under the terms and conditions of a letter agreement between BEI and Turner dated January 24, 1999 ("the Letter Agreement.") A copy of the Letter Agreement is attached to and is incorporated herein. The Letter Agreement and this Employment Agreement collectively shall be referred to as " the Agreement."

B. Contemporaneously with the execution of this Agreement, BEI is selling substantially all of its assets to CooperSurgical Acquisition Corp. ("CooperSurgical.") As an essential element of that transaction, CooperSurgical has insisted that Turner sign a Non-Competition Agreement. In addition, after the closing of that transaction, BEI desires that Turner remain employed by BEI.

C. Turner has agreed to sign the Non-Competition Agreement with CooperSurgical and to accept employment with BEI following the transaction under the terms and conditions of this Agreement.

D. The Board of Directors of BEI considers it essential to the best interests of BEI that Turner continue his employment with BEI. In order to induce Turner to accept employment and/or continued employment with BEI, BEI desires to enter into this Agreement with Turner.

NOW, THEREFORE, in consideration of the foregoing Recitals, which form an integral part of this Agreement, and of the mutual covenants, terms and conditions set forth in this Agreement, and for other good and valuable consideration, BEI and Turner agree as follows:

1. EMPLOYMENT

1.1. BEI employs Turner, and Turner accepts employment with BEI, under the terms and conditions of this Agreement. BEI hereby re-affirms the terms and conditions of the Letter Agreement as if set forth in full in this Agreement. In the event

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of any conflict between the terms of the Employment Agreement and the Letter Agreement, the terms of the Employment Agreement first shall control.

2. MODIFICATIONS TO THE LETTER AGREEMENT

2.1. BEI agrees to pay Turner the single lump sum of $80,000.00 upon the closing of the transaction between BEI and CooperSurgical described in Recital B above, and the parties agree that this payment shall fully satisfy any obligations BEI may have to Turner (a) under paragraph 2 of the Letter Agreement, with respect to any such bonus for 1999 only, and (b) under paragraph 4 of the Letter Agreement, at any time.

2.2. In addition to the terms of paragraph 6 of the Letter Agreement, BEI agrees to reimburse Turner for all travel, living and related expenses arising from or reasonably related to (a) his normal commutation to the offices of BEI, wherever located, and (b) any litigation, arbitration or other legal proceedings involving Turner, BEI, CooperSurgical, or any other person or entity, with respect to the business of BEI or Turner's employment by BEI; provided, however, that BEI shall not reimburse Turner for any such expenses if BEI and Turner are opposed to one another in any such proceeding.

2.3. Paragraph 8 of the Letter Agreement is modified to read as follows: The term of this Agreement shall be for a term equal to the time Turner is subject to any restriction contained in the Non-Competition Agreement with CooperSurgical, and thereafter until terminated. Therefore, Turner shall be entitled to full salary and all other benefits under this Agreement for a minimum period equal to the time he is subject to any restriction contained in the Non-Competition Agreement with CooperSurgical, and for such additional periods beyond the expiration of the last of the restrictions under that Non-Competition Agreement as he may remain employed by BEI or any "Successor," defined for the purposes of this Agreement as any person or entity that succeeds to all or substantially all of the business and/or assets and/or shares and/or voting control of BEI, whether by purchase, merger, change of control, sale of assets, consolidation or otherwise, and for such additional periods as provided in this Agreement. In the event Turner leaves the employ of BEI before the end of the term of the last to expire of the restrictions under the Non-Competition Agreement, he shall receive from BEI and/or from any Successor, and BEI and/or any Successor shall be obligated to pay Turner, at a minimum the same salary and benefits as provided in this Agreement for the remaining term of the last to expire of the restrictions under the Non-Competition Agreement. However, if Turner leaves the employ of BEI before the end of the term of the last to expire of the restrictions under the Non-Competition Agreement and finds other employment, BEI's obligations to pay salary and bonus shall be reduced by the salary and bonus Turner receives from such other employment.

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2.4. Paragraph 9 of the Letter Agreement is modified as follows:

(a) The preamble of Paragraph 9 is amended to read: If BEI is sold or undergoes any other change of control by January 31, 2001 (or such other extended date to which the parties may later agree in writing), or if Turner is terminated for any reason before BEI is sold or undergoes any other change of control, or if BEI is not sold or does not undergo any other change of control by January 31, 2001 (or such other extended date to which the parties may later agree in writing), you shall have the option of departing BEI with the following package:

(b) Paragraph 9(A) is amended to read as follows: Payment of salary until the last to expire of the restrictions under the Non-Competition Agreement.

(c) Paragraph 9(B) is amended by adding at the end thereof the following: Payment shall be made within thirty (30) days after the date of Turner's invoice or other request for payment.

(d) Without limiting the provisions of paragraph 3.2 below, paragraph 9(E) is amended by adding at the end thereof the following: Such coverage shall continue in effect until the last to expire of the restrictions under the Non-Competition Agreement. If for any reason such coverage is cancelled or unavailable to BEI or its Successor, then BEI and its Successor shall reimburse Turner for the full costs and all expenses in connection with Turner's procurement of substitute coverage in equivalent amounts.

(e) Paragraph 9(G) is amended to read as follows: BEI may not terminate Turner's employment without cause during the period in which he is subject to any restriction in the Non-Competition Agreement

(f) Paragraph 9(H) is amended by adding at the end thereof the following: ", or upon the termination of Turner's employment."

2.5. It is acknowledged that the parties disagree as to whether the sale of assets by BEI to CooperSurgical described in Recital B above constitutes a sale of BEI pursuant to paragraph 9 of the Letter Agreement. Notwithstanding this, so long as BEI remains in compliance with this Agreement Turner agrees not to assert any rights he may have under paragraph 9 with respect to such transaction.

2.6 Paragraph 10 of the Letter Agreement is deleted.

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3. ADDITIONAL TERMS AND CONDITIONS

3.1. Indemnification.

(a) Definitions. As used in this Agreement:

(1) The Term "Proceeding" shall include all threatened, pending or completed actions, suits or proceedings, whether brought by or against BEI or Turner and whether of a civil, criminal, administrative or investigative nature with respect to the business of BEI or Turner's employment by BEI. Without limiting the foregoing, "Proceeding" also includes (i) actions, suits or proceedings brought under and/or predicated upon the Securities Act of 1933, as amended, and/or the Securities Exchange Act of 1934, as amended, and/or their respective state counterparts and/or any rule or regulation promulgated thereunder, in which Turner may be or may have been involved as a party or otherwise by reason of the fact that Turner is or was a director and/or officer of BEI, by reason of any action taken by him or of any inaction on his part while acting as such director and/or officer or by reason of the fact that he is or was serving at the request of BEI as a director, officer, employee or agent of or advisor to another company, partnership, joint venture, trust or other enterprise, whether or not he is serving in such capacity at the time any liability or expense is incurred for which indemnification or reimbursement can be provided under this Agreement, and (ii) actions, claims, suits or proceedings brought under or pursuant to the Non-Competition Agreement with CooperSurgical.

(2) The term "Expenses" includes, without limitation, all monetary obligations, costs, and expenses arising from, related to, or connected with any Proceedings, including, without limitation, all liabilities, judgments, settlements, injunctions, bonds, fines, penalties, investigations, judicial or administrative proceedings or appeals, attorneys' fees and disbursements, and any costs of establishing a right to indemnification under this Agreement.

(b) Indemnity. BEI shall indemnify Turner and shall hold him harmless from and against all Proceedings and all Expenses and actually and reasonably incurred by Turner in connection with the defense, settlement, or other resolution of any Proceeding. PROVIDED, HOWEVER, that if Turner is not employed by BEI at the time any Expense is incurred, and if Turner is employed elsewhere and eligible for indemnification by his new employer for Expenses arising from or related to Proceedings, then Turner agrees to resort first to such new employer for reimbursement, defense, and indemnification, and BEI shall be responsible for any portion of Expenses not reimbursed by Turner's new employer.

(c) Advances of Expenses. While Turner is employed by BEI, or if Turner is employed elsewhere and not eligible for indemnification for

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Expenses arising from Proceedings, then all Expenses shall be paid by BEI in advance and on or prior to the date when payment of such Expenses is due. If Turner is not employed by BEI at the time Expenses are incurred and is eligible for indemnification for Expenses arising from Proceedings, then BEI agrees to pay its portion, if any, arising under paragraph 3.1(b) within thirty days after receiving a request for payment from Turner.

(d) Indemnification Hereunder Not Exclusive. The indemnification provided by this Agreement shall not be deemed exclusive of any other rights to which Turner may be entitled under the Certificate of Incorporation, the Bylaws, any agreement, any vote of stockholders or disinterested directors, the General Corporation Law of the BEI's state of incorporation, or otherwise.

3.2. BEI and its Successors agree that for the period of Turner's employment hereunder, and for and additional period of three (3) full calendar years thereafter, BEI shall maintain in effect for Turner all Director and Officers Liability insurance coverage in effect for other officers and directors of BEI.

4. MISCELLANEOUS

4.1. Successors; Binding Agreement. BEI will require any Successor, by agreement in form and substance satisfactory to Turner, to expressly assume and agree to perform this Agreement in the same manner and to the same extent that BEI would be required to perform it if no such succession had taken place. Failure of BEI to obtain such agreement before the effectiveness of any such succession shall be a breach of this Agreement and shall entitle Turner to compensation from BEI and its Successors in the same amount and on the same terms as Turner would be entitled hereunder if his employment terminated under this Agreement, except that for purposes of implementing the foregoing, the date on which any such succession becomes effective shall be deemed the date of termination. This Agreement shall inure to the benefit of and shall be enforceable by Turner's personal or legal representatives, executors, administrators, Successors, heirs, distributes, devisees and legatees. If Turner should die or become disabled while any amounts would still be payable to him hereunder if he had continued to live, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to Turner's devisees, legatee or other designee or, if there be no such designee, to his estate.

4.2. Notices. All notices and other communications required or permitted to be given under this Agreement shall be in writing and shall be deemed to have been given if delivered personally or sent by certified express mail, return receipt requested, postage prepaid, to the parties to this Agreement at the following addresses or

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to such other address as either party to this Agreement shall specify by notice to the other:

If to BEI:

BEI Medical Systems, Inc,
One Post Street
Suite 2500
San Francisco, CA 94104
Attention: Charles Crocker, Chairman

With copies to:

Christopher Westover, Esq.
Cooley Godward LLP
One Maritime Plaza
20th Floor
San Francisco, CA 94111-3580

-- and --

Joseph J. Fleischman, Esq.
Norris McLaughlin & Marcus
721 Route 202-206
PO Box 1018
Somerville, NJ 08876-1018

if to Turner:

Richard W. Turner
9 Nomas Lane
Richmond. VA 23233

With copies to:

William J. Heller, Esq.
McCarter & English LLP
Four Gateway Center
100 Mulberry Street
Newark, NJ 07102

4.3. Governing Law. This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of New Jersey applicable to agreements made and to be performed within New Jersey, without regard to the principles of conflict of laws.

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4.4. Resolution of Conflict. Any and all disputes, claims and controversies between the parties hereto concerning the validity, interpretation, performance, termination or breach of this Agreement, which cannot be resolved by the parties within sixty (60) days after such dispute, claim or controversy arises shall, at the option of either party, be referred to and finally settled by arbitration. Such arbitration shall be initiated by the initiating party giving notice (the "Arbitration Notice") to the other party (the "Respondent") that it intends to submit such dispute, claim or controversy to arbitration. The arbitration shall be conducted by a single arbitrator according to the rules of the American Arbitration Association as in effect on the date the notice of submission to arbitration is given (the "Rules"). The arbitrator shall be selected by mutual agreement between the parties, or, in the absence of such agreement, pursuant to the Rules. Such arbitration shall be held in New Jersey in accordance with the Rules except as otherwise expressly provided herein. The arbitrator shall render a written decision stating reasons therefor in reasonable detail within three (3) months after the appointment of the arbitrator. Each party shall bear its own costs and attorneys fees. All other costs and expenses of arbitration shall be apportioned between the parties. The award of the arbitrator shall be made in United States currency and shall be final and binding, and judgment thereon may be rendered by any court having jurisdiction thereof, or application may be made to such court for the judicial acceptance of the award and an order of enforcement as the case may be.

4.5. Entire Agreement. This Agreement and its attachments sets forth the entire agreement and understanding of the parties relating to the subject matter hereof, and from and after the date hereof supersedes all prior agreements, arrangements and understandings, written or oral, relating to the subject matter hereof; provided, however, that the benefits conferred under this Agreement are in addition to, and not in lieu of, any and all benefits conferred under plans and arrangements currently in effect for Turner.

4.6. Assignment. This Agreement is binding upon and shall insure to the benefit of the BEI and Turner and his Successors, heirs, estate and personal representatives.

4.7. Modification; Waiver. This Agreement may be amended, modified, superseded, canceled, renewed or extended, and the terms or covenants hereof may be waived, only by a written instrument executed by both of the parties hereto or in the case of a waiver, by the party waiving compliance.

4.8. Authorization. BEI warrants and represents that the execution of this Agreement has been duly authorized by the Board of Directors of BEI, and is binding on BEI, and all permitted Successors and assigns.

4.9. Surviving Terms. The terms and conditions of this Agreement which are required to survive in order to give effect to the letter

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and intent of this Agreement shall survive termination of this Agreement or Turner's employment with BEI.

4.10. Choice of Counsel. At all times Turner shall be entitled to the attorneys of his choice to represent his personal or other interests, and wherever this Agreement, or any other agreement or corporate document entitles Turner to the reimbursement of expenses, Turner also shall be entitled to reimbursement of his personal attorneys' fee and costs.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the date first set forth above.

BEI MEDICAL SYSTEMS, INC.	RICHARD W. TURNER
By: /s/Charles Crocker	/s/Richard W. Turner
Charles Crocker	Richard W. Turner
Chairman of the Board	
Date:	Date:

April 19, 2002

Richard W. Turner
President
BEI Medical Systems Company Inc.
100 Hollister Road
Teterboro, NJ 07608

Dear Dick:

This letter agreement is to confirm that the Board of Directors of BEI Medical Systems, Inc. (the "Company") has approved a modification to your letter agreement dated January 24, 1999 ("Letter Agreement") and your employment agreement dated October 7, 1999 (collectively with the Letter Agreement, the "Agreement"). Copies of the Letter Agreement and the Employment Agreement are attached.

The Agreement is modified as follows:

The current term of your employment with the Company expires December 8, 2002. Thereafter, your employment with the Company shall continue on an at-will basis,

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unless you and the Company agree to a new term of employment or until your employment is terminated by either you or the Company, PROVIDED, HOWEVER, that in the event you wish to terminate your employment with the Company, you have agreed to give the Company 60 days written notice of the termination. You and the Company will negotiate in good faith the terms of any continued employment after December 8, 2002. Upon the termination of your employment with the Company, regardless of when the termination occurs and whether it is voluntary or involuntary, with or without cause, the Company will pay you, in addition to all accrued salary and benefits earned through your last day of employment, your compensation and medical benefit (subject to meeting all eligibility criteria for such benefit), at the levels set forth in Paragraphs 1 and 6 of the Letter Agreement and as in effect as of the date of your termination, net of applicable withholding and deductions, for a period of twelve months following your last day of employment, payable on the Company's regular payroll dates commencing with the first payday after your last day of employment. You have agreed to work with the Company, upon the Company's request, to the extent possible in the transition to new executive management.

This letter agreement has been authorized by the Board of Directors of BEI Medical Systems, Inc and is binding on both parties as of the date of this letter. In all other respects, the Agreement remains unchanged. In the event of a conflict between the Agreement and this letter agreement, this letter agreement shall control.

BEI MEDICAL SYSTEMS, INC.

By: /s/ Charles Crocker

Charles, Crocker, Chairman of the Board

ACKNOWLEDGE AND AGREED:

/s/ Richard W. Turner 4/19/2002

RICHARD W. TURNER

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AMENDMENT TO RIGHTS AGREEMENT

THIS AMENDMENT TO THE RIGHTS AGREEMENT (the "Amendment") is entered into as of the 30th day of August, 2001, by and between BEI MEDICAL SYSTEMS COMPANY, INC. (f/k/a BEI Electronics, Inc.), a Delaware corporation (the "Company") and the MELLON INVESTOR SERVICES, LLC (f/k/a ChaseMellon Shareholder Services, L.L.C.) (the "Rights Agent"), parties to that certain Rights Agreement, entered into as of June 30, 1997 (the "Agreement"). Capitalized terms used in this Amendment and not otherwise defined herein shall have the meanings given them in the Agreement.

WHEREAS, Section 27 of the Agreement provides that the Company and the Rights Agent shall, if the Company so directs, supplement or amend any provision of the Agreement without the approval of any holders of the Rights, any such supplement or amendment to be evidenced by a writing signed by the Company and the Rights Agent;

WHEREAS, the Company desires to amend the Agreement to add Brookside Capital Partners Fund, L.P. to the definition of "Excluded Person," and the Company's Board of Directors has approved such amendment;

WHEREAS, pursuant to Section 27 of the Agreement, the Company has delivered to the Rights Agent a certificate signed by the Chief Executive Officer of the Company certifying that the proposed amendment of the Agreement is in compliance with the terms of Section 27 of the Agreement;

NOW, THEREFORE, in consideration of the promises and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties mutually agree:

1. AMENDMENT. Section 1(h) of the Agreement is amended in its entirety to read as follows:

> (H) "EXCLUDED PERSON" shall mean (1) Charles Crocker so long as he beneficially owns 30% or less of the outstanding Common Shares or (2) Brookside Capital Partners Fund, L.P. so long as it beneficially owns 30% or less of the outstanding Common Shares; provided, however, that Charles Crocker shall not be an Excluded Person if he beneficially owns more than 30% of the outstanding Common Shares without the prior approval of the Board of Directors of the Company.

2. MISCELLANEOUS

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(A) GOVERNING LAW. This Amendment shall be deemed to be a contract made under the laws of the State of Delaware and for all purposes shall be governed by and construed in accordance with the laws of such State applicable to contracts to be made and performed entirely within such State.

(B) COUNTERPARTS. This Amendment may be executed in several counterparts, each of which shall constitute an original and all of which, when taken together, shall constitute one agreement.

(C) TITLES AND SUBTITLES. The titles and subtitles used in this Amendment are for convenience only and are not to be considered in construing or interpreting this Amendment.

The foregoing AMENDMENT TO THE RIGHTS AGREEMENT is hereby executed and consented to as of the date first above written.

COMPANY:	RIGHTS AGENT:
BEI MEDICAL SYSTEMS COMPANY, INC.	MELLON INVESTOR SERVICES, LLC
By: /a/ R.W. Turner	By: /s/ Nathan Hill
Name: R.W. Turner	Name: Nathan Hill
Title: President & CEO	Its: Assistant Vice President

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DESCRIPTION OF TRANSACTION BONUS PLAN

Upon the completion of an approved commercial transaction involving BEI Medical System Company, Inc.'s HTA(R) technology, the following officers of the Company will receive the following bonus amounts, payable immediately following the close of such transaction:

<TABLE>
<CAPTION>

Name and Title	Bonus Amount
<S>	<C>
Richard W. Turner President and Chief Executive Officer	$100,000
Thomas W. Fry Vice President, Finance and Administration, Treasurer and Secretary	$50,000
Samuel Dickstein Vice President, New Business Development and Technology	$40,000

</TABLE>

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DESCRIPTION OF MANAGEMENT INCENTIVE BONUS PLAN

BEI Medical System Company, Inc. has a Management Incentive Bonus Plan under which members of its management are eligible to receive cash bonuses at the end of each fiscal year. The award is based on the achievement of specific operating result goals established at the beginning of such fiscal year in conjunction with the Company's Compensation Committee determination of management's compensation. The individual operating result goals are determined by the Company's senior management in consultation with the Board of Directors. A specific cash bonus paid pursuant to the Management Incentive Bonus Plan may range from 5% to 50% of the base salary of an individual member of the Company's management.

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EXHIBIT 21.1

Subsidiaries of the Registrant

BEI Medical Systems Operating Company, a New Jersey Corporation

BEI Medical Systems International, Inc., a Delaware Corporation.

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